



Second Quarter Report 2016

PRESIDENT'S MESSAGE

Imperial's comparative financial results for the three and six months ended June 30, 2016 and 2015 are summarized below and discussed in detail in the Management's Discussion and Analysis. The Company's financial results are prepared in accordance with International Financial Reporting Standards ("IFRS"). The reporting currency of the Company is the Canadian ("CDN") Dollar.

expressed in thousands, except per share amounts	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Revenues	\$116,200	\$1,726	\$252,985	\$3,259
Income (loss) from mine operations	\$20,151	\$(2,981)	\$40,499	\$(4,694)
Equity (loss) income in Huckleberry	\$(1,697)	\$626	\$(5,673)	\$33
Net (loss) income	\$(4,160)	\$1,644	\$13,569	\$(31,740)
Net (loss) income per share	\$(0.05)	\$0.02	\$0.17	\$(0.42)
Adjusted net loss ⁽¹⁾	\$(1,214)	\$(9,371)	\$(15)	\$(17,383)
Adjusted net loss per share ⁽¹⁾	\$(0.01)	\$(0.12)	\$(0.00)	\$(0.23)
Adjusted EBITDA ⁽¹⁾	\$38,791	\$(7,840)	\$84,666	\$(13,985)
Cash flow ⁽¹⁾	\$40,327	\$2,270	\$89,752	\$(3,791)
Cash flow per Share ⁽¹⁾	\$0.49	\$0.03	\$1.10	\$(0.05)

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

Revenues were \$116.2 million in the June 2016 quarter compared to \$1.7 million in the 2015 comparative quarter. The increase of \$114.5 million is related to the restart of operations at the Mount Polley mine on August 5, 2015 and the start of commercial production at the Red Chris mine on July 1, 2015. There were five concentrate shipments in the June 2016 quarter from the Red Chris mine and one concentrate shipment from the Mount Polley mine.

Net loss for the June 2016 quarter was \$4.2 million (\$0.05 per share) compared to net income of \$1.6 million (\$0.02 per share) in the 2015 comparative quarter. The increase in net loss from the June 2015 quarter to the June 2016 quarter of \$5.8 million was primarily due to the following factors:

- Income/loss from mine operations went from a loss of \$3.0 million in June 2015 to income of \$20.2 million in June 2016, an increase to net income of \$23.2 million.
- Foreign exchange gains/losses on current and non-current debt went from a gain of \$7.2 million in June 2015 to a loss of \$1.6 million in June 2016, a decrease to net income of \$8.8 million.
- Interest expense went from \$2.3 million in June 2015 to \$17.1 million in June 2016, a decrease to net income of \$14.8 million.
- Loss/gain on derivative instruments went from a loss of \$3.1 million in June 2015 to a gain of \$0.4 million in June 2016, an increase to net income of \$3.5 million.
- Insurance recoveries net of idle mine costs went from a gain of \$4.6 million in June 2015 to \$nil in June 2016, a decrease to net income of \$4.6 million.

Cash flow was \$40.3 million in the June 2016 quarter compared to \$2.3 million in the 2015 comparative quarter. The increase of \$38.0 million was a reflection of the operations at Red Chris and Mount Polley mines neither of which was in commercial operation during the 2015 comparative quarter.

On May 11, 2016, the Company announced it had extended the maturity date of the senior credit facility from October 1, 2016 to March 15, 2018 and amended certain of its terms and conditions, including financial covenants. The amount of the facility has not changed and remains at \$200.0 million. Concurrently, the Company announced it had extended the maturity date of the second lien credit facility from April 1, 2017 to August 15, 2018 and amended certain of its terms and conditions, including financial covenants. The amount for this facility has also not changed and remains at \$50.0 million.

Red Chris Mine

Metal production for the June 2016 quarter was 26.74 million pounds copper and 18,213 ounces gold, increases of 14% and 25% respectively compared to the first quarter of 2016. The mill achieved an average throughput of 28,971 tonnes per day, and the mine moved an average of 75,002 tonnes of material per day during the second quarter of 2016. The bulk of the mill feed (approximately 77%) was mined from the Main zone, with higher grade East zone ore providing the

remainder of the mill feed. The ore grade averaged 0.59% copper and 0.40g/t gold for the quarter. Metal recoveries averaged 78.34% copper and 53.77% gold, down slightly from the 79.10% and 54.72% achieved for copper and gold respectively in the first quarter of 2016. Metal recoveries were negatively impacted by near surface (higher clay content) ore delivered from a Main zone pushback which made up about 24% of the feed during the June quarter, compared to 0% in the first quarter of 2016.

