Imperial Metals

Imperial Metals Corporation 2014 Annual Report

2014 SNAPSHOT

Net loss $37.3 million

Income from operations $40.2 million

Commenced commissioning of mill at Red Chris mine

Mount Polley mine operations suspended due to breach of tailings embankment

Huckleberry mine endures brief shutdown in production

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President's Message

2014 was an eventful and challenging year for Imperial. The commencement of operations at our Red Chris mine is the culmination of the significant effort Imperial has put into this project over eight years since it was acquired. The Northwest Transmission Line (NTL) and the Iskut extension, completed in late October 2014, were key components to the development of the Red Chris mine. The NTL now provides clean grid power to the northwest quadrant of British Columbia, providing a catalyst to further economic development in this region.

For the financial year ended 2014, Imperial had a net loss of \$37.3 million compared to net income of \$41.0 million in 2013. Income from operations was \$40.2 million, down from \$64.3 million in 2013. Our operating and financial performance was significantly affected by the breach of the tailings embankment at Mount Polley mine on August 4, 2014.

Mount Polley production to August 4 when operations were suspended was 24.5 million pounds copper, 25.9 thousand ounces gold and 74.7 thousand ounces silver. Copper production was enhanced by an increased portion of the mill feed being provided by higher grade underground operations. A total of 83,000 tonnes grading 1.696% copper and 0.994 grams per tonne gold was supplied in 2014.

Since August 4 the employees at Mount Polley have focused on stabilization of the site, followed by rehabilitation and restoration work to mitigate the impacts of the breach on the environment. This site stabilization work proceeded immediately with construction of an upstream berm to secure tailings, reduction of the water level in Polly Lake, and recovery of the woody debris deposited into Quesnel Lake. The rehabilitation and restoration work has included the repair of the tailings dam embankment to enable spring run-off to be stored, construction of sedimentation ponds at lower Hazeltine Creek, excavation and placement of rock and gravels to re-establish Hazeltine Creek channel, and construction of an outlet structure at Polley Lake.

At the Huckleberry mine, copper production was 34.0 million pounds, down from 41.2 million pounds in 2013. The production was impacted by the SAG mill bull gear failure in February. The mill was restarted with a temporary repair in April, and operated until December when a new bull gear was installed. Following the repair, the mill has been operating well.

At Red Chris, grid power was delivered to the site in November and commissioning of the mill commenced immediately thereafter. In early February the primary grinding circuit was operated, and the first copper concentrate from Red Chris

The commencement of operations at our Red Chris mine is the culmination of the significant effort Imperial has put into this project over eight years.

was produced on February 17. The first truckloads of copper concentrate were delivered to the concentrate storage shed in Stewart on February 27.

Our relationships with local communities are vital to all our operations. We strive to keep communities informed and to work together to promote economic development and employment training opportunities for these local communities. The Tahltan Nation has been important to the development of Red Chris, and we will continue to build our relationship over the life of the mine. At Red Chris over 30% of our operating work force are First Nation members. Our close relationship with the Tahltan made it possible to recruit this high level of First Nations employment at the mine. At Mount Polley, long time relationships with the Xat'sull and Williams Lake First Nations and the local community have been strained by the breach but we are committed to working together to mitigate the effects of the breach and to develop a safe and sustainable plan to reopen the Mount Polley mine.

On behalf of the Board of Directors, I convey our gratitude to all our employees and our many stakeholders for their resolute and steadfast support through what has been a very arduous year. With this support, we have successfully completed the construction of the new Red Chris mine, and dealt effectively with the impact of the tailings breach at Mount Polley. I would like to give special thanks to the crews working at Mount Polley, who safely, efficiently and promptly stabilized the site immediately following the breach, and who continue to work on the rehabilitation and restoration of the site.

J. Brian Kynoch
President

We are committed to working together to mitigate the effects of the breach, and to develop a safe and sustainable plan to reopen the Mount Polley mine.

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation ("Imperial", the "Company", "we", "us" or "our") should be read with the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2014. The Consolidated Financial Statements and comparative information are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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, 2014, and plans for the future based on facts and circumstances as of March 30 , 2015. Except for statements of historical fact relating to the Company, including our 50% interest in Huckleberry, certain information contained herein constitutes forward-looking information which are prospective in nature and reflect the current views and/or expectations of Imperial. Often, but not always, forward-looking information can be identified by the use of statements such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this MD&A includes, without limitation, statements regarding: mine plans; costs and timing of current and proposed exploration and development; production and marketing; capital expenditures; future expenses relating to ongoing recovery, remediation, rehabilitation and restoration activities at the Mount Polley mine; use of proceeds from financings; expectations relating to the construction, commissioning and operation of the Red Chris mine; adequacy of funds for projects and liabilities; expectations relating to the receipt of insurance proceeds; outcome and impact of litigation; cash flow; working capital requirements; expectations relating to the requirement for additional capital; expectations relating to results of operations, revenue, margins and earnings; future prices of copper and gold; future foreign currency exchange rates; future accounting changes; and future prices for marketable securities.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which Imperial operates, including assumptions that: Imperial will be able to advance and complete recovery, remediation, rehabilitation and restoration activities within expected timeframes; that there will be no significant delay or other material impact on the expected timeframes for completion of remediation and restoration of the Mount Polley mine and the recommencement of operations at the mine; that Imperial's initial recovery activities will be successful as planned; that all required permits, approvals and arrangements to proceed with planned remediation and restoration will be obtained in a timely manner; that there will be no interruptions that will materially delay Imperial's progress with its remediation plans; that Imperial will have access to capital if required; that there will be no material delay in the construction and commissioning of the Red Chris mine; that insurance proceeds will be available to contribute materially to the remediation at the Mount Polley mine; that equipment will operate as expected; that the Company's use of derivative instruments will enable to Company to achieve expected pricing protection; that there will be no material adverse change in the market price of commodities and exchange rates; and that the Red Chris mine will be constructed, commissioned and operated materially in accordance with current budgeted capital expenditures and will achieve expected production outcomes (including with respect to mined grades and mill recoveries). Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. We can give no assurance that the forward-looking information will prove to be accurate.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause Imperial's actual results, revenues, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements constituting forward-looking information.

Important risks that could cause Imperial's actual results, revenues, performance or achievements to differ materially from Imperial's expectations include, among other things: uncertainty regarding the outcome of sample testing and analysis being conducted on the area affected by the tailings dam breach; risks relating to the timely receipt of necessary approvals and consents to proceed with the remediation plan; risks relating to timing of the remaining costs and liabilities relating to the tailings dam breach; uncertainty as to actual timing of completion of recovery, remediation and restoration activities and the recommencement of commercial operations at the Mount Polley mine; risks relating to the impact of the tailings dam breach on Imperial's reputation; the quantum of claims, fines and penalties that become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risk of costs arising from any unforeseen longer-term environmental consequences of the tailings dam breach at Mount Polley mine; risks that additional financing that

may be required may not be available to Imperial on terms acceptable to Imperial or at all; risks of protesting activity and other civil disobedience restricting access to the Company's properties; failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation, unavailability of materials and equipment, labour unrest, power shortages, natural phenomena such as weather conditions negatively impacting the progress of remediation or the construction, commissioning or operation of the Red Chris mine; inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources); and other hazards and risks disclosed within this MD&A for the year ended December 31, 2014 and in Imperial's Annual Information Form for the year ended December 31, 2014 and other public filings which are available on Imperial's profile on SEDAR at www.sedar.com. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Imperial does not undertake to update any forward looking information, except in accordance with applicable securities laws.

Significant Events and Liquidity

The Company's audited 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 August 4, 2014 tailings dam breach at the Mount Polley mine has resulted in the loss of production from the mine, the primary source of cash flow for the Company, for an indeterminate period of time. For the year ended December 31, 2014 the Company incurred $41.4 million for response and recovery costs, as well as initial rehabilitation and restoration costs. In addition, the Company recorded a $26.0 million provision for expected remediation and restoration costs to be incurred in the future, primarily within the next twelve months. The total amount of $67.4 million was charged to expense in the year ended December 31, 2014 in respect of the tailings dam breach. Insurance recoveries of $14.0 million were received during the year ended December 31, 2014 to offset a portion of these costs. Income and mining tax recoveries have also been recorded in connection with these costs. The provision for remediation contains significant estimates and judgments about the scope, timing and cost of the work that will be required. It is based on assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company.

At December 31, 2014, the Company had cash of $19.9 million and a working capital deficiency of $55.4 million. In January 2015 the Company entered into a $50.0 million revolving second lien secured credit facility to provide additional liquidity for commissioning of the Red Chris mine as well as for the ongoing rehabilitation and restoration costs at the Mount Polley mine.

The projected cash flow from the Red Chris mine together with anticipated insurance proceeds as well as the available credit facilities are expected to fund the remaining estimated remediation cost of the tailings dam breach at the Mount Polley mine. However, there are inherent risks associated with the startup of the Red Chris mine and production from the mine after startup as well as uncertainties related to the scope, timing and cost of the rehabilitation and restoration at the Mount Polley mine.

Changes in Accounting Standards

Accounting Standards Issued and Effective January 1, 2014

The Company has adopted IFRIC 21 - Levies effective January 1, 2014. The adoption of this accounting standard had no significant impact on the audited Consolidated Financial Statements.

Overview

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 $130.9 million in 2014 compared to $187.8 million in 2013. 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 the copper price will settle at a future date. The decrease in revenue in 2014 over 2013 is due to a lower quantity of concentrate sold from the Mount Polley mine as a result of the tailings dam breach on August 4, 2014 when operations were suspended. There were six concentrate shipments in 2014 compared to eight shipments in 2013.

The London Metals Exchange cash settlement copper price per pound averaged US$3.11 in 2014 compared to US$3.32 in 2013. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,266 in 2014 compared to US$1,411 in 2013. The US Dollar strengthened by 7.3% compared to the CDN Dollar in 2014 over 2013. In CDN Dollar terms the average copper price in 2014 was CDN$3.44 per pound compared to CDN$3.42 per pound in 2013 and the average gold price in 2014 was CDN$1,399 per ounce compared to CDN$1,453 per ounce in 2013.

Revenue in 2014 was decreased by a $2.5 million negative revenue revaluation compared to a negative revenue revaluation of $7.1 million in 2013. 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.

Income from mine operations decreased to $40.2 million from $64.3 million in 2013 as a result of the suspension of the Mount Polley mine operations.

The net loss for 2014 was $37.3 million ($0.50 per share) compared to net income of $41.0 million ($0.55 per share) in 2013. The variation in net income in 2014 compared to the 2013 is largely attributable to the reduction in metals production and remediation costs related to the Mount Polley tailings dam breach.

In addition to variances in revenues and income from mine operations described above, variations in net income period over period are also impacted by movements in foreign exchange and realized and unrealized gains and losses on derivative instruments and taxes.

The 2014 net loss included foreign exchange losses related to changes in CDN/US Dollar exchange rates of $20.5 million compared to foreign exchange losses of $2.5 million in 2013. The $20.5 million foreign exchange loss is comprised of a $15.4 million loss on the senior notes, a $3.6 million loss on long term equipment loans, and a loss of $1.5 million on operational items. The average CDN/US Dollar exchange rate in 2014 was 1.105 compared to an average of 1.030 in 2013.

In 2014 the Company recorded net gains on derivative instruments of $5.7 million compared to net gains of $1.6 million in 2013. In 2014 the Company recorded a gain of $3.5 million on the foreign currency swap due to an increase in the CDN/US Dollar exchange rate compared to the exchange rate at inception of the swap. The decrease in the copper and gold price compared to the price in the derivative contracts resulted in a gain of $2.2 million, primarily unrealized, for copper and gold derivative instruments in 2014 compared to a $1.6 million unrealized gain in 2013.

The Company recorded $0.6 million as its equity share of Huckleberry's net income during 2014 compared to $8.3 million in 2013. The lower net income was primarily attributable to a combination of lower sales volumes, lower metal prices and idle mine costs attributable to the temporary shutdown related to the SAG mill bull gear repair and replacement which resulted in the loss of about two months production during 2014.

The Company incurred a pre-tax loss of $43.7 million in 2014 which resulted in a $6.4 million recovery of income and mining taxes compared to a $22.8 million expense in 2013 when the Company had pre-tax income of $63.8 million.

Cash flow was negative $6.8 million in 2014 compared to positive cash flow of $78.2 million in 2013. 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, 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, inclusive of capitalized interest, were $405.1 million in 2014, up from $397.2 million in 2013. The expenditures in 2014 were financed by cash flow from the Mount Polley mine during the period it was operating and from long term debt. At December 31, 2014 the Company had $19.9 million in cash (December 31, 2013-$3.1 million). The Company had no short term debt at December 31, 2014 (December 31, 2013-$132.4 million) as this was all repaid from the long term financing arrangements for the Red Chris project completed in March 2014. Refer to Note 10 of the December 31, 2014 consolidated financial statements for details of the Company's long term financings.

Selected Annual Financial Information

	Years Ended December 31		
[expressed in thousands, except share amounts]	2014	2013	2012
Total Revenues	$ 130,909	$ 187,805	$ 199,373
Net (Loss) Income	$ (37,285)	$ 40,954	$ 32,626
Net (Loss) Income per share	$ (0.50)	$ 0.55	$ 0.44
Diluted (Loss) Income per share	$ (0.50)	$ 0.54	$ 0.43
Adjusted Net Income (1)	$ 10,844	$ 40,051	$ 36,807
Adjusted Net Income per share (1)	$ 0.15	$ 0.54	$ 0.50
Adjusted EBITDA (1)	$ 48,434	$ 86,600	$ 72,585
Working Capital Deficiency (2)	$ 55,470	$ 162,758	$ 74,438
Total Assets	$ 1,338,357	$ 975,451	$ 600,348
Total Long Term Debt (including current portion)	$ 706,847	$ 244,382	$ 8,341
Cash dividends declared per common share	$ 0.00	$ 0.00	$ 0.00
Cash Flow (1)	$ (6,782)	$ 78,213	$ 66,646
Cash Flow per share (1)	$ (0.09)	$ 1.05	$ 0.90

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

(2) Defined as current assets less current liabilities.

Non-IFRS Financial Measures

The Company reports four non-IFRS financial measures: Adjusted net income, Adjusted EBITDA, cash flow and cash cost per pound of copper produced which are described in detail below. The Company believes these measures are useful to investors because they are included in the measures that are used by management in assessing the financial performance of the Company.

Adjusted net income, Adjusted EBITDA and cash flow are not generally accepted earnings measures and should not be considered as an alternative to net income (loss) and cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, these measures may not be directly comparable to similarly titled measures used by other companies. Reconciliations are provided below.

Adjusted Net Income

Adjusted net income in 2014 was $10.8 million ($0.15 per share) compared to $40.1 million ($0.54 per share) in 2013. Adjusted net income shows the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net income is calculated by removing the gains or losses, net of related income taxes, resulting from mark to market revaluation of derivative instruments not related to the current period, net of taxes, unrealized foreign exchange gains or losses on non-current debt, net of tax, and Mount Polley tailings dam remediation costs, net of tax, as further detailed below.

