Imperial Metals

Imperial Metals Corporation
2015 Annual Report

a new era of growth & opportunity

2015 MILESTONES

Imperial has met the challenges of the past 18 months with the support and hard work of its employees, stakeholders and local communities. The completion of construction at Red Chris in 2014, and the subsequent achievement of commercial production in July 2015, characterizes the commitment and resolution of the Company – and heralds a **new era of growth & opportunity**.

Red Chris Mine

Operations

- mill exceeds daily design capacity 40 days after initial startup
- first copper concentrate produced February 17
- commercial production achieved July 1
- met strict completion test requirements of lenders December 1

Local Community & Region

- Impact, Benefit & Co-Management Agreement signed with Tahltan Central Government July 27
- Tahltan invest in Imperial convertible debenture issue
- 30% First Nation employees in workforce of 300

Mount Polley Mine

Rehabilitation

- majority of site rehabilitation work has been completed
- tailings dam breach has been repaired
- Hazeltine Creek and lower Edney Creek have been rebuilt and new stream channels installed
- lower Edney Creek fish habitat construction completed
- extensive habitat restoration completed on Hazeltine and Edney Creeks

Restart of Operations

- modified mine operations restarted August 5
- permitting to allow for sustained normal mine operations initiated

Local Community & Region

- public meetings and consultation are ongoing
- First Nation members and local contractors completed significant portions of restoration and rehabilitation work, and provided support for monitoring work
- First Nation and local communities support continues to be integral to ongoing mine operations

PRESIDENT'S MESSAGE

In 2015 Imperial, with the help of its employees and many stakeholders, met the challenges of starting up its new Red Chris mine and responding to the 2014 breach of the Mount Polley tailings dam. These two tasks were made even more challenging as they were completed in a time of falling copper prices.

For 2015, Imperial had a net loss of $97.0 million ($1.25/share) compared to a net loss of $37.3 million ($0.50/share) in 2014, while cash flow was $14.8 million in 2015, compared to negative cash flow of $6.8 million in 2014 .

At Red Chris, the newly constructed processing plant was first operated in February 2015. The operation quickly ramped up and commercial production was achieved in July and by year end strict completion test criteria under the Company's banking facilities had been met. During the year, 8.2 million tonnes were treated by the plant and 58.5 million pounds copper and 25,949 ounces gold were produced.

At Mount Polley, mine employees, First Nation members and local contractors worked through the 2014/2015 winter to complete the repair of the breach and restore and rehabilitate the creeks impacted by the breach. The turbidity in Quesnel Lake returned to normal levels. On August 5, 2015, almost exactly a year after the breach, Mount Polley restarted using a modified operation plan using Springer pit to store tailings. We are hopeful that in 2016 Mount Polley, with the help of our employees, First Nations and the local communities will be able to return to normal operations using the repaired and strengthened tailings storage facility.

Huckleberry produced 43.3 million pounds copper, achieving 98% of its targeted production. The mill processed 18,529 tonnes per calendar day, up over 30% from the milling rate achieved in 2014. Early in January, open pit mining operations were suspended while milling operations continued milling stockpiles. Copper prices will be monitored however Huckleberry is expected to be put on care and maintenance if copper prices do not increase by the third quarter of 2016.

On behalf of our Board of Directors, I want to thank all our employees and our stakeholders for their continued support through another difficult year. We look forward to Red Chris' first full year of operation and the return of Mount Polley to normal operations.

J. Brian Kynoch
President

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation ("Imperial", the "Company", "we", "us" or "our") should be read in conjunction with the audited Consolidated Financial Statements and related notes for the year ended December 31, 2015. The Consolidated Financial Statements and comparative information have been 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, 2015, and plans for the future based on facts and circumstances as of March 30, 2016. 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 press release includes, without limitation, statements regarding: mine plans; costs and timing of current and proposed exploration and development; production and marketing; capital expenditures; future expenses and scope relating to timing of ongoing rehabilitation activities at the Mount Polley mine and the repair and strengthening of its tailings storage facility; use of proceeds from financings and credit facilities and discussions to extend the Company's senior credit facility; expectations relating to the operation of the Red Chris mine and costs associated therewith; adequacy of funds for projects and liabilities; expectations relating to the receipt of necessary regulatory permits, approvals or other consents; outcome and impact of litigation; cash flow; working capital requirements; expectations relating to the requirement for additional capital; expectations relating to results of operations, production, revenue, margins and earnings; expectations relating to power reliability for the Red Chris mine over the long term; expectations related to the suspension of operations at the Huckleberry mine in the 2016 third quarter if copper prices remain low; estimations of the monthly payment deferral under the Payment Plan effective for the March 2016 electricity billings; future prices of copper and gold; future foreign currency exchange rates and impact; future accounting changes; and future prices for marketable securities.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including, but not limited to, assumptions that: the Company will be able to advance and complete remaining planned rehabilitation activities within expected timeframes; that there will be no significant delay or other material impact on the expected timeframes or costs for completion of rehabilitation of the Mount Polley mine and the recommencement of full, unrestricted operations at the mine with use of the repaired and strengthened tailings storage facility; that the Company's initial rehabilitation activities at Mount Polley will be successful in the long term; that all required permits, approvals and arrangements to proceed with planned rehabilitation, current restricted operations, and the recommencement of full, unrestricted operations and use of the repaired and strengthened Mount Polley tailings storage facility will be obtained in a timely manner; that there will be no interruptions that will materially delay the Company's progress with its rehabilitation plans; that there will be no material operational delays at the Red Chris mine; that equipment will operate as expected; that there will not be significant power outages; that the Company's use of derivative instruments will enable the 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 achieve expected production outcomes (including with respect to mined grades and mill recoveries); that Imperial will have access to capital as required and obtain an extension of its senior credit facility. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. We can give no assurance that the forward-looking information will prove to be accurate.

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

Important risks that could cause Imperial's actual results, revenues, performance or achievements to differ materially from Imperial's expectations include, among other things: that additional financing that may be required may not be available to Imperial on terms acceptable to Imperial or at all; that Imperial may be unable to extend its senior credit facility; 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 rehabilitation plan and various aspects of restricted operations and the recommencement of full, unrestricted operations and the use of the repaired and strengthened Mount Polley tailings storage facility; risks relating to the remaining costs and liabilities and any unforeseen longer-term environmental consequences arising from the tailings dam breach; uncertainty as to actual timing of completion of rehabilitation activities and the recommencement of full, unrestricted commercial operations at the Mount Polley mine and use of the repaired and strengthened tailings storage facility; risks relating to the impact of the tailings dam breach on Imperial's reputation; the quantum of claims, fines and penalties that may become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risks of protesting activity and other civil disobedience restricting access to the Company's properties; failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation, unavailability of materials and equipment, labour unrest, power outages or shortages, and natural phenomena such as weather conditions negatively impacting the operation of the Red Chris mine or the Mount Polley mine; changes in commodity and power prices; changes in market demand for our concentrate; inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources); and other hazards and risks disclosed within this Management's Discussion and Analysis for the year ended December 31, 2015 and other public filings which are available on Imperial's profile at *sedar.com*. For the reasons set forth above, investors should not place undue reliance on forward-looking information. Imperial does not undertake to update any forward looking information, except in accordance with applicable securities laws.

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 ("Mount Polley Breach") resulted in the loss of full production from the mine, which was the primary source of cash flow for the Company in 2014. Mount Polley mine restarted operations on August 5, 2015 following receipt of permit amendments on July 5, 2015 which allowed recommencement of the mine using a modified operation plan that includes the use of the Springer pit to contain the tailings produced.

In the year ended December 31, 2015 the Company incurred $23.8 million for rehabilitation costs. To December 31, 2015 an aggregate of $65.3 million has been spent on rehabilitation of the Mount Polley Breach. Income and mining tax recoveries have also been recorded in connection with these costs. The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required. It is based on assumptions and estimates at 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 Breach 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 actual strength of the glacio-lacustrine layer approximately eight metres below the foundation of the embankment.

On December 17, 2015, the Chief Inspector of Mines for the Province of British Columbia released his report on the Mount Polley Breach. The Report concluded, as had the independent panel report released on January 30, 2015, that the primary cause of failure was associated with an engineering design that had not properly characterized the actual strength of a clay unit in the native soil foundation beneath the failed section of the tailings perimeter embankment.

Following completion of the construction of the Red Chris mine, commissioning of the mill commenced and the first concentrate was produced in February 2015 and the Company achieved the accounting criteria for commercial production effective July 1, 2015. On December 1, 2015, the Company announced that its syndicate of lenders confirmed that Red Chris mine achieved the completion test requirements under the senior credit facility.

In January 2015 the Company entered into a $50.0 million revolving second lien credit facility to provide additional liquidity for the commissioning and startup of the Red Chris Mine and for general working capital purposes. In May 2015 the Company entered into a $30.0 million short term facility to provide interim funding for the Company while it completed three financings aggregating gross proceeds of $80.0 million. A non-brokered private placement for gross proceeds of $6.0 million was completed on August 11, 2015, a rights offering for gross proceeds of $44.0 million was completed August 21, 2015, and a non-brokered convertible debenture private placement financing for gross proceeds of $30.0 million was completed on August 24, 2015. Refer to *Financings* under *Liquidity and Capital Resources* for further details.

At December 31, 2015, the Company had cash of $9.2 million and a working capital deficiency of $198.0 million. At December 31, 2015, as per the Company's relevant accounting policies under IFRS, $166.1 million of debt related to the Company's senior credit facility due October 1, 2016, has been classified as a current liability. The Company is currently in discussions with its lenders to extend the credit facility and therefore does not expect that the $166.1 million will be required to be repaid in 2016. Excluding the $166.1 million related to the senior credit facility results in an adjusted working capital deficiency at December 31, 2015 of $31.9 million.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities, additional sources of financing, and the extension of the senior credit facility are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the Mount Polley Breach. However, there are inherent risks related to the operations of mines and uncertainties related to the scope, timing and cost of the rehabilitation at the Mount Polley mine which could require additional sources of financing.

There can be no assurance that the Company will be able to extend the senior credit facility or that adequate additional financing will be available on terms acceptable to the Company or at all which creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

OVERVIEW

Select Annual Financial Information

expressed in thousands, except share and per share amounts	Years Ended December 31 2015	2014	2013
Total revenues	$128,701	$130,909	$187,805
Net (loss) income	$(96,961)	$(37,285)	$40,954
Net (loss) income per share	$(1.25)	$(0.50)	$0.55
Diluted (loss) income per share	$(1.25)	$(0.50)	$0.54
Adjusted net (loss) income (1)	$(49,644)	$10,844	$40,051
Adjusted net (loss) income per share (1)	$(0.64)	$0.15	$0.54
Adjusted EBITDA(1)	$1,035	$48,434	$86,600
Working capital deficiency (2)	$197,952	$55,470	$162,758
Total assets	$1,479,352	$1,338,357	$975,451
Total long term debt (including current portion)	$889,707	$706,847	$244,382
Cash dividends declared per common share	$ -	$ -	$ -
Cash flow (1)(3)	$14,836	$(6,782)	$78,213
Cash flow per share (1)(3)	$0.19	$(0.09)	$1.05

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

(2) Defined as current assets less current liabilities. The 2015 amount includes $166,072 related to the senior credit facility that the Company is in discussions with its lenders to extend.

(3) "Cash flow" is defined as the cash flow from operations before the net change in non-cash working capital balances, income and mining taxes, and interest paid. "Cash flow per share" is defined as and Cash flow divided by the weighted average number of common shares outstanding during the year

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

expressed in thousands	Years Ended December 31	
	2015	2014
Net (loss) income before undernoted items	$(14,563)	$12,269
Interest expense	(26,321)	(1,461)
Foreign exchange loss on debt, net of gains on cross currency swaps	(51,029)	(15,332)
Provision for rehabilitation, net of insurance recoveries	7,082	(29,808)
Idle mine costs	(10,739)	(4,876)
Gains on derivative instruments related to commodities	1,645	1,285
Share of (loss) income in Huckleberry	(3,036)	638
Net loss	$(96,961)	$(37,285)

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 $128.7 million in 2015 compared to $130.9 million in 2014. 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 2015 over 2014 is mainly related to lower realized copper prices, decreased revenue from gold sales, and higher negative revaluations on concentrate shipments at the date of settlement due to decreases in metal prices. In 2015 the Company recorded revenue before revaluation of $134.6 million compared to $133.4 million in 2014, however in 2015 the Company recorded negative revaluations of $5.9 million compared to negative revaluations of $2.5 million in 2014 resulting in a slightly lower net revenue in 2015. Operations at the Mount Polley mine were suspended on August 4, 2014 as a result of the Mount Polley Breach and the mine restarted operations on a limited basis on August 5, 2015 and had one concentrate shipment in 2015 (2014 – six shipments). Operations at the Red Chris mine achieved the accounting criteria for commercial production effective July 1, 2015 and had six concentrate shipments in 2015 subsequent to declaring commercial production (2014 – nil shipments).

The London Metals Exchange cash settlement copper price per pound averaged US$2.50 in 2015 compared to US$3.11 in 2014. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,160 in 2015 compared to US$1,266 in 2014. The US Dollar strengthened by 13.6% compared to the CDN Dollar in 2015 over 2014. In CDN Dollar terms the average copper price in 2015 was CDN$3.20 per pound compared to CDN$3.44 per pound in 2014 and the average gold price in 2015 was CDN$1,484 per ounce compared to CDN$1,399 per ounce in 2014.

Revenue in 2015 was decreased by a $5.9 million negative revenue revaluation compared to a negative revenue revaluation of $2.5 million in 2014. Negative revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being lower than when the revenue was initially recorded or the copper price at the last balance sheet date.

The Company had a loss from mine operations of $11.5 million in 2015 compared to income from mine operations of $40.2 million in 2014. The year over year loss is related to a variety of factors with the four primary reasons being: lower realized copper prices; cost of sales in 2015 included $15.1 million related to the impairment of inventory to its net realizable value compared to $5.0 million impairment in 2014; cost of sales in 2015 included depletion and depreciation expense of $27.9 million compared to $15.5 million in 2014 with the increase in 2015 due to the Red Chris mine recording depletion and depreciation expense after achieving commercial production; and the operation of the Mount Polley mine on a one week on, one week off basis from August 5, 2015 until late November 2015.

Net loss for 2015 was $97.0 million ($1.25 per share) compared to net loss of $37.3 million ($0.50 per share) in 2014. The 2015 loss was primarily driven by the loss from mine operations, foreign exchange losses on non-current debt, the inclusion of interest expense in the Statement of Income effective July 1, 2015, relating to the commencement of commercial production at the Red Chris mine, offset in part by realized and unrealized gains on derivative instruments. The 2014 loss was primarily related to the $67.4 million provision for rehabilitation costs taken by the Company for the Mount Polley Breach, and foreign exchange losses on non-current debt.

The 2015 net loss included foreign exchange losses related to changes in CDN/US Dollar exchange rates of $81.9 million of which $81.7 million was unrealized compared to foreign exchange losses of $20.5 million in 2014 of which $19.4 million was unrealized. The $81.9 million foreign exchange loss is comprised of an unrealized $71.3 million loss on the senior notes, a $7.1 million loss on long term equipment loans, and a loss of $3.5 million on operational items. The average CDN/US Dollar exchange rate in 2015 was 1.279 compared to 1.105 in 2014.

In 2015 the Company recorded net gains on derivative instruments of $30.0 million compared to net gains of $5.7 million in 2014. In 2015, the Company recorded a net gain of $27.5 million, $0.7 million realized and $26.8 million unrealized, on the foreign currency swap due to an increase in the CDN/US Dollar exchange rate compared to the exchange rate at the beginning of 2015. In 2015, the Company recorded a net gain of $2.5 million, $6.1 million realized gain and $3.6 million unrealized loss, for gold derivative instruments compared to a $2.2 million unrealized gain in 2014 on copper and gold derivatives.