Lab test work and plant trials using several different reagents to increase copper recovery are underway. Throughput for July averaged 30,638 tonnes per day. Recoveries continued to be impacted by the high clay content of the near surface Main zone ore being mined in the Phase 3 pushback, which made up the majority (85%) of the mill feed in July.

At the tailings storage facility ("TSF") work on the North Dam continues and is approximately 33% complete, and the initial work on the South Reclaim Dam has started along with other work required to begin construction on the South Dam. Permitting for the South Dam is progressing, and we expect to be able to start work on it before the end of August. We are targeting the completion of construction at the TSF by October 15, 2016.

Red Chris Production	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015 ⁽¹⁾
Ore milled - tonnes	2,636,332	1,851,608	4,780,129	2,667,379
Ore milled per calendar day - tonnes	28,971	19,906	26,264	20,347
Grade % - copper	0.587	0.502	0.606	0.484
Grade g/t - gold	0.400	0.238	0.391	0.243
Recovery % - copper	78.34	61.88	78.78	62.03
Recovery % - gold	53.77	31.94	54.49	31.87
Copper – 000's pounds	26,737	12,677	50,242	17,397
Gold – ounces	18,213	4,533	32,772	6,644
Silver – ounces	66,054	18,721	122,435	25,742

⁽¹⁾ production from February 17 to June 30, 2015

Exploration, development and capital expenditures were \$11.0 million in the June 2016 quarter compared to \$31.3 million in the 2015 comparative quarter. Included in this amount was capitalized interest of \$nil in the June 2016 quarter compared to \$13.0 million in the 2015 comparative quarter.

Mount Polley Mine

Over the past two years, Mount Polley management and staff have worked tirelessly in close cooperation with regulatory agencies, First Nations and members of the local communities, to repair and buttress the TSF following the Best Applicable Practices identified in the Independent Expert Engineering Investigation and Review Panel report. On June 23, 2016 Mount Polley received the necessary authorizations from the Ministry of Energy and Mines and the Ministry of Environment, to return to normal mine operations, making use of its repaired and buttressed TSF. Work on raising the minimum elevation to the perimeter embankment from 950 metres to 963.5 metres has begun, with a targeted completion of the end of October 2016.

During the past two years, Mount Polley has completed significant rehabilitation of the impacted areas, and will continue necessary rehabilitation and monitoring of those areas. Work on returning of the upper portion of Hazeltine Creek to fish habitat has begun. Research and monitoring to date indicates the environment is recovering rapidly. The Company has also initiated legal proceedings for the recovery of losses related to the Mount Polley Breach.

During the second quarter of 2016, the Mount Polley mine treated 1.57 million tonnes ore, and produced 5.31 million pounds copper and 9,476 ounces gold. The average ore grade for the second quarter 2016 was 0.22% copper and 0.28 g/t gold compared to 0.31% copper and 0.33 g/t gold in the first quarter of 2016. Lower head grades resulted in lower metal recoveries averaging 68.33% copper and 67.62% gold, compared to 70.31% copper and 71.52% gold achieved in the first quarter of 2016. Grades were lower as underground operations in the Boundary zone supplied 55,582 tonnes grading 0.91% copper and 0.55 g/t gold, down from 91,881 tonnes grading 1.73% copper and 1.10 g/t gold. A fill cycle in the main boundary stope was completed during the quarter and production from the underground operation is targeted to increase in the third quarter.

Mount Polley Production	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015 ⁽²⁾	2016	2015 ⁽²⁾
Ore milled - tonnes	1,573,542	-	3,282,690	-
Ore milled per calendar day - tonnes	17,292	-	18,037	-
Grade % - copper	0.224	-	0.268	-
Grade g/t - gold	0.277	-	0.304	-
Recovery % - copper	68.33	-	69.52	-
Recovery % - gold	67.62	-	69.82	-
Copper – 000's pounds	5,314	-	13,493	-
Gold – ounces	9,476	-	22,389	-
Silver – ounces	17,104	-	52,135	-

⁽²⁾ production resumed August 5, 2015

Exploration, development, and capital expenditures were \$13.2 million in the June 2016 quarter compared to \$17.4 million in the 2015 comparative quarter.

Huckleberry Mine

Huckleberry mine production for the second quarter of 2016 quarter was in-line with targets. Throughput averaged 19,426 tonnes per day, and 7.71 million pounds copper were produced. Imperial's share of Huckleberry production was 3.86 million pounds copper. The copper grade averaged 0.23% and copper recovery was 87.6%. Milling of the stockpiles will continue until August 31, at which time it is planned that operations will be suspended and the mine placed on care and maintenance pending an increase in the price of copper.