Calculation of Adjusted Net Income

[expressed in thousands, except share amounts]		Years Ended December 31 2014		2013
Net (Loss) Income Reported	$	(37,285)	$	40,954
Unrealized gain on derivative instruments, net of tax [(a)]		(5,288)		(903)
Unrealized foreign exchange loss on non-current debt, net of tax [(b)]		18,808		-
Remediation costs, net of insurance recoveries and tax [(c)]		34,609		-
Adjusted Net Income	$	10,844	$	40,051
Adjusted Net Income Per Share	$	0.15	$	0.54

(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, gold and foreign currency hedged.

(b) Non-current debt is recorded on the Company's Statement of Financial Position at the foreign exchange rate in effect on that date, with changes in foreign exchange rates, net of taxes, flowing through net income. The amounts of non-current debt ultimately payable may be materially different than reflected in the financial statements due to foreign currency movements. Tax recoveries on unrealized capital losses are recorded only to the extent that they are expected to be realized by offset against available capital gains.

(c) Remediation costs related to the Mount Polley tailings dam breach, net of tax, have been excluded as these costs are non-recurring.

Adjusted EBITDA

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

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

Adjusted EBITDA is not a measurement of operating performance or liquidity under IFRS and should not be considered as a substitute for earnings from operations, net income or cash generated by operating activities computed in accordance with IFRS. Adjusted EBITDA has limitations as an analytical tool and therefore Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

A reconciliation of net (loss) income to Adjusted EBITDA is as follows:

Adjusted EBITDA

[expressed in thousands]		Years Ended December 31 2014		2013		2012
Net (Loss) Income [(a)]	$	(37,285)	$	40,954	$	32,626
Adjustments:						
Income and mining tax (recovery) expense		(6,383)		22,803		18,540
Interest expense		1,974		515		667
Depletion and depreciation		19,283		18,912		15,600
Accretion of future site reclamation provisions		662		307		292
Unrealized (gains) losses on derivative instruments		(5,798)		(1,475)		2,377
Share based compensation		746		1,679		2,945
Foreign exchange losses		20,461		2,472		455
Revaluation losses (gains) on marketable securities		742		497		(209)
Losses (gains) on sale of mineral properties		597		(64)		(708)
Remediation costs, net of insurance recoveries		53,435		-		-
Adjusted EBITDA [(a)]	$	48,434	$	86,600	$	72,585

(a) Net income and Adjusted EBITDA includes our 50% portion of the net income from Huckleberry in accordance with IFRS11. However, we are not able to control the timing and amount, if any, of cash distributions that Huckleberry may make to Imperial.

Cash Flow and Cash Flow Per Share

Cash flow and cash flow per share are measures used by the Company to evaluate its performance however they are not terms recognized under IFRS. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances, income and mining taxes, and interest paid and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the year.

The calculation of cash flow and cash flow per share is as follows:

	Years Ended December 31	
[expressed in thousands, except per share amounts]	2014	2013
(Loss) Income Before Taxes	$ (43,668)	$ 63,757
Items not affecting cash flows		
Equity income in Huckleberry	(638)	(8,333)
Depletion and depreciation	19,283	18,912
Share based compensation	746	1,679
Accretion of future site reclamation provisions	662	307
Unrealized foreign exchange losses	19,357	2,618
Unrealized gains on derivative instruments	(5,798)	(1,475)
Interest expense	1,974	515
Other	1,300	233
Cash Flow	$ (6,782)	$ 78,213
Basic Weighted Average Number of Common Shares Outstanding	74,928,926	74,466,539
Cash Flow Per Share	$ (0.09)	$ 1.05

Cash Cost Per Pound of Copper Produced

The cash cost per pound of copper produced is a non-IFRS financial measure that does not have a standardized meaning under IFRS, and as a result may not be comparable to similar measures presented by other companies. Management uses this non-IFRS financial measure to monitor operating costs and profitability. The Company is primarily a copper producer and therefore calculates this non-IFRS financial measure individually for its two copper producing mines, Mount Polley and Huckleberry, and on a composite basis for these two mines.

The cash cost per pound of copper produced is derived from the sum of cash production costs, transportation and offsite costs, treatment and refining costs, net of by-product and other revenues, divided by the number of pounds of copper produced during the period.

Cash costs of production include direct labour, operating materials and supplies, equipment and mill costs, and applicable overhead. Offsite costs include transportation, warehousing, marketing, and related insurance. 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$.

Variations from period to period in the cash cost per pound of copper produced are the result of many factors including: ore grade, metal recoveries, amount of waste allocated to operations, mine and mill operating conditions, labour and other cost inputs, transportation and warehousing costs, treatment and refining costs, the amount of by-product and other revenues, the US$ to CDN$ exchange rate and the amount of copper produced. Idle mine costs during the periods when the Mount Polley and Huckleberry mines were not in operation have been excluded from the cash cost per pound of copper produced.

The following tables reconcile cost of sales as shown on the consolidated statement of comprehensive income to the cash cost per pound of copper produced in US Dollars:

Estimated Cash Cost Per Pound of Copper Produced

[expressed in thousands, except cash cost per pound of copper produced] Year Ended December 31, 2014

	Huckleberry 100%	Huckleberry 50%	Mount Polley	Sterling & Corporate	Total per Financial Statements	Composite
		A	B			C=A+B
Cost of Sales	$ 105,296	$ 52,648	$ 78,567	$ 12,100	$ 90,667	$ 131,215
Less:						
Depletion and depreciation	(18,108)	(9,054)	(12,031)	(3,480)	(15,511)	(21,085)
Share based compensation	-	-	(57)	-	(57)	(57)
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	86,092	43,046	66,479	8,620	75,099	109,525
Adjust for inventory change	2,471	1,236	(3,427)			(2,192)
Adjust transportation and offsite costs	(704)	(352)	(953)			(1,305)
Treatment and refining costs	13,136	6,568	6,441			13,009
By-product and other revenues	(7,640)	(3,820)	(37,066)			(40,886)
Cash cost of copper produced in Cdn$	93,355	46,678	31,474			78,151
US$ to Cdn$ exchange rate	*1.1047*	*1.1047*	*1.1047*			*1.1047*
Cash cost of copper produced in US$	$ 84,507	$ 42,254	$ 28,491			$ 70,744
Copper produced - lbs	*34,017*	*17,009*	*24,490*			*41,499*
Cash cost per pound of copper produced in US$	$ 2.48	$ 2.48	$ 1.16			$ 1.70

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

Derivative Instruments

In 2014 the Company recorded net gains of $5.7 million on derivative instruments, comprised of a $3.5 million net gain related to the CDN/US currency swap and a $2.2 million net gain on copper and gold derivatives. This compares to a $1.6 million gain in 2013 for copper and gold derivatives. 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 and movements in the CDN/US exchange rate. These amounts include realized losses of $0.4 million on foreign currency swaps, a small gain on gold contracts in 2014 and a small realized loss on copper and gold contracts in 2013. The Company has not applied hedge accounting for its derivative instruments and therefore records changes in the unrealized gains or losses on these contracts 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 has utilized a variety of derivative instruments including the purchase of puts, forward sales, currency swaps and the use of min/max zero cost collars. The Company's income or loss from derivative instruments may be very volatile from period to period as a result of changes in the copper and gold prices and CDN/US exchange rates compared to the copper and gold prices and CDN/US exchange rate at the time when these contracts were entered into and the type and length of time to maturity of the contracts.

The Company has no derivative instruments for copper at December 31, 2014 or at March 30, 2015. At December 31, 2014 the Company had hedged 36,000 ounces of gold for calendar 2015 via min/max zero cost collars and subsequent to December 31, 2014 added a further 43,800 ounces of gold for calendar 2015 via min/max zero cost collars for a total of 79,800 ounces of gold. These hedges are expected to cover the majority of the Company's estimated gold production in 2015.

In the March 2014 quarter the Company entered into a cross currency swap to lock in the foreign exchange rate on US$110.0 million of the US$325.0 million senior unsecured notes (the "Notes") principal amount and related interest over the five year term of the Notes. The foreign exchange rate was fixed at 1.1113 CDN for each US Dollar. Based on the December 31, 2014 CDN/US Dollar exchange rate the Company had an unrealized gain of $3.9 million on the derivative instruments related to the swap.

Future changes in the CDN/US Dollar exchange rate could have a material impact on the valuation of the cross currency swap however this gain or loss will be more than offset by the foreign exchange gain or loss on the Notes.

Developments During 2014

General

The London Metals Exchange cash settlement copper price per pound averaged US$3.11 in 2014 compared to US$3.32 in 2013. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,266 in 2014 compared to US$1,411 in 2013. The US Dollar compared to the CDN Dollar averaged about 7.3% higher in 2014 than in 2013. In CDN Dollar terms the average copper price in 2014 was approximately the same as in 2013 and the average gold price in 2014 was about 4% lower than in 2013.

Mount Polley Mine

On August 4, 2014 the tailings dam at Mount Polley mine breached. Since then Imperial and Mount Polley personnel, and a team of experts with global experience have been working on response and recovery operations as well as the rehabilitation and restoration of the breach and surrounding affected areas.

As part of the rehabilitation of lower Hazeltine Creek, two sediment ponds were commissioned in the fourth quarter, resulting in a significant reduction in the turbidity of the water entering into Quesnel Lake. Rehabilitation and restoration work is now focusing on the upper reaches of Hazeltine Creek, and its outlet from Polley Lake. Imperial maintains its resolve to mitigate the effects of the breach. The Company continues to work together with regulators, the local community, the Xat'sull First Nation and the Williams Lake Indian Band to mitigate the impacts of the breach.

Work on the repair of the tailings dam embankment to provide sufficient storage so the anticipated spring runoff from the mine site can be contained is nearing completion. Alternatives for a modified restart of mine operations have been studied and consulted on with First Nations and the Province of BC. In the restart plan, mining would begin in the Cariboo pit with tailings deposited into the Springer pit. Production in 2015 is dependent upon receiving regulatory permission to restart operations.

Mount Polley production for the period up to August 4 when operations were suspended was 24.5 million pounds copper, 25.9 thousand ounces gold and 74.8 thousand ounces silver.

Exploration, development and capital expenditures at Mount Polley were $53.4 million in 2014 compared to $74.5 million in 2013.

Annual Production	Jan 1-Aug 4, 2014	2013	2012
Ore milled - tonnes	4,548,182	7,956,738	8,121,878
Ore milled per calendar day - tonnes	21,056	21,799	22,191
Grade % - copper	0.321	0.295	0.280
Grade g/t - gold	0.260	0.263	0.304
Recovery % - copper	76.02	74.46	67.40
Recovery % - gold	68.11	68.09	65.70
Copper - lbs	24,489,725	38,501,165	33,789,600
Gold - oz	25,901	45,823	52,236
Silver - oz	74,770	123,999	116,101

Huckleberry Mine

At Huckleberry the failure of the SAG mill bull gear on February 26 resulted in an interruption of operations until April 6, when the SAG mill was able to continue operating with the damaged bull gear rotating in the opposite direction. Installation of the new bull gear on the SAG mill was completed in December, and the mill has been operating well since.

Imperial's share of copper production from Huckleberry in 2014 was 17.0 million pounds copper and 91.6 thousand ounces silver. Imperial's share of the targeted production for 2015 is approximately 22.0 million pounds copper.

Annual Production*	2014	2013	2012
Ore milled – tonnes	5,080,503	5,895,193	5,876,900
Ore milled per calendar day - tonnes	13,919	16,151	16,057
Grade % – copper	0.338	0.346	0.301
Recovery % - copper	89.89	91.6	90.0
Copper – lbs	34,017,340	41,212,818	35,112,000
Gold – oz	2,702	2,983	2,578
Silver – oz	183,221	238,028	191,787

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

Huckleberry's income from mine operations was $6.3 million in 2014 compared to $31.2 million in 2013. Huckleberry income from mine operations decreased primarily due to reduced quantities sold as a result of a temporary shutdown to repair and replace a bull gear and lower metal prices.

Development and capital expenditures at Huckleberry were $29.5 million in 2014 compared to $77.7 million in 2013.

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, 2014 discloses information on the impact of Huckleberry operations on the financial position and results of operations of Imperial.

Red Chris Mine

In March 2014 the Company completed long term financing arrangements utilized primarily for the construction of Red Chris. These consisted 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.

Total development expenditures in 2014 were $350.1 million, including capitalized interest of $38.4 million, and prior to the sale of the Iskut extension of the Northwest Transmission Line (NTL) compared to $323.5 million in 2013 which included capitalized interest of $9.6 million.

The Company incurred a net $223.0 million on construction of Red Chris in 2014. This amount is net of a $52.0 million recovery from the sale of the Iskut extension and excludes $38.4 million capitalized interest. To December 31, 2014 construction costs at Red Chris total $661.9 million, net of recovery from the sale of the Iskut extension. In addition, the Company incurred sustaining capital and preproduction operating costs totaling $36.7 million in 2014.

Power was delivered to the Red Chris mine on November 7, 2014. The Iskut extension of the NTL was built by Highway 37 Power Corp., a subsidiary of Imperial, from the terminus of the NTL at the Bob Quinn substation to a newly constructed substation at Tatogga Lake. A 16 kilometre 287kV power line which connects the Red Chris mine to the Tatogga substation was built by Imperial.

The mining equipment fleet procurement is complete. A fleet of diesel powered equipment pre-developed the mine. The P&H 2800 electric shovel is now operating. Both the East and Main zones are supplying ore to the mill.

The North Starter Dam was raised to the 1097 metre elevation in 2014. At year end the tailings impoundment basin contained sufficient water for mill start-up. The booster pumphouse, reclaim and tailings pipelines, and process water system are all operational. The site infrastructure including mine access road, truck shop, warehouse, assay lab and camp were operational at year end. The construction of the concentrate storage shed at the Port of Stewart was complete at the end of October, and the first truckloads of concentrate have now been delivered.

A third party review of the Red Chris tailings dam was completed by consultants reporting to representatives of the Tahltan Nation. The Tahltan Central Council and Imperial are working together to develop a work plan to implement the recommendations contained in the review. Imperial is also working with representatives of the Tahltan Nation to finalize an impact and benefit agreement.

Commissioning commenced at the Red Chris mine in late 2014 leading to commissioning of the primary grinding circuit in February 2015, and the first copper concentrate production on February 17, 2015 . The first shipment of concentrate from the Red Chris mine was trucked to the Port of Stewart on February 27, 2015.

In accordance with the Company's accounting policy all revenue and related operating costs prior to commercial production will be applied to the carrying value of the Red Chris mineral property and therefore the Company will not record revenue and related operating costs in the consolidated statement of income until commercial production is achieved.

Sterling Mine

Sterling shipped 5,725 ounces gold in 2014. Underground mine operations in the 144 zone have been completed. Gold will continue to be recovered from the heap for several months, and a plan for an open pit mine and an expanded leach pad is in the final stages of permitting.