The Company recorded $3.0 million as its equity share of Huckleberry's net loss during 2015 compared to a $0.6 million share of income in 2014. The loss was primarily attributable to a combination of lower metal prices and higher costs.

The Company incurred a pre-tax loss of $117.9 million in 2015 which resulted in a $20.9 million recovery of income and mining taxes compared to a $6.4 million recovery of income and mining taxes in 2014 when the Company had a pre-tax loss of $43.7 million.

Cash flow was $14.8 million in 2015 compared to negative Cash flow of $6.8 million in 2014. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS. The Company believes Cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures, inclusive of capitalized interest, were $125.0 million in 2015, down from $405.1 million in 2014 when the Red Chris mine construction was at its peak. The expenditures in 2015 were financed from cash flow from operations, the $50.0 million second lien credit facility and three financings, totaling gross proceeds of $80.0 million, completed by the Company in the third quarter of 2015. At December 31, 2015 the Company had $9.2 million in cash (December 31, 2014-$19.9 million). The Company had $24.8 million of short-term debt at December 31, 2015 (December 31, 2014-$nil) and has classified $182.0 million of its non-current debt as current at December 31, 2015 (December 31, 2014-$12.6 million). The current portion of non-current debt includes $166.1 million related to the Company's senior credit facility which expires in October 2016. The Company is currently in discussions to extend the facility.

NON-IFRS FINANCIAL MEASURES

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

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

Adjusted Net (Loss) Income and Adjusted Net (Loss) Income per Share

Adjusted net loss in 2015 was $49.6 million ($0.64 per share) compared to an Adjusted net income of $10.8 million ($0.15 per share) in 2014. Adjusted net income or loss shows the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net income or loss is calculated by removing the gains or losses, resulting from mark to market revaluation of derivative instruments not related to the current period, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax, and the Mount Polley tailings dam rehabilitation costs and insurance recoveries, net of tax, as further detailed in the following table.

Calculation of Adjusted Net (Loss) Income

expressed in thousands, except share and per share amounts

	Years Ended December 31	
	2015	2014
Net loss reported	$(96,961)	$(37,285)
Unrealized gain on derivative instruments, net of tax [(a)]	(20,593)	(5,288)
Unrealized foreign exchange loss on non-current debt, net of tax [(b)]	74,992	18,808
Rehabilitation costs, net of tax [(c)]	-	43,622
Insurance recoveries, net of tax [(d)]	(7,082)	(9,013)
Adjusted net (loss) income	$(49,644)	$10,844
Basic weighted average number of common shares outstanding	77,510,661	74,928,926
Adjusted net (loss) income per share	$(0.64)	$0.15

(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) Rehabilitation costs related to the Mount Polley Breach, net of tax, have been excluded as these costs are non-recurring.

(d) Insurance recoveries related to the Mount Polley Breach, net of tax, have been excluded as these recoveries are non-recurring.

Adjusted EBITDA

Adjusted EBITDA in 2015 was $1.0 million compared to $48.4 million in 2014. We define Adjusted EBITDA as net income (loss) before interest expense, taxes, 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:

expressed in thousands	Years Ended December 31		
	2015	2014	2013
Net (loss) income [(a)]	$(96,961)	$(37,285)	$40,954
Adjustments:			
Income and mining tax (recovery) expense	(20,941)	(6,383)	22,803
Interest expense	37,731	1,974	515
Depletion and depreciation	32,382	19,283	18,912
Accretion of future site reclamation provisions	844	662	307
Unrealized gains on derivative instruments	(23,132)	(5,798)	(1,475)
Share based compensation	432	746	1,679
Foreign exchange losses	81,915	20,461	2,472
Revaluation losses on marketable securities	235	742	497
Losses (gains) on sale of mineral properties	(470)	597	(64)
Rehabilitation costs	-	67,435	-
Insurance recoveries	(11,000)	(14,000)	-
Adjusted EBITDA [(a)]	$1,035	$48,434	$86,600

(a) Net income and Adjusted EBITDA includes our 50% portion of the net income (loss) 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 in 2015 was $14.8 million compared to negative $6.8 million in 2014. Cash flow per share was $0.19 in 2015 compared to negative $0.09 in 2014.

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:

expressed in thousands, except per share and per share amounts	Years Ended December 31	
	2015	2014
Loss before taxes	$(117,902)	$(43,668)
Items not affecting cash flows		
Equity loss (income) in Huckleberry	3,036	(638)
Depletion and depreciation	32,382	19,283
Share based compensation	432	746
Accretion of future site reclamation provisions	844	662
Unrealized foreign exchange losses	81,703	19,357
Unrealized gains on derivative instruments	(23,132)	(5,798)
Interest expense	37,731	1,974
Other	(258)	1,300
Cash flow	$14,836	$(6,782)
Basic weighted average number of common shares outstanding	77,510,661	74,928,926
Cash flow per share	$0.19	$(0.09)

Cash Cost Per Pound of Copper Produced

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

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

The following table reconciles cost of sales as shown on the consolidated statement of comprehensive income to the cash cost per pound of copper produced in US Dollars for the three months ended December 31, 2015. Given that in the fourth quarter of 2014, operations at Mount Polley mine were suspended and Red Chris mine was still under construction, a comparative table for the cash cost per pound for the three months ended December 31, 2014 has not been provided.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Three Months Ended December 31, 2015						
	Huckleberry		Red	Mount	Sterling &	Total per Financial	
	100%	50%	Chris	Polley	Corporate	Statements	Composite
		A	B	C			D=A+B+C
Cost of sales	$27,832	$13,916	$50,245	$31,895	$1,731	$83,871	$96,056
Less:							
Depletion and depreciation	(5,498)	(2,749)	(11,581)	(7,053)	(102)	(18,736)	(21,383)
Share based compensation	-	-	(62)	(40)	-	(102)	(102)
Management fees paid by Huckleberry*	(149)	(75)	-	-	-	-	(75)
Cash costs before adjustment to production basis	22,185	11,092	38,602	24,802	$1,629	$65,033	74,496
Adjust for inventory change	1,095	548	6,896	2,531			9,974
Adjust transportation and offsite costs	241	121	636	222			979
Treatment and refining costs	3,873	1,937	12,073	3,291			17,301
By-product and other revenues	(2,338)	(1,169)	(15,432)	(15,471)			(32,072)
Cash cost of copper produced in Cdn$	$25,056	$12,529	$42,775	$15,375			$70,678
US$ to Cdn$ exchange rate	*1.3353*	*1.3353*	*1.3353*	*1.3353*			*1.3353*
Cash cost of copper produced in US$	$18,765	$9,383	$32,034	$11,514			$52,931
Copper produced – lbs	*9,664*	*4,832*	*20,389*	*5,098*			*30,319*
Cash cost per lb copper produced in US$	$1.94	$1.94	$1.57	$2.26			$1.75

** Management fee paid by Huckleberry to Imperial recorded as revenue by Imperial on the equity basis of accounting for Huckleberry.*

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 for the years ended December 31, 2015 and 2014.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Year Ended December 31, 2015						
	Huckleberry		Red	Mount	Sterling &	Total per Financial	
	100%	50%	Chris	Polley	Corporate	Statements	Composite
		A	B	C			D=A+B+C
Cost of sales	$122,115	$61,058	$94,769	$35,061	$10,344	$140,174	$190,888
Less:							
Depletion and depreciation	(21,788)	(10,894)	(19,850)	(7,625)	(448)	(27,923)	(38,369)
Share based compensation	-	-	(62)	(40)	-	(102)	(102)
Management fees paid by Huckleberry*	(596)	(298)	-	-	-	-	(298)
Cash costs before adjustment to production basis	99,731	49,866	74,857	27,396	$9,896	$112,149	152,119
Adjust for inventory change	1,392	696	15,295	13,075			29,066
Adjust transportation and offsite costs	134	67	1,463	998			2,528
Treatment and refining costs	16,315	8,158	23,817	5,086			37,061
By-product and other revenues	(9,455)	(4,728)	(29,846)	(22,623)			(57,197)
Cash cost of copper produced in Cdn$	$108,117	$54,059	$85,586	$23,932			$163,577
*US$ to Cdn$ exchange rate***	*1.2788*	*1.2788*	*1.3223*	*1.3223*			*1.3076*
Cash cost of copper produced in US$	$84,546	$42,273	$64,725	$18,099			$125,097
Copper produced – lbs	*43,273*	*21,637*	*41,039*	*8,007*			*70,683*
Cash cost per lb copper produced in US$	$1.95	$1.95	$1.58	$2.26			$1.77

	Year Ended December 31, 2014						
	Huckleberry		Red	Mount	Sterling &	Total per Financial	
	100%	50%	Chris	Polley	Corporate	Statements	Composite
		A	B	C			D=A+B+C
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*	(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			$70,744
Copper produced – lbs	*34,017*	*17,009*	-	*24,490*			*41,499*
Cash cost per lb copper produced in US$	$2.48	$2.48	-	$1.16			$1.40

** Management fee paid by Huckleberry to Imperial recorded as revenue by Imperial on the equity basis of accounting for Huckleberry.*

***Mount Polley and Red Chris did not commence production until the third quarter of 2015 therefore the exchange rate used is the average for the six months ended December 31, 2015, while for Huckleberry the exchange rate used is for the twelve months ended December 31, 2015 and the exchange rate used for the Composite amount is a weighted-average of these two rates.*

DEVELOPMENTS DURING 2015

General

The London Metals Exchange cash settlement copper price per pound averaged US$2.50 in 2015 compared to US$3.11 in 2014. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,160 in 2015 compared to US$1,266 in 2014. The US Dollar strengthened by 13.6% compared to the CDN Dollar in 2015 over 2014. In CDN Dollar terms the average copper price in 2015 was CDN$3.20 per pound compared to CDN$3.44 per pound in 2014 and the average gold price in 2015 was CDN$1,484 per ounce compared to CDN$1,399 per ounce in 2014.

Red Chris Mine

The Red Chris mine achieved the accounting criteria for commercial production effective July 1, 2015 at which time the revenues from and expenses of operating the mine are reported through the Statement of Income. An Impact, Benefit and Co-Management Agreement with the Tahltan Central Government was signed July 27, 2015. The agreement had earlier been approved by the Tahltan in a referendum with 87% of respondents voting in favour. On December 1, 2015, the Company announced that its syndicate of lenders confirmed that Red Chris mine achieved the completion test requirements under the senior credit facility.

Throughput for the 2015 fourth quarter averaged 27,174 tonnes per day, and 20.4 million pounds copper and 10,025 ounces gold were produced. For the year 58.5 million pounds copper and 25,949 ounces gold were produced.

Annual Production for the Year Ended December 31	2015(1)
Ore milled - tonnes	8,171,879
Ore milled per calendar day - tonnes	25,698
Grade % - copper	0.477
Grade g/t - gold	0.261
Recovery % - copper	68.1
Recovery % - gold	37.9
Copper - lbs	58,485,922
Gold - oz	25,949
Silver - oz	95,232

(1) Production from February 17 to December 31, 2015

Mining activities continued in the Main and East zones. In the fourth quarter grades averaged 0.502% copper and 0.298 g/t gold. During the fourth quarter the mining rate averaged 77,261 tonnes per day, up from the average of 68,931 tonnes per day achieved in the third quarter. Two Caterpillar 793 haul trucks and an excavator transferred from Mount Polley to Red Chris were operational prior to year-end, resulting in a mining rate of 84,448 tonnes per day in December.

Milling activities were impacted during the fourth quarter of 2015 as a result of premature wear issues experienced on the SAG mill discharge trunnion liners, a 40 hour power outage by BC Hydro to conduct maintenance on the Skeena to Bob Quinn 287kV transmission line, and water clarity issues which developed during the final week in December, likely due to a buildup of ice in the tailings pond. To deal with the premature wear issues a new set of redesigned discharge trunnion liners have been installed and are working well. The scheduled power outage was required by BC Hydro in order to adjust the spacings between the conductors and the fibre optic cable on one of the long spans that had been causing power interruptions on the line between the Skeena substation and Bob Quinn. This adjustment should improve power reliability over the long term. The water clarity conditions extended into January 2016 and were resolved by increased pumping of well water, and by adjusting the location of discharged tailings.

Red Chris continues to work on metal recoveries with additional radial launders installed on both the rougher and cleaner scavenger flotation cells and with additional pumping installed capacity in the cleaning circuit to handle the increased mass pull. Testing of various different flotation reagents has been, and continues to be conducted.

Copper recovery was on a general upward trend during 2015. Copper recovery of 76.3% was achieved in December 2015. As the upward trend continued, record recoveries of 82.4% copper and 60.5% gold were achieved in February 2016, and with the recovery level and higher grades, record gold production of 4,840 ounces was realized in February 2016.

Copper recovery still needs to be improved to achieve the recoveries estimated in the feasibility study, which is estimated to average recovery of 85% over the life of the mine. Gold recovery, now being obtained, has achieved the levels estimated in the feasibility study.

Grades and recoveries increased in January and February 2016 however the benefits were tempered by turbid reclaim water issues reducing throughput in January. Cold temperatures resulted in excessive ice being formed in the tailings storage facility and tying up free water. Mechanical issues at the gyratory crusher and a planned major shutdown for SAG mill relining and reclaim barge relocation reduced mill throughput in February and early March. With these issues resolved, March production at Red Chris is likely to set new production records for both copper and gold.

Work is ongoing to obtain the permits required to build and operate the South dam at the tailings storage facility.

Production targets for 2016 are 90-100 million pounds copper and 60,000-70,000 ounces gold.

Exploration, development and capital expenditures were $93.8 million in 2015 compared to $350.1 million in 2014. Included in this amount was capitalized interest of $24.4 million in 2015 compared to $38.4 million in 2014.

Mount Polley Mine

Mount Polley restarted operations on August 5, 2015 following receipt of permit amendments which allowed recommencement of the mine using a modified operation plan to use of the Springer pit to contain the tailings produced.

During the 2015 fourth quarter, a total of 1.2 million tonnes were milled, producing 5.1 million pounds copper and 10,430 ounces gold. The mill operated at approximately 50% capacity until late November when continuous operation of the plant was started, utilizing about 80% of capacity. The majority of the mill feed in 2015 came from the more highly oxidized Cariboo pit and as a result, copper recoveries are lower. However, the lower copper recovery is offset by higher gold grades and recoveries in the Cariboo pit.

Underground operations have provided a higher portion of the mill feed during the first three months of 2016, and as a result, copper head grades to March 21, have averaged 0.358% copper, and copper recoveries have averaged 73.6%. Underground operations are targeted to deliver mill feed until the 2016 third quarter.

Exploration, development, and capital expenditures were $30.3 million in 2015 compared to $53.4 million in 2014.

Permitting work continues and includes work on several amendments to the existing short term permits, and on a permit that would allow for a return to full operations. Production in 2016 is dependent upon receipt of the permit to allow for return to full operations.

Annual Production for the Years Ended December 31	2015(1)	2014(2)	2013
Ore milled - tonnes	1,781,799	4,548,182	7,956,738
Ore milled per calendar day - tonnes	11,958	21,056	21,799
Grade % - copper	0.293	0.321	0.295
Grade g/t - gold	0.368	0.260	0.263
Recovery % - copper	69.6	76.02	74.46
Recovery % - gold	72.1	68.11	68.09
Copper - lbs	8,007,328	24,489,725	38,501,165
Gold - oz	15,190	25,901	45,823
Silver - oz	25,911	74,770	123,999

(1) Production from August 5 to December 31, 2015
(2) Production from January 1 to August 4, 2014

Huckleberry Mine

Imperial's share of Huckleberry production was 21.64 million pounds copper. Huckleberry mine achieved 98.3% of its targeted production for 2015.