Huckleberry Production⁽³⁾	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Ore milled - tonnes	1,767,724	1,726,751	3,538,449	3,293,245
Ore milled per calendar day - tonnes	19,426	18,975	19,442	18,195
Grade % - copper	0.226	0.338	0.234	0.342
Recovery % - copper	87.6	89.3	87.7	89.0
Copper – 000's pounds	7,713	11,493	15,991	22,120
Gold – ounces	702	886	1,483	1,681
Silver – ounces	40,224	57,226	79,031	111,198

⁽³⁾ production stated 100% - Imperial's allocation is 50%

Sterling Mine

Sterling underground mining operations were terminated at the end of May 2015. Residual gold continues to be recovered from the heap.

The draft Environmental Assessment ("EA") for expanding operations at the Sterling mine to incorporate open-pit mining was submitted to the U.S. Bureau of Land Management ("BLM"). Following a review the BLM generated a "Findings of No Significant Impact" which underwent a 30 day public review period. Comments received by the BLM have been written into the document by the BLM for final approval.

One comment generated from the EA from the State of Nevada identified the need for the Sterling mine to obtain a Public Water Utility permit. An engineering company has been commissioned to establish the scope and cost of providing a potable water system that will meet the state's requirements to obtain a Public Water Utility permit.

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.

Exploration and development expenditures at Sterling were \$nil in the June 2016 quarter compared to under \$0.1 in the 2015 comparative quarter.

Liquidity and Financing

At June 30, 2016, the Company had cash of \$4.1 million and a working capital deficiency of \$41.1 million.

During the June 2016 quarter the Company extended the maturity date of the senior credit facility to March 15, 2018 and amended certain of its terms and conditions. Concurrently, the Company extended the maturity date of the second lien secured credit facility to August 15, 2018 and amended certain of its terms and conditions.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and other sources of financing, are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they become due. However, there are inherent risks related to mine operations which could require additional sources of financing. There can be no assurance 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.

Outlook

Operations, Earnings and Cash Flow

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. The target for 2016 production at Mount Polley is 27-29 million pounds copper and 48-52 thousand ounces gold. No target has been established for Huckleberry as it is milling stockpiled lower grade material and continued operation is dependent on a copper price increase.

Derivative instruments for the period April to December 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 June 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 several exploration properties located in Canada. However, the Company's focus is currently to minimize exploration expenditures on non-core projects. Only minimum exploration work is being undertaken on all projects.

Development

At Red Chris work continues to optimize the operation of our newest mine. Copper recovery has improved and averaged 78.8% for the first half of 2016 compared to 73.3% in the second half of 2015. Efforts to improve copper recovery continue. Copper and gold production in the month of May 2016 of 10.0 million pounds copper and 6,993 ounces gold set new monthly records.

Initial studies have indicated the mineralization below the current pit design has suitable geometry and anticipated rock conditions for a block cave design. A single lift of 500 metres will likely yield a mining rate of over 50,000 tonnes per day. Further work is warranted on this deep, higher grade deposit, and this work is expected to include drilling of approximately five 1,100 metre long diamond drill holes to confirm the geological and geotechnical conditions in the vicinity of the conceptual block cave.

Mount Polley obtained the permits required to return to normal operations using the repaired and buttressed TSF, which is now being used to store tailings. Water levels in the Springer pit are going down as treated water is being discharged from the site. Currently, milling operations are benefiting from the supply of higher grade tonnes from underground mining in the Boundary zone. Also, an exploration ramp from the underground Boundary zone workings is being driven to provide access for underground diamond drilling to further define the Martel zone for potential underground mining.

In response to lower copper prices, Huckleberry suspended open pit operations in January 2016, while continuing to mill stockpiles. Huckleberry will suspend milling operations and enter care and maintenance at the end of August.

Acquisitions

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

/s/ J. Brian Kynoch
J. Brian Kynoch
President

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Management's Discussion & Analysis