Annual Production	2014	2013	2012
Ore Stacked – tons	45,217	160,789	77,944
Gold Grade – oz/ton	0.121	0.083	0.082
Gold ounces – added to heap	5,471	13,348	6,393
Gold ounces - in-process & poured	5,787	7,142	3,613
Gold shipped - ounces	5,725	7,431	2,852

Exploration, development and capital expenditures, net of preproduction revenues including capitalized depreciation in 2013, totaled $0.2 million in 2014 compared to a net recovery of $1.7 million in 2013. 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

Exploration and development expenditures at Ruddock Creek were $1.1 million in 2014 compared to $0.8 million in 2013.

The completed Ruddock Creek Joint Venture 2014 program consisted of additional metallurgical testing on a new bulk sample collected from the Upper E zone, geotechnical and groundwater well installations, and ongoing baseline data collection for future permitting requirements. The baseline data collection included fish, benthic invertebrates, vegetation, wildlife, surface and groundwater sampling and testing, stream flow, collection of weather station data and dust fall monitoring. Surface exploration in the 2014 field season included detailed geological and structural mapping in a number of areas.

Following the submission of a project description to both the Provincial and Federal governments, the Province of British Columbia requested, and on July 15 received, substitution approval from the Canadian Environmental Assessment Agency whereby British Columbia will be an appropriate substitute for the federal environmental assessment process. Subsequently, on October 6 the British Columbia Environmental Assessment Office issued a Section 11 Order which establishes the formal scope, procedures and methods concerning Ruddock Creek's environmental assessment.

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, expenditures related to exploration activities and expenditures arising from property acquisitions.

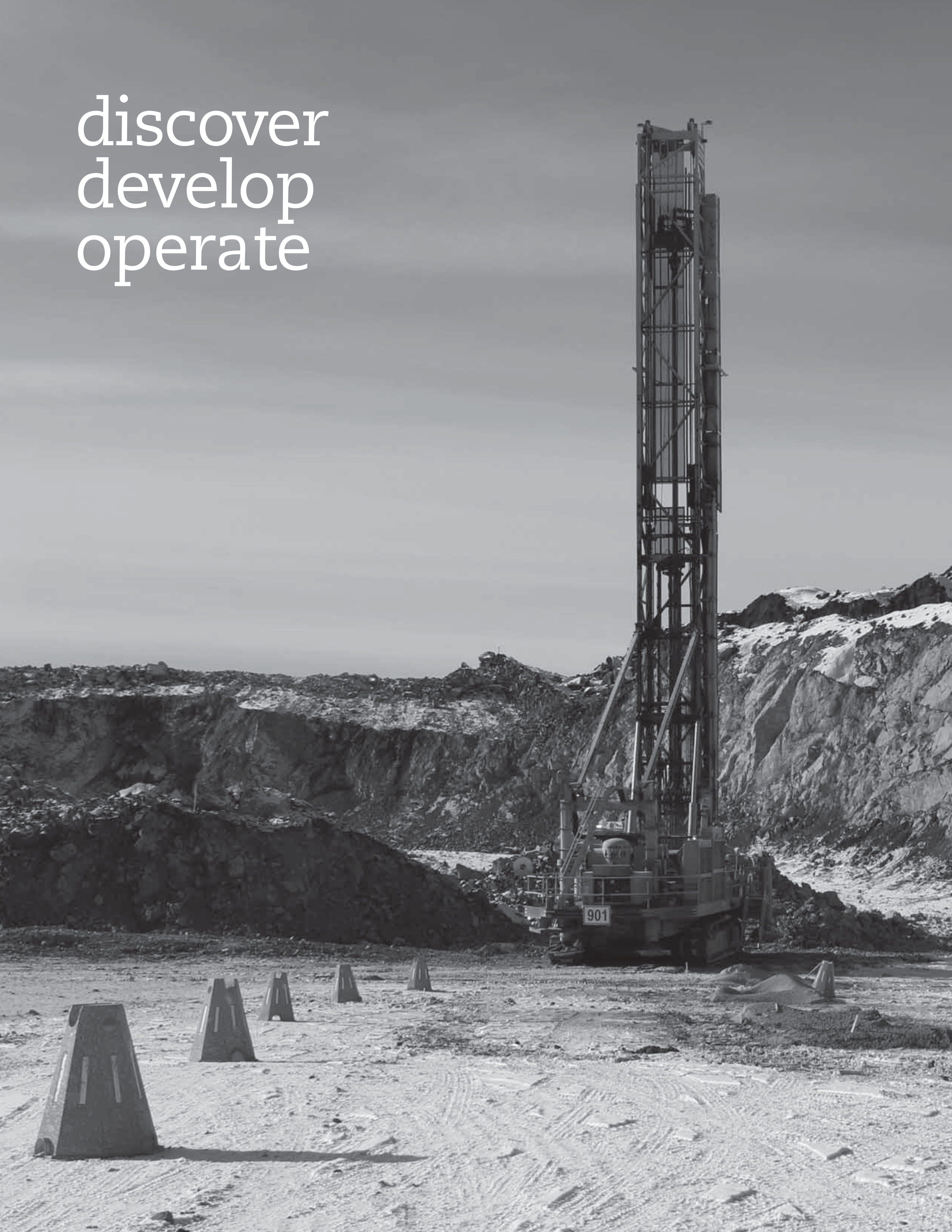
The costs associated with mineral properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value associated with resources 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 mineral properties being depleted in Note 6 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 mineral properties not being depleted in Note 6 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.

discover
develop
operate



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 and the 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 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. 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. The fair value of these assets is based on bank statements or counterparty valuation reports. 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 of marketable securities is based on quoted market prices. Trade and other receivables and margin deposits 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 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 CDN/US 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 2014 Compared to 2013

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, 2014 and the audited Consolidated Financial Statements of the Company for the year ended December 31, 2013.

Financial Results

Overview

Revenues decreased to $130.9 million for the year ended December 31, 2014 from $187.8 million in the year ended December 31, 2013. 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 decreased to $40.2 million from $64.3 million in 2013 primarily due to lower sales revenues. Metal quantity shipped in 2014 was lower than the 2013 period due to the suspension of operations at the Mount Polley mine in August 2014 following the breach of the tailing embankment.

Net loss for 2014 was $37.3 million ($0.50 per share) compared to net income of $41.0 million ($0.55 per share) in 2013. The variation in net income this period compared to the 2013 period is largely attributable to the remediation costs net of insurance proceeds of $53.4 million ($34.6 million after tax). Net income period over period was also impacted by movements in foreign exchange, realized and unrealized gains and losses on derivative instruments and taxes.

Revenue

[expressed in thousands of dollars, except quantity amounts]	2014	2013
Copper pounds sold	*27,462,860*	*39,035,569*
Gold ounces sold	*34,307*	*51,809*
Revenue before revaluation	$ 133,411	$ 194,927
Revenue revaluation	(2,502)	(7,122)
	$ 130,909	$ 187,805

The decrease in revenue in 2014 over 2013 is primarily due to lower sales volumes as a result of suspended operations at the Mount Polley mine in 2014 compared to 2013. There were six shipments from the Mount Polley mine in 2014 compared to eight shipments in 2013.

In US Dollars, copper prices were about 6% lower in 2014 than in 2013, averaging about US$3.11 per pound compared to US$3.32 per pound in 2013. The US Dollar strengthened by 7.3% compared to the CDN Dollar in 2014 over 2013. Factoring in the average exchange rate, the price of copper averaged CDN$3.44 per pound in 2014 very close to the 2013 average of CDN$3.42 per pound. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,266 in 2014 compared to US$1,411 in 2013. Factoring in the average exchange rate, the price of gold averaged CDN$1,399 per ounce in 2014 about 4% lower than the 2013 average of CDN$1,451 per ounce.

Cost of Sales

[expressed in thousands of dollars]		2014		2013
Operating expenses	$	50,181	$	66,181
Salaries, wages and benefits		24,918		38,429
Depletion and depreciation		15,511		18,813
Share based compensation		57		123
	$	90,667	$	123,546

General and Administration Costs

[expressed in thousands of dollars]		2014		2013
Administration	$	3,659	$	5,317
Share based compensation - corporate		689		1,556
Depreciation – corporate assets		629		99
Foreign exchange loss – operations (excluding debt)		1,382		60
	$	6,359	$	7,032

General and administration costs were lower at $6.4 million in 2014 from $7.0 million in 2013 primarily a result of lower administration costs and a decline in share based compensation as there were no new option grants.

The average CDN/US Dollar exchange rate in 2014 was 1.105 compared to an average of 1.030 in 2013. Foreign exchange losses from operations increased significantly in 2014. These net losses resulted from the change in exchange rate related to holding US Dollar denominated cash, accounts receivable and accounts payable. These net US Dollar asset and liability balances are related to the operations at Mount Polley mine.

Finance (Costs) Income

[expressed in thousands of dollars]		2014		2013
Derivatives	$	5,694	$	1,567
Interest expense and finance costs		(2,636)		(824)
Foreign exchange on short term and non-current debt		(19,079)		(2,412)
Other		(625)		(198)
	$	(16,646)	$	(1,867)

The inclusion of gains and losses on derivative instruments results in large variances in finance costs. 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 years, due to changes in copper and gold price and foreign exchange rate, resulted in a gain of $5.7 million during 2014 compared to a gain of $1.6 million in 2013. The ultimate gain or loss on these contracts will be determined by the copper and gold prices and foreign exchange rates in the periods when these contracts settle.

Interest expense and finance costs increased to $2.6 million in 2014 from $0.8 million in 2013. These amounts are net of $38.4 million of interest expense and finance costs capitalized to construction in progress in 2014 and $9.6 million in 2013 as a result of the construction at the Red Chris mine.

At December 31, 2014 the Company had US Dollar denominated debt of $354.6 million compared to US$46.4 million at December 31, 2013. Foreign exchange gains and losses attributable to US denominated short and long term debt reflect the foreign currency movement during the year and resulted in a $14.9 million loss on the senior notes, $3.9 million loss on long term equipment loans and a $0.3 million loss on short term debt.

The change in the CDN Dollar to US Dollar exchange rate during 2014 resulted in total foreign exchange losses of $20.5 million in 2014 compared to a $2.5 million loss in 2013.

Income and Mining Taxes (Recovery) Expense

[expressed in thousands of dollars]	2014	2013
Current Taxes		
BC Mineral Taxes	$ -	$ 784
Nevada Net Proceeds Tax	12	43
Federal and BC income taxes	67	1,670
	79	2,497
Deferred Income Taxes		
BC Mineral Taxes	(1,416)	4,073
Other	(5,046)	16,233
	(6,462)	20,306
Total Tax (Recovery) Expense	$ (6,383)	$ 22,803

The effective tax rate was a recovery of 14.9% in 2014 compared to an expense of 35.8% in 2013. For the year 2014, foreign exchange losses represented a significant portion of loss before taxes. When these losses are recovered the gain taxed is at 50% of the normal income tax rate. The lower than expected tax recovery in 2014 was primarily the result of not recording a tax recovery on realized and unrealized foreign exchange losses due to the uncertainty of realizing gains on foreign exchange in the future.

Equity Income in Huckleberry

The Company's 50% share of equity earnings from Huckleberry was $0.6 million in 2014 compared to $8.3 million in 2013. The decrease was due to lower shipment volumes, lower metal prices, and the temporary shutdown related to the SAG mill bull gear failure.

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

[expressed in thousands of dollars, except quantity amounts]	2014	2013
Copper pounds sold	*36,459,883*	*41,845,607*
Revenue before revaluations	$ 118,919	$ 138,979
Revenue revaluation	(7,296)	(602)
	111,623	138,377
Cost of sales	(105,296)	(107,189)
Income from mine operations	6,327	31,188
Other	(4,077)	(1,806)
Income before taxes	2,250	29,382
Income and mining taxes	(974)	(12,717)
Net Income	$ 1,276	$ 16,665

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 2013.

The capital structure of the Company consists of non-current debt, credit facilities, including credit facilities with counterparties related to derivative instruments, and equity attributable to common shareholders, comprised of share capital, share option reserve, warrant reserve, equity component of convertible debentures, currency translation adjustment and retained earnings.

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

Liquidity and Capital Resources

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 instruments with a number of counterparties. The credit risks associated with these counterparties is considered to be minimal because of their strong capital base, diversity and multinational operations. In addition, to reduce risk related to derivative instruments the Company utilizes multiple counterparties.

Liquidity Risk

The Company has in place a rigorous planning and budgeting process to help determine 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 the necessary cash to meet projected cash requirements. At December 31, 2014 the Company's primary sources of credit are the long term financing arrangements for the Red Chris project and for general working capital purposes. These are comprised of a $200.0 million syndicated secured revolving credit facility, US$325.0 million senior unsecured notes, $115.0 million of unsecured convertible debentures, a $75.0 million unsecured junior credit facility plus $47.9 million of equipment loans.

In January 2015 the Company entered into a $50.0 million revolving second lien secured credit facility.

The tailings dam breach at the Mount Polley mine has resulted in the loss of production for an indeterminate period of time. In addition, the Company is incurring costs for rehabilitation and restoration. While the precise costs of rehabilitation and restoration are presently unknown, the Company believes the costs can be managed over time, given the underlying value of the Company's assets, the current sources of liquidity, insurance proceeds and the expected cash flow from the Red Chris mine.

Management estimates that available cash balances, the available balances on its existing credit facilities and the new $50.0 million second lien credit facility will provide sufficient liquidity to take the Red Chris mine to feasibility study production levels. The projected cash flow from the Red Chris mine together with insurance proceeds is expected to fund the estimated remediation cost of the tailings dam breach at the Mount Polley mine. However, there are inherent risks associated with the startup of a mine, and inherent uncertainties related to the scope, timing and cost of the rehabilitation and restoration.

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 has increased in 2014 as the Company faced much higher than normal capital expenditures in 2014 related to the development of the Red Chris mine, and as a result of the Mount Polley tailings dam breach. The tailings dam breach removed the Company's primary source of cash flow and added the remediation costs to the current obligations of the Company.

Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

The Company had the following contractual obligations with respect to financial instruments as of December 31, 2014:

[expressed in thousands of dollars]	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total
Trade and other payables	$ 77,651	$ -	$ -	$ -	$ 77,651
Non-current debt*	12,590	200,342	415,969	115,000	743,901
	$ 90,241	$ 200,342	$ 415,969	$ 115,000	$ 821,552

*Amounts shown are gross obligations at maturity date.

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash, accounts receivable, derivative instrument assets, reclamation deposits, trade and other payables, derivative instrument liabilities, and debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the year ended December 31, 2014 would have been lower/higher by $29.5 million. This significant change from prior years is a result of the issuance of $325 million US Dollar denominated senior notes in the March 2014 quarter. A foreign currency swap for approximately 33% of the senior notes offsets a portion of these changes in the CDN Dollar to US Dollar exchange rate.

Cash Flow

Cash flow was negative $6.8 million in 2014 compared to a positive cash flow of $78.2 million in 2013.

Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS and may not be comparable to similar measures used by other companies. Cash flow is defined as cash flow from operations before the net change in working capital balances, income and mining taxes, and interest paid.