Huckleberry Mines Ltd. suspended pit operations at Huckleberry mine on January 6, 2016. The mine will retain about 60% of its work force to continue milling stockpiles into 2016. Huckleberry made significant efforts to reduce mine operating costs, however the realized savings were not sufficient to offset declining copper prices. Copper prices will be monitored however Huckleberry is expected to be put on care and maintenance if copper prices do not increase by the third quarter of 2016.

Annual Production* for the Years Ended December 31	2015	2014	2013
Ore milled – tonnes	6,763,061	5,080,503	5,895,193
Ore milled per calendar day - tonnes	18,529	13,919	16,151
Grade % – copper	0.325	0.338	0.346
Recovery % - copper	89.3	89.89	91.6
Copper – lbs	43,273,334	34,017,340	41,212,818
Gold – oz	3,576	2,702	2,983
Silver – oz	206,781	183,221	238,028

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

Huckleberry's loss from mine operations was $11.7 million in 2015 compared to income from mine operations of $6.3 million in 2014. Huckleberry income from mine operations decreased primarily due to lower metal prices on higher sales volumes.

Development and capital expenditures at Huckleberry were $27.8 million in 2015 compared to $29.5 million in 2014.

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, 2015 discloses information on the impact of Huckleberry operations on the financial position and results of operations of Imperial.

Sterling Mine

Sterling underground mining operations were terminated at the end of May 2015. Residual gold continues to be recovered from the heap and 624 ounces were shipped from site during the fourth quarter. In 2015 a total of 1,740 ounces of gold were shipped from the site compared to 5,725 ounces in 2014. Subsequent to year end, the Company received a *Finding of No Significant Impact* (the "Finding") from the Bureau of Land Management for the environmental assessment submitted for a new open pit mine at the Sterling mine. The Finding has a 30 day public review period, and once complete, the Company will have completed the major permitting requirements to construct and operate a new open pit mine at Sterling.

An exploration program that includes soil sampling and geological mapping is being conducted in an area of favorable geology along the northern flank of Bare Mountain. Some staff and much of Sterling's underground mining equipment has been transferred to Mount Polley to assist in the underground mining of the Boundary zone.

Impairment Testing

At December 31, 2015 the price of copper had substantially decreased from prior periods, creating an indication of possible impairment. The assessment for impairment included a review of all factors relating to future operations at the Red Chris and Mount Polley mines as they presently exist and concluded that the estimated recoverable amount of the Red Chris and Mount Polley mines are greater than their carrying values. This analysis assumed the receipt of the permits necessary for uninterrupted and continuing operations at Mount Polley. The assessments utilized an estimated value for measured and indicated resources and the following life of mine assumptions:

	2016	2017	2018	2019+
Copper price US$/lb	$2.25	$2.50	$2.75	$3.00
Gold price US$/oz	$1,200	$1,200	$1,200	$1,200
Silver price US$/oz	$15	$15	$15	$15
Foreign exchange rate CDN$/US$	1.37	1.28	1.25	1.25
Discount rate	8.0%			

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies

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. *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.*

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 for mineral properties being depleted are depleted by property using the unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate.

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 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, capitalized interest related to that 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.

Milling equipment and related buildings, and tailings facilities are depleted on a unit-of-production basis over the estimated recoverable proven and probable reserves at the mines to which they relate.

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 rock 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 cost of disposal 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 less cost of disposal of reserves when it is not possible to determine fair value by quotes from an active market or a written offer to purchase/binding sales agreement. Resources in the measured and indicated categories are valued using estimated fair values based on market transactions.

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.

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 loss and comprehensive loss net of treatment and refining costs and royalties 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 of current market prices less treatment and refining costs.

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.

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 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. 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.

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.

Trade and other receivables are classified as loans and receivables. Trade and other payables, short term debt, and non-current debt are classified as other financial liabilities and recorded at amortized cost.

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.

Critical Estimates

Reserve and Resource Estimates

The Company estimates its reserves and 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 Projec*ts. There are numerous uncertainties inherent in estimating reserves and resources, including many factors beyond the Company's control. Assumptions used in estimating reserves and 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 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 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 rock 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 Rehabilitation Costs

The provision for rehabilitation costs represents management's estimate of the present value of the future cash outflows and related depreciation expense required to settle the estimated rehabilitation costs related to the Mount Polley Breach. The provision incorporates the Company's estimate of costs for rehabilitation, 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 rehabilitation 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.

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.

RESULTS OF OPERATIONS FOR 2015 COMPARED TO 2014

This review of the results of operations should be read in conjunction with the audited Consolidated Financial Statements of the Company for the years ended December 31, 2015 and December 31, 2014.

Overview

Revenues decreased to $128.7 million for the year ended December 31, 2015 from $130.9 million in the year ended December 31, 2014. 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. In addition, revenue reflects the inclusion of the Red Chris mine upon commencement of commercial production on July 1, 2015 and the loss of production from the Mount Polley mine for the period from August 4, 2014 to August 5, 2015 when the mine was suspended due to the Mount Polley Breach.

The Company had a loss from mine operations of $11.5 million in 2015 compared to income from mine operations of $40.2 million in 2014. The increased loss in 2015 is due to the revenue reduction described above and is also related to a variety of factors with the four primary reasons being: lower realized copper prices; cost of sales in 2015 included $15.1 million related to the impairment of inventory to its net realizable value, this compared to $5.0 million in 2014; cost of sales in 2015 included depletion and depreciation of $27.9 million compared to $15.5 million in 2014, the increase in 2015 was due to Red Chris mine recording depletion and depreciation expense after achieving commercial production; and the operation of the Mount Polley mine on a one week on, one week off basis from August 5, 2015 until late November2015.

The net loss for 2015 was $97.0 million ($1.25 per share) compared to net loss of $37.3 million ($0.50 per share) in 2014. The 2014 loss was primarily related to the $67.4 million provision for rehabilitation costs taken by the Company for the Mount Polley Breach, and foreign exchange losses on non-current debt. The 2015 loss was primarily driven by the large decrease in income from mine operations, foreign exchange losses on non-current debt, the inclusion of interest expense in the Statement of Income effective July 1, 2015, resulting from the cessation of interest capitalized construction in progress on commencement of commercial production at the Red Chris mine, offset in part by realized and unrealized gains on derivative instruments.

Revenue

expressed in thousands of dollars, except quantity amounts	2015	2014
Copper 000's pounds sold	*38,719*	*27,463*
Gold ounces sold	*26,280*	*34,307*
Revenue before revaluation	$134,561	$133,411
Revenue revaluation	(5,860)	(2,502)
	$128,701	$130,909

The Company sold 41.0% more pounds of copper in 2015 over 2014, however the revenue decreased by 1.7%. The decrease in revenue in 2015 over 2014 is mainly related to lower realized copper prices, lower gold sales and higher negative revaluations on concentrate shipments at the date of settlement due to decreases in metal prices. Operations at the Mount Polley mine were suspended on August 4, 2014 as a result of the Mount Polley Breach and the mine restarted operations on a limited basis on August 5, 2015 and had one concentrate shipment in 2015 (2014–six shipments). Operations at the Red Chris mine achieved the accounting criteria for commercial production effective July 1, 2015 and had six concentrate shipments in 2015 subsequent to declaring commercial production (2014–nil shipments).

In US Dollars, the average London Metals Exchange cash settlement copper price was about 19.6% lower in 2015 than in 2014, averaging US$2.50 per pound in 2015 compared to US$3.11 per pound in 2014. The US Dollar strengthened by 13.6% compared to the CDN Dollar in 2015 over 2014. Factoring in the average exchange rate, the price of copper averaged CDN$3.20 per pound in 2015 compared to the 2014 average of CDN$3.44 per pound. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,160 in 2015 compared to US$1,266 in 2014. Factoring in the average exchange rate, the price of gold averaged CDN$1,484 per ounce in 2015 about 6.1% higher than the 2014 average of CDN$1,399 per ounce.

Cost of Sales

expressed in thousands of dollars	2015	2014
Operating expenses	$83,479	$50,181
Salaries, wages and benefits	28,671	24,918
Depletion and depreciation	27,923	15,511
Share based compensation	102	57
	$140,175	$90,667

Cost of sales for the year ended December 31, 2015 reflect operations at the Red Chris mine from July 1, 2015 onwards and the Mount Polley mine from August 5, 2015 onwards. Also included are impairment costs to net realizable value totaling $15.1 million primarily on Mount Polley and Sterling mine inventory.

Cost of sales for the year ended December 31, 2014 primarily reflects operations at the Mount Polley mine. Also included are inventory impairments to net realizable value of $5.0 million primarily for the Sterling mine.

General and Administration Costs

expressed in thousands of dollars	2015	2014
Administration	$4,222	$3,659
Share based compensation - corporate	306	689
Depreciation – corporate assets	716	629
Foreign exchange loss – operations (excluding debt)	2,259	1,382
	$7,503	$6,359

General and administration costs were $7.5 million in 2015 compared to $6.4 million in 2014. The increase in 2015 is primarily a result of the higher staff costs and increased foreign exchange losses on operational items denominated in US dollars.

The average CDN/US Dollar exchange rate in 2015 was 1.279 compared to an average of 1.105 in 2014. Foreign exchange losses from operations increased significantly in 2015. Gains and losses are attributable to holding US Dollar denominated cash, accounts receivable, and accounts payable. These net US Dollar asset and liability balances are the result of the activities at the Red Chris and Mount Polley mines.

Finance (Costs) Income

expressed in thousands of dollars	2015	2014
Derivatives	$29,957	$5,694
Interest expense and finance costs	(38,575)	(2,636)
Foreign exchange on short term and non-current debt	(79,656)	(19,079)
Other	(110)	(625)
	$(88,384)	$(16,646)

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 $30.0 million during 2015 compared to a gain of $5.7 million in 2014. 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 $38.6 million in 2015 from $2.6 million in 2014. These amounts are net of $24.4 million of interest expense and finance costs capitalized to construction in progress in 2015 and $38.4 million in 2014 as a result of the construction at the Red Chris mine.

At December 31, 2015 the Company had US Dollar denominated debt of US$345.9 million compared to US$354.6 million at December 31, 2014. Foreign exchange gains and losses attributable to US denominated short and non-current debt reflect the foreign currency movement during the year and resulted in a $71.3 million loss on the senior notes, $7.1 million loss on long term equipment loans and a $1.2 million loss on short term debt.

The change in the CDN Dollar to US Dollar exchange rate during 2015 resulted in total foreign exchange losses of $81.9 million compared to total foreign exchange losses of $20.5 million in 2014.

Income and Mining Taxes (Recovery) Expense

expressed in thousands of dollars	2015	2014
Current taxes		
BC mineral taxes	$569	$ -
Nevada net proceeds tax	12	12
Federal and BC income taxes	(7,590)	67
	(7,009)	79
Deferred income taxes		
BC Mineral taxes	(3,862)	(1,416)
Other	(10,070)	(5,046)
	(13,932)	(6,462)
Total tax recovery	$(20,941)	$(6,383)

The effective tax rate was a recovery of 17.8% in 2015 compared to a recovery of 14.6% in 2014. For the 2015 year foreign exchange losses on debt, net of currency derivatives, represented a significant portion of loss before taxes. These gains or losses are taxed (recovered) at 50% of the normal income tax rate, however, since there is no certainty that these losses will be recovered in the future the Company has not recorded the potential income tax benefit of a recovery on these losses.

Equity Income in Huckleberry

The Company's 50% share of equity earnings from Huckleberry was a loss of $3.0 million in 2015 compared to income of $0.6 million in 2014. The decrease was primarily attributable to a combination of lower metals prices and higher costs.

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

expressed in thousands of dollars, except quantity amounts	2015	2014
Copper 000's pounds sold	*42,663*	*36,460*
Revenue before revaluations	$124,985	$118,919
Revenue revaluation	(14,574)	(7,296)
	110,411	111,623
Cost of sales	(122,115)	(105,296)
(Loss) income from mine operations	(11,704)	6,327
Other	1,101	(4,077)
(Loss) income before taxes	(10,603)	2,250
Income and mining tax recovery (expense)	4,531	(974)
Net (loss) income	$(6,072)	$1,276

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 2014.

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

At December 31, 2015 the Company was in compliance with the debt covenants related to its short term debt, credit facilities with counterparties, and non-current debt.

LIQUIDITY & CAPITAL RESOURCES

At December 31, 2015, the Company had cash of $9.2 million and a working capital deficiency of $198.0 million. At December 31, 2015, as per the Company's relevant accounting policies under IFRS, $166.1 million of debt related to the Company's senior credit facility due October 1, 2016, has been classified as a current liability. The Company is currently in discussions with its lenders to extend the credit facility and therefore does not expect that the $166.1 million will be required to be repaid in 2016. Excluding the $166.1 million related to the senior credit facility results in an adjusted working capital deficiency at December 31, 2015 of $31.9 million.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and additional sources of financing, are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the Mount Polley Breach. However, there are inherent risks related to mine operations and uncertainties related to the scope, timing and cost of the rehabilitation at the Mount Polley mine which could require additional sources of financing.

Subsequent to December 31, 2015 the Company sold US$20.0 million of the US$110.0 million cross currency swap for proceeds of $5.7 million.

Financings

In January 2015 the Company entered into a $50.0 million revolving second lien credit facility to provide additional liquidity for the commissioning and startup of the Red Chris Mine and for general working capital purposes. In May 2015 the Company entered into a $30.0 million short term facility to provide interim funding for the Company while it completed three financings aggregating gross proceeds of $80.0 million. The $80.0 million financing was comprised of three components: a rights offering ("Rights Offering") to raise $44.0 million, backstopped by the Company's two largest shareholders, a private placement of common shares ("Common Share Private Placement") to raise $6.0 million and a private placement of convertible debentures ("Convertible Debenture Private Placement") to raise $30.0 million (collectively the "Financings"). The proceeds from the Financings have been used to provide additional liquidity to the Company as the Company ramps up production at the Red Chris mine, works towards a restart of full operations at the Mount Polley mine, for general working capital, and to repay the $30.0 million short term loan facility.

Under the Common Share Private Placement, on August 11, 2015 the Company issued on a non-brokered private placement basis, an aggregate of 714,286 common shares of the Company at a price of $8.40 per common share to raise $6.0 million in gross proceeds.

Pursuant to the Rights Offering which closed on August 20, 2015, the Company issued a total of 5,500,797 common shares at a price of $8.00 per common share for gross proceeds of $44.0 million. Right-holders subscribed to 3,846,820 common shares under basic subscription privileges and 1,653,977 common shares under additional subscription privileges, resulting in a fully subscribed rights offering.

The non-brokered Convertible Debenture Private Placement closed on August 24, 2015 for gross proceeds of $30.0 million. Each $12.00 of principal amount is convertible into one common share of the Company upon at least 61 days advance notice. The convertible debentures are not callable unless the closing price of the Company's common shares exceeds 125% of the conversion price for at least 30 consecutive days. Interest at 6% per annum will be payable semi-annually, with the first payment due on June 30, 2016. The convertible debentures mature on August 25, 2021. Up to 2,500,000 common shares are expected to be issued if all the convertible debentures issued pursuant to the convertible debenture private placement were converted into common shares of the Company.

N. Murray Edwards and Fairholme Partnership L.P. (together, the "Guarantors") committed to backstopping the Financings. In exchange for backstopping the Financings, the Company paid the Guarantors a fee (the "Fee") of 3% of the gross proceeds of the Financings, excluding proceeds from (i) the exercise of rights pursuant to the Rights Offering issued in respect of common shares owned or over which the Guarantors or their affiliates have control and (ii) the sale of common shares and convertible debentures the Guarantors or their affiliates had committed to purchase pursuant to the Common Share Private Placement and the Convertible Debenture Private Placement. For additional details refer to the *Related Party Transactions* section.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities, additional sources of financing, and extension of the senior credit facility are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the Mount Polley Breach. However, there are inherent risks related to mine operations and uncertainties related to the scope, timing and cost of the rehabilitation at the Mount Polley mine which could require additional sources of financing.

