

Imperial Reports First Quarter 2017 Financial Results

Vancouver | **May 15, 2017** | **Imperial Metals Corporation** (the “Company”) (TSX:III) reports comparative financial results for the three months ended March 31, 2017 and 2016, as summarized in this release and discussed in detail in the Management’s Discussion & Analysis. The Company’s financial results are prepared in accordance with International Financial Reporting Standards. The reporting currency of the Company is the Canadian (“CDN”) Dollar.

Select Quarter Financial Information

expressed in thousands, except share and per share amounts

	Three Months Ended March 31	
	2017	2016
Total revenues	\$115,749	\$136,785
Net (loss) income	\$(18,752)	\$17,729
Net (loss) income per share	\$(0.20)	\$0.22
Diluted (loss) income per share	\$(0.20)	\$0.22
Adjusted net (loss) income ⁽¹⁾	\$(22,296)	\$1,199
Adjusted net (loss) income per share ⁽¹⁾	\$(0.24)	\$0.01
Adjusted EBITDA ⁽¹⁾	\$15,187	\$49,851
Working capital deficiency ⁽²⁾	\$214,646	\$173,918
Total assets	\$1,511,120	\$1,450,277
Total long term debt (including current portion)	\$846,067	\$863,712
Cash flow ⁽¹⁾⁽³⁾	\$15,065	\$49,425
Cash flow per share ⁽¹⁾⁽³⁾	\$0.16	\$0.60

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

(2) Defined as current assets less current liabilities.

(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 Cash flow divided by the weighted average number of common shares outstanding during the year.

Revenues decreased to \$115.7 million in the March 2017 quarter compared to \$136.8 million in the 2016 comparative quarter, a decrease of \$21.1 million or 15%.

Revenue from the Red Chris mine in the March 2017 quarter was \$54.6 million compared to \$84.9 million in the 2016 comparative quarter. This decrease was attributable to lower shipment volumes due to processing lower grade ore in the 2017 quarter compared to the 2016 quarter.

Revenue from the Mount Polley mine in the March 2017 quarter was \$61.0 million compared to \$51.6 million in the 2016 comparative quarter. This increase was primarily due to higher gold grade ore processed and sold in the 2017 quarter compared to the 2016 quarter.

In the March 2017 quarter there were three concentrate shipments from Red Chris mine (2016-five concentrate shipments) and two concentrate shipments from Mount Polley mine (2016-two concentrate shipments). 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.

Revenue revaluations in the March 2017 quarter added \$5.1 million to revenue compared to \$5.2 million of revenue added due to revenue revaluations in the 2016 comparative quarter. Positive revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher than when the revenue was initially recorded or the copper price at the last balance sheet date and vice versa for negative revenue revaluations.

Net loss for the March 2017 quarter was \$18.8 million (\$0.20 per share) compared to net income of \$17.7 million (\$0.22 per share) in the 2016 comparative quarter. The increase in net loss of \$36.5 million was primarily due to the following factors:

- Income/loss from mine operations went from income of \$20.3 million in March 2016 to loss of \$5.7 million in March 2017, an increase in net loss of \$26.0 million.
- Foreign exchange gains/losses on current and non-current debt went from a gain of \$30.7 million in March 2016 to a gain of \$3.4 million in March 2017, an increase in net loss of \$27.3 million.

- Gains/losses on derivative instruments went from a loss of \$7.3 million in March 2016 to \$nil in March 2017, a decrease in net loss of \$7.3 million.
- The Company's equity loss in Huckleberry went from loss of \$4.0 million in March 2016 to a loss of \$1.6 million in March 2017, a decrease in net loss of \$2.4 million.
- Tax recovery went from an expense of \$3.0 million in March 2016 to a recovery of \$5.0 million in March 2017, a decrease in net loss of \$8.0 million.

The March 2017 quarter net loss included foreign exchange gain related to changes in CDN/US Dollar exchange rate of \$3.4 million compared to foreign exchange gain of \$30.5 million in the 2016 comparative quarter. The \$3.4 million foreign exchange gain is comprised of a \$3.4 million gain on the senior notes, a \$0.2 million loss on long term equipment loans, and a \$0.2 million gain on short-term debt and operational items. The average CDN/US Dollar exchange rate in the March 2017 quarter was 1.323 compared to an average of 1.375 in the 2016 comparative quarter.