Working Capital

At the year ended December 31, 2014 the Company had a working capital deficiency, defined as current assets less current liabilities, of $55.5 million, a decrease of $107.3 million from a working capital deficiency of $162.8 million at December 31, 2013. The December 31, 2014 working capital position reflects the repayment of short term debt from the long term financing arrangements for the Company in March 2014 and the $23.7 million current provision for remediation costs.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totaled $405.1 million in 2014 compared to $397.2 million in 2013. Acquisition and development expenditures in 2014 were partly financed from cash flow from operations until August 4, 2014 and also from non-current debt.

[expressed in thousands of dollars]	2014	2013
Capital and Development Expenditures		
Mount Polley	$ 49,402	$ 65,508
Red Chris (including capitalized interest of $38,364 (2013-$9,572))	349,890	323,156
Sterling	103	(1,740)
Other	5	21
	399,400	386,945
Exploration Expenditures		
Mount Polley	3,987	8,986
Red Chris	186	349
Sterling, net of pre-production revenues	141	44
Other	1,405	882
	5,719	10,261
	$ 405,119	$ 397,206

Capital and development expenditures, including capitalized interest of $38.4 million, were $399.4 million up from $386.9 million in 2013. Expenditures in 2014 period were financed from non-current debt and until August 4, 2014 by cash flow from the Mount Polley mine. At December 31, 2014 the Company had $19.9 million in cash (December, 2013-$3.1 million). The capital expenditures for Red Chris are prior to a recovery of $52.0 million received in December 2014 from the sale of the Iskut extension.

Exploration expenditures of $4.0 million at Mount Polley in 2014 consist of underground expenditures at the Boundary zone. The Company's 50% share of exploration and development expenditures at Ruddock Creek in 2014 were $1.1 million.

Debt and Other Obligations

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At December 31, 2014 more than half of the Company's outstanding borrowings were at fixed interest rates compared to December 31, 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.

The Company had the following contractual obligations as of December 31, 2014:

[expressed in thousands of dollars]	2015	2016	2017	2018	2019 and beyond	Total
Non-current debt (1)	$ 12,590	$ 187,457	$ 12,885	$ 7,695	$ 523,274	$ 743,901
Office and other rental payments	1,461	417	216	-	-	2,094
Capital expenditures and other (2)	9,688	28	28	28	56	9,828
Reclamation bonding	4,500	6,000	5,500	4,000	3,800	23,800
Mineral properties (3)	311	468	662	961	1,028	3,430
	$ 28,550	$ 194,370	$ 19,291	$ 12,684	$ 528,158	$ 783,053

(1) Amounts shown are gross obligations at maturity date.
(2) Total is to year 2020 only.
(3) Mineral property commitments are the estimated payments required to keep the Company's claims or option agreements in good standing. Total is to the year 2019 only.

At December 31, 2014 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. Except for the senior notes management believes that the carrying value of remaining non-current debt approximates fair value. At December 31, 2014 the fair value of the senior notes is $346.9 million (December 31, 2013-$nil) based on a quote received from dealers that trade the senior notes. Although the interest rates and credit spreads have changed since the remainder of the non-current debt was issued the fixed rate portion of the non-current debt is not expected to be refinanced 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, 2014 as follows:

[expressed in thousands of dollars]	Level 1	Level 2	Total
Financial Assets			
Cash	$ 19,913	$ -	$ 19,913
Marketable securities	321	-	321
Provisionally priced receivables	-	191	191
Derivative instruments assets	-	7,585	7,585
Future site reclamation deposits	4,063	-	4,063
	$ 24,297	$ 7,776	$ 32,073

Select Quarterly Financial Information

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

				Three Months Ended
	December 31 2014	September 30 2014	June 30 2014	March 31 2014
Total sales including 50% equity share of Huckleberry				
Copper 000's lbs sold	*5,615*	*11,024*	*13,857*	*15,556*
Gold ounces sold	*2,530*	*7,479*	*12,045*	*13,889*
Silver ounces sold	*24,611*	*42,501*	*42,725*	*56,419*
Total sales excluding Huckleberry				
Copper 000's lbs sold	*1,057*	*5,006*	*10,665*	*10,73*
Gold ounces sold	*2,187*	*6,957*	*11,569*	*13,594*
Silver ounces sold	*4,043*	*17,205*	*30,972*	*32,479*
Total Revenues	$ 5,841	$ 22,667	$ 51,066	$ 51,335
Equity Income (loss) in Huckleberry	$ (1,295)	$ 1,851	$ 1,390	$ (1,308)
Net (Loss) Income	$ (9,134)	$ (49,221)	$ 15,213	$ 5,857
Basic (Loss) Income per share (1)	$ (0.12)	$ (0.66)	$ 0.20	$ 0.08
Diluted (Loss) Income per share (1)	$ (0.12)	$ (0.66)	$ 0.20	$ 0.08
Adjusted Net Income (2)	$ (8,681)	$ 3,729	$ 8,899	$ 6,899
Adjusted Net Income per share (1) (2)	$ (0.12)	$ 0.05	$ 0.12	$ 0.09
Adjusted EBITDA (2)	$ (4,686)	$ 9,869	$ 23,567	$ 19,684
Cash Flow (2)	$ 10,536	$ (59,129)	$ 21,494	$ 20,317
Cash Flow per share (1) (2)	$ 0.14	$ (0.79)	$ 0.29	$ 0.27
Average LME copper price/lb in US$	$ 3.000	$ 3.170	$ 3.080	$ 3.190
Average LME gold price/troy oz in US$	$ 1,201	$ 1,282	$ 1,289	$ 1,294
Average CDN/US$ exchange rate	$ 1.136	$ 1.089	$ 1.091	$ 1.103
Period end CDN/US$ exchange rate	$ 1.160	$ 1.121	$ 1.068	$ 1.105

				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	*13,408*	*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
Basic 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 (2)	$ 21,469	$ 28,586	$ 18,043	$ 18,502
Cash Flow (2)	$ 17,087	$ 28,639	$ 16,036	$ 16,451
Cash Flow per share (1) (2)	$ 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

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

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

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

(a) Fluctuations in revenue are due to the timing of shipping schedules and quantities of copper and gold sold on each ship, production volumes at the mines, changes in the price of copper, gold and the CDN/US Dollar exchange rate.

(b) Fluctuations in net income are due to the revenue changes described above and realized and unrealized gains/losses on derivative instruments based on movements in the reference item hedged, changes in foreign exchange rates on US Dollar denominated debt, changes in production cost inputs and changes in tax rates.

(c) Remediation costs and related insurance recoveries for the August 4, 2014 Mount Polley tailings dam breach. While the primary impact of this item was in the September 2014 quarter, the recording of insurance recoveries and any revisions to the remediation provision impacts periods subsequent to September 30, 2014 as insurance proceeds are received. Insurance recoveries of $14.0 million were received and recorded in the December 2014 quarter.

(d) Inclusion of Sterling mine operations in the September 2013 quarter upon restart of the mine.

The higher net 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. The lower net income in the March 2014 quarter is primarily due to the loss resulting from the temporary suspension of the Huckleberry mill. The large net loss in the September 2014 quarter is primarily due to the Mount Polley tailings dam breach remediation costs. The net loss in the December 2014 quarter is primarily the result of sharply reduced revenue resulting from the suspension of operations at the Mount Polley mine in August 2014 due to the tailings dam breach and higher foreign exchange losses.

Fourth Quarter Results

Mineral sales revenues in the fourth quarter of 2014 was $5.8 million compared to $44.0 million in 2013. Sales revenue is recorded when title for concentrate is transferred on ship loading. 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.

Metal quantity shipped in 2014 was lower than the 2013 quarter due to the suspension of operations at the Mount Polley mine in August 2014 following the breach of the tailing embankment.

The Company recorded a net loss of $9.1 million ($0.12 per share) in the fourth quarter of 2014 compared to net income of $8.1 million ($0.11 per share) in the prior year quarter.

Expenditures for exploration and ongoing capital projects at Mount Polley, Red Chris and Sterling totaled $73.4 million during the three months ended December 31, 2014 compared to $117.4 million in the 2013 comparative quarter. The decrease of $50.3 million in 2014 was primarily due to lower development expenditures at Red Chris as the construction activities were winding down.

Related Party Transactions

Corporate

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

[expressed in thousands of dollars]		2014		2013
Accrued interest on Senior Unsecured Notes and Convertible Debentures	$	2,051	$	-
Trade and other payables (receivable)	$	(4)	$	-
Junior Credit Facility	$	30,000	$	-
Senior Unsecured Notes (US$53,300)	$	61,833	$	-
Convertible Debentures	$	40,000	$	-
Line of Credit Facility	$	-	$	195,000
Cost of sales	$	32	$	17
Loan guarantee fee for guarantee of portion of bank loan facility	$	91	$	473
Financing fees–cash	$	1,000	$	1,000
Financing fees–warrants	$	870	$	-
Interest expense	$	9,124	$	3,715

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.

Details on related party transactions can be found in Note 22 to the audited Consolidated Financial Statements for the year ended December 31, 2014.

Other

As of March 30, 2015 the Company had 74,968,768 common shares outstanding, and on a diluted basis 77,207,718 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 over financial reporting as defined under National Instrument 52-109.

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 (1992). Based on this evaluation management has concluded that as of December 31, 2014 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, none of these matters will have a material effect on the Company's consolidated financial position or financial performance. At December 31, 2014 the Company has recorded a provision of $26.0 million for future remediation costs related to the Mount Polley mine tailings dam breach.

During the third quarter of 2014, a securities class action lawsuit was filed against the Company and certain of its directors, officers and others in the Ontario Superior Court of Justice in Toronto (the "Claim"). The Company has engaged independent legal counsel to advise it on this matter and intends to vigorously defend the Claim. At this time the Company cannot predict the outcome of the Claim or determine the amount of any potential losses and accordingly, no provision has been made as at December 31, 2014.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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 and commission 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 and commission 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 operations 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, convertible debentures, junior credit facility and second lien 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. To the extent our existing credit facilities and available sources of debt 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 governs 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.

There are material risks and uncertainties associated with the restoration and remediation activities resulting from the Mount Polley mine breach which may adversely affect our business.

The August 4, 2014 tailings dam breach at the Mount Polley mine has resulted in the loss of production from the mine, the primary source of cash flow for the Company, and necessitated extensive response and recovery activities, as well as initial rehabilitation and restoration activities. The Company may not receive approvals and consents necessary to proceed with the remediation and restoration plans in a timely manner. The timing and amount of the remaining costs and the liabilities relating to the tailings dam breach are as yet unknown, as is the actual timing of completion of recovery, remediation and restoration activities and the recommencement of commercial operations at the Mount Polley mine. Furthermore there may be unforeseen or long term environmental consequences as a result of the breach.

It is also unknown at this time whether the Company may become subject to regulatory or civil claims, fines and penalties or the potential quantum thereof. The Company may be unsuccessful in defending against any legal claims that may arise from the breach, and current sources of funds may be insufficient to fund liabilities arising from such claims. Any additional financing that may be required may not be available to the Company on terms acceptable to the Company or at all.

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 and producing 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 conditions, 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 may not be available to the Company (including certain liabilities for environmental pollution or other hazards) 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 estimates 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 and certain mineral resource estimates that 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 new 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.

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 replace and expand our 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 to our debt holders.

After giving effect to the financing transactions in 2014 and early 2015 consisting of the senior secured credit facility, the second lien secured credit facility, the convertible debentures and the junior unsecured credit facility (collectively the "Credit Facilities") and the senior unsecured notes (the "Notes"), the Company has a significant amount of indebtedness.

Subject to the limits contained in the credit agreements that govern our Credit Facilities, 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 agreements that govern our Credit Facilities and other debt 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 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 agreements that govern our Credit Facilities 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, most but not all of which are guarantors of the Notes or our other indebtedness. Huckleberry, in which we hold a 50% interest, is not a guarantor of the Notes and the Credit Facilities. 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, Credit Facilities or our other indebtedness, our subsidiaries do not have any obligation to pay amounts due on the Notes, Credit Facilities 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 agreements that govern Credit Facilities limit the ability of our subsidiaries to adopt 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 our debt holders 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, 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 agreements that govern Credit Facilities 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 agreements that govern our Credit Facilities 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 agreements that govern Credit Facilities 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 agreements that govern our senior credit facility and the second lien 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 agreements that govern the Credit Facilities 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 any one of the Credit Facilities would permit the lenders under our senior credit facility and second lien credit facility to terminate all commitments to extend further credit under those facilities. 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.

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 fulfil 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, comprised of Mitsubishi Materials Corporation, Dowa Mining Co. Ltd. and Furukawa Co. Ltd. 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, such 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 or with other companies with which we transact 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 quarterly and may be subject to write downs.

At each quarter end we undertake an evaluation of our portfolio of producing mines, development projects, exploration and other assets to determine whether indication of impairment exists. Where an indication of impairment exists for post feasibility exploration properties, producing properties and plant and equipment, the recoverability of the carrying values of our 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, foreign exchange rates, 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 write downs of our exploration and development properties.

The review by management for impairment of the Company's exploration and evaluation properties may be affected by the timing of exploration work, funding priorities, work programs proposed and the exploration results achieved by the Company and by others in the related area of interest.

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

The 2014 annual base and precious metals production from Mount Polley, Huckleberry and Sterling mines was 41.5 million pounds copper, 33.0 thousand ounces gold and 166.4 thousand ounces silver. Production in 2014 was impacted by the interruption of Huckleberry operations due to the SAG mill bull gear failure and the suspension of operations at Mount Polley due to the tailings dam breach.

The base and precious metals production allocable to Imperial in 2015 from the Huckleberry mine is estimated to be 22.0 million pounds of copper. An estimate of Red Chris production will be made following the completion of commissioning. Mount Polley production will be estimated once restart of operations has been determined.

Derivative instruments for 2015 will protect the pricing on 79,800 ounces of gold in 2015 and about 33% of the foreign exchange movement on the Company's US$325.0 million Notes. In addition Mount Polley has hedged 36,000 ounces of gold for 2015 which can be allocated to the production expected from the Red Chris mine. However, the quarterly revenues will fluctuate depending on copper and gold prices, the CDN/US Dollar exchange rate, and the timing of concentrate sales which is dependent on concentrate production and the availability and scheduling of transportation.

Exploration

Exploration in 2015 will be limited in scope.

Development

On August 4, 2014 the tailings dam at Mount Polley mine breached. Since then, Imperial and Mount Polley personnel, and a team of experts with global experience have been working on the rehabilitation and restoration of the breach and surrounding affected areas.

Work on the repair of the tailings dam embankment to provide sufficient storage so the anticipated Spring runoff from the mine site can be pumped to the Springer pit, is nearing completion.

As part of the rehabilitation of lower Hazeltine Creek two sediment ponds were commissioned in the fourth quarter resulting in a significant reduction in the turbidity of the water entering Quesnel Lake. Rehabilitation and restoration work is now focusing on the upper reaches of Hazeltine Creek, and its outlet from Polley Lake.

On January 30, 2015 the independent panel investigating the Mount Polley tailings embankment failure released its report. The report concluded that the failure was sudden and without warning. It also concluded the failure was due to the fact that the independent engineer's design did not take into account the strength of the glacio-lacustrine layer approximately eight metres below the foundation of the embankment.