There can be no assurance that the Company will be able to extend the senior credit facility and that adequate additional financing will be available on terms acceptable to the Company or at all which could have a material adverse impact on the Company's financial condition and results of operations and its ability to continue to operate as a going concern.

Credit Risk

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

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

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 with its customers, to provide the necessary cash to meet projected cash requirements.

At December 31, 2015 the Company's primary sources of credit are the long term financing arrangements comprised of a $200.0 million senior secured revolving credit facility, a $50.0 million revolving second lien secured credit facility, US$325.0 million senior unsecured notes, $145.0 million of unsecured convertible debentures, a $75.0 million unsecured junior credit facility, and $41.2 million in secured equipment loans.

The Company's $200.0 million senior secured revolving credit facility is due on October 1, 2016. At December 31, 2015, the Company has drawn $166.1 million of this facility which is shown as a current liability and has utilized an additional $33.1 million of the facility for letters of credit to secure reclamation bond obligations. At December 31, 2015, the Company had cash of $9.2 million and a working capital deficiency of $198.0 million, including the $166.1 million related to the senior credit facility. The Company is currently in discussions with its lenders to extend the senior credit facility and therefore does not expect any amounts under the senior credit facility will be required to be repaid during 2016.

The Company holds 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 also holds derivative instruments which can readily be converted to cash depending on management's assessment of the fair value of the instruments versus the long term strategic value of the instruments. The Company does not hold any Master Asset Vehicle Notes.

The Company's overall liquidity risk continues to be higher than normal with factors that have both decreased and increased liquidity risk relative to 2014. Decreased capital expenditures at Red Chris mine with the completion of the construction phase, increased operational cash flow from Red Chris mine as it entered into commercial production, and the return of Mount Polley mine into restricted operations are all factors that have decreased the overall liquidity risk. Factors that have increased liquidity risk for the Company include lower overall copper prices in CDN dollar terms and the upcoming renewal in 2016 of the senior credit facility, which has been classified as current debt at December 31, 2015.

Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company although the Company considers this risk low as described in the *Credit Risk* section previously.

The Company had the following contractual obligations with respect to financial instruments as of December 31, 2015:

expressed in thousands of dollars	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total
Trade and other payables	$79,084	$ -	$ -	$ -	$79,084
Short term debt	24,754	-	-	-	24,754
Non-current debt*	182,595	149,066	566,041	30,000	927,702
	$286,433	$149,066	$566,041	$30,000	$1,031,540

*Amounts shown are gross obligations at maturity date.

Liquidity and Working Capital Enhancements

Electricity Payment Deferral Plan

In January 2016 the Government of British Columbia announced that it would provide assistance to copper and coal mines during the current low commodity price environment. The mechanism for this assistance was completed in March 2016 when the British Columbia Hydro and Power Authority ("BC Hydro") received approval from the British Columbia Utilities Commission for a tariff supplement that allows a mining customer to defer payment on up to 75% of the monthly electricity billing (the "Payment Plan") depending on the average London Metals Exchange ("LME") settlement copper price converted to CDN dollars at the Bank of Canada's daily average closing exchange rate. The period for calculating the copper price in CDN dollars is the 30 day period prior to the billing date on the 15th of each month.

Interest on the deferred payment amounts is charged and added to the deferred payment balance at Bank Prime Rate plus 5%, except for the Huckleberry mine, which has a fixed interest rate of 12%.

The Payment Plan has a five year term with payment deferrals allowed only during the first two years. Repayments of deferred amounts are required at up to 75% of the monthly electricity billing when the copper price exceeds CDN$3.40 per pound. At a copper price of CDN$3.40 per pound there is no deferral or repayment. The maximum deferral of 75% is available at a copper price of CDN$3.04 per pound or less and the maximum repayments are required at a copper price of CDN$3.76 per pound or more.

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

Joining the Payment Plan is optional. In March 2016 the Red Chris, Mount Polley and Huckleberry mines joined the Payment Plan with the resulting payment deferral being effective for the March 2016 electricity billings which are due for payment in April 2016. At the maximum discount of 75% the estimated monthly payment deferral would be approximately $1.9 million plus $0.4 million for the Company's 50% share of Huckleberry.

Joining the Payment Plan does not change mine operating costs and increases interest expense, however, it does provide the Company with increased liquidity when copper prices are below CDN$3.40 per pound.

Cost Reduction Measures

The Company reviews its operating cost inputs on an ongoing basis. While lower commodity prices reduce the Company's revenues they also reduce the Company's operating costs. These operating costs savings are realized in the form of diesel and other petroleum based products including explosives as well as in grinding media which benefit from lower steel costs. Certain of the Company's employees and directors took pay reductions in late 2015 with further pay reductions currently in process.

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, 2015 would have been higher/lower by $43.6 million.

Cash Flow

Cash flow was $14.8 million in 2015 compared to a negative Cash flow of $6.8 million in 2014.

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

Working Capital

At December 31, 2015 the Company had a working capital deficiency, defined as current assets less current liabilities, of $198.0 million, an increase of $142.5 million from a working capital deficiency of $55.5 million at December 31, 2014. The working capital deficiency at December 31, 2015 includes $166.1 million of debt related to the Company's senior credit facility due October 1, 2016 and has been classified as a current liability. The Company is currently in discussions with its lenders to extend the credit facility and therefore does not expect that the $166.1 million will be required to be repaid in 2016. Excluding the $166.1 million related to the senior credit facility results in an adjusted working capital deficiency at December 31, 2015 of $31.9 million which is a decrease of $19.7 million compared to December 31, 2014.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totaled $125.0 million in 2015 compared to $405.1 million in 2014. Acquisition and development expenditures in 2015 were partly financed from cash flow from operations, from non-current debt, and debt and equity financings.

expressed in thousands of dollars	2015	2014
Capital and Development Expenditures		
Red Chris (including capitalized interest of $24,441 (2014-$38,364)) and net of preproduction revenues of $50,650 (2014-nil)	$93,787	$349,890
Mount Polley	30,230	49,402
Sterling	29	103
Other	5	5
	124,051	399,400
Exploration Expenditures		
Red Chris	21	186
Mount Polley	105	3,987
Sterling, net of pre-production revenues	112	141
Other	679	1,405
	917	5,719
	$124,968	$405,119

The reduction in capital expenditures in 2015 compared to 2014 was primarily due to the Red Chris mine being in the commissioning stage followed by the production stage in the 2015 period compared to the construction stage in the 2014 period. Expenditures at Red Chris in 2015 were comprised of $38.3 million for capital items, $24.4 million of capitalized interest, $81.8 million for preproduction operating expenses, and a recovery of $50.7 million for preproduction revenue. Mount Polley expenditures were primarily related to the tailings dam, including buttressing.

DERIVATIVE INSTRUMENTS

In 2015 the Company recorded net gains of $30.0 million on derivative instruments, comprised of a $27.5 million net gain related to the CDN/US currency swap and a $2.5 million net gain on gold derivatives. This compares to a $5.7 million gain in 2014 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. These gains 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. The amounts in 2015 include realized gains of $0.7 million on foreign currency swaps and $6.1 million on gold derivatives. 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 or the latest balance sheet date and the type and length of time to maturity of the contracts.

The Company has no derivative instruments for copper or gold at December 31, 2015 or at March 30, 2016.

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, 2015 CDN/US Dollar exchange rate the Company had an unrealized gain of $30.6 million on the derivative instruments related to the swap. Subsequent to the year end the Company sold US$20.0 million of the cross currency swap for proceeds of $5.7 million.

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.

DEBT AND OTHER OBLIGATIONS

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At December 31, 2015 $240.6 million of the Company's debt was at floating interest rates compared to December 31, 2014 when the majority of the Company's outstanding borrowings were at fixed 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, 2015:

expressed in thousands of dollars	2016	2017	2018	2019	2020 and beyond	Total
Non-current debt[1]	$182,595	$140,107	$8,959	$451,041	$145,000	$927,702
Short term debt	24,754	-	-	-	-	24,754
Operating leases	627	300	83	83	14	1,107
Capital expenditures and other[2]	493	363	413	463	513	2,245
Reclamation bonding	3,065	-	-	-	-	3,065
Mineral properties [3]	401	606	856	986	1,176	4,025
	$211,935	141,376	10,311	452,573	146,703	962,898

(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 2020 only.

Based on current plans and assumptions as at December 31, 2015, and assuming extension of the senior credit facility, the Company expects to have sufficient cash resources to support its normal operating and capital requirements on an ongoing basis.

At December 31, 2015 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, 2015 the fair value of the senior notes is $425.1 million (December 31, 2014-$346.9 million) based on a quote received from dealers that trade the senior notes.

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

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
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, 2015 as follows:

expressed in thousands of dollars	Level 1	Level 2	Total
Financial assets			
Cash	$9,188	$ -	$9,188
Marketable securities	86	-	86
Provisionally priced receivables	-	4,211	4,211
Derivative instruments assets	-	31,979	31,979
Future site reclamation deposits	4,813	-	4,813
	14,087	36,190	50,277
Financial liabilities			
Amounts owing on provisionally priced receivables	-	(4,868)	(4,868)
	$14,087	$31,322	$45,409

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 2015	September 30 2015	June 30 2015	March 31 2015
Total sales including 50% equity share of Huckleberry				
Copper 000's lbs sold	*26,007*	*22,866*	*8,296*	*2,881*
Gold ounces sold	*16,249*	*8,714*	*1,644*	*1,175*
Silver ounces sold	*52,856*	*58,623*	*37,369*	*13,150*
Total sales excluding Huckleberry				
Copper 000's lbs sold	*21,631*	*17,088*	-	-
Gold ounces sold	*15,908*	*8,318*	*1,100*	*954*
Silver ounces sold	*42,534*	*30,793*	-	-
Total revenues	$69,514	$55,928	$1,726	$1,533
Equity (loss) income in Huckleberry	$(2,269)	$(800)	$626	$(593)
Net (loss) income	$(35,877)	$(29,344)	$1,644	$(33,384)
Basic (loss) income per share [1]	$(0.44)	$(0.37)	$0.02	$(0.45)
Diluted (loss) income per share [1]	$(0.44)	$(0.37)	$0.02	$(0.45)
Adjusted net loss [2]	$(22,882)	$(9,379)	$(9,371)	$(8,012)
Adjusted net loss per share [1] [2]	$(0.28)	$(0.12)	$(0.12)	$(0.11)
Adjusted EBITDA [2]	$1,149	$13,871	$(7,840)	$(6,145)
Cash flow [2]	$2,843	$15,784	$2,270	$(6,061)
Cash flow per share [1] [2]	$0.03	$0.20	$0.03	$(0.08)
Average LME copper price/lb in US$	$2.22	$2.38	$2.74	$2.64
Average LME gold price/troy oz in US$	$1,104	$1,124	$1,193	$1,219
Average CDN/US$ exchange rate	$1.335	$1.309	$1.229	$1.241
Period end CDN/US$ exchange rate	$1.384	$1.339	$1.247	$1.268

	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*	*10,735*
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 (loss) income 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 (loss) income [2]	$(8,683)	$3,729	$8,899	$6,899
Adjusted net (loss) 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

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

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

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

(a) Fluctuations in revenue are due to the timing of shipping schedules and quantities of copper and gold sold on each ship, production volumes at the mines, changes in the price of copper, gold and the CDN/US Dollar exchange rate.
(b) Fluctuations in net income are due to the revenue changes described above and realized and unrealized gains/losses on derivative instruments based on movements in the reference item hedged, changes in foreign exchange rates on US Dollar denominated debt, changes in production cost inputs and changes in tax rates.
(c) Rehabilitation costs and related insurance recoveries for the August 4, 2014 Mount Polley Breach. While the primary impact of this item was in the September 2014 quarter, the recording of insurance recoveries and any revisions to the rehabilitation provision impacts periods subsequent to September 30, 2014 as insurance proceeds are received. Insurance recoveries of $14.0 million were received and recorded in the December 2014 quarter and $11.0 million were received and recorded in the June 2015 quarter.

In addition to the variations in quarterly results caused by the primary factors discussed above the following periods had non-recurring transactions that further impacted net income:

(a) The lower net income in the March 2014 quarter was primarily due to the temporary suspension of the Huckleberry mill.
(b) The higher net income in the June 2014 quarter was primarily due to the foreign exchange gains on revaluation of the Company's US Dollar denominated debt.
(c) The large net loss in the September 2014 quarter was primarily due to the provision for rehabilitation costs for the Mount Polley Breach.
(d) The net loss in the December 2014 quarter was primarily due to the sharply reduced revenues resulting from the suspension of operations at Mount Polley in August 2014, due to higher foreign exchange losses on revaluation of the Company's US Dollar denominated debt, and partially offset by insurance recoveries of $14.0 million.
(e) The higher net loss in the March 2015 quarter was the result of no production or sales from Mount Polley and large foreign exchange losses on revaluation of the Company's US Dollar denominated debt.
(f) The net income in the June 2015 quarter is largely the result of $11.0 million in insurance recoveries.
(g) The large net losses in the September and December 2015 quarters were primarily due to large foreign exchange losses on revaluation of the Company's US Dollar denominated debt, partially offset by earnings from the Red Chris mine as it commenced commercial production on July 1, 2015 and the restart of the Mount Polley mine on August 5, 2015.

FOURTH QUARTER RESULTS

Mineral sales revenues in the fourth quarter of 2015 were $69.5 million compared to $5.8 million in 2014. 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 quantities shipped in 2015 was higher than the 2014 quarter due to the Red Chris mine being in production in the fourth quarter of 2015 and Mount Polley mine also being in limited production in the fourth quarter of 2015. In the fourth quarter of 2014 the Red Chris mine was still under construction and the operations at Mount Polley mine were suspended.

The Company recorded a net loss of $35.9 million ($0.44 per share) in the fourth quarter of 2015 compared to net loss of $9.1 million ($0.12 per share) in the prior year quarter.

Expenditures for exploration and ongoing capital projects at Mount Polley, Red Chris and Sterling totaled $7.1 million during the three months ended December 31, 2015 compared to $73.4 million in the 2014 comparative quarter. The decrease of $66.3 million in 2015 was primarily due to the cessation of construction activities at the Red Chris mine early in 2015.

RELATED PARTY TRANSACTIONS

Corporate

The Company incurred the transactions and balances noted below in the normal course of operations. Expenses have been measured at the fair value which is determined on a cost recovery basis. Related party transactions and balances with N. Murray Edwards, a significant shareholder, and Edco Capital Corporation ("Edco"), a company controlled by N. Murray Edwards, companies in which directors are owners, and with directors and officers are as follows:

Statement of Income

expressed in thousands of dollars		2015	2014
Loan guarantee fee for guarantee of second lien credit facility	(a)	$960	$ -
Loan guarantee fee for guarantee of portion of bank loan facility	(b)	$ -	$91
Loan commitment fee	(c)	$300	$ -
Financing fees – cash	(d)	$ -	$1,000
Financing fees – warrants	(d)	$ -	$870
Fees to backstop financings – cash	(e)	$556	$ -
Interest	(i)	$14,863	$9,124
Cost of sales	(h)	$ -	$32

Statement of Financial Position

expressed in thousands of dollars		2015	2014
Accrued interest on senior unsecured notes and convertible debentures	(i)	$1,882	$2,051
Trade and other receivables	(h)	$(4)	$(4)
Junior credit facility	(d)	$75,000	$30,000
Convertible debentures	(g)(j)	$57,600	$40,000
Senior Unsecured notes (US$53,300)	(f)	$73,767	$61,833

(a) The loan guarantee fees in the 2015 period are related to the guarantee by Edco of the second lien credit facility which provided additional liquidity for the commissioning of the Red Chris mine.