Cash flow was \$15.1 million in the March 2017 quarter compared to cash flow of \$49.4 million in the 2016 comparative quarter. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS. The Company believes Cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures were \$24.0 million in the March 2017 quarter, up from \$10.5 million in the 2016 comparative quarter. The March 2017 expenditures included \$6.2 million for tailings dam construction, \$5.0 million for component changes on mobile equipment and \$7.2 million of mobile equipment at Mount Polley.

At March 31, 2017, the Company had \$7.2 million in cash (December 31, 2016-\$14.3 million). The Company had \$5.7 million of short-term debt at March 31, 2017 (December 31, 2016-\$13.3 million) and has classified \$158.1 million of its non-current debt as current at March 31, 2017 (December 31, 2016-\$18.7 million).

The London Metals Exchange cash settlement copper price per pound averaged US\$2.65 in the March 2017 quarter compared to US\$2.12 in the 2016 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,219 in the March 2017 quarter compared to US\$1,181 in the March 2016 quarter. The average CDN/US\$ Dollar exchange rate was 1.323 in the March 2017 quarter, 3.78% lower than in the March 2016 quarter. In CDN Dollar terms the average copper price in the March 2017 quarter was CDN\$3.51 per pound compared to CDN\$2.92 per pound in the 2016 comparative quarter and the average gold price in the March 2017 quarter was CDN\$1,613 per ounce compared to CDN\$1,624 per ounce in the 2016 comparative quarter.

Liquidity & Capital Resources

At March 31, 2017, the Company had cash of \$7.2 million, available capacity of \$20.3 million for future draws under the senior secured revolving credit facility, and a working capital deficiency of \$214.6 million compared to cash of \$14.3 million and a working capital deficiency of \$89.1 million at December 31, 2016. The working capital deficiency at March 31, 2017 included \$134.1 million related to the senior secured revolving credit facility which matures on March 15, 2018.

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.

expressed in thousands, except share and per share amounts

	Three Months Ended March 31	
	2017	2016
Adjusted net (loss) income	\$(22,296)	\$1,199
Adjusted net (loss) income per share	\$(0.24)	\$0.01
Adjusted EBITDA	\$15,187	\$49,851
Cash flow	\$15,065	\$49,425
Cash flow per share	\$0.16	\$0.60

Adjusted Net Loss and Adjusted Net Loss per Share

Adjusted net loss in the March 2017 quarter was \$22.3 million (\$0.24 per share) compared to an adjusted net income of \$1.2 million (\$0.01 per share) in the 2016 comparative quarter. 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.

Adjusted EBITDA

Adjusted EBITDA in the March 2017 quarter was \$15.2 million compared to \$49.9 million in the 2016 comparative quarter. We define Adjusted EBITDA as net income (loss) before interest expense, taxes, depletion and depreciation, and as adjusted for certain other items.

Cash Flow and Cash Flow Per Share

Cash flow in the March 2017 quarter was \$15.1 million compared to \$49.4 million in the 2016 comparative quarter. Cash flow per share was \$0.16 in the March 2017 quarter compared to \$0.60 in the 2016 comparative quarter.

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

Cash Cost Per Pound of Copper Produced

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

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

Calculation of Cash Cost Per Pound of Copper Produced

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

Three Months Ended March 31, 2017

	Huckleberry 100%	Huckleberry 50%	Red Chris	Mount Polley	Composite
Cash cost of copper produced in US\$	\$ -	\$ -	\$39,695	\$10,852	\$50,547
<i>Copper produced – pounds</i>	-	-	16,328	5,461	21,789
Cash cost per lb copper produced in US\$	\$ -	\$ -	\$2.43	\$1.99	\$2.32

Three Months Ended March 31, 2016

	Huckleberry 100%	Huckleberry 50%	Red Chris	Mount Polley	Composite
Cash cost of copper produced in US\$	\$14,613	\$7,306	\$23,297	\$8,720	\$39,323
<i>Copper produced – pounds</i>	8,277	4,139	23,505	8,179	35,823
Cash cost per lb copper produced in US\$	\$1.77	\$1.77	\$0.99	\$1.07	\$1.10

OPERATIONS

Red Chris Mine

Metal production for the March 2017 quarter was 16.3 million pounds copper and 5,811 ounces gold with all mill feed coming from the Main Zone pit. Copper recovery for this quarter was 79.5%, up slightly from the 79.1% achieved in the March 2016 quarter, while treating substantially lower copper grades of 0.39% compared to 0.63% treated in the March 2016 quarter.