The Company maintains its resolve to mitigate the effects of the breach, and is working together with regulators, the local community, the Xat'sull First Nation and the Williams Lake Indian Band.

Mount Polley staff are also working with both the Province and local First Nation communities to develop a plan to reopen the mine. Alternatives for a modified restart of mine operations have been studied and consulted on with First Nations and the Province. In the restart plan, mining would begin in the Cariboo pit with tailings deposited into the Springer pit. Production in 2015 is dependent upon receiving regulatory permission to restart operations.

Huckleberry's SAG mill was repaired in December 2014 and has since been working well. Huckleberry management is reviewing mining and milling plans, with a view to reducing costs and optimizing production in response to the recent drop in copper prices. The weaker CDN Dollar is helping to offset the impact of lower copper price.

At the Sterling mine the focus will be to obtain the required permits for development of a new open pit mine and an expanded leach pad in the vicinity of the historic Sterling mine.

The Red Chris mine is operating and has shipped its first concentrate to the Port of Stewart. The plant commissioning is ongoing, and operating crews are focusing on achieving continuous operations and producing acceptable concentrate grades. As progress is made in these areas, emphasis will move to achieving design metal recoveries and throughput. Red Chris and the Tahltan community leaders are in the final stages of completing an impact and benefit agreement.

Acquisitions

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


CAUTION
discover
develop
operate

Management's Responsibility for Financial Reporting

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 International Financial Reporting 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 30, 2015

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, 2014 and December 31, 2013 and the consolidated statements of (loss) income and comprehensive (loss) income, changes in equity and cash flows for the years then ended 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, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
March 30, 2015
Vancouver, British Columbia

Consolidated Statements of Financial Position

[expressed in thousands of Canadian dollars]

	Notes	December 31 2014	December 31 2013
ASSETS			
Current Assets			
Cash		$ 19,913	$ 3,095
Marketable securities		321	1,063
Trade and other receivables	3	16,244	16,807
Inventory	4	21,402	27,358
Derivative instrument assets	12	3,691	3,473
Prepaid expenses and deposits		1,936	2,204
		63,507	54,000
Derivative Instrument Assets	12	3,894	-
Investment in Huckleberry Mines Ltd.	5	92,770	92,132
Mineral Properties	6	1,171,400	824,823
Other Assets	7	6,786	4,496
		$ 1,338,357	$ 975,451
LIABILITIES			
Current Liabilities			
Trade and other payables	8	$ 77,651	$ 66,511
Taxes payable		3,275	5,444
Short term debt	9	-	132,410
Derivative instrument liabilities	12	-	1,735
Provision for remediation costs	17	23,686	-
Current portion of non-current debt	10	12,590	10,373
Current portion of future site reclamation provisions	11	1,775	285
		118,977	216,758
Provision for Remediation Costs	17	2,275	-
Non-Current Debt	10	694,257	234,009
Future Site Reclamation Provisions	11	24,138	15,760
Deferred Income Taxes	18	90,716	90,760
		930,363	557,287
EQUITY			
Share Capital	13	123,859	120,408
Share Option Reserve	13	14,468	15,119
Warrant Reserve	13	870	-
Equity Component of Convertible Debenture	10	20,906	-
Currency Translation Adjustment		3,875	1,336
Retained Earnings		244,016	281,301
		407,994	418,164
		$ 1,338,357	$ 975,451
Commitments and Pledges	6, 26		
Contingent Liabilities	27		
Subsequent Event	28		

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on March 30, 2015

Larry G. Moeller
Director

J. Brian Kynoch
Director

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

Years Ended December 31, 2014 and 2013

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

	Notes	2014	2013
Revenue		$ 130,909	$ 187,805
Cost of Sales	14	(90,667)	(123,546)
Income from Mine Operations		40,242	64,259
General and Administration	15	(6,359)	(7,032)
Finance Costs	16	(16,646)	(1,867)
Idle Mine Costs		(7,574)	-
Remediation Costs	17	(67,435)	-
Insurance Recoveries	17	14,000	-
Other (Expense) Income		(534)	64
Equity Income in Huckleberry	5	638	8,333
(Loss) Income before Taxes		(43,668)	63,757
Income and Mining Tax Recovery (Expense)	18	6,383	(22,803)
Net (Loss) Income		(37,285)	40,954
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment		2,539	2,173
Total Comprehensive (Loss) Income		$ (34,746)	$ 43,127
(Loss) Income Per Share			
Basic	19	$ (0.50)	$ 0.55
Diluted	19	$ (0.50)	$ 0.54
Weighted Average Number of Common Shares Outstanding			
Basic	19	74,928,926	74,466,539
Diluted	19	74,928,926	75,329,312

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended December 31, 2014 and 2013
[expressed in thousands of Canadian dollars, except share amounts]

	Share Capital		Share		Equity	Currency		
	Number of Shares Share	Amount	Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Currency Translation Adjustment	Retained Earnings	Total
Balance January 1, 2013	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
Issued on exercise of options	292,750	3,451	(1,397)	-	-	-	-	2,054
Warrants issued (Notes 13(d) and 22)	-	-	-	870	-	-	-	870
Convertible debentures issued (Note 10)(d))	-	-	-	-	20,906	-	-	20,906
Share based compensation expense	-	-	746	-	-	-	-	746
Total comprehensive (loss) income	-	-	-	-	-	2,539	(37,285)	(34,746)
Balance December 31, 2014	74,968,768	$ 123,859	$ 14,468	$ 870	$ 20,906	$ 3,875	$ 244,016	$ 407,994

See accompanying notes to these consolidated financial statements.

Consolidated Statements Of Cash Flows

Years Ended December 31, 2014 and 2013
[expressed in thousands of Canadian dollars, except share amounts]

	Notes	2014	2013
OPERATING ACTIVITIES			
(Loss) Income before taxes		$ (43,668)	$ 63,757
Items not affecting cash flows:			
Equity income in Huckleberry		(638)	(8,333)
Depletion and depreciation		19,283	18,912
Share based compensation		746	1,679
Accretion of future site reclamation provisions		662	307
Unrealized foreign exchange losses		19,357	2,618
Unrealized gains on derivative instruments		(5,798)	(1,475)
Interest expense		1,974	515
Other		1,300	233
		(6,782)	78,213
Net change in non-cash operating working capital balances	20	51,529	12,011
Income and mining taxes paid		(3,484)	(3,266)
Income and mining taxes recovered		893	2,179
Interest paid		(25,270)	(10,031)
Cash provided by operating activities		16,886	79,106
FINANCING ACTIVITIES			
Proceeds of short term debt		174,576	488,870
Repayment of short term debt		(307,256)	(449,347)
Proceeds of non-current debt		847,036	210,439
Repayment of non-current debt		(379,219)	(15,263)
Issue of share capital		2,054	2,409
Other		2,275	-
Cash provided by financing activities		339,466	237,108
INVESTING ACTIVITIES			
Acquisition and development of mineral properties		(366,755)	(348,698)
Net change in non-cash investing working capital balances	20	(22,491)	28,841
(Increase) decrease in future site reclamation deposits		(698)	4,257
Proceeds on sale of mineral properties including the Iskut extension		52,109	109
Other		(1,931)	(645)
Cash used in investing activities		(339,766)	(316,136)
EFFECT OF FOREIGN EXCHANGE ON CASH		232	217
INCREASE IN CASH		16,818	295
CASH, BEGINNING OF YEAR		3,095	2,800
CASH, END OF YEAR		$ 19,913	$ 3,095

See accompanying notes to these consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013
[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:

- Red Chris copper/gold mine in northwest British Columbia;
- Mount Polley copper/gold mine in central British Columbia;
- Huckleberry copper mine in northern British Columbia;
- Sterling gold mine in southwest Nevada.

The August 4, 2014 tailings dam breach at the Mount Polley mine has resulted in the loss of production from the mine, the primary source of cash flow for the Company, for an indeterminate period of time (Note 17). For the year ended December 31, 2014 the Company incurred $41,474 for response and recovery costs, as well as initial rehabilitation and restoration costs. In addition, the Company has recorded a $25,961 provision for expected remediation and restoration costs to be incurred in the future, primarily within the next twelve months. The total amount of $67,435 was charged to expense in the year ended December 31, 2014 in respect of the tailings dam breach. Insurance recoveries of $14,000 were received during the year ended December 31, 2014 to offset a portion of these costs. Income and mining tax recoveries have also been recorded in connection with these costs. The provision for remediation contains significant estimates and judgments about the scope, timing and cost of the work that will be required. It is based on assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company.

On January 30, 2015 the independent panel investigating the Mount Polley tailings embankment failure released its report. The report concluded that the failure was sudden and without warning. It also concluded the failure was due to the fact that the independent engineer's design did not take into account the strength of the glacio-lacustrine layer approximately eight metres below the foundation of the embankment.

At December 31, 2014, the Company had cash of $19,913 and a working capital deficiency of $55,470. In January 2015 the Company entered into a $50,000 revolving second lien secured credit facility (Note 28) to provide additional liquidity for commissioning of the Red Chris mine as well as ongoing rehabilitation and restoration costs at the Mount Polley mine.

The projected cash flow from the Red Chris mine together with insurance proceeds as well as the available credit facilities are expected to fund the remaining estimated remediation costs of the tailings dam breach at the Mount Polley mine. However, there are inherent risks and uncertainties associated with the startup of the Red Chris mine and production from the mine after startup as well as uncertainties related to the scope, timing and cost of the rehabilitation and restoration at the Mount Polley mine.

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.

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, 2014

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 application of IFRIC 21 did not have a significant impact on the Company's consolidated financial statements.

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. 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, expenditures related to exploration activities and expenditures 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 mineral properties being depleted 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 mineral properties not being depleted 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, and the 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 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, 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. The fair value of these assets is based on bank statements or counterparty valuation reports. 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 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 CDN/US 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, 2014 and 2013 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 five reportable segments, Mount Polley, including related exploration and development activities, Red Chris, including related exploration and development activities, Sterling, 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.

(i) Critical Judgements

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 accounting 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:

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

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.

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.

(ii) Critical Estimates

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

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.

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 commodity 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.

Provision for Remediation Costs

The provision for remediation costs represents management's estimate of the present value of the future cash outflows and related depreciation expense required to settle the estimated remediation costs related to the Mount Polley mine tailings dam breach. The provision incorporates the company's estimate of costs for rehabilitation and restoration, including geotechnical investigations, environmental monitoring, community relations, communications and related corporate support costs. The provision is based on the scope and timing of work as determined by the Company in consultation with regulatory agencies and incorporates the risks associated with each activity. Changes in any of these factors can result in a change to the provision for remediation costs.

Income Taxes

In determining tax assets and liabilities and related 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.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

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.

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. IFRS 9 is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Revenue Recognition

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). The standard replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets From Customers" and SIC 31 "Revenue–Barter Transactions Involving Advertising Services". IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. Trade and Other Receivables

	December 31 2014	December 31 2013
Trade receivables	$ 15,657	$ 16,563
Taxes receivable	587	244
	$ 16,244	$ 16,807

4. Inventory

	December 31 2014	December 31 2013
Stockpile ore	$ 3,873	$ 1,372
Stockpiles and ore under leach	3,854	6,342
Dore	1,303	-
Concentrate	-	7,675
Supplies	12,372	11,969
	$ 21,402	$ 27,358

	2014	2013
Inventory recognized as expense during the year	$ 66,449	$ 92,928
Impairment charges on stock pile ore and stockpiles, and ore under leach included in expense during the period	$ 4,990	$ -

As at December 31, 2014 the Company had $21,402 (2013 - $20,807) inventory pledged as security for debt.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

5. Investment in Huckleberry Mines Ltd.

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. 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 two mining leases covering 2,422 hectares and 39 mineral claims encompassing approximately 17,358 hectares.

	December 31 2014	December 31 2013
Balance, beginning of year	$ 92,132	$ 83,799
Equity income for the year	638	8,333
Balance, end of year	$ 92,770	$ 92,132

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

Statement of Financial Position

[stated 100% - Imperial's equity share is 50%]	December 31 2014	December 31 2013
ASSETS		
Current Assets		
Cash	$ 23,910	$ 31,583
Short term investments	-	15,000
Other current assets	31,640	31,959
	55,550	78,542
Mineral Properties	179,441	163,486
Other Non-Current Assets	24,313	16,501
	$ 259,304	$ 258,529
LIABILITIES		
Current Liabilities		
Trade and other payables	$ 12,330	$ 15,267
Other current liabilities	6,176	12,427
	18,506	27,694
Future Site Reclamation Provisions	45,394	37,812
Other Non-Current Liabilities	9,863	8,758
	73,763	74,264
EQUITY		
Share Capital	57,596	57,596
Retained Earnings	127,945	126,669
	185,541	184,265
	$ 259,304	$ 258,529

(1) 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

[stated 100% - Imperial's equity share is 50%]	December 31 2014	December 31 2013
Revenue	$ 111,623	$ 138,377
Cost of Sales	(105,296)	(107,189)
Income from Mine Operations	6,327	31,188
General and Administration	935	940
Finance Costs	(1,188)	(2,746)
Idle Mine Costs	(2,561)	-
Impairment of Mineral Property	(1,263)	-
Income Before Taxes	2,250	29,382
Income and Mining Tax Expense	(974)	(12,717)
Net Income and Comprehensive Income	$ 1,276	$ 16,665

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

Statement of Cash Flows

[stated 100% - Imperial's equity share is 50%]	December 31 2014	December 31 2013
OPERATING ACTIVITIES		
Net income before taxes	$ 2,250	$ 29,382
Items not affecting cash flows		
Depletion and depreciation	18,108	19,724
Unrealized foreign exchange loss	368	180
Unrealized losses on derivative instruments	43	518
Impairment of mineral property	1,263	-
Other	1,151	488
	23,183	50,292
Net change in non-cash operating working capital balances	(2,776)	7,950
Income and mining taxes paid	(5,479)	(1,609)
Income and mining taxes received	46	3,344
Cash provided by operating activities	14,974	59,977
INVESTING ACTIVITIES		
Acquisition and development of mineral properties	(29,469)	(77,679)
Sale of short term investments	15,000	35,000
Net change in non-cash financing working capital balances	-	(5,656)
Other	(7,810)	993
Cash used in investing activities	(22,279)	(47,342)
EFFECT OF FOREIGN EXCHANGE ON CASH	(368)	(180)
(DECREASE) INCREASE IN CASH	(7,673)	12,455
CASH, BEGINNING OF YEAR	31,583	19,128
CASH, END OF YEAR	$ 23,910	$ 31,583

(a) Mineral Properties

	Cost	Accumulated Depletion , Depreciation and Impairment Losses	Net Carrying Amount
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
Additions	37,977	-	37,977
Depletion & Depreciation	-	20,759	(20,759)
Disposals & Impairments	(2,341)	(1,078)	(1,263)
Balance December 31, 2014	$ 528,794	$ 349,353	$ 179,441

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

(b) Derivative Instruments

Huckleberry had no derivative instruments outstanding at December 31, 2014.