(b) The loan guarantee fees for a portion of bank loan facility in the 2014 period are related to the guarantee by N. Murray Edwards of $75.0 million of the Company's credit facility with its bank. This credit facility was utilized for general working capital purposes.

(c) The loan commitment fee in the 2015 period was paid to Edco and relates to the $30.0 million line of credit facility entered into in May 2015. The line of credit was repaid from the proceeds of the Financings.

(d) The $1.0 million cash financing fees in the 2014 period are for a line of credit facility and the junior credit facility. $0.3 million are related to a line of credit facility from Edco utilized to fund development of the Red Chris mine. This facility was repaid in March 2014 upon completion of the long term financing arrangements for the Red Chris mine. The balance of the 2014 period cash financing fees are related to the $75.0 million junior credit facility from Edco. This facility is available to fund any cost overruns at the Red Chris mine and for general working capital purposes. The financing fees paid by issuance of warrants also relate to the junior credit facility.

(e) In the 2015 period the fees paid to backstop financings totaled $0.6 million for guarantees provided by N. Murray Edwards to purchase 66.67% of all the common shares that remain unsubscribed for by right-holders in the Rights Offering, purchase 66.67% of the Common Share Private Placement, and to purchase 66.67% of all the convertible debentures which remain unpurchased under the Convertible Debenture Private Placement. In exchange for backstopping these financings, the Company agreed to pay N. Murray Edwards a fee of 3% of the gross proceeds of the Financings, excluding proceeds from (i) the exercise of Rights issued in respect of common shares owned or over which N. Murray Edwards and Fairholme Partnership L.P. and their affiliates have control and (ii) the sale of common shares and convertible debentures that N. Murray Edwards and Fairholme Partnership L.P. and their affiliates have committed to purchase pursuant to the Common Share Private Placement and the Convertible Debenture Private Placement.

(f) Edco, directors and officers purchased US$53.3 million of the US$325.0 million senior unsecured notes offering which closed in March 2014 and provided part of the long term financing for the Red Chris mine.

(g) Edco purchased $40.0 million of the $115.0 million convertible debentures in September 2014 which provided funding for completing and commissioning the Red Chris mine, remediating the effects of the Mount Polley Breach, and for ongoing operations.

(h) Trade and other receivables relate to mine operating services supplied in the normal course by a company in which Mr. Yurkowski, a director, is an owner.

(i) Interest expense in the 2015 period is related to the senior unsecured notes, the junior credit facility, the convertible debentures and the May 2015 line of credit facility. Interest expense in the 2014 period is related to the $250.0 million line of credit facility repaid in March 2014 from the long term financing arrangements for the Red Chris mine and the senior unsecured notes.

(j) N. Murray Edwards purchased 416,673 common shares for gross proceeds of $3.5 million in the Common Share Private Placement which closed on August 11, 2015. N. Murray Edwards, directors and officers purchased 2,194,565 common shares for gross proceeds of $17.6 million in the Rights Offering which closed on August 20, 2015. N. Murray Edwards and directors purchased $17.6 million of the $30.0 million Convertible Debenture Private Placement which closed on August 24, 2015.

The Company incurred the above transactions and balances in the normal course of operations. Expenses have been measured at the fair value which is determined on a cost recovery basis.

Additional details on related party transactions can be found in Note 21 to the audited Consolidated Financial Statements for the year ended December 31, 2015.

OTHER

As at March 30, 2016 the Company had 81,761,028 common shares outstanding, and on a diluted basis 97,943,229 common shares outstanding. Additional information about the Company is available on *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 is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. The Company's internal control system over financial reporting is designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

(1) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of the assets of the Company;
(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2015. In making this assessment, management used the criteria set forth in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2015, the Company's internal control over financial reporting were effective. There have been no changes in the Company's internal controls over financial reporting and disclosure controls and procedures during the 2015 financial year that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

Limitations on Controls and Procedures

The Company's management believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well designed and operated, can only provide reasonable and not absolute assurance that the objectives of the control system are met. Therefore, even those systems determined effective cannot provide absolute assurance that all control issues and instances of fraud within the Company, if any, have been prevented or detected.

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, 2015 the Company has recorded a provision of $2.1 million for future rehabilitation activities related to the Mount Polley 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, 2015. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

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*.

There are material risks and uncertainties associated with rehabilitation activities resulting from the Mount Polley mine tailings dam 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 activities. The Company may not receive approvals and consents necessary to proceed with the remaining rehabilitation 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 rehabilitation activities and the recommencement of full, unrestricted 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 material civil claims or regulatory charges or 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 charges or 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.

Base-metal prices in 2015 fell significantly in the face of excess supplies and reduced demand from China, the world's biggest consumer. Many industries, including the copper mining industry, were adversely impacted by these market conditions. A further 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:

- a further reduction of the base-metal prices 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 mineral deposit, 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 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 mineral deposits 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 estimates of the reserves. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the deposits or the processing of new or different 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 reserve 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.

Reserve estimates can be uncertain because they are based on limited sampling. As we gain more knowledge and understanding of the deposit through on-going exploration and mining activity, the reserve estimate may change significantly, either positively or negatively.

Due to the uncertainty which are attached 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 mineral deposits and the processing of new or different 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 material mined could vary from estimates, with respect to grades and/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 newer operations such as our Red Chris mine are particularly uncertain and subject to revision.

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 mineral deposit, 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 we may not be able to fulfil our obligations to our debt holders.

After giving effect to the financing transactions in 2014 and 2015 consisting of the senior secured credit facility, the second lien secured credit facility, the 2014 and 2015 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 fulfil 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 has and may continue to subject us from time to time to regulatory investigations, claims, lawsuits and other proceedings and the Company may be involved in disputes with other parties in the future, which may result in litigation. We cannot predict the outcome of any regulatory investigation, claims, litigation or other proceedings. Defence and settlement costs may be substantial, even with respect to claims that have no merit. If we cannot resolve these disputes favourably or successfully defend against any potential regulatory prosecution or other proceedings, 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 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 2015 annual base and precious metals production from Red Chris, Mount Polley, Huckleberry and Sterling mines was 88.1 million pounds copper, 44.7 thousand ounces gold and 224.5 thousand ounces silver.

The base and precious metals production targeted for 2016 from the Red Chris mine is 90-100 million pounds copper and 60-70 thousand ounces gold.

In the prior year MD&A the Company only provided guidance on production allocable to Imperial from the Huckleberry mine as Red Chris was not yet in production and the timing of restart of operations at Mount Polley mine were uncertain. The Company estimated that in 2015 Huckleberry would produce 22.0 million pounds of copper allocable to Imperial and the actual production allocable to Imperial from Huckleberry in 2015 was 21.6 million pounds a difference of approximately 1.8%.

Derivative instruments for 2016 will protect US$90.0 million or about 28% of the foreign exchange movement on the Company's US$325.0 million Notes. At March 30, 2016, the Company has not hedged any copper or gold. 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

Imperial has interests in various other early stage exploration properties located in Canada. However, the Company's focus is currently to minimize expenditures on other projects, and implement cost control initiatives on operations. Only minimum work is being undertaken to maintain claims in good standing.

Development

At Mount Polley, the tailing storage facility breach was repaired, areas impacted by the breach rehabilitated, and Hazeltine and lower Edney Creeks were rebuilt with new stream channels installed. Much of this work was completed during difficult working conditions throughout the winter of 2015, thanks to the efforts of the mine employees, First Nation members and local contractors.

Working together with our employees, First Nations and local communities and the Province, Mount Polley was able to return to operations on August 4, 2015 using a modified mine plan that uses the Springer pit to store the tailings produced. Mount Polley is working diligently to obtain the permits required to return to normal operations, and resume using the repaired and strengthened tailings storage facility.

Currently, milling operations are benefiting from the supply of higher grade tonnes from underground mining in the Boundary zone. In February 2016, a total of 26,907 tonnes grading 1.74% copper and 1.08 grams per tonne gold were extracted from underground operation at Mount Polley. The developed zones in the Boundary zone are targeted to continue delivering ore to the Mount Polley mill until the third quarter of 2016.

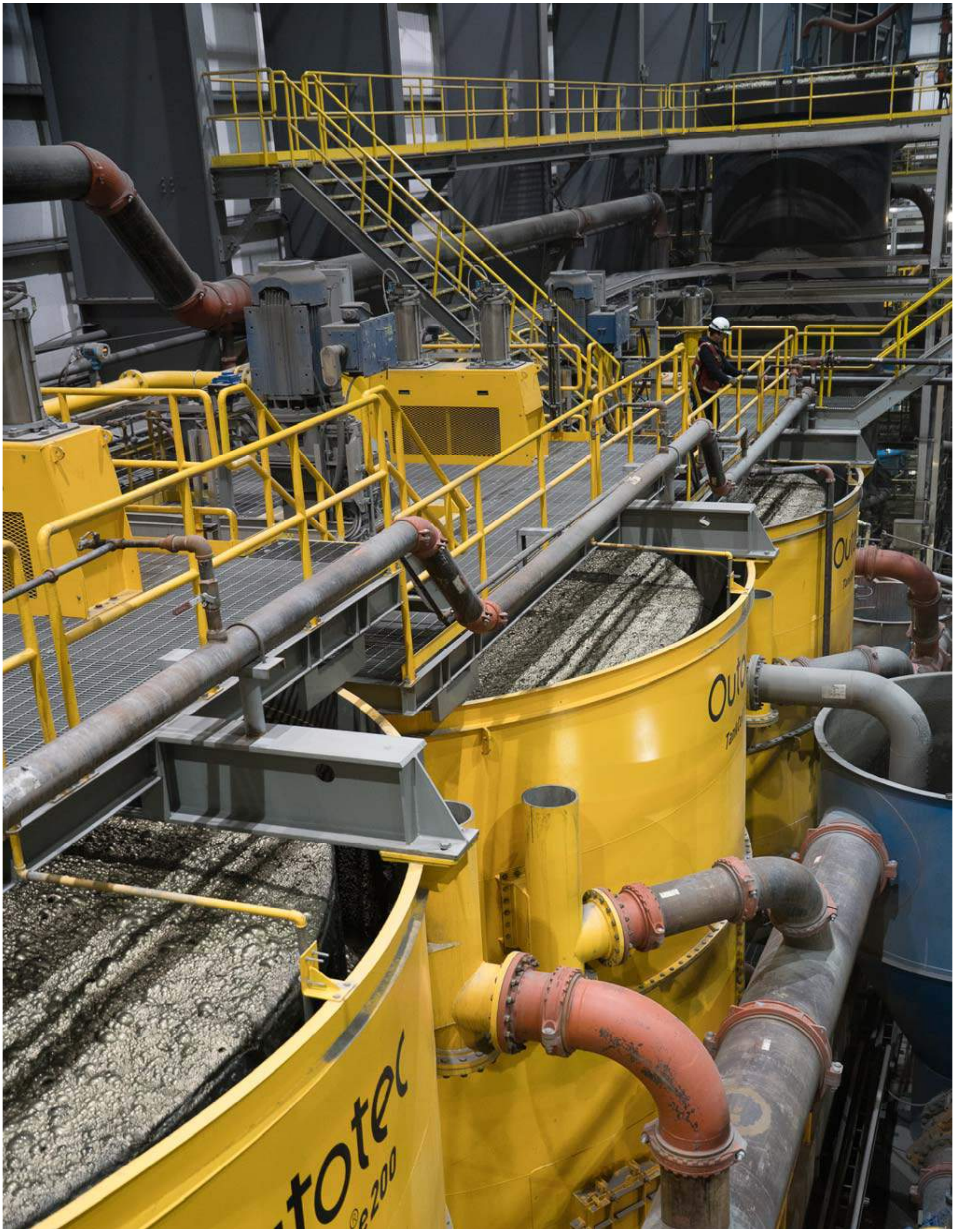
Huckleberry increased throughput by about 30% and produced 43.3 million pounds copper in 2015. In response to lower copper prices, Huckleberry suspended mining operations in January 2016, while continuing to mill stockpiles. Copper prices will be monitored however Huckleberry is expected to be put on care and maintenance if copper prices do not increase by the third quarter of 2016.

At Red Chris, work continues to optimize the operation of our newest mine. Five concentrate shipments were made in the first quarter of 2016 – a new record. Copper recovery lags the feasibility study estimates but has been improving, and averaged 82.4% in February 2016. The feasibility study estimated the life of mine copper recovery would be 85%. Gold recoveries are now matching those estimated in the feasibility study, and in February a new record for monthly gold production of 4,842 ounces was set. Based on production to date, March will set another monthly production records for both copper and gold.

Initial studies of the potential of block caving have indicated the mineralization below the current pit design has suitable geometry and anticipated rock conditions. A single lift of 500 metres will likely yield a production rate of over 50,000 tonnes per day. Further work is warranted on this deep, higher grade deposit. At all the projects and our head office, cost reduction programs are underway. Reductions include price reductions from many of our vendors and salary cuts as we strive to do more for less. All three mines have signed on to participate in the power payment deferral plan announced recently by BC Hydro. All operations are striving to reduce costs in this low copper price environment.

Acquisitions

Management continues to evaluate potential acquisitions and exploration opportunities both on currently owned properties and new prospects.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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, Chartered Professional Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditor's opinion. Their report is presented with the consolidated financial statements.

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

(signed) "J. Brian Kynoch"

J. Brian Kynoch
President

(signed) "Andre Deepwell"

Andre Deepwell
Chief Financial Officer

March 30, 2016

Deloitte.