For the Three and Six Months Ended June 30, 2016 and 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation ("Imperial", the "Company", "we", "us" or "our") should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2016 including the notes thereto ("the Interim Financial Statements"), as well as the audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2015. The Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting. 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 period ended June 30, 2016, and plans for the future based on facts and circumstances as of August 10, 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 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: mine plans and production targets; costs and timing of current and proposed exploration and development; marketing; capital expenditures; future expenses and scope relating to timing of ongoing rehabilitation activities at the Mount Polley mine; use of proceeds from credit facilities and other sources of financing; 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, such as those required for construction of the South dam at the Red Chris mine, and the construction and operation of a new open pit mine at the Sterling mine; 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 copper recovery, the results of exploratory drilling to further define geological and geotechnical conditions in the vicinity of a conceptual block cave, and completion targets related to construction at the tailings storage facility at the Red Chris mine; expectations relating to production and copper recovery from underground mining operations, and completion targets for raising the tailings storage facility's perimeter embankment minimum elevation from 950 metres to 963.5 metres at the Mount Polley mine; expectations relating to the suspension of operations at the Huckleberry mine and the placement of that mine into care and maintenance on August 31, 2016 pending an increase in the price of copper; 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; that the Company's rehabilitation activities at Mount Polley will be successful in the long term; that all required permits, approvals and arrangements to proceed with planned rehabilitation at the Mount Polley mine 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 or permitting 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 and the Mount Polley mine will achieve expected production outcomes (including with respect to mined grades and mill recoveries); that Imperial will have access to capital as required. 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; risks relating to the timely receipt of necessary approvals and consents to proceed with construction of the South dam at the Red Chris mine; risks relating to the timely receipt of necessary approvals and consents to proceed with the rehabilitation plan; 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 at the Mount Polley mine and the planned raise of the tailings storage facility's perimeter embankment minimum elevation from 950 metres to 963.5 metres; 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, and/or pursuing recovery of its losses through, 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 drought or unusually wet 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 June 2016 quarter 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 Interim Financial Statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course as they come due.

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. The Mount Polley mine restarted operations on August 5, 2015 following receipt of permit amendments on July 5, 2015 and April 29, 2016 which allowed recommencement of the mine using a modified operation plan that includes the use of the Springer pit to contain the tailings produced. On June 23, 2016 Mount Polley received the necessary authorizations from the Ministry of Energy and Mines and the Ministry of Environment, to return to normal mine operations, making use of its repaired and buttressed tailings storage facility ("TSF").

During the first half of the 2016 fiscal year the Company completed a number of transactions to improve liquidity. These include the sale of US\$20.0 million of the US\$110.0 million cross currency swap for proceeds of \$5.7 million, refinancing some of mobile equipment for proceeds of \$7.5 million and entering into the electricity payment deferral plan with the British Columbia Hydro and Power Authority with deferred payments to June 30, 2016 of \$7.8 million. In May 2016 the Company announced it had extended the maturity date of the senior credit facility from October 1, 2016 to March 15, 2018 and amended certain of its terms and conditions, including financial covenants. The amount of the facility has not changed and remains at \$200.0 million. Concurrently, the Company announced it had extended the maturity date of the second lien credit facility from April 1, 2017 to August 15, 2018 and amended certain of its terms and conditions, including financial covenants. The amount of this facility has also not changed and remains at \$50.0 million.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and other sources of financing are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they become due. However, there are inherent risks related to the operations of the Company's mines which could require additional sources of financing. There can be no assurance 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 ability to continue as a going concern.

OVERVIEW

Select Quarterly Financial Information

expressed in thousands, except share and per share amounts	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Total revenues	\$116,200	\$1,726	\$252,985	\$3,259
Net (loss) income	\$(4,160)	\$1,644	\$13,569	\$(31,740)
Net (loss) income per share	\$(0.05)	\$0.02	\$0.17	\$(0.42)
Diluted income (loss) per share	\$(0.05)	\$0.02	\$0.17	\$(0.42)
Adjusted net loss ⁽¹⁾	\$(1,214)	\$(9,371)	\$(15)	\$(17,383)
Adjusted net loss per share ⁽¹⁾	\$(0.01)	\$(0.12)	\$(0.00)	\$(0.23)
Adjusted EBITDA ⁽¹⁾	\$38,791	\$(7,840)	\$84,666	\$(13,985)
Working capital deficiency ⁽²⁾	\$41,107	\$73,375	\$40,886	\$73,375
Total assets	\$1,446,200	\$1,440,033	\$1,446,200	\$1,440,033
Total long term debt (including current portion)	\$835,214	\$820,791	\$835,214	\$820,791
Cash dividends declared per common share	\$0.00	\$0.00	\$0.00	\$0.00
Cash flow ⁽¹⁾⁽³⁾	\$40,327	\$2,270	\$89,752	\$(3,791)
Cash flow per share ⁽¹⁾⁽³⁾	\$0.49	\$0.03	\$1.10	\$(0.05)

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

Select Items Affecting Net Income (Loss)