(c) Pledged Assets

At December 31, 2014, Huckleberry had pledged cash deposits of $14,165 (December 31, 2013-$12,165) and certain mining equipment with a net book value of $16,000 (December 31, 2013-$10,843) as security for future site reclamation obligations.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

(d) Future Site Reclamation Provisions

Changes to the future site reclamation provisions are as follows:

	December 31 2014	December 31 2013
Balance, beginning of year	$ 39,022	$ 45,260
Accretion	1,639	1,525
Costs incurred during the year	(488)	(1,038)
Change in estimates of future costs	5,543	(6,725)
Balance, end of year	45,716	39,022
Less portion due within one year	(322)	(1,210)
	$ 45,394	$ 37,812

(e) Reclamation Bonding Obligations

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

2015	$ 3,000
2016	6,000
2017	18,000
	$ 27,000

(f) Commitments

As at December 31, 2014, Huckleberry is committed to future minimum operating lease payments as follows:

2015	$ 90
2016	77
2017	8
	$ 175

As at December 31, 2014, Huckleberry had contractual commitments to purchase plant and equipment at a cost of $271.

6. Mineral Properties

		Mineral Properties not being depleted				
Cost	Mineral Properties being depleted	Projects not in Production	Exploration and Evaluation Assets	Plant and Equipment	Construction in Progress	Total
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
Additions	30,244	53,091	2,247	21,195	310,322	417,099
Reclassifications	246	(246)	-	-	-	-
Disposals	-	-	-	(1,357)	(52,000)	(53,357)
Foreign exchange movement	606	2,636	-	(124)	-	3,118
Balance as at December 31, 2014	$ 236,694	$ 195,685	$ 21,371	$ 296,614	$ 667,274	$ 1,417,638

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

		Mineral Properties not being depleted				
Accumulated depletion & depreciation & impairment losses	Mineral Properties being depleted	Projects not in Production	Exploration and Evaluation Assets	Plant and Equipment	Construction in Progress	Total
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
Depletion & depreciation	5,707	-	-	14,064	-	19,771
Disposals	-	-	-	(652)	-	(652)
Foreign exchange movement	906	-	-	258	-	1,164
Balance as at December 31, 2014	$ 101,400	$ -	$ 1,645	$ 143,193	$ -	$ 246,238
Carrying Amount						
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
Balance as at December 31, 2014	$ 135,294	$ 195,685	$ 19,726	$ 153,421	$ 667,274	$ 1,171,400

At December 31, 2014 the Company had contractual commitments totaling $9,480 (2013-$81,624) for the acquisition of property, plant and equipment (Note 26(c)). At December 31, 2014 mineral property assets with a carrying value of $1,370 (2013-$1,370) are legally restricted for the purposes of settling future site reclamation provisions (Note 26(b)).

During the year ended December 31, 2014 the Company capitalized borrowing costs of $38,364 (2013-$9,572) related to the Red Chris project into construction in progress at a weighted average borrowing rate of 6.95% (2013-4.43%).

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 18,892 hectares, which consists of seven mining leases totalling 2,007 hectares, and 44 mineral claims encompassing 16,885 hectares.

At December 31, 2014 the carrying value of the Company's investment in the Mount Polley mine was $238,852. The Company has concluded that the tailings dam breach (Note 17) was an impairment indicator and performed an impairment assessment of the Mount Polley mine. This assessment included the review of all factors relating to future operations at the Mount Polley mine as they presently exist and concluded that the estimated recoverable amount of the Mount Polley mine is greater than the $238,852 carrying value. This analysis assumed the restart of operations utilizing the following life of mine assumptions after incorporating the impact of the tailings dam breach on future costs and operations.

Copper price	US$3.07 per pound
Gold price	US$1,250 per ounce
CDN$/US$ Exchange Rate	1.16
Discount Rate	8.0%

There can be no assurances however, that these assumptions will be correct.

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 19,780 hectares, which consists of two mining leases covering 2,422 hectares and 39 mineral claims encompassing approximately 17,358 hectares.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

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 29,482 hectares and is comprised of five 30 year mining leases covering 5,141 hectares and 83 mineral claims encompassing 24,341 hectares. The Red Chris project was issued a Mines Act permit in May 2012 by the Province of British Columbia. Commissioning of the Red Chris mine began in late 2014. Net smelter royalties between 1.0% to 2.0% are expected to be payable on production from all or portions of the 23 core mineral tenures.

Sterling

The Company owns 100% of the Sterling gold mine near Beatty, Nevada. The Sterling mine produced gold from both underground and open pit sources from 1980 to 2002 when operations were suspended and from a new underground source from 2012 to the present. Certain parts of the Sterling property have been reclaimed. The main Sterling property consists of 272 lode mining claims plus one water well site covering 2,274 hectares Net smelter royalties of 2.25% are payable on production with minimum advance royalties on a small portion of these claims.

Ruddock Creek

The Ruddock Creek Joint Venture (Note 21) is owned by Imperial (50%), Mitsui Mining and Smelting Co. Ltd. (30%) and Itochu Corporation (20%) ("Itochu/Mitsui"). 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, and consists of 42 mineral claims totalling 21,156 hectares. Net smelter royalties of 1.0% are payable on production from the three main claims and 1.5% payable on production from the 16 Irony claims.

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 2014	December 31 2013
Future site reclamation deposits	$ 4,063	$ 3,077
Other	2,723	1,419
	$ 6,786	$ 4,496

8. Trade and Other Payables

	December 31 2014	December 31 2013
Trade payables	$ 47,374	$ 38,930
Accrued liabilities	30,277	27,581
	$ 77,651	$ 66,511

9. Short Term Debt

Amounts due for short term debt facilities are:

	December 31 2014	December 31 2013
Bank loan facilities aggregating $nil (December 31, 2013 -$150,000) 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 was guaranteed by a related party (Note 22). A portion of the facility was utilized for letters of credit pledged for settlement of future site reclamation provisions. The facility was due on demand and was repaid and cancelled in March 2014.		
(i) Bankers Acceptances with a maturity value of $nil (December 31, 2013-$120,000)	$ -	$ 119,980
(ii) Cheques issued in excess of funds on deposit to be funded from the loan facility	-	12,430
	$ -	$ 132,410

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

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

	December 31 2014	December 31 2013
Balance, beginning of year	$ 132,410	$ 92,403
Amounts advanced	174,576	488,870
Amounts repaid	(307,256)	(449,347)
Foreign exchange losses	270	484
Balance, end of year	$ -	$ 132,410

10. Non-Current Debt

		December 31 2014	December 31 2013
Senior secured revolving credit facility, net of issue costs	(a)	$ 172,480	$ -
Senior unsecured notes, net of issue costs	(b)	368,787	-
Junior credit facility, net of issue costs (Note 13(d))	(c)	30,000	-
Convertible debentures	(d)	87,679	
Line of credit facility	(e)	-	195,000
Equipment loans	(f)	47,901	49,382
		706,847	244,382
Less portion due within one year		(12,590)	(10,373)
		$ 694,257	$ 234,009

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

	December 31 2014	December 31 2013
Balance, beginning of year	$ 244,382	$ 8,341
Amounts advanced, net of issue costs including warrants (Note 13(d)) but excluding equity component of convertible debentures	817,915	249,375
Foreign exchange loss	18,809	1,929
Accretion of debt issue costs	3,594	-
Accretion of interest on convertible dentures	1,366	-
Amounts repaid	(379,219)	(15,263)
Balance, end of year	706,847	244,382
Less portion due within one year	(12,590)	(10,373)
	$ 694,257	$ 234,009

(a) Senior Credit Facility

Senior secured revolving credit facility from a syndicate of banks aggregating $200,000 (December 31, 2013-$nil) due on October 1, 2016. The facility is secured by trade and other receivables, inventory, shares of all material subsidiaries and a floating charge on certain assets of the Company. A portion of the facility ($25,758) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 26(b)).

	December 31 2014	December 31 2013
(i) Principal	$ 173,967	$ -
(ii) Unamortized financing costs	(1,487)	-
	$ 172,480	$ -

(b) Senior Unsecured Notes

Senior unsecured notes (the "Notes") due March 15, 2019 aggregating US$325,000 with interest at 7% per annum payable on March 15 and September 15 of each year commencing September 15, 2014. The Notes, net of transaction costs, are accounted for at amortized cost using the effective interest method.

The Notes are guaranteed by all the material subsidiaries of the Company. The Company may redeem some or all of the Notes at any time on or after March 15, 2017 at redemption prices ranging from 103.5% to 100% plus accrued interest and prior to that date at 100% plus a make-whole premium plus accrued interest. Prior to March 15, 2017 the Company may also redeem up to 35% of the principal amount of the Notes from the net proceeds of certain equity offerings at a redemption price of 107% plus accrued interest.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

The indenture governing the Notes places certain transaction-based restrictions on the Company's ability to incur additional indebtedness; prepay, redeem or repurchase certain debt; pay dividends or make other distributions or repurchase or redeem shares; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; consolidate, merge or sell all or substantially all of the Company's assets, in each case subject to certain exceptions.

	December 31 2014	December 31 2013
(i) Principal	$ 377,033	$ -
(ii) Unamortized financing costs	(8,246)	-
	$ 368,787	$ -

(c) Junior Credit Facility

The junior credit facility is from a related party. It aggregates $75,000 (December 31, 2013-$nil) and is unsecured with interest payable quarterly at 10% per annum. The facility is available for drawdown until the earlier of the date the Company meets the completion test specified in the senior credit facility or June 1, 2015. The facility is due on March 15, 2019 however the facility must be repaid upon (i) receipt of proceeds from specific sources as described in the agreement, (ii) the debt ratio in the senior credit facility permitting repayment of the debt. In connection with this facility, the Company issued 750,000 warrants (Notes 13(d) and 22).

	December 31 2014	December 31 2013
Principal	$ 30,000	$ -

(d) Convertible Debentures

On September 3, 2014 the Company issued senior unsecured convertible debentures with a face value of $115,000 that mature on September 4, 2020, $40,000 was issued to a significant shareholder (Note 22). The net proceeds after deduction of issue expenses of $436 totalled $114,564. The debentures bear interest at 6% per year with interest payable semi-annually on June 30 and December 31 with the first payment due on June 30, 2015. The face value of the convertible debentures are convertible into common shares of the Company at the option of the holder upon at least 61 days advance notice at any time prior to maturity at a conversion price of $12.00 per common share. The convertible debentures are not callable unless the closing price of the Company's common shares exceeds 125% of the conversion price for at least 30 consecutive days. At the option of the Company, subject to the separate approval of the TSX and compliance with all applicable securities laws, such interest may be paid through the issuance of additional convertible debentures or Imperial's common shares.

The convertible debentures are compound financial instruments, consisting of the debt instrument and the equity conversion feature. The fair value of the debt component was valued at amortized cost using the effective interest method at a discount rate of 12% and is recorded in non-current debt. The fair value of the equity component was calculated as the residual balance and is recorded within equity.

At the date of issue on September 3, 2014, the components of the convertible debentures were:

Debt component, net of financing costs	$ 86,313
Equity component, net of financing costs, net of deferred income taxes of $7,345	$ 20,906

Transaction costs were netted against the debt instrument and equity component based on the pro-rata allocation of the fair value of each instrument at initial recognition.

	December 31 2014	December 31 2013
Debt component, net of financing costs, at inception	$ 86,313	$ -
Accretion in the period	1,366	-
Debt component, balance	$ 87,679	$ -

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

(e) Line of Credit Facility

The line of credit facility is from a related party (Note 22). It aggregates $nil (December 31, 2013- $200,000) and is unsecured and due on January 1, 2015 with interest payable monthly at 7% per annum. This facility was repaid and cancelled in March 2014.

	December 31 2014	December 31 2013
Principal	$ -	$ 195,000

(f) Equipment Loans

	December 31 2014	December 31 2013
	$ 47,901	$ 49,382

(i) Finance contract for US$4,873 (December 31, 2013-US$6,383) 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.

(ii) Finance contract for US$2,719 (December 31, 2013-US$3,491) repayable in monthly instalments of US$71 including interest at a fixed rate of 2.50% and secured by the financed equipment.

(iii) Finance contract for US$2,914 (December 31, 2013-US$3,681) repayable in monthly instalments of US$71 including interest at a fixed rate of 2.50% and secured by the financed assets.

(iv) Finance contract for US$3,514 (December 31, 2013-US$4,417) repayable in monthly instalments of US$84 including interest at a fixed rate of 2.50% and secured by the financed equipment.

(v) Finance contract for US$352 (December 31, 2013-US$443) repayable in monthly instalments of US$8 including interest at a fixed rate of 2.50% secured by the financed equipment.

(vi) Finance contract for US$7,449 (December 31, 2013-US$9,521) repayable in monthly instalments of US$197 including interest secured by the financed assets.

(vii) Finance contract for US$14,855 (December 31, 2013-US$18,493) repayable in monthly instalments of US$340 at a fixed interest rate of 2.57% and secured by the financed equipment.

(viii) Finance contract for $5,353 (December 31, 2013-$nil) repayable in monthly installments of $60 until July 2015 and $100 thereafter until a final payment of $559 in August 2019 including interest at a fixed rate of 2.90% and secured by the financed equipment.

11. Future Site Reclamation Provisions

The Company has recognized provisions for future site reclamation at its Mount Polley, 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 are as follows:

	December 31 2014	December 31 2013
Balance, beginning of year	$ 16,045	$ 12,397
Accretion (Note 16)	662	307
Costs incurred during the year	(37)	(200)
Change in estimates of future costs and effect of translation of foreign currencies	9,243	3,541
Balance, end of year	25,913	16,045
Less portion due within one year	(1,775)	(285)
	$ 24,138	$ 15,760

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

The total undiscounted amount of estimated future cash flows required to settle the obligations is $38,010 (December 31, 2013-$20,425). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2013-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 3.33% (December 31, 2013-4.20%).

The obligations are expected to be settled primarily in the years 2015 through 2043.

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

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 and the CDN/US Dollar exchange rate. There is no master netting agreement which allows for the Company to offset gains and losses from the various contracts.

The Company's derivative instrument contracts for copper and gold 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, 2014, the Company had entered into various contracts to protect the projected cash flow from its operations against a decline in the price of gold and to lock in the CDN/US Dollar exchange and interest rate on a portion of the Notes (Note 10(b)). The Company has not applied 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, 2014 depending on the attributes of the contracts.

Commodity Derivatives

Option contracts outstanding at December 31, 2014 for gold are as follows:

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

The put options purchased have a price of US$1,250 per ounce and the call options sold have a price of US$1,415 per ounce. The Company will receive/pay the counterparties the difference between the monthly average cash settlement price of gold on the London Metals Exchange and the gold price specified in the put/call option contract. At December 31, 3014 the fair value of commodity derivatives was a net asset of $3,691 (December 31, 2013 - $1,738).

Subsequent to December 31, 2014 and up to March 30, 2015 the Company entered into option contracts for gold as follows:

	Weighted Average			
	Minimum Price	Maximum Price	Put Options Purchased	Call Options Sold
	US$/oz	*US$/oz*	*ounces of gold*	*ounces of gold*
Contract Period				
2015	$ 1,150	$ 1,350	43,800	43,800

The put options purchased have a price range of US$1,100 to US$1,200 per ounce and the call options sold have a price range of US$1,300 to US$1,400 per ounce. 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.