Deloitte LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: (604) 669-4466
Fax: (778) 374-0496
www.deloitte.ca

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, 2015 and December 31, 2014, and the consolidated statements of loss and comprehensive loss, consolidated statements of 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, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has a working capital deficiency of $198 million as at December 31, 2015, which includes as a current liability $166 million related to the senior credit facility that is due on October 1, 2016. The Company is currently in discussions with its lenders to extend the senior credit facility. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte LLP

Chartered Professional Accountants

March 30, 2016
Vancouver, British Columbia

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

expressed in thousands of Canadian dollars

	Notes	December 31 2015	December 31 2014
ASSETS			
Current Assets			
Cash		$9,188	$19,913
Marketable securities		86	321
Trade and other receivables	3	12,033	16,244
Inventory	4	67,540	21,402
Derivative instrument assets	11	-	3,691
Prepaid expenses and deposits		2,162	1,936
		91,009	63,507
Derivative Instrument Assets	11	30,632	3,894
Investment in Huckleberry Mines Ltd.	5	89,734	92,770
Mineral Properties	6	1,261,557	1,171,400
Other Assets	7	6,420	6,786
		$1,479,352	$1,338,357
LIABILITIES			
Current Liabilities			
Trade and other payables	8	$79,084	$77,651
Taxes payable		985	3,275
Short term debt	9	24,754	-
Provision for rehabilitation costs	17	2,123	23,686
Current portion of non-current debt	10	181,957	12,590
Current portion of future site reclamation provisions		58	1,775
		288,961	118,977
Provision for Rehabilitation Costs	17	-	2,275
Non-Current Debt	10	707,750	694,257
Future Site Reclamation Provisions	12	32,685	24,138
Deferred Income Taxes	18	73,809	90,716
		1,103,205	930,363
EQUITY			
Share Capital	13	178,730	123,859
Share Option Reserve	13	14,789	14,468
Warrant Reserve	13	870	870
Equity Component of Convertible Debentures	10	25,534	20,906
Currency Translation Adjustment		9,169	3,875
Retained Earnings		147,055	244,016
		376,147	407,994
		$1,479,352	$1,338,357
Commitments and Pledges	4, 6, 25		
Contingent Liabilities	26		
Subsequent Events	27		

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on March 30, 2016

(signed) "Larry G. Moeller" *(signed) "J. Brian Kynoch"*

Larry G. Moeller
Director

J. Brian Kynoch
Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years Ended December 31, 2015 and 2014

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

	Notes	2015	2014
Revenue		$128,701	$130,909
Cost of Sales	14	(140,175)	(90,667)
(Loss) Income from Mine Operations		(11,474)	40,242
General and Administration	15	(7,503)	(6,359)
Finance Costs	16	(88,384)	(16,646)
Idle Mine Costs		(16,094)	(7,574)
Rehabilitation Costs	17	-	(67,435)
Insurance Recoveries	17	11,000	14,000
Other Expense		(2,411)	(534)
Share of (Loss) Income in Huckleberry	5	(3,036)	638
Loss before Taxes		(117,902)	(43,668)
Income and Mining Tax Recovery	18	20,941	6,383
Net Loss		(96,961)	(37,285)
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment		5,294	2,539
Total Comprehensive Loss		$(91,667)	$(34,746)
Loss Per Share			
Basic	19	$(1.25)	$(0.50)
Diluted	19	$(1.25)	$(0.50)
Weighted Average Number of Common Shares Outstanding			
Basic	19	77,510,661	74,928,926
Diluted	19	77,510,661	74,928,926

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2015 and 2014

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

	Share Capital							
	Number of Shares	Amount	Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Currency Translation Adjustment	Retained Earnings	Total
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	-	-	-	870	-	-	-	870
Convertible debentures issued	-	-	-	-	20,906	-	-	20,906
Share based compensation expense	-	-	746	-	-	-	-	746
Total comprehensive income (loss)	-	-	-	-	-	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
Issued on exercise of options	21,500	208	(111)	-	-	-	-	97
Issue of shares for payment of interest on convertible debentures (Note 20b(ii))	555,677	5,690	-	-	-	-	-	5,690
Convertible debentures issued	-	-	-	-	4,628	-	-	4,628
Private placement	714,286	5,898	-	-	-	-	-	5,898
Rights offering	5,500,797	43,075	-	-	-	-	-	43,075
Share based compensation expense	-	-	432	-	-	-	-	432
Total comprehensive income (loss)	-	-	-	-	-	5,294	(96,961)	(91,667)
Balance December 31, 2015	81,761,028	$178,730	$14,789	$870	$25,534	$9,169	$147,055	$376,147

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

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

	Notes	2015	2014
OPERATING ACTIVITIES			
Loss before taxes		$(117,902)	$(43,668)
Items not affecting cash flows			
Share of loss (income) in Huckleberry		3,036	(638)
Depletion and depreciation		32,382	19,283
Share based compensation		432	746
Accretion of future site reclamation provisions		844	662
Unrealized foreign exchange losses		81,703	19,357
Unrealized gains on derivative instruments		(23,132)	(5,798)
Interest expense		37,731	1,974
Other		(258)	1,300
		14,836	(6,782)
Net change in non-cash operating working capital balances	20	(32,560)	51,529
Income and mining taxes paid		-	(3,484)
Income and mining taxes recovered		4,100	893
Interest paid		(51,121)	(25,270)
Cash (used) provided by operating activities		(64,745)	16,886
FINANCING ACTIVITIES			
Proceeds of short term debt		203,876	174,576
Repayment of short term debt		(180,310)	(307,256)
Proceeds of non-current debt		168,447	847,036
Repayment of non-current debt		(65,365)	(379,219)
Issue of share capital, net of issue costs		49,070	2,054
Other		-	2,275
Cash provided by financing activities		175,718	339,466
INVESTING ACTIVITIES			
Acquisition and development of mineral properties		(100,527)	(366,755)
Net change in non-cash investing working capital balances	20	(21,911)	(22,491)
Increase in future site reclamation deposits		-	(698)
Proceeds on sale of mineral properties including the Iskut extension		-	52,109
Other		247	(1,931)
Cash used in investing activities		(122,191)	(339,766)
EFFECT OF FOREIGN EXCHANGE ON CASH		493	232
(DECREASE) INCREASE IN CASH		(10,725)	16,818
CASH, BEGINNING OF YEAR		19,913	3,095
CASH, END OF YEAR		$9,188	$19,913

See accompanying notes to these consolidated financial statements.

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; and
- Huckleberry copper mine in northern British Columbia.

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 service its debt obligations, realize its assets and discharge its liabilities in the normal course as they come due. The Company has in place a planning, budgeting and forecasting process to determine the funds required to support the Company's operations and expansionary plans.

The Company's $200,000 senior credit facility is due on October 1, 2016. At December 31, 2015, the Company has drawn $166,072 of this facility which is shown as a current liability and has utilized an additional $33,098 of the facility for letters of credit to secure reclamation bond obligations (Note 10(a)). At December 31, 2015, the Company had cash of $9,188 and a working capital deficiency of $197,952, including the $166,072 related to the senior credit facility. The Company is currently in discussions with its lenders to extend the senior credit facility and therefore does not expect any amounts under the senior credit facility (Note 25(b)) will be required to be repaid during 2016.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and additional sources of financing, and extension of the senior credit facility are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the tailings dam breach at the Mount Polley mine. However, there are inherent risks related to the operations of the Company's mines and uncertainties related to the scope, timing and cost of the rehabilitation at the Mount Polley mine which could require additional sources of financing.

There can be no assurance that the Company will be able to extend the senior credit facility or that adequate additional financing will be available on terms acceptable to the Company or at all which creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

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.

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 certain 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 loss and comprehensive loss 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. 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.

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 for mineral properties being depleted are depleted by property using the unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate.

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 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, capitalized interest related to that 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.

Milling equipment and related buildings, and tailings facilities are depleted on a unit-of-production basis over the estimated recoverable proven and probable reserves at the mines to which they relate.

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 rock 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 cost of disposal 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 less cost of disposal of reserves when it is not possible to determine fair value by quotes from an active market or a written offer to purchase/binding sales agreement. Resources in the measured and indicated categories are valued using estimated fair values based on market transactions.

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. Subsequent changes to future site reclamation costs are recorded with a corresponding change to the carrying amounts of related mineral property.

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 loss and comprehensive loss net of treatment and refining costs and royalties 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 of current market prices less treatment and refining costs.

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.

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 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. 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.

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.

Trade and other receivables are classified as loans and receivables. Trade and other payables, short term debt, and non-current debt are classified as other financial liabilities and recorded at amortized cost.

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.

Foreign Currency Translation

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 loss and comprehensive loss.

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 currency 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 loss and comprehensive loss within "Finance Costs". All other foreign exchange gains and losses are presented in the statement of loss and comprehensive loss 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.

Loss Per Common Share

Basic net loss per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss 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, warrants and convertible debentures.

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 Judgments

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 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 statement of loss and comprehensive loss 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:

Reserve and Resource Estimates

The Company estimates its reserves and 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 Projec*ts. There are numerous uncertainties inherent in estimating reserves and resources, including many factors beyond the Company's control. Assumptions used in estimating reserves and 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 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 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 rock 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 Rehabilitation Costs

The provision for rehabilitation costs represents management's estimate of the present value of the future cash outflows and related depreciation expense required to settle the estimated rehabilitation costs related to the Mount Polley mine tailings dam breach. The provision incorporates the Company's estimate of costs for rehabilitation, 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 rehabilitation 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.

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.

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

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, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Leases

In January 2016, the IASB issued IFRS 16–Leases ("IFRS 16") which replaces IAS 17–Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

The Company is currently evaluating the impacts the standards will have on its consolidated financial statements.

3. TRADE AND OTHER RECEIVABLES

	December 31 2015	December 31 2014
Trade receivables	$10,557	$15,657
Taxes receivable	1,476	587
	$12,033	$16,244

4. INVENTORY

	December 31 2015	December 31 2014
Stockpile ore	$5,091	$3,873
Stockpiles and ore under leach	-	3,854
Dore	180	1,303
Concentrate	36,458	-
Supplies	25,811	12,372
	$67,540	$21,402
Inventory recognized as expense during the year	$104,426	$66,449
Impairment charges on stock pile, ore under leach and concentrate inventory included in expense during the year	$15,070	$4,990

As at December 31, 2015 the Company had $67,540 (2014-$21,402) inventory pledged as security for debt.

expressed in thousands of Canadian dollars, except share and per 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. Huckleberry sells copper concentrate to smelters owned by the Company's joint venture partners.

	December 31 2015	December 31 2014
Balance, beginning of year	$92,770	$92,132
Share of (loss) income for the year	(3,036)	638
Balance, end of year	$89,734	$92,770

Summarized financial information for Huckleberry is as follows [1]:

Statement of Financial Position *stated 100% - Imperial's equity share is 50%*	December 31 2015	December 31 2014
ASSETS		
Current Assets		
Cash	$19,782	$23,910
Other current assets	20,429	31,640
	40,211	55,550
Mineral Properties	187,687	179,441
Other Non-Current Assets	20,046	24,313
	$247,944	$259,304
LIABILITIES		
Current Liabilities		
Trade and other payables	$13,043	$12,330
Other current liabilities	494	6,176
	13,537	18,506
Future Site Reclamation Provisions	48,735	45,394
Other Non-Current Liabilities	6,203	9,863
	68,475	73,763
EQUITY		
Share Capital	57,596	57,596
Retained Earnings	121,873	127,945
	179,469	185,541
	$247,944	$259,304

[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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014
expressed in thousands of Canadian dollars, except share and per share amounts

Statement of (Loss) Income and Comprehensive (Loss) Income
stated 100% - Imperial's equity share is 50%

	December 31 2015	December 31 2014
Revenue	$110,411	$111,623
Cost of Sales	(122,115)	(105,296)
(Loss) income from Mine Operations	(11,704)	6,327
General and Administration	1,969	935
Finance Costs	(868)	(1,188)
Idle Mine Costs	-	(2,561)
Impairment of Mineral Property	-	(1,263)
(Loss) Income Before Taxes	(10,603)	2,250
Income and Mining Tax Recovery (Expense)	4,531	(974)
Net (Loss) Income and Comprehensive (Loss) Income	$(6,072)	$1,276

Statement of Cash Flows
stated 100% - Imperial's equity share is 50%

	December 31 2015	December 31 2014
OPERATING ACTIVITIES		
Net income before taxes	$(10,603)	$2,250
Items not affecting cash flows		
Depletion and depreciation	21,788	18,108
Unrealized foreign exchange loss	360	368
Unrealized losses on derivative instruments	-	43
Impairment of mineral property	-	1,263
Other	1,451	1,151
	12,996	23,183
Net change in non-cash operating working capital balances	8,647	(2,776)
Income and mining taxes paid	(5,782)	(5,479)
Income and mining taxes received	3,803	46
Cash provided by operating activities	19,664	14,974
INVESTING ACTIVITIES		
Acquisition and development of mineral properties	(27,798)	(29,469)
Proceeds on sale of mineral properties	100	15,000
Net change in non-cash financing working capital balances	-	-
Other	4,266	(7,810)
Cash used in investing activities	(23,432)	(22,279)
EFFECT OF FOREIGN EXCHANGE ON CASH	(360)	(368)
(DECREASE) INCREASE IN CASH	(4,128)	(7,673)
CASH, BEGINNING OF YEAR	23,910	31,583
CASH, END OF YEAR	$19,782	$23,910

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

(a) Mineral Properties

	Cost	Accumulated Depletion, Depreciation & Impairment Losses	Net Carrying Amount
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
Additions	32,402	-	32,402
Depletion & Depreciation	-	23,955	(23,955)
Disposals & Impairments	(2,224)	(2,023)	(201)
Balance December 31, 2015	$558,972	$371,285	$187,687

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, 2015.

(c) Pledged Assets

At December 31, 2015, Huckleberry had pledged cash deposits of $14,136 (December 31, 2014-$14,165) and certain mining equipment with a net book value of $14,658 (December 31, 2014-$16,000) as security for future site reclamation obligations.

(d) Future Site Reclamation Provisions

Changes to the future site reclamation provisions are as follows:

	December 31 2015	December 31 2014
Balance, beginning of year	$45,716	$39,022
Accretion	1,482	1,639
Costs incurred during the year	(130)	(488)
Change in estimates of future costs and discount rate	2,039	5,543
Balance, end of year	49,107	45,716
Less portion due within one year	(372)	(322)
	$48,735	$45,394

(e) Reclamation Bonding Obligations

As at December 31, 2015 Huckleberry is obligated to increase its reclamation bond funding as follows:

2016	$9,000
2017	18,000
	$27,000

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

(f) Commitments

As at December 31, 2015, Huckleberry is committed to future minimum lease payments as follows:

	Operating Leases	Finance Leases
2016	$91	$241
2017	17	253
2018	10	65
2019	2	-
	$120	$559

As at December 31, 2015, Huckleberry had contractual commitments to purchase plant and equipment at a cost of $563.

6. MINERAL PROPERTIES

Cost	Mineral Properties being Depleted	Mineral Properties not being Depleted: Projects not in Production	Mineral Properties not being Depleted: Exploration & Evaluation Assets	Plant & Equipment	Construction in Progress	Total
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
Additions	4,051	743	1,489	67,322	57,770	131,375
Reclassifications	91,176	(140,663)	20,112	754,419	(725,044)	-
Disposals	-	-	-	(37)	-	(37)
Foreign exchange movement	-	-	7,773	(270)	-	7,503
Balance as at December 31, 2015	$331,921	$55,765	$50,745	$1,118,048	$ -	$1,556,479

Accumulated depletion & depreciation & impairment losses	Mineral Properties being Depleted	Mineral Properties not being Depleted: Projects not in Production	Mineral Properties not being Depleted: Exploration & Evaluation Assets	Plant & Equipment	Construction in Progress	Total
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
Depletion & depreciation	10,978	-	-	35,010	-	45,988
Disposals	-	-	-	(37)	-	(37)
Foreign exchange movement	2,029	-	-	704	-	2,733
Balance as at December 31, 2015	$114,407	$ -	$1,645	$178,870	$ -	$294,922
Carrying Amount						
Balance as at December 31, 2014	$135,294	$195,685	$19,726	$153,421	$667,274	$1,171,400
Balance as at December 31, 2015	$217,514	$55,765	$49,100	$939,178	$ -	$1,261,557

At December 31, 2015 the Company had contractual commitments totaling $nil (2014-$9,480) for the acquisition of property, plant and equipment.

At December 31, 2015 mineral property assets with a carrying value of $1,370 (2014-$1,370) are legally restricted for the purposes of settling future site reclamation provisions (Note 25(b)).

During the year ended December 31, 2015 the Company capitalized borrowing costs of $24,441 (2014-$38,364) related to the Red Chris project into construction in progress at a weighted average borrowing rate of 7.28% (2014-6.95%).

Red Chris achieved commercial production effective July 1, 2015 and therefore no borrowing costs have been capitalized after June 30, 2015.

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 29,067 hectares and is comprised of five 30 year mining leases covering 5,141 hectares and 80 mineral claims encompassing 23,926 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, and commercial production was achieved July 1, 2015. On December 1, 2015 the Company's Syndicate of Lenders confirmed the Red Chris mine had achieved the completion test requirements of the Company's Senior Secured Revolving Credit Facility, currently due October 1, 2016.

Net smelter royalties between 1.0% to 2.0% are payable on production from the Red Chris mine.

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. A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred in 2015 on this tenure nor is any production anticipated in 2016.

Huckleberry

The Company owns 50% (Note 5) of Huckleberry, which owns and operates an 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.

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. In 2012 the mine began operations on a new underground resource. These operations continued until May 2015. Approval of the environmental assessment for the open pit mine from the Bureau of Land Management is pending. 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.

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.