(presented on an after-tax basis)

expressed in thousands	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net income (loss) before undernoted items	\$11,415	\$(4,725)	\$21,925	\$(7,674)
Interest expense	(12,664)	(1,676)	(24,904)	(3,649)
Foreign exchange (loss) gain on debt, net of gains on cross currency swaps	(1,214)	5,004	22,221	(20,592)
Provision for rehabilitation, net of insurance recoveries	-	7,082	-	7,082
Idle mine costs	-	(4,108)	-	(7,127)
(Losses) gains on derivative instruments related to commodities	-	(559)	-	187
Share of (loss) income in Huckleberry	(1,697)	626	(5,673)	33
Net (loss) income	\$(4,160)	\$1,644	\$13,569	\$(31,740)

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 \$116.2 million in the June 2016 quarter compared to \$1.7 million in the 2015 comparative quarter. The increase in revenue in the June 2016 quarter from the 2015 comparative quarter is related to the restart of operations at the Mount Polley mine on August 5, 2015 and the start of commercial production at the Red Chris mine on July 1, 2015. During the June 2015 quarter revenue was primarily from the sale of gold from the Sterling mine as the operations at Mount Polley mine were suspended due to the Mount Polley Breach and the Red Chris mine did not enter into commercial production until July 1, 2015. There were five concentrate shipments in the June 2016 quarter from the Red Chris mine (2015–nil) and one concentrate shipment from the Mount Polley mine (2015–nil). 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 London Metals Exchange cash settlement copper price per pound averaged US\$2.14 in the June 2016 quarter compared to US\$2.74 in the 2015 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,259 in the June 2016 quarter compared to US\$1,193 in the 2015 comparative quarter. The CDN Dollar weakened by 4.7% compared to the US Dollar in the June 2016 quarter over the 2015 comparative quarter. In CDN Dollar terms the average copper price in the June 2016 quarter was CDN\$2.76 per pound compared to CDN\$3.37 per

pound in the 2015 comparative quarter and the average gold price in the June 2016 quarter was CDN\$1,623 per ounce compared to CDN\$1,466 per ounce in the 2015 comparative quarter.

Revenue in the June 2016 quarter was increased by a \$0.3 million positive revenue revaluation compared to a negative revenue revaluation of \$0.1 million in the 2015 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.

In the June 2016 quarter the Company recorded income from mine operations of \$20.2 million compared to a loss of \$3.0 million in the 2015 comparative quarter. The increase in income from mine operations is related to the restart of operations at the Mount Polley mine on August 5, 2015 and the start of commercial production at the Red Chris mine on July 1, 2015.

Net loss for the June 2016 quarter was \$4.2 million (\$0.05 per share) compared to net income of \$1.6 million (\$0.02 per share) in the 2015 comparative quarter. The increase in net loss from the June 2015 quarter to the June 2016 quarter of \$5.8 million was primarily due to the following factors:

- Income/loss from mine operations went from a loss of \$3.0 million in June 2015 to income of \$20.2 million in June 2016, an increase to net income of \$23.2 million.
- Foreign exchange gains/losses on current and non-current debt went from a gain of \$7.2 million in June 2015 to a loss of \$1.6 million in June 2016, a decrease to net income of \$8.8 million.
- Interest expense went from \$2.3 million in June 2015 to \$17.1 million in June 2016, a decrease to net income of \$14.8 million.
- Loss/gain on derivative instruments went from a loss of \$3.1 million in June 2015 to a gain of \$0.4 million in June 2016, an increase to net income of \$3.5 million.
- Insurance recoveries net of idle mine costs went from a gain of \$4.6 million in June 2015 to \$nil in June 2016, a decrease to net income of \$4.6 million.

The June 2016 quarter net income included a foreign exchange losses related to changes in CDN/US Dollar exchange rates of \$2.1 million compared to a foreign exchange gains of \$7.1 million in the 2015 comparative quarter. The \$2.1 million foreign exchange loss is comprised of a \$1.2 million loss on the senior notes, a \$0.1 million loss on long term equipment loans, and a loss of \$0.8 million on short-term debt and operational items. The average CDN/US Dollar exchange rate in the June 2016 quarter was 1.289 compared to an average of 1.229 in the 2015 comparative quarter.

In the June 2016 quarter the Company recorded net gains on derivative instruments of \$0.4 million compared to net losses of \$3.1 million in the 2015 comparative quarter. The \$0.4 million gain in the June 2016 quarter consisted of a \$0.4 million unrealized gains on the foreign currency swap due to an increase in the CDN/US Dollar exchange rate compared to the exchange rate at the end of the March 2016 quarter. In the 2015 comparative quarter the \$3.1 million loss consisted of realized gains of \$0.7 million on gold derivative instruments, unrealized losses of \$1.4 million for gold derivative instruments and unrealized losses of \$2.4 million on the foreign currency swap. During the June 2016 quarter the Company did not have any commodity derivative instruments.