Currency Derivatives

On March 12, 2014, concurrent with the issuance of the Notes, the Company entered into US Dollar fixed to CDN Dollar fixed cross currency swaps aggregating US$110,000 in principal amount to lock in the foreign exchange rate on a portion of the US$325,000 Notes and related interest payments (Note 10(b)). These cash flow hedges provide the Company with a fixed US Dollar to CDN Dollar exchange rate and a fixed interest rate on the US$110,000 swapped to $122,232 principal amount of the Notes. The foreign exchange rate on the US$110,000 swapped principal plus related interest payments over the five year term of the Notes is fixed at 1.1112 CDN for each US Dollar. The interest rate on the CDN Dollar obligations is fixed at 7.6% per annum over the term of the Notes. At December 31, 2014 the fair value of the cross currency swap was an asset of $3,894 (December 31, 2013-$nil).

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

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, 2014 a total of 5,257,927 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:

	2014		2013	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	2,582,700	$ 8.28	3,014,968	$ 8.13
Exercised	(292,750)	$ 7.02	(356,268)	$ 6.76
Forfeited	(51,000)	$ 11.55	(76,000)	$ 9.38
Outstanding at end of year	2,238,950	$ 8.37	2,582,700	$ 8.28
Options exercisable at end of year	1,986,950	$ 7.97	1,962,700	$ 7.44

The following table summarizes information about the Company's share options outstanding at December 31, 2014:

	Options Outstanding		Options Exercisable	
Exercise Prices	Remaining Options Outstanding	Contractual Life in Years	Remaining Options Outstanding	Contractual Life in Years
$4.41	860,900	4.00	860,900	4.00
$5.93	172,000	5.00	172,000	5.00
$11.55	1,206,050	5.79	954,050	5.79
	2,238,950	5.04	1,986,950	4.96

For share options exercised during the year ended December 31, 2014, the weighted average share price at the date of exercise was $16.80 (2013-$12.47).

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

During the year ended December 31, 2014 the Company had two NCIB's. The first NCIB, the 2013/2014 bid, covered the period October 15, 2013 to October 14, 2014. Pursuant to the 2013/2014 NCIB, the Company was authorized by the TSX to purchase up to 2,012,378 common shares of the Company with daily purchases not to exceed 14,560 common shares, subject to certain prescribed exceptions.

On October 16, 2014 the TSX accepted the Company's Notice of Intention to make a Bid to be transacted through the facilities of the TSX or alternative Canadian market places. Pursuant to the 2014/2015 Bid, the Company may purchase up to 2,024,130 common shares, which represents 2.7% of the total 74,967,768 common shares of the Company issued and outstanding as of October 3, 2014. Purchases will be made, at the discretion of the Company at prevailing market prices, commencing October 20, 2014 and ending no later than October 19, 2015. Pursuant to TSX policies, daily purchases made by the Company will not exceed 27,484 common shares or 25% of the Company's average daily trading volume of 109,939 common shares on the TSX, subject to certain prescribed exceptions. The shares acquired under the Bid will either be cancelled or used to satisfy the Company's obligations under its Non-Management Directors' Plan and Share Purchase Plan. The funding for any purchase pursuant to the Bid will be financed out of the working capital of the Company.

During the year ended December 31, 2014 the Company repurchased 11,500 common shares at an average price of $11.03 per share pursuant to the NCIB's at a cost of $127. A total of 11,500 common shares have been allocated to the Company's obligation under the Non-Management Directors Plan.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

(d) Warrants

In connection with the junior credit facility (Note 10(c)) the Company issued 750,000 warrants on March 12, 2014 to a related party at an ascribed value of $870. Each warrant is exercisable at $20 and entitles the holder to purchase one common share of the Company. The warrants expire on March 12, 2016. At December 31, 2014 all 750,000 warrants remained outstanding.

14. Cost of Sales

	2014	2013
Operating expenses	$ 50,181	$ 66,181
Salaries, wages and benefits	24,918	38,429
Depletion and depreciation	15,511	18,813
Share based compensation	57	123
	$ 90,667	$ 123,546

15. General and Administration Costs

	2014	2013
Administration	$ 3,659	$ 5,317
Share based compensation	689	1,556
Depreciation	629	99
Foreign exchange loss	1,382	60
	$ 6,359	$ 7,032

16. Finance Costs

	2014	2013
Accretion of future site reclamation provisions	$ (662)	$ (307)
Interest on non-current debt	(1,974)	(1)
Other interest expense	-	(514)
Financing fees	-	(2)
Foreign exchange loss on current debt	(270)	(484)
Foreign exchange loss on non-current debt	(18,809)	(1,928)
Fair value adjustment to marketable securities	(742)	(497)
Realized (losses) gains on derivative instruments	(104)	92
Unrealized gains on derivative instruments	5,798	1,475
	(16,763)	(2,166)
Interest income	117	299
Finance costs	$ (16,646)	$ (1,867)

17. Provision for Remediation Costs

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, BC was breached. There were no injuries as a result of this incident. The Company promptly commenced response and recovery activities, followed by rehabilitation and restoration activities. These activities are ongoing. A total of $67,435 was charged to expense for the year ended December 31, 2014 of which $41,474 was incurred in the year for response and recovery costs, as well as initial rehabilitation and restoration costs which have included but are not limited to construction of a temporary rock berm for tailings security, Polley Lake water level reduction, Quesnel Lake wood recovery, repair and buttressing of the tailings embankment, rehabilitation of Hazeltine Creek, construction of sedimentation ponds and water collection facilities, as well as environmental monitoring, community relations, communications and related corporate support costs.

At December 31, 2014 the remaining provision was $25,961. This provision is for rehabilitation and restoration costs to be incurred in the future, primarily within the next year. The provision also includes costs for geotechnical investigations, environmental monitoring, community relations, communications and related corporate support costs. As of December 31, 2014 the Company has received insurance recoveries totalling $14,000. Any additional insurance recoveries will be recorded when received.

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

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

Changes in the provision for remediation costs are as follows.

	2014	2013
Balance, beginning of the year	$ -	$ -
Provision for future remediation costs including depreciation	67,435	-
Costs incurred in the year including depreciation of $2,164 (2013-$nil)	(41,474)	-
Balance, end of the year	25,961	-
Less portion to be incurred within one year	(23,686)	-
	$ 2,275	$ -

Cumulative provision for remediation costs	$ 67,435	$ -
Less insurance recoveries received	(14,000)	-
Net remediation costs	$ 53,435	$ -

18. Income and Mining Taxes (Recovery) Expense

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:

	2014		2013	
	Amount	%	Amount	%
(Loss) Income before taxes	$ (43,668)	100.0	$ 63,757	100.0
Income tax (recovery) expense thereon at statutory rates	(11,354)	(26.0)	16,449	25.8
Increase (decrease) resulting from:				
Equity income in Huckleberry	(166)	(0.4)	(2,150)	(3.4)
Deferred income tax assets not recognized	4,308	9.7	253	0.4
Impact of changes in tax rates	-	-	1,929	3.0
Non-deductible share based compensation	194	0.4	432	0.7
B.C. mineral taxes	(1,416)	(3.2)	4,926	7.7
Other	2,051	4.6	964	1.6
Income and mining taxes (recovery) expense	$ (6,383)	(14.9)	$ 22,803	35.8
Current income and mining taxes(1)	$ 79		$ 2,497	
Deferred income and mining taxes (recovery)	(6,462)		20,306	
	$ (6,383)		$ 22,803	

(1) including (recoveries) charges of $(33) (2013-$809) in respect of prior year taxes

During the year ended December 31, 2014 a deferred income tax credit of $7,345 related to the equity component of the convertible debenture (Note 10(d)) was charged to equity. There were no other tax charges or credits against other comprehensive income or directly to equity. In the year ended December 31, 2014 $927 (December 31, 2013-$336) 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 2014	December 31 2013
Deferred income and mining tax (assets) and liabilities		
Mineral properties	$ 117,234	$ 74,511
Mineral properties – mineral taxes	9,110	10,526
Timing of partnership items	249	5,137
Derivative instruments	960	420
Debt component of convertible debentures	7,103	-
Other	219	727
Net operating tax losses carried forward	(43,493)	(561)
Net deferred income and mining tax liabilities	$ 90,716	$ 90,760

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

As at December 31, 2014 the Company had net operating tax loss carry forwards in Canada of $178,974 which can be applied to reduce future Canadian taxable income and will expire between 2023 and 2035. In addition, the Company had net operating tax loss carry forwards in the United States of US$30,701 which can be applied to reduce future US taxable income and will expire in 2023 to 2033.

The Company had the following temporary differences and unused tax losses at December 31, 2014 in respect of which no deferred tax asset has been recognized:

	Mineral Properties & Other	Tax Losses	Total
Expiry 2020 and beyond	$ -	$ 15,086	$ 15,086
No expiry date	38,030	5,255	43,285
	$ 38,030	$ 20,341	$ 58,371

19. (Loss) Income Per Share

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

	2014	2013
Numerator:		
Net (Loss) Income	$ (37,285)	$ 40,954
Denominator:		
Basic weighted-average number of common shares outstanding	74,928,926	74,466,539
Effect of dilutive securities:		
Stock options	-	862,773
Diluted weighted-average number of common shares outstanding	74,928,926	75,329,312
Basic net (loss) income per common share	$ (0.50)	$ 0.55
Diluted net (loss) income per common share	$ (0.50)	$ 0.54

Common shares that may be issued in relation to the following items have been excluded from the calculation of diluted net (loss) income per common share:

	2014	2013
Stock options	2,238,950	1,352,000
Warrants	750,000	-
Convertible debentures	9,583,333	-

20. Supplemental Cash Flow Information

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

	2014	2013
Trade and other receivables	$ 903	$ 12,459
Inventory	3,195	40
Derivative instrument assets	-	84
Prepaid expenses and deposits	268	(64)
Trade and other payables	23,525	(332)
Derivative instrument liabilities	(48)	(176)
Provision for remediation costs	23,686	-
	$ 51,529	$ 12,011

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

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

During the year ended December 31, 2014 the Company issued 750,000 warrants for financing costs (Notes 10(c) and 22) at an ascribed value of $870.

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(f).

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

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

	2014	2013
Trade and other payables	$ (22,491)	$ 28,841

21. 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 22) and a 35% interest in the Porcher Island Joint Venture:

Statements of Financial Position

	December 31 2014	December 31 2013
Current Assets		
Cash	$ 501	$ 439
Other current assets	3	8
	504	447
Mineral properties	13,705	12,372
Other non-current assets	48	45
	14,257	12,864
Current Liabilities - trade and other payables	(56)	(45)
Non-current future site reclamation provisions	(248)	(216)
	$ 13,953	$ 12,603

Statements of Cash Flows

	2014	2013
Cash provided by financing activities	$ 1,350	$ 1,337
Cash used in investing activities	(1,288)	(943)
Increase in cash	$ 62	$ 394

There have been no operations since inception of the Ruddock Creek Joint Venture and the Porcher Island Joint Venture as the joint operations are currently in the exploration stage.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

22. 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 2014	December 31 2013
Subsidiaries			
416898 BC Ltd.	Canada	100%	100%
American Bullion Minerals Ltd.	Canada	100%	100%
Bethlehem Resources Corporation	Canada	100%	100%
Catface Copper Mines Limited	Canada	100%	100%
CAT-Gold Corporation	Canada	100%	100%
Goldstream Mining Corporation	Canada	100%	100%
HML Mining Inc.	Canada	100%	100%
High G Minerals Corporation	Canada	100%	100%
Highway 37 Power Corp.	Canada	100%	100%
Mount Polley Mining Corporation	Canada	100%	100%
Princeton Exploration Ltd.	Canada	100%	100%
Red Chris Development Company Ltd.	Canada	100%	100%
Ruddock Creek Mining Corporation	Canada	100%	100%
Selkirk Metals Corp.	Canada	100%	100%
Sterling Gold Mining Corporation	USA	100%	100%
Joint Arrangements			
Huckleberry Mines Ltd.	Canada	50%	50%
Ruddock Creek Joint Venture	Canada	50%	50%
Porcher Island Joint Venture	Canada	35%	35%

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

	2014	2013
Accrued interest on Senior Unsecured Notes and Convertible Debentures	$ 2,051	$ -
Trade and other payables (receivable)	$ (4)	$ -
Junior Credit Facility (Note 10(c))	$ 30,000	$ -
Senior Unsecured Notes (US$53,300)	$ 61,833	$ -
Convertible Debentures	$ 40,000	$ -
Line of Credit Facility (Note 10(e))	$ -	$ 195,000
Cost of sales	$ 32	$ 17
Loan guarantee fee for guarantee of portion of bank loan facility (Note 9)	$ 91	$ 473
Financing fees–cash	$ 1,000	$ 1,000
Financing fees–warrants (Notes 10(c) and 13(d))	$ 870	$ -
Interest expense	$ 9,124	$ 3,715

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.

23. 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, 2014 and 2013 are as follows:

	2014	2013
Short term benefits (1)	$ 1,440	$ 1,841
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, 2014 and 2013.

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

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

24. Reportable Segmented Information

The Company operates primarily in Canada. Except for assets, comprised primarily of the Sterling mine, totalling $34,997 as at December 31, 2014 (December 31, 2013-$33,470) 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, 2014:

- 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 Huckleberry segment was in commercial production and is earning revenue through the sale of copper and molybdenum concentrate and other minerals to external customers.
- The Mount Polley segment was in commercial production and earning revenue through the sale of copper concentrate and other minerals and services to external customers until the tailings dam breach on August 4, 2014. The mine has been idle since that time while remediation is ongoing.
- 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. Commissioning of the mine and mill commenced in late 2014 and the mine started production of copper concentrate in February 2015.
- 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, 2014
	Mount Polley	Huckleberry	Sterling	Red Chris	Corporate	Total
Reportable segmented revenues	$ 123,345	$ -	$ 6,656	$ -	$ 5,929	$ 135,930
Less inter-segment revenues	-	-	-	-	(5,021)	(5,021)
Revenues from external sources	$ 123,345	$ -	$ 6,656	$ -	$ 908	$ 130,909
Depletion and Depreciation	$ 15,174	$ -	$ 3,048	$ -	$ 1,061	$ 19,283
Finance (Costs) Income	$ (1,854)	$ -	$ (69)	$ (14,029)	$ (694)	$ (16,646)
Equity Income in Huckleberry	$ -	$ 638	$ -	$ -	$ -	$ 638
Net (Loss) Income	$ (3,714)	$ 638	$ (5,069)	$ (17,467)	$ (11,673)	$ (37,285)
Capital Expenditures	$ 53,389	$ -	$ 370	$ 350,076	$ 1,283	$ 405,118
Investment in Huckleberry Mines Ltd.	$ -	$ 92,770	$ -	$ -	$ -	$ 92,770
Total Assets	$ 264,381	$ 92,770	$ 34,997	$ 916,527	$ 29,682	$ 1,338,357
Total Liabilities	$ 192,265	$ -	$ 4,104	$ 701,993	$ 32,001	$ 930,363

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

						Year Ended December 31, 2013
	Mount Polley	Huckleberry	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

	2014	2013
Revenue by geographic area		
Japan	$ 93,411	$ 90,174
United States	36,261	96,173
Canada	1,237	1,458
	$ 130,909	$ 187,805

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

In the year ended December 31, 2014, the Company had three principal customers (December 31, 2013–three principal customers) with each customer accounting for 36%, 35% and 23% of revenues (December 31, 2013–48%, 25% and 24% 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:

	2014	2013
Copper	$ 81,901	$ 114,097
Gold	46,197	69,734
Silver	1,574	2,553
Other	1,237	1,421
	$ 130,909	$ 187,805

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

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

25. 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 2013.