During this first quarter, the best weekly average recovery for Red Chris was achieved. From January 19-25 copper recovery was 84.3% with a daily record recovery of 86.2% on January 24, 2017. These recoveries were achieved on low clay ore from the lower benches.

The mill achieved average throughput of 26,706 tonnes per calendar day for the March 2017 quarter, up 13% from the comparable quarter in 2016.

Mining the upper benches of the Phase 3 pushback is still yielding significant volumes of high clay ore. To offset the lower recoveries achieved while treating this ore, throughput is being pushed and recently 34,000 tonnes per day throughput was averaged for a week - a new record for Red Chris.

Construction work on installation of an additional rougher cell is nearing completion. Major piping connections are planned for mid-May during a scheduled shut down for maintenance, and commissioning is planned to begin by the end of May.

Three Months Ended March 31	2017	2016
Ore milled - <i>tonnes</i>	2,403,501	2,143,797
Ore milled per calendar day - <i>tonnes</i>	26,706	23,558
Grade % - copper	0.39	0.63
Grade g/t - gold	0.20	0.38
Recovery % - copper	79.5	79.1
Recovery % - gold	37.4	55.4
Copper – <i>000's pounds</i>	16,328	23,505
Gold – <i>ounces</i>	5,811	14,558
Silver – <i>ounces</i>	27,952	56,380

Production at Red Chris for the first quarter was about 7% less than expected for copper and on budget for gold. Production for the year is expected to be at the lower end of the target range for both metals, with production of copper heavily weighted to the 2017 second half, as copper grades are expected to be about 20% higher compared to the 2017 first half.

Red Chris 2017 production targets are 85-90 million pounds copper and 40-44 thousand ounces gold.

Exploration, development and capital expenditures were \$11.0 million in the March 2017 quarter compared to \$6.9 million in the comparative 2016 quarter.

Mount Polley Mine

Metal production for the March 31, 2017 quarter was 5.5 million pounds copper and 13,811 ounces gold with virtually all ore coming from the Cariboo pit. Copper recovery was 71.3% and gold recovery was 71.6%, similar to those achieved in the March 2016 quarter.

The tonnage of higher grade ores delivered from the Cariboo pit have been lower than predicted by the exploration block model, down about 7%. This has been offset by significant increased tonnages low-grade ores, up over 100%. This does result in lower production as head grades delivered to the mill are lower. To help offset this, mill throughput will be pushed during the summer months to help offset the lower volumes of higher grade available from the Cariboo pit.

Three Months Ended March 31	2017	2016
Ore milled - <i>tonnes</i>	1,692,762	1,709,148
Ore milled per calendar day - <i>tonnes</i>	18,808	18,782
Grade % - copper	0.21	0.31
Grade g/t - gold	0.36	0.33
Recovery % - copper	71.3	70.3
Recovery % - gold	71.6	71.5
Copper – <i>000's pounds</i>	5,461	8,179
Gold – <i>ounces</i>	13,811	12,914
Silver – <i>ounces</i>	10,877	35,031

First quarter production at Mount Polley was down due to lower than planned copper grades and reduced mill throughput resulting from unexpected repair work.

Mount Polley 2017 production targets are 25-28 million pounds copper and 55-60 thousand ounces gold, however copper production is likely to be at the lower end of the guidance.

Exploration, development and capital expenditures were \$13.0 million in the March 2017 quarter compared to \$3.5 million in the comparative 2016 quarter.

Huckleberry Mine

The Huckleberry mine remains on care and maintenance.

On April 7, 2017, Huckleberry Mines Ltd. (“Huckleberry”) exercised its right of first refusal to purchase for cancellation all the shares of Huckleberry held by a syndicate of Japanese companies in exchange for cash consideration of \$2.0 million. The transaction closed on April 28, 2017 and Imperial now holds 100% of the shares of Huckleberry through HML Mining Inc., a wholly owned subsidiary of Imperial.

Sterling Mine

On February 14, 2017, the Company announced it entered into a Letter of Intent to sell its interest in the Sterling gold mine property and related assets and as a result these assets and liabilities have been reclassified to assets held for sale. The closing is subject to completion of a formal agreement, board and regulatory approvals, completion of due diligence and conventional conditions for such a transaction.

OUTLOOK FOR 2017

Executive Appointments

Imperial welcomes Darb S. Dhillon, CA, CPA, as Vice President Finance effective April 24, 2017.