The Company recorded a \$1.7 million equity loss as its share of Huckleberry's net loss during the June 2016 quarter compared to a \$0.6 million equity gain in the 2015 comparative quarter. Huckleberry had one shipment in the June 2016 quarter compared to three shipments in the 2015 comparative quarter.

The Company recorded pretax loss of \$1.7 million in the June 2016 quarter and a \$2.5 million tax expense compared to a \$0.7 million tax expense in the 2015 comparative quarter when the Company had a pretax income of \$2.3 million.

Cash flow was \$40.3 million in the June 2016 quarter compared to cash flow of \$2.3 million in the 2015 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 \$24.2 million in the June 2016 quarter, down from \$48.9 million in the 2015 comparative quarter. During the June 2015 quarter capital expenditures were significantly higher than the June 2016 quarter as they included \$13.0 million in capitalized interest and \$5.2 million in capitalized preproduction operating costs net of

preproduction revenues related to the Red Chris mine. Capitalization of interest and preproduction costs related to Red Chris mine ceased on July 1, 2015 with the commencement of commercial production.

At June 30, 2016 the Company had \$4.1 million in cash (December 31, 2015-\$9.2 million). The Company had \$15.6 million of short term debt outstanding at June 30, 2016 (December 31, 2015-\$24.8 million) and \$17.4 million of its non-current debt is classified as current at June 30, 2016 (December 31, 2015-\$182.0 million).

NON-IFRS FINANCIAL MEASURES

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

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

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

Adjusted net loss in the June 2016 quarter was \$1.2 million (\$0.01 per share) compared to an adjusted net loss of \$9.4 million (\$0.12 per share) in the 2015 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, as further detailed in the following table.

Calculation of Adjusted Net Income (Loss)

expressed in thousands, except share and per share amounts

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net (loss) income reported	\$ (4,160)	\$ 1,644	\$ 13,569	\$ (31,740)
Unrealized (gain) loss on derivative instruments, net of tax ^(a)	(319)	3,146	11,294	(8,151)
Unrealized foreign exchange loss (gain) on non-current debt, net of tax ^(b)	3,265	(7,080)	(24,878)	29,589
Insurance recoveries, net of tax ^(c)	-	(7,081)	-	(7,081)
Adjusted net loss	<u>\$ (1,214)</u>	<u>\$ (9,371)</u>	<u>\$ (15)</u>	<u>\$ (17,383)</u>
Basic weighted average number of common shares outstanding	81,761,028	74,969,955	81,761,028	74,969,365
Adjusted net loss per share	\$ (0.01)	\$ (0.12)	\$ (0.00)	\$ (0.23)

(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) 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 the June 2016 quarter was \$38.8 million compared to negative \$7.8 million in the 2015 comparative quarter.

EBITDA is defined as net income (loss) before interest expense, taxes, and depletion and depreciation. Adjusted EBITDA is defined as EBITDA excluding certain recurring non-cash items, unusual items not expected to continue at the same level in the future, and any other items not reflective of our ongoing operating performance. 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 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	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net (loss) income ^(a)	\$(4,160)	\$1,644	\$13,569	\$(31,740)
Adjustments:				
Income and mining tax expense (recovery)	2,505	672	5,504	(2,546)
Interest expense	17,114	2,265	33,654	4,931
Depletion and depreciation	20,799	1,614	45,558	3,191
Accretion of future site reclamation provisions	227	209	458	420
Unrealized (gains) losses on derivative instruments	(366)	3,833	12,982	(9,250)
Share based compensation	690	107	1,438	213
Foreign exchange losses (gains)	2,121	(7,056)	(28,383)	32,082
Revaluation (gains) losses on marketable securities	(107)	(45)	(127)	4
Gains on sale of mineral properties	(32)	(83)	(32)	(290)
Write down of mineral properties	-	-	45	-
Insurance recoveries	-	(11,000)	-	(11,000)
Adjusted EBITDA ^(a)	\$38,791	\$(7,840)	\$84,666	\$(13,985)

(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 the June 2016 quarter was \$40.3 million compared to \$2.3 million in 2015 comparative quarter. Cash flow per share was \$0.49 in the June 2016 quarter compared to \$0.03 in 2015 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.