The capital structure of the Company consists of non-current debt, credit facilities with counterparties related to derivative instruments and equity comprised of share capital, share option reserve, warrant reserve, equity component of convertible debentures, currency translation adjustment and retained earnings.

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

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 instruments 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, 2014 is as follows:

	2014	2013
Cash	$ 19,913	$ 3,095
Marketable securities	321	1,063
Trade and other receivables	16,244	16,807
Derivative instrument assets	7,585	3,473
Future site reclamation deposits	4,063	3,077
Other assets	1,434	-
	$ 49,560	$ 27,515

Liquidity Risk

The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that in addition to cash balances there are sufficient committed credit facilities, including the advance payment facilities with its customers, to provide the necessary cash to meet projected cash requirements. At December 31, 2014 the Company's primary sources of credit are the long term financing arrangements for the Red Chris project and for general working capital purposes. These are comprised of a $200,000 syndicated secured revolving credit facility, US$325,000 senior unsecured notes, $115,000 of unsecured convertible debentures, a $75,000 unsecured junior credit facility plus up to US$50,000 of equipment loans. In January 2015 the Company obtained a $50,000 revolving second lien secured credit facility (Note 28).

The tailings dam breach at the Mount Polley mine has resulted in the loss of production for an indeterminate period of time and the Company is incurring costs for rehabilitation and restoration. While the precise costs of rehabilitation and restoration are presently unknown, the Company believes the costs can be managed over time, given the underlying value of the Company's assets, the current sources of liquidity, insurance proceeds and the expected cash flow from the Red Chris mine. Options for the resumption of Mount Polley operations are being studied.

Assuming cash flow forecasts are met, the projected cash flow from the Red Chris mine together with insurance proceeds and available credit facilities are expected to fund the estimated remediation cost of the tailings dam breach at the Mount Polley mine. However, there are inherent risks associated with the startup of a mine, and inherent uncertainties related to the scope, timing and cost of the rehabilitation and restoration.

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.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

The Company's overall liquidity risk has increased in 2014 as the Company faced much higher than normal capital expenditures in 2014 related to the development of the Red Chris mine, and as a result of the Mount Polley tailings dam breach. The tailings dam breach removed the Company's primary source of cash flow and added the remediation costs to the current obligations of the Company.

Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

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

	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	2014 Total	2013 Total
Trade and other payables	$ 77,651	$ -	$ -	$ -	$ 77,651	$ 66,511
Derivative instrument liabilities	-	-	-	-	-	1,735
Short term debt	-	-	-	-	-	132,410
Non-current debt	12,590	198,856	407,723	87,678	706,847	244,382
	$ 90,241	$ 198,856	$ 407,723	$ 87,678	$ 784,498	$445,038

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash, accounts receivable, derivative instrument assets, reclamation deposits, trade and other payables, derivative instrument liabilities, and debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the year ended December 31, 2014 would have been lower/higher by $29,474. This is a significant change from prior years as a result of the issuance of the US Dollar denominated Notes in March 2014. A foreign currency swap covering about 33% of the Notes offsets a portion of these changes in the CDN Dollar to US Dollar exchange rate.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At December 31, 2014 more than half of the Company's outstanding borrowings were at fixed interest rates compared to December 31, 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.

If interest rates had been 100 basis points higher/lower on the Company's floating rate debt and all other variables were held constant, the amount of interest expense in the year ended December 31, 2014 would have increased/decreased by $1,472.

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 reporting date.

If equity prices had been 5% higher or lower:

(a) net income for the year ended December 31, 2014 would have decreased/increased by $14 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. Except for the Notes (Note 10(b)), management believes that the carrying value of remaining non-current debt approximates fair value. At December 31, 2014 the fair value of the Notes is $346,870 (December 31, 2013-$nil) based on a quote received from dealers that trade the Notes. Although the interest rates and credit spreads have changed since the remainder of the non-current debt was issued the fixed rate portion of the non-current debt is not expected to be refinanced and therefore the carrying value is not materially different from fair value.

December 31, 2014 and 2013 [expressed in thousands of Canadian dollars, except share amounts]

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

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

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

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

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2014 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	$ 19,913	$ -	$ 19,913
Marketable securities	321	-	321
Provisionally priced receivables	-	191	191
Derivative instruments assets	-	7,585	7,585
Future site reclamation deposits	4,063	-	4,063
	$ 24,297	$ 7,776	$ 32,073

26. Commitments and Pledges

(a) At December 31, 2014, the Company is committed to future minimum operating lease payments as follows:

2015	$ 1,461
2016	416
2017	217
	$ 2,094

(b) At December 31, 2014, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets	$ 4,063
Mineral property, plant and equipment	1,370
Letters of credit (Note 10(a))	25,758
	$ 31,191

(c) At December 31, 2014, the Company had commitments to purchase plant and equipment for the Red Chris project at a cost of $9,840.

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

2015	$ 4,500
2016	6,000
2017	5,500
2018	4,000
2019 and beyond	3,800
	$ 23,800

27. Contingent Liabilities

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business. In the opinion of management, none of these matters will have a material effect on the Company's consolidated financial position or financial performance. At December 31, 2014 the Company has recorded a provision of $25,961 for future remediation costs related to the Mount Polley mine tailings dam breach (Note 17).

During the third quarter of 2014, a securities class action lawsuit was filed against the Company and certain of its directors, officers and others in the Ontario Superior Court of Justice in Toronto (the "Claim"). The Company has engaged independent legal counsel to advise it on this matter and intends to vigorously defend the Claim. At this time the Company cannot predict the outcome of the claim or determine the amount of any potential losses and accordingly, no provision has been made as of December 31, 2014.

28. Subsequent Event

In January 2015 the Company entered into a $50,000 revolving second lien secured credit facility ("the Credit Facility") which matures on April 1, 2017. The terms and conditions of the Credit Facility are modelled after the $200,000 senior secured credit facility (Note 10(a)), adjusted to reflect the second lien. A related party, a significant shareholder of the Company, has guaranteed the Credit Facility. As consideration for the guarantee the related party will receive an annual fee of 2% of the loan amount payable monthly.

Our Commitments

People & Working with Communities

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.

Imperial and its operating mines provide support to local communities to assist them in meeting their goals with a focus on education, youth and health.

We work through partnerships and support regional educational institutions whose programs are geared to the next generation of mining geoscientists, engineers, trades and other skilled positions. Northwest Community College School of Exploration & Mining (Smithers) support of Environmental Monitoring Assistant Program, as well as participation in the field based Workforce Exploration Skills Training Program. We have benefited from this program, filling entry level positions, and expect this to become a valuable source for obtaining new skilled workers. We support the following programs:

- Northwest Community College and Cariboo North Community campus (Burns Lake) environmental technical and exploration programs.
- Provincial government sponsored annual reclamation education program.
- Northern Lights College (Dease Lake Campus) Mining Essentials program.
- YES2IT (Cariboo) and Heavy Metal Rocks programs.
- Labour Market Task Group skills and education development to enable the Tahltan First Nation and other community members to take advantage of expanding employment opportunities in the northwest region of British Columbia.
- MineralsEd teacher-industry partnership program providing earth science, mineral resources and mining education to schools throughout our province.

The value of these programs extends beyond the acquired skills and qualifications - it creates a foundation for sustainable communities.

Imperial is a supporter of Mining for Miracles for BC Children's Hospital, the primary children's health care facility in our province.

Collectively, Imperial and its employees are active in a range of organizations across the province including the Association for Mineral Exploration of BC, the Mining Association of BC, the Mining Association of Canada, BC Chamber of Commerce, BC Business Council, and local government associations such as Union of BC Municipalities, North Central Local Government Association, and several Chamber of Commerce branches.

First Nation Communities

Imperial is actively engaged with First Nation communities. We maintain agreements with the Tahltan, Xat'sull, T'exelcemc, Office of the Wet'suwet'en, Wet'suwet'en, Nee Tahi Buhn, Skin Tyee, Cheslatta, Little Shuswap and Simpcw First Nations. Most 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.

Mount Polley's ongoing engagement with leadership and communities of the Xat'sull and T'exelcemc First Nations served to form a critical foundation for communication and cooperation following the breach of the tailings embankment. An active consultation engagement framework was a significant advantage when responding to the breach. All parties meet regularly to discuss past events and future plans. This cooperative effort has been a great benefit to all during this challenging time.

Huckleberry has community engagement and partnership agreements with Office of the Wet'suwet'en, Wet'suwet'en, Nee Tahi Buhn, Skin Tyee and Cheslatta First Nations. The agreements include commitments to provide information, communications, training, education and employment. In 2014 First Nations environmental monitors that recently graduated from the Environmental Monitoring Assistants Program at Northwest Community College, obtained over 500 hours of on the job training at the mine and gained valuable work experience on fisheries assessment, analytical testing and water quality monitoring. Huckleberry sponsored delegates from the Wet'suwet'en and Cheslatta First Nations to attend the 38th BC Mine Reclamation Symposium. Huckleberry participates in the Skin Tyee Nation Annual Cultural Camp, supports local career and training events, and provides mine tours for educational organizations.

Red Chris is working with the Tahltan Nation to finalize an impact and benefit agreement which will provide the basis for the partnership between the Tahltan people and Red Chris for the life of the mine. We continue to strengthen relations with the Tahltan Nation through cooperative management procedures, employment, contracting, sponsorship and community support activities. As the Red Chris mine commences operations, First Nation employees make up over 30% of the permanent workforce. Through dedicated funding for training and education, management expects the number of First Nation employees to increase in the years to come. As a result, Red Chris will have one of the highest percentages of First Nation employees among major industrial projects in British Columbia.

Environment

Imperial participates in the development of and utilizes advanced tools and technologies to mitigate our impact on the environment. Through research and extensive environmental monitoring, we strive for improvement of both our own practices and the practices of the mining community.

Through our agreements with First Nations, each project management team works closely and cooperatively with the First Nation representatives to assure environmental management is consistent with the needs of the local First Nations, and meets the highest industry standards.

Throughout our operations one of the key commitments is to maintain water quality that sustains aquatic life. Aquatic life is the most sensitive user of water, therefore by protecting aquatic ecosystems other water users (recreational, drinking water and wildlife) are also protected. The long term water quality is closely monitored to ensure the requisite water quality criteria to protect aquatic life are achieved.

Red Chris 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: a series of integrated environmental management plans, a formal environmental awareness and training program, and ongoing environmental monitoring plans. The EMS contains a comprehensive Wildlife Management Plan specifically related to the potential

impacts of the mine on the local wildlife. In particular, mountain goats and stone sheep, which inhabit the surrounding areas of the Red Chris site, are monitored and evaluated to identify whether mine activities influence their use of habitat. The Wildlife Management Plan makes extensive use of remote cameras which provide both still and video recordings of animal movements.

Red Chris has prepared an Environmental Impact Assessment (EIA) predicting concentrations and loadings to the receiving environment. Based on the findings of a Qualified Person, the EIA predicted worst case discharge characteristics would not cause pollution to the environment, and recommends a series of surface water, effluent and aquatic monitoring programs throughout the life of mine to re-confirm the preliminary findings. The monitoring programs will be designed to calibrate and check the conceptual and predicted findings. Red Chris employs qualified EIA biologists to design, develop and implement the monitoring programs.

The Red Chris Monitoring Committee (RCMC) is a requirement of the Mines Act Permit. The RCMC is chaired by representatives from Red Chris and the Tahltan Nation. The RCMC meets regularly, and includes members from the Ministry of Environment, the Ministry of Energy and Mines and the Ministry of Forest, Lands and Natural Resource Operations.

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.

The tailings dam breach at Mount Polley was an extraordinary event that was the result of an engineering design flaw. Imperial and Mount Polley management and employees continue to work relentlessly to mitigate the effect of the breach on the local communities and environment. The ongoing research of the breach and its impact on the environment will provide valuable information to guide our efforts to mitigate the effects of the breach, and to the mining industry at large.

Mount Polley continues the implementation of Toward Sustainable Mining (TSM), a program administered by the Mining Association of Canada 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.

Safety

We are engaged and 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.

All our mining operations have comprehensive protocol and programs which provide fundamental training and ongoing education to assure operations maintain maximum levels of safety and security for all employees. Ongoing program improvements and training emphasize a safety first culture. Our operations focus on building a risk based safety culture where all on-site personnel are encouraged to complete pre-task hazard assessments. By completing these assessments workers are able to identify hazards within their tasks and to implement appropriate controls to mitigate their risk. The introduction of a Job Hazard Assessment is designed to manage high risk or unusual work place conditions so adequate work plans are created to ensure these jobs are completed safely.

Mount Polley has also been focused on restructuring their Joint Occupational Health, Safety and Environment Committee to become more involved in the day-to-day safety management of the operation. This committee ensures that our management and hourly employees are working together to accomplish our safety goals. We continually evaluate our Joint Occupational Health, Safety and Environment Committees to assure they are effective and involved in safety management of operations. These committees work together with our management and employees to meet our safety goals.

Huckleberry continues to implement and improve upon a number of safety programs. These include 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 2015 are anticipated to continue the emphasis and importance of a proactive safety culture.

Mount Polley, Huckleberry and Red Chris mine rescue teams, which are part of Provincial Emergency Response Planning, compete regularly in annual provincial competition. Mount Polley's Mine Rescue Team is one of the elite teams in the province, and participates in both open pit and underground competitions. Their First Aid Team won first place overall in the 2014 BC Central Zone Competition in Revelstoke. Huckleberry won the Provincial 3-Person First Aid Competition for 2012, 2013 and 2014. The Red Chris Mine Rescue Team also competed in the 2014 First Aid Competition held in Smithers. The newly formed Red Chris team was a winner in the zone competitions and proceeded to compete at the provincial level. In 2015 the Red Chris team will compete in both Mine Rescue and First Aid.

Commitments

We are committed to responsible resource development.

What this means is we are proactive and progressive in providing safety education, and a safe working environment for all our employees, we are consistent and steadfast in our environmental research, we are committed to working with local communities where we work and operate and where our employees live, we continue to build and maintain mutually beneficial relationships with First Nations, and we are consistent and making advancement in our reclamation practices. Imperial adheres to the sustainable mining principles and practices as set out by the Mining Association of Canada.

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ANNUAL GENERAL MEETING
May 27, 2015 at 9:00am
Sutton Place Hotel
845 Burrard Street, Vancouver

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