The Company is also pleased to announce the additional appointments of General Counsel Sophie Hsia as Vice President Risk, and Chief Scientific Officer Dr. Carolyn Anglin as Vice President Environmental Affairs.

Operations, Earnings and Cash Flow

The copper and gold production targets for 2017 from the Red Chris and Mount Polley mines remains within the range previously provided (110-118 million pounds copper and 95-104 thousand ounces gold) but at the lower end of the range, given the first quarter production. Higher copper production is targeted for the second half of 2017 when grades are expected to be higher at Red Chris.

For detailed financial information, refer to Imperial’s 2017 First Quarter Report available on imperialmetals.com and sedar.com.

An Earnings Announcement Conference Call

is scheduled for May 16, 2017 at 10:00am PDT | 1:00pm EDT

Management will discuss the Company’s 2017 First Quarter Report. To participate in the earnings announcement conference call, select the phone number applicable to your location:

778.383.7413 Vancouver

416.764.8688 Toronto

587.880.2171 Calgary

888.390.0546 North America – toll free

Conference call will be available for playback until 11:59pm on May 23, 2017 by dialing

888.390.0541 or 416.764.8677 | playback passcode 920759#

About Imperial

Imperial is a Vancouver based exploration, mine development and operating company. The Company, through its subsidiaries, owns the Red Chris, Mount Polley and Huckleberry copper mines in British Columbia, and the Sterling gold mine in Nevada. Imperial also holds a 50% interest in the Ruddock Creek lead|zinc property in British Columbia.

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Forward-Looking Information and Risks Notice

The information in this news release provides a summary review of the Company's operations and financial position as at and for the period ended March 31, 2017, and plans for the future based on facts and circumstances as of May 15, 2017.

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking information which is prospective in nature and reflects the current views and/or expectations of Imperial. Often, but not always, forward-looking information can be identified by the use of statements such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this MD&A includes, without limitation, statements regarding: use of proceeds from financings and credit; the 2017 production targets for the Red Chris and Mount Polley mines and the expected weighting of production to the second half of the year; construction progress and planned installation of an additional Red Chris floatation cell; the expected closing of the sale of the Company's interest in the Sterling gold mine property; mine plans; costs and timing of current and proposed exploration and development; production and marketing; capital expenditures; adequacy of funds for projects and liabilities; the receipt of necessary regulatory permits, approvals or other consents; cash flow; working capital requirements; the requirement for additional capital; results of operations, production, revenue, margins and earnings; future prices of copper and gold; future foreign currency exchange rates and impact; future accounting changes; and future prices for marketable securities.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including, but not limited to, assumptions that: the Company will be able to advance and complete remaining planned rehabilitation activities within expected timeframes; there will be no significant delay or other material impact on the expected timeframes or costs for completion of rehabilitation of the Mount Polley mine and implementation of Mount Polley's long term water management plan; the Company's initial rehabilitation activities at Mount Polley will be successful in the long term; all required permits, approvals and arrangements to proceed with planned rehabilitation and Mount Polley's long term water management plan will be obtained in a timely manner; there will be no material operational delays at the Red Chris or Mount Polley mines; equipment will operate as expected; there will not be significant power outages; the Company's use of derivative instruments will enable the Company to achieve expected pricing protection; there will be no material adverse change in the market price of commodities and exchange rates; the Red Chris and Mount Polley mines will achieve expected production outcomes (including with respect to mined grades and mill recoveries); and Imperial will have access to capital as required and satisfy financial covenants contained in its credit facilities and other loan documents. 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 satisfy financial covenants contained in its credit facilities and other loan documents; uncertainty regarding the outcome of sample testing and analysis being conducted on the area affected by the Mount Polley Breach; risks relating to the timely receipt of necessary approvals and consents to proceed with the rehabilitation plan and Mount Polley's long term water management plan; risks relating to the remaining costs and liabilities and any unforeseen longer-term environmental consequences arising from the Mount Polley Breach; uncertainty as to actual timing of completion of rehabilitation activities and the implementation of Mount Polley's long term water management plan; risks relating to the impact of the Mount Polley Breach on Imperial's reputation; the quantum of claims, fines and penalties that may become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risks of protesting activity and other civil disobedience restricting access to the Company's properties; failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation, unavailability of materials and equipment, labour unrest, power outages 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 the Management's Discussion and Analysis for the year ended December 31, 2016 and other public filings which are available on [sedar.com](http://www.sedar.com) and [imperialmetals.com](http://www.imperialmetals.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.