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

expressed in thousands, except per share and per share amounts	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
(Loss) income before taxes	\$(1,655)	\$2,316	\$19,073	\$(34,286)
Items not affecting cash flows				
Equity loss (income) in Huckleberry	1,697	(626)	5,673	(33)
Depletion and depreciation	20,799	1,614	45,558	3,191
Share based compensation	690	107	1,438	213
Accretion of future site reclamation provisions	227	209	458	420
Unrealized foreign exchange losses (gains)	1,963	(7,540)	(28,966)	31,088
Unrealized (gains) losses on derivative instruments	(366)	3,833	12,982	(9,250)
Interest expense	17,114	2,265	33,654	4,931
Other	(142)	92	(118)	(65)
Cash flow	\$40,327	\$2,270	\$89,752	\$(3,791)
Basic weighted average number of common shares outstanding	81,761,028	74,969,955	81,761,028	74,969,365
Cash flow per share	\$0.49	\$0.03	\$1.10	\$(0.05)

Cash Cost Per Pound of Copper Produced

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

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

Cash costs of production include direct labour, operating materials and supplies, equipment and mill costs, and applicable overhead. 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 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 three months ended June 30, 2016 and 2015.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Three Months Ended June 30, 2016						
	Huckleberry		Red	Mount	Sterling &	Total per	Composite
	100%	50%	Chris	Polley	Corporate	Financial Statements	
	A	B	C			D=A+B+C	
Cost of sales	\$18,403	\$9,202	\$63,030	\$32,521	\$498	\$96,049	\$104,753
Less:							
Depletion and depreciation	(5,285)	(2,643)	(14,666)	(5,945)	(105)	(20,716)	(23,254)
Share based compensation	-	-	(162)	(103)	-	(265)	(265)
Management fees paid by Huckleberry*	(143)	(72)	-	-	-	-	(72)
Cash costs before adjustment to production basis	12,975	6,487	48,202	26,473	\$393	\$75,068	81,162
Adjust for inventory change	3,531	1,766	348	5,405			7,519
Adjust transportation and offsite costs	555	277	414	169			860
Treatment, refining and royalty costs	3,392	1,696	10,250	2,018			13,964
By-product and other revenues	(2,008)	(1,004)	(29,354)	(15,320)			(45,678)
Cash cost of copper produced in Cdn\$	18,445	9,222	29,860	18,745			57,827
US\$ to Cdn\$ exchange rate	1.2885	1.2885	1.2885	1.2885			1.2885
Cash cost of copper produced in US\$	\$14,315	\$7,157	\$23,174	\$14,548			\$44,879
Copper produced – lbs	7,713	3,857	26,737	5,314			35,908
Cash cost per lb copper produced in US\$	\$1.86	\$1.86	\$0.87	\$2.74			\$1.25

	Three Months Ended June 30, 2015						
	Huckleberry		Red	Mount	Sterling &	Total per	Composite
	100%	50%	Chris	Polley	Corporate	Financial Statements	
	A	B	C			D=A+B+C	
Cost of sales	\$46,413	\$23,207	\$ -	\$ -	\$4,708	\$4,707	\$23,207
Less:							
Depletion and depreciation	(7,834)	(3,917)	-	-	(70)	(70)	(3,917)
Share based compensation	-	-	-	-	-	-	-
Management fees paid by Huckleberry*	(149)	(75)	-	-	-	-	(75)
Cash costs before adjustment to production basis	38,430	19,215	-	-	\$4,637	\$4,637	19,215
Adjust for inventory change	(7,994)	(3,996)	-	-			(3,996)
Adjust transportation and offsite costs	(1,342)	(671)	-	-			(671)
Treatment, refining and royalty costs	4,452	2,226	-	-			2,226
By-product and other revenues	(2,424)	(1,213)	-	-			(1,213)
Cash cost of copper produced in Cdn\$	31,122	15,561	-	-			15,561
US\$ to Cdn\$ exchange rate	1.2294	1.2294	1.2294	1.2294			1.2294
Cash cost of copper produced in US\$	\$25,315	\$12,645	\$ -	\$ -			\$12,645
Copper produced – lbs	11,493	5,746	-	-			11,493
Cash cost per lb copper produced in US\$	\$2.20	\$2.20	\$ -	\$ -			\$2.20