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

Impairment Testing

At December 31, 2015 the price of copper had substantially decreased from prior periods, indicating a possible impairment. The assessment for impairment included a review of all factors relating to future operations at the Red Chris and Mount Polley mines as they presently exist and concluded that the estimated recoverable amount of the Red Chris and Mount Polley mines are greater than their carrying values. This analysis assumed the receipt of the permits necessary for uninterrupted and continuing operations at Mount Polley. The assessments utilized an estimated value for measured and indicated resources and the following life of mine assumptions:

	2016	2017	2018	2019+
Copper price US$/lb	$2.25	$2.50	$2.75	$3.00
Gold price US$/oz	$1,200	$1,200	$1,200	$1,200
Silver price US$/oz	$15	$15	$15	$15
Foreign exchange rate CDN$/US$	1.37	1.28	1.25	1.25
Discount rate	8.0%			

7. OTHER ASSETS

	December 31 2015	December 31 2014
Future site reclamation deposits	$4,813	$4,063
Other	1,607	2,723
	$6,420	$6,786

8. TRADE AND OTHER PAYABLES

	December 31 2015	December 31 2014
Trade payables	$43,252	$47,374
Accrued liabilities	35,832	30,277
	$79,084	$77,651

9. SHORT TERM DEBT

Amounts due for short term debt are:

	December 31 2015	December 31 2014
Concentrate advances of US$17,886 (December 31, 2014-US$nil) from purchasers of the concentrate at the Red Chris and Mount Polley mines repayable from sale of concentrate with interest rates ranging from three month Libor plus 2.0% to 2.2% secured by a first charge on the concentrate.	$24,754	$ -

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

	December 31 2015	December 31 2014
Balance, beginning of year	$ -	$132,410
Amounts advanced	203,876	174,576
Amounts repaid	(180,310)	(307,256)
Foreign exchange losses	1,188	270
Balance, end of year	$24,754	$ -

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

10. NON-CURRENT DEBT

Amounts due for non-current debt are:

		December 31 2015	December 31 2014
Senior secured revolving credit facility, net of issue costs	(a)	$166,072	$172,480
Second lien secured revolving credit facility, net of issue costs	(b)	49,728	-
Senior unsecured notes, net of issue costs	(c)	442,021	368,787
Junior credit facility	(d)	75,000	30,000
Convertible debentures - 2014	(e)	91,972	87,679
Convertible debentures - 2015	(f)	23,672	-
Equipment loans	(g)	41,242	47,901
		889,707	706,847
Less portion due within one year		(181,957)	(12,590)
		$707,750	$694,257

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

	December 31 2015	December 31 2014
Balance, beginning of year	$706,847	$244,382
Amounts advanced, net of issue costs including warrants (Note 13(c))	162,193	817,915
Foreign exchange losses	78,468	18,809
Accretion of debt issue costs	2,923	3,594
Accretion of interest on convertible debentures	4,641	1,366
Amounts repaid	(65,365)	(379,219)
Balance, end of year	889,707	706,847
Less portion due within one year	(181,957)	(12,590)
	$707,750	$694,257

(a) Senior Credit Facility

Senior secured revolving credit facility from a syndicate of banks aggregating $200,000 (December 31, 2014-$200,000) 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. $33,098 of this facility (December 31, 2014-$25,758) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 25(b)).

(b) Second Lien Credit Facility

Second lien secured revolving credit facility aggregating $50,000 (December 31, 2014-$nil) due on April 1, 2017. The facility is secured by trade and other receivables, inventory, shares of all material subsidiaries and a floating charge on certain assets of the Company, subject to the priority interests held on those assets by the Senior Credit Facility. This facility has been guaranteed by a related party (Note 21).

(c) Senior Unsecured Notes

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

The 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.

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

(d) Junior Credit Facility

The junior credit facility is from a related party. It aggregates $75,000 (December 31, 2014-$75,000) and is unsecured with interest payable quarterly at 10% per annum. The facility is due on March 15, 2019 however the facility must be repaid upon (i) receipt of proceeds from specific sources as described in the agreement, (ii) the debt ratio in the senior credit facility permitting repayment of the debt. In March 2014 the Company issued 750,000 warrants (Notes 13(c) and 21) in connection with this facility.

(e) Convertible Debentures - 2014

The debentures with a face value of $115,000 mature on September 4, 2020 and bear interest at 6% per year with interest payable semi-annually on June 30 and December 31. As a result of the rights offering completed in August 2015 the conversion price was reduced from $12.00 to $11.91 per common share. The face value of the convertible debentures are convertible into common shares of the Company at the option of the holder upon at least 61 days advance notice at any time prior to maturity at a conversion price of $11.91 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 common shares of the Company.

(f) Convertible Debentures - 2015

The debentures with a face value of $30,000 mature on August 25, 2021 and bear interest at 6% per year with interest payable semi-annually on June 30 and December 31 with the first payment due on June 30, 2016. 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.

(g) Equipment Loans

Seven finance contracts for US$26,490 (December 31, 2014-US$36,676) and one finance contract for $4,580 (December 31, 2014-$5,353) at interest rates ranging from 2.50% to 3.42% with monthly instalments of US$942 and $100, respectively.

(i) Finance contract for US$3,163 (December 31, 2014-US$4,873) repayable in monthly installments of US$171 including interest at a fixed rate of 2.89% and secured by the financed equipment.

(ii) Finance contract for US$1,927 (December 31, 2014-US$2,719) 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$2,127 (December 31, 2014-US$2,914) 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$2,587 (December 31, 2014-US$3,514) 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$259 (December 31, 2014-US$352) 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$5,305 (December 31, 2014-US$7,449) repayable in monthly instalments of US$197 including interest at a fixed rate of 3.42% secured by the financed assets.

(vii) Finance contract for US$11,122 (December 31, 2014-US$14,855) 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 $4,580 (December 31, 2014-$5,353) repayable in monthly installments of $100 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. DERIVATIVE INSTRUMENTS

Commodity Derivatives

The Company has no commodity derivative contracts outstanding at December 31, 2015.

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(c)). 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, 2015 the fair value of the cross currency swap was an asset of $30,632 (December 31, 2014-$3,894).

Subsequent to December 31, 2015 the Company sold US$20,000 of the US$110,000 cross currency swap for proceeds of $5,662 (Note 27).

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

12. FUTURE SITE RECLAMATION PROVISIONS

The Company has recognized provisions for future site reclamation at its Red Chris, Mount Polley, 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:

	2015	2014
Balance, beginning of year	$25,913	$16,045
Accretion (Note 16)	844	662
Costs incurred during the year	(23)	(37)
Change in estimates of future costs and effect of translation of foreign currencies	6,009	9,243
Balance, end of year	32,743	25,913
Less portion due within one year	(58)	(1,775)
	$32,685	$24,138

The total undiscounted amount of estimated future cash flows required to settle the obligations is $45,231 (December 31, 2014-$38,010). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2014-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 3.16% (December 31, 2014-3.33%).

The obligations are expected to be settled primarily in the years 2016 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 25(b) and (c) for assets pledged and legally restricted for the purposes of settling future site reclamation provisions and obligation to increase reclamation bond funding.

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, of which 3,100,000 have been designated as “Series A First Preferred shares” (issued and outstanding – nil)

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

An unlimited number of Common Shares without par value

(b) Share Option Plans

Under the Share Option Plans, the Company may grant options to its directors, officers and employees not to exceed 10% of the issued common shares of the Company. At December 31, 2015 a total of 4,018,653 common share options remain available for grant under the plans. Under the plans, the exercise price of each option cannot be greater than the market price of the Company’s shares on the date of grant and an option’s maximum term is 10 years. Options are granted from time to time by the Board of Directors and vest over a three or five year period.

During the year ended December 31, 2015, the Company granted 1,960,000 stock options (2014- nil) at a weighted average exercise price of $8.00. The weighted average fair value for the options granted in the year ended December 31, 2015 was $3.83 per option, which was estimated at the date of the grant using the Black-Scholes option pricing model using the following weighted average assumptions: risk-free interest rate - 1.18%; expected dividend yield - $nil; expected stock price volatility - 60.9%; expected option life - 6.5 years; and, estimated forfeiture rate - 5.00%.

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

Movements in Share Options

The changes in share options were as follows:

	2015		2014	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	2,238,950	$8.37	2,582,700	$8.28
Granted	1,960,000	$8.00	-	-
Exercised	(21,500)	$4.52	(292,750)	$7.02
Forfeited	(20,000)	$11.55	(51,000)	$11.55
Outstanding at end of year	4,157,450	$8.20	2,238,950	$8.37
Options exercisable at end of year	2,197,450	$8.38	1,986,950	$7.97

The following table summarizes information about the Company's share options outstanding at December 31, 2015:

	Options Outstanding		Options Exercisable	
Exercise Prices	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
$4.41	840,900	3.00	840,900	3.00
$5.93	170,500	4.00	170,500	4.00
$8.00	1,960,000	9.92	-	-
$11.55	1,186,050	4.79	1,186,050	4.79
	4,157,450	6.82	2,197,450	4.04

For share options exercised during the year ended December 31, 2015, the weighted average share price at the date of exercise was $8.33 (December 31, 2014-$16.80).

(c) Warrants

In connection with the junior credit facility (Note 10(d)) the Company issued 750,000 warrants on March 12, 2014 to a related party at an ascribed value of $870. In August 2015 the exercise price of each warrant was adjusted from $20.00 to $19.88 as a result of the rights offering completed by the Company. Each warrant entitles the holder to purchase one common share of the Company. At December 31, 2015 all 750,000 warrants remained outstanding and subsequent to year end all 750,000 warrants expired unexercised.

14. COST OF SALES

	2015	2014
Operating expenses	$83,479	$50,181
Salaries, wages and benefits	28,671	24,918
Depletion and depreciation	27,923	15,511
Share based compensation	102	57
	$140,175	$90,667

15. GENERAL AND ADMINISTRATION COSTS

	2015	2014
Administration	$4,222	$3,659
Share based compensation	306	689
Depreciation	716	629
Foreign exchange loss	2,259	1,382
	$7,503	$6,359

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

16. FINANCE COSTS

	2015	2014
Accretion of future site reclamation provisions	$(844)	$(662)
Interest on short term debt	(1,902)	-
Interest on non-current debt	(35,829)	(1,974)
Foreign exchange loss on current debt	(1,188)	(270)
Foreign exchange loss on non-current debt	(78,468)	(18,809)
Fair value adjustment to marketable securities	(235)	(742)
Realized gain (loss) on derivative instruments	6,825	(104)
Unrealized gains on derivative instruments	23,132	5,798
	(88,509)	(16,763)
Interest income	125	117
Finance costs	$(88,384)	$(16,646)

17. PROVISION FOR REHABILITATION 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 activities. A total of $67,435 was charged to expense for the year ended December 31, 2014 of which $65,312 was incurred to December 31, 2015 for response and recovery activities, as well as rehabilitation activities 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, 2015 the remaining provision for rehabilitation costs was $2,123. This provision is for costs expected to be incurred in the future. The provision also includes costs for environmental monitoring, community relations, communications and related corporate support costs. The Company received insurance recoveries totaling $14,000 in the year ended December 31, 2014, and $11,000 in the year ended December 31, 2015, which were recorded in the consolidated statements of loss and comprehensive loss.

The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required. It is based on assumptions and estimates at December 31, 2015 and is subject to revision in the future as further information becomes available to the Company.

Changes in the provision for rehabilitation costs are as follows:

	2015	2014
Balance, beginning of the year	$25,961	$ -
Provision for future rehabilitation costs including depreciation	-	67,435
Costs incurred in the year including depreciation of $1,332 (2014-$2,164)	(23,838)	(41,474)
Balance, end of the year	2,123	25,961
Less portion to be incurred within one year	(2,123)	(23,686)
	$ -	$2,275

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

18. INCOME AND MINING TAX RECOVERY

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:

	2015		2014	
	Amount	%	Amount	%
Loss before taxes	$(117,902)	100.0	$(43,668)	100.0
Income tax recovery thereon at statutory rates	(30,655)	(26.0)	(11,354)	(26.0)
Decrease (increase) resulting from:				
Non-deductible share based compensation	113	0.1	194	0.4
Share of loss (income) in Huckleberry	789	0.7	(166)	(0.4)
Non-deductible portion of foreign exchange loss	6,693	5.7	1,621	3.7
Deferred income tax assets not recognized	9,201	7.8	4,308	9.9
Revisions to prior year estimates	(3,114)	(2.7)	-	-
B.C. mineral tax	(3,292)	(2.8)	(1,416)	(3.2)
Other	(676)	(0.6)	430	1.0
Income and mining tax recovery	$(20,941)	(17.8)	$(6,383)	(14.6)
Current income and mining tax (recovery) expense[1]	$(7,009)		$79	
Deferred income and mining tax recovery	(13,932)		(6,462)	
	$(20,941)		$(6,383)	

[1] including recoveries of $564 (2014-$33) in respect of prior year taxes

During the year ended December 31, 2015 a deferred income tax credit of $1,626 (2014-$7,345) related to the equity component of the convertible debenture (Note 10(e)(f)) was charged to equity. There were no other tax charges or credits against other comprehensive loss or directly to equity. In the year ended December 31, 2015 $4,601 (2014-$927) 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:

	2015	2014
Deferred income and mining tax (assets) and liabilities		
Mineral properties	$118,839	$116,568
Mineral properties – mineral tax	5,248	9,110
Timing of partnership items	-	249
Derivative instruments	-	960
Debt component of convertible debentures	7,633	7,103
Other	2,760	219
Net operating tax losses carried forward[1]	(60,671)	(43,493)
Net deferred income and mining tax liabilities	$73,809	$90,716

[1] The Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred income tax assets.

As at December 31, 2015 the Company had net operating tax loss carry forwards in Canada of $235,214 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$37,837 which can be applied to reduce future US taxable income and will expire in 2023 to 2033.

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

The Company had the following temporary differences and unused tax losses at December 31, 2015 in respect of which no deferred tax asset has been recognized:

	Mineral Properties & Other	Tax Losses	Total
Expiry 2021 and beyond	$ -	$66,802	$66,802
No expiry date	27,792	7,895	35,687
	$27,792	$74,697	$102,489

19. LOSS PER SHARE

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

	2015	2014
Numerator:		
Net Loss	$(96,961)	$(37,285)
Denominator:		
Basic weighted-average number of common shares outstanding	77,510,661	74,928,926
Effect of dilutive securities:		
Stock options, warrants and convertible debentures	-	-
Diluted weighted-average number of common shares outstanding	77,510,661	74,928,926
Basic net loss per common share	$(1.25)	$(0.50)
Diluted net loss per common share	$(1.25)	$(0.50)

As the Company is in a loss position, the common shares that may be issued in relation to the following items have been excluded from the calculation of diluted net loss per common share:

	2015	2014
Stock options	4,157,450	2,238,950
Warrants	750,000	750,000
Convertible debentures	12,155,751	9,583,333

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2015	2014
Trade and other receivables	$6,593	$903
Inventory	(38,650)	3,195
Derivative instruments	(1,263)	-
Prepaid expenses and deposits	(225)	268
Trade and other payables	23,491	23,525
Derivative instrument liabilities	-	(48)
Provision for rehabilitation costs	(22,506)	23,686
	$(32,560)	$51,529

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

(i) During the year ended December 31, 2014 the Company issued 750,000 warrants for financing costs (Notes 10(d) and 21).

(ii) During the year ended December 31, 2015 the Company issued 555,677 common shares in payment of interest expense of $5,690 due on the 2014 convertible debentures.

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

	2015	2014
Trade and other payables	$(21,911)	$(22,491)

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

21. RELATED PARTY TRANSACTIONS

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

	Country of	% Equity Interest	
Subsidiaries	Incorporation	2015	2014
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%

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

Statement of Income

	2015	2014
Loan guarantee fee for guarantee of Second Lien Credit Facility	$960	$ -
Loan guarantee fee for guarantee of portion of bank loan facility	$ -	$91
Loan commitment fee (Note 10)	300	$ -
Financing fees – cash	$ -	$1,000
Financing fees – warrants (Notes 10(d) and 13(c))	$ -	$870
Fees to backstop financings – cash	$556	$ -
Interest expense	$14,863	$9,124
Cost of sales	$ -	$32

Statement of Financial Position

	2015	2014
Accrued interest on Senior Unsecured Notes and Convertible Debentures	$1,882	$2,051
Trade and other receivables	$(4)	$(4)
Junior Credit Facility	$75,000	$30,000
Senior Unsecured Notes (US$53,300)	$73,767	$61,833
Convertible Debentures	$57,600	$40,000

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

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

22. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel during the year ended December 31, 2015 and 2014 are as follows:

	2015	2014
Short term benefits[1]	$1,380	$1,440
Share based payments[2]	$2,299	$ -

[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, 2015 and 2014.

[2] Share based payments are the fair value of options granted to directors and other key management personnel.

23. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. Except for assets, comprised primarily of the Sterling mine, totaling $35,665 as at December 31, 2015 (2014-$34,997) 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.

Reportable Segments

						Year Ended December 31, 2015
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	$100,646	$24,751	$3,714	$ -	$5,587	$134,698
Less inter-segment revenues	(12)	(1,424)	(32)	-	(4,529)	(5,997)
Revenues from external sources	$100,634	$23,327	$3,682	$ -	$1,058	$128,701
Depletion and Depreciation	$21,232	$9,600	$447	$ -	$1,103	$32,382
Finance (Costs) Income	$(79,365)	$(9,395)	$(132)	$ -	$508	$(88,384)
Share of Loss in Huckleberry	$ -	$ -	$ -	$(3,036)	$ -	$(3,036)
Net (Loss) Income	$(82,666)	$(5,582)	$(6,749)	$(3,036)	$1,072	$(96,961)
Capital Expenditures	$93,807	$30,334	$227	$ -	$600	$124,968
Equity Investment	$ -	$ -	$ -	$89,734	$ -	$89,734
Total Assets	$997,842	$295,985	$35,665	$89,734	$60,126	$1,479,352
Total Liabilities	$880,750	$198,550	$5,320	$ -	$18,585	$1,103,205

						Year Ended December 31, 2014
	Red Chris	Mount Polley	Sterling	Huckleberry	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	$(14,029)	$(1,854)	$(69)	$ -	$(694)	$(16,646)
Share of Income in Huckleberry	$ -	$ -	$ -	$638	$ -	$638
Net (Loss) Income	$(17,467)	$(3,714)	$(5,069)	$638	$(11,673)	$(37,285)
Capital Expenditures	$350,076	$53,389	$370	$ -	$1,283	$405,118
Equity Investment	$ -	$ -	$ -	$92,770	$ -	$92,770
Total Assets	$916,527	$264,381	$34,997	$92,770	$29,683	$1,337,357
Total Liabilities	$701,993	$192,265	$4,104	$ -	$32,001	$930,363

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

Revenue by Geographic Area

	2015	2014
Canada	$1,058	$1,237
Japan	-	93,411
Korea	31,966	-
Singapore	33,799	-
Switzerland	34,869	-
United States	27,009	36,261
	$128,701	$130,909

Revenues are attributed to geographic area based on country of customer. In the year ended December 31, 2015, the Company had four principal customers (December 31, 2014–three principal customers) accounting for 27%, 26%, 25% and 18% of revenues (December 31, 2014–36%, 35% and 23% 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 (contains copper, gold and silver) which is sold at prices quoted on the London Metals Exchange, however in the fourth quarter of 2014 and the first and second quarters of 2015 the principal product was gold dore from the Sterling mine.

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:

	2015	2014
Copper	$90,740	$81,901
Gold	35,999	46,197
Silver	904	1,574
Other	1,058	1,237
	$128,701	$130,909

24. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

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

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2014.

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 as at December 31, 2015.

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

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 is as follows:

	2015	2014
Cash	$9,188	$19,913
Marketable securities	86	321
Trade and other receivables	10,686	16,244
Derivative instrument assets	31,979	7,585
Future site reclamation deposits	4,813	4,063
Other assets	1,018	1,434
	$57,770	$49,560

Liquidity Risk

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

At December 31, 2015 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 senior secured revolving credit facility, a $50,000 second lien revolving loan credit facility, US$325,000 senior unsecured notes, $145,000 face value of unsecured convertible debentures, a $75,000 unsecured junior credit facility, and $41,242 in secured equipment loans.

The Company's $200,000 senior secured revolving credit facility is due on October 1, 2016. At December 31, 2015, the Company has drawn $166,072 of this facility which is shown as a current liability and has utilized an additional $33,098 of the facility for letters of credit to secure reclamation bond obligations (Note 10(a)). At December 31, 2015, the Company had cash of $9,188 and a working capital deficiency of $197,952, including the $166,072 related to the senior credit facility. The Company is currently in discussions with its lenders to extend the senior credit facility and therefore does not expect any amounts under the senior credit facility (Note 25(b)) will be required to be repaid during 2016.

At December 31, 2015 the provision for rehabilitation costs related to the Mount Polley mine tailings dam failure was $2,123. The Company has applied to receive the permits to use the rebuilt tailings dam and continue full operations however the timing of approval is unknown. While the precise costs of rehabilitation are unknown, the Company believes the costs can be managed over time.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities, additional sources of financing, and the extension of the senior credit facility are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the Mount Polley Breach. However, there are inherent risks related to the operations of mines and uncertainties related to the scope, timing and cost of the rehabilitation at the Mount Polley mine which could require additional sources of financing.

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

The Company holds 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 also holds derivative instruments which can readily be converted to cash depending on management's assessment of the fair value of the instruments versus the long term strategic value of the instruments. The Company does not hold any Master Asset Vehicle Notes.

The Company's overall liquidity risk continues to be higher than normal with factors that have both decreased and increased liquidity risk relative to 2014. Decreased capital expenditures at Red Chris mine with the completion of the construction phase, increased operational cash flow from Red Chris mine as it entered into commercial production, and the return of Mount Polley mine into restricted operations are all factors that have decreased the overall liquidity risk. Factors that have increased liquidity risk for the Company include lower overall copper prices in CDN dollar terms and the upcoming renewal in 2016 of the senior credit facility, which has been classified as current debt at December 31, 2015.

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

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

					2015	2014
	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total	Total
Trade and other payables	$79,084	$ -	$ -	$ -	$79,084	$77,651
Short term debt	24,754	-	-	-	24,754	-
Non-current debt	181,957	148,844	535,234	23,672	889,707	706,847
	$285,795	$148,844	$535,234	$23,672	$993,545	$784,498

Currency Risk

Financial instruments that impact the Company's net loss and comprehensive loss due to currency fluctuations include US dollar denominated cash, trade and other 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 loss and comprehensive loss for the year ended December 31, 2015 would have been higher/lower by $43,613.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At December 31, 2015 more than half of the Company's outstanding borrowings were at fixed interest rates compared to December 31, 2014 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, 2015 would have increased/decreased by $2,071.

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

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 loss for the year ended December 31, 2015 would have decreased/increased by $4 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 loss for the year; and
(b) other comprehensive loss 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(c)), management believes that the carrying value of remaining non-current and short term debt approximates fair value. At December 31, 2015 the fair value of the Notes is $425,061 (December 31, 2014-$346,870) based on a quote received from dealers that trade the Notes.

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

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; and
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2015 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	$9,188	$ -	$9,188
Marketable securities	86	-	86
Provisionally priced accounts receivables	-	4,211	4,211
Derivative instruments assets	-	31,979	31,979
Future site reclamation deposits	4,813	-	4,813
	14,087	36,190	50,277
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(4,868)	(4,868)
	$14,087	$31,322	$45,409

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

25. COMMITMENTS AND PLEDGES

(a) At December 31, 2015, the Company is committed to future minimum operating lease payments as follows:

2016	$627
2017	300
2018	83
2019	83
2020 and beyond	14
	$1,107

(b) At December 31, 2015, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets	$4,813
Mineral property, plant and equipment	1,370
Letters of credit (Note 10(a))	33,098
	$39,281

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

2016	$3,065

(d) The Company is obligated to pay BC Hydro and Power Authority (BC Hydro) approximately $11,900 annually over a five year period plus interest to reimburse BC Hydro for a portion of the costs to construct the Northern Transmission Line which provides power for the Red Chris mine. Payments are expected to commence in 2016. The amount is subject to adjustment when final costs are known and the interest rate is subject to be adjusted annually based on BC Hydro's cost of capital.

26. CONTINGENT LIABILITIES

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business. In the opinion of management, none of these matters will have a material effect on the Company's consolidated financial position or financial performance. At December 31, 2015 the Company has recorded a provision of $2,123 for future rehabilitation activities 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. 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, 2015. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

27. SUBSEQUENT EVENTS

Subsequent to December 31, 2015 the Company sold US$20,000 of the US$110,000 cross currency swap (Note 11) for proceeds of $5,662.

OUR COMMITMENTS

People & the Local Communities

For Imperial and its subsidiaries a workforce of over 700 people is the most valuable resource and fundamental to the success of the Company. In the region in which they operate, the mines work with leadership and members of the community to assist them in meeting their objectives with a focus on youth, education and health.

The mines partner with and support regional educational institutions whose programs are geared to the next generation of geoscientists, engineers, trades and other skilled positions. The Red Chris mine is engaged with Northwest Community College School of Exploration & Mining (Smithers) Program Advisory Committee to support development of programs like the Environmental Monitoring Assistant Program, the field based Workforce Exploration Skills Training Program, and the Mineral Processing Operator and Surface Mining Foundations Program. The mine has benefited from these programs by filling entry level positions, and expects this to be a valuable source for obtaining newly skilled workers.

The value of the programs noted below extends beyond acquiring skills and qualifications - they help to create a foundation for sustainable communities.

- 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 Essential,
- YES2IT (Cariboo) and Heavy Metal Rocks ,
- 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,
- Developing training programs and plans with the Tahltan Central Government to provide work force training opportunities in the region and for members of the Tahltan Nation.

Collectively Imperial, its subsidiaries and their employees support a range of organizations across the province including BC Children’s Hospital, the United Way, Big Brothers and Big Sisters, 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

Red Chris Development Company Ltd. and the Tahltan Nation signed an Impact, Benefit and Co-Management Agreement (IBCA) in July 2015. The IBCA, which met approval by a community referendum, provides the basis for partnership between the Tahltan people and Red Chris for the life of the mine, in the areas of education, training, employment and contracting opportunities, capacity support and provisions for communication and interaction on issues such as social and environmental responsibility. Relations with the Tahltan Nation continue to be strengthened through cooperative management procedures, employment, contracting, sponsorship and community support activities. First Nation employees represent over 30% of the permanent workforce at the Red Chris mine, and through the IBCA provisions for training and education opportunities, the number of First Nation employees is expected to increase over time.

Mount Polley Mining Corporation’s entered into the *Mount Polley Participation Agreement* with the Williams Lake Indian Band (T’exelcemc First Nation) in December 2011 and the Soda Creek Indian Band (Xat’sull First Nation) in May 2012. These agreements were the first between First Nations and an operating mine in British Columbia, and resulted in a high level of engagement and communication with the leadership and members of the Xat’sull and T’exelcemc First Nation communities. More recently, this strengthened relationship provided a critical foundation for communications and cooperation following the Mount Polley Breach. Meetings are regularly held with First Nations to ensure they are consulted on all ongoing development and future plans for the mine.

Environment

Mine management work closely and cooperatively with First Nation representatives and government regulators to assure environmental management is consistent with the needs of the local First Nations and meets the highest industry standards. One of the key commitments is to maintain water quality that will sustain 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. 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. An Environmental Impact Assessment (EIA) predicts concentrations and loadings to the receiving environment, and provides recommendations for a series of surface water, effluent and aquatic monitoring programs throughout the life of mine. Monitoring programs designed, developed and implemented by EIA biologists are designed to calibrate and check the conceptual and predicted findings.

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 reprsentatives from the Tahltan, Red Chris, the Ministry of Environment, the Ministry of Energy and Mines and the Ministry of Forest, Lands and Natural Resource Operations. In conjunction to the RCMC the Environmental Oversight Committee (EOC) has been established. The EOC is a forum for dialogue between RCDC, Tahltan Central Government and Tahltan Nation representatives. The EOC terms of reference lays out co-environmental management mechanisms for the committee relating to the EMS, the project's environmental compliance, monitoring and performance, all project related environmental information and make recommendations concerning environmental matters, federal and provincial permit applications and environmental monitoring programs.

Mount Polley develops a comprehensive environmental monitoring plan on an annual basis. This plan includes surface and groundwater quality monitoring, lake profiling and sampling, dust fall collection, biological monitoring, and wildlife monitoring. Additionally, supplemental monitoring plans are implemented beyond permit requirements to ensure protection of the environment.

Mount Polley continues implementation 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.

Safety

Red Chris and Mount Polley mines are engaged and committed to occupational health and safety management practices that are in the best interest of employees, business partners and the local communities.

The mines 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. Mine operations focus on building a risk based safety culture where all workers complete pre-task hazard assessments which help to identify hazards and implement appropriate controls to mitigate risk. The introduction of 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.

Maintaining a positive safety culture is fundamental to site safety. Red Chris mine achieved one full year (2015) of operations *without a lost time incident*. This is a major accomplishment for a project the magnitude of Red Chris during the initial phase of operations. Notable safety statistics include 642,700 total man hours worked with 13 medical aids and 0 lost time incidents. As Red Chris commenced operations in 2015, mine rescue and first aid teams were formed. Currently there are 25 Level 3 First Aid team members and 6 with emergency medical response or paramedic status. Training is ongoing to increase the certification of all First Aid personnel. The Red Chris mine rescue and first aid teams are preparing to compete in the annual Provincial Mine Rescue Competition this year.

Mount Polley continues to review and develop various components of its mine safety program, as well as implementation and improvement of the risk management programs. A primary focus for the mine in 2015 was the review and update of the Emergency Response Plan and mine site procedures. An updated Field Level Hazard Assessment has been completed to include a more comprehensive tool for employees and contractors to use as part of their pre-job hazard assessment. Mount Polley maintains an active Mine Rescue and First Aid teams. The members of these teams an involved in ongoing training to improve the level of certification and proficiency.

Commitments

The Company and its subsidiaries are committed to responsible resource development. Mine operations are proactive and progressive in providing safety training and education and a safe working environment for all employees, and are consistent and steadfast in our support of environmental research.

Red Chris and Mount Polley mines are committed to working closely with local communities and First Nations where they operate and where our employees live, to ensure there is open and direct dialogue. The mines form an important part of these local regions and as such, are dedicated to provide assistance to and directly participate in activities and societies that benefit the environment and the people. The operations will continue to build and maintain a strong mutually beneficial relationship with First Nations based on consultation, communication and cooperation.

Imperial Metals Corporation

580 Hornby Street, Suite 200
Vancouver, BC V6C 3B6

604.669.8959 general inquiries
inquiries@imperialmetals.com

604.488.2657 investor inquiries
investor@imperialmetals.com

imperialmetals.com

Directors

Pierre Lebel, Chairman
Brian Kynoch
Larry Moeller
Ted Muraro
Laurie Pare
Ed Yurkowski

Executive Officers

Brian Kynoch
President

Andre Deepwell
Chief Financial Officer & Corporate Secretary

Don Parsons
Chief Operating Officer

C.D. ('Lyn) Anglin
Chief Scientific Officer

Steve Robertson
Vice President Corporate Affairs

Gordon Keevil
Vice President Corporate Development

Saurabh Handa
Vice President Finance

Sophie Hsia
General Counsel

Auditors
Deloitte LLP

Banker
Bank of Montreal

Legal Counsel
DuMoulin Black LLP

Transfer Agent
Computershare Investor Services Inc.

Annual General Meeting

2016 May 27 9:00am
River Rock Conference Centre, Richmond

Imperial Metals

TSX:III

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