* 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 six months ended June 30, 2016 and 2015.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Six Months Ended June 30, 2016						
	Huckleberry		Red	Mount	Sterling &	Total per	Composite
	100%	50%	Chris	Polley	Corporate	Financial Statements	
	A	B	C			D=A+B+C	
Cost of sales	\$54,754	\$27,377	\$131,221	\$80,095	\$1,170	\$212,486	\$238,693
Less:							
Depletion and depreciation	(13,584)	(6,792)	(29,050)	(16,005)	(240)	(45,295)	(51,847)
Share based compensation	-	-	(349)	(205)	-	(554)	(554)
Management fees paid by Huckleberry*	(292)	(146)	-	-	-	-	(146)
Cash costs before adjustment to production basis	40,878	20,439	101,822	63,885	\$930	\$166,637	186,146
Adjust for inventory change	(5,972)	(2,986)	(6,770)	(1,812)			(11,568)
Adjust transportation and offsite costs	469	235	(100)	(228)			(93)
Treatment, refining and royalty costs	7,231	3,616	19,788	5,300			28,704
By-product and other revenues	(4,068)	(2,034)	(52,848)	(36,410)			(91,292)
Cash cost of copper produced in Cdn\$	38,538	19,270	61,892	30,735			111,897
<i>US\$ to Cdn\$ exchange rate</i>	<i>1.3317</i>	<i>1.3317</i>	<i>1.3317</i>	<i>1.3317</i>			<i>1.3317</i>
Cash cost of copper produced in US\$	\$28,939	\$14,470	\$46,476	\$23,080			\$84,026
<i>Copper produced – lbs</i>	<i>15,991</i>	<i>7,995</i>	<i>50,242</i>	<i>13,493</i>			<i>71,730</i>
Cash cost per lb copper produced in US\$	\$1.81	\$1.81	\$0.93	\$1.71			\$1.17

	Six Months Ended June 30, 2015						
	Huckleberry		Red	Mount	Sterling &	Total per	Composite
	100%	50%	Chris	Polley	Corporate	Financial Statements	
	A	B	C			D=A+B+C	
Cost of sales	\$62,890	\$31,445	\$ -	\$ -	\$7,953	\$4,707	\$31,445
Less:							
Depletion and depreciation	(10,670)	(5,335)	-	-	(243)	(243)	(5,335)
Share based compensation	-	-	-	-	-	-	-
Management fees paid by Huckleberry*	(298)	(149)	-	-	-	-	(149)
Cash costs before adjustment to production basis	51,922	25,961	-	-	\$7,710	\$7,710	25,961
Adjust for inventory change	445	223	-	-			223
Adjust transportation and offsite costs	(73)	(37)	-	-			(37)
Treatment, refining and royalty costs	8,520	4,260	-	-			4,260
By-product and other revenues	(4,779)	(2,390)	-	-			(2,390)
Cash cost of copper produced in Cdn\$	56,035	28,017	-	-			28,017
<i>US\$ to Cdn\$ exchange rate</i>	<i>1.2353</i>	<i>1.2353</i>	<i>1.2353</i>	<i>1.2353</i>			<i>1.2353</i>
Cash cost of copper produced in US\$	45,361	22,680	\$ -	\$ -			22,680
<i>Copper produced – lbs</i>	<i>22,120</i>	<i>11,060</i>	<i>-</i>	<i>-</i>			<i>11,060</i>
Cash cost per lb copper produced in US\$	\$2.05	\$2.05	\$ -	\$ -			\$2.05

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

DEVELOPMENTS DURING THE JUNE 2016 QUARTER

General

The London Metals Exchange cash settlement copper price per pound averaged US\$2.14 (CDN\$2.76) in the June 2016 quarter compared to US\$2.74 (CDN\$3.37) in the 2015 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,259 (CDN\$1,623) in the June 2016 quarter compared to US\$1,193 (CDN\$1,466) in the 2015 comparative quarter. The CDN Dollar weakened by 4.7% compared to the US Dollar in the June 2016 quarter compared to the 2015 comparative quarter.

Red Chris Mine

Metal production for the June 2016 quarter was 26.74 million pounds copper and 18,213 ounces gold, increases of 14% and 25% respectively compared to the first quarter of 2016. The mill achieved an average throughput of 28,971 tonnes per day, and the mine moved an average of 75,002 tonnes of material per day during the second quarter of 2016. The bulk of the mill feed (approximately 77%) was mined from the Main zone, with higher grade East zone ore providing the remainder of the mill feed. The ore grade averaged 0.59% copper and 0.40g/t gold for the quarter. Metal recoveries averaged 78.34% copper and 53.77% gold, down slightly from the 79.10% and 54.72% achieved for copper and gold respectively in the first quarter of 2016. Metal recoveries were negatively impacted by near surface (higher clay content) ore delivered from a Main zone pushback which made up about 24% of the feed during the June quarter, compared to 0% in the first quarter of 2016.

Lab test work and plant trials using several different reagents to increase copper recovery are underway. Throughput for July averaged 30,638 tonnes per day. Recoveries continued to be impacted by the high clay content of the near surface Main zone ore being mined in the Phase 3 pushback, which made up the majority (85%) of the mill feed in July.

At the tailings storage facility ("TSF") work on the North Dam continues and is approximately 33% complete, and the initial work on the South Reclaim Dam has started along with other work required to begin construction on the South Dam. Permitting for the South Dam is progressing, and we expect to be able to start work on it before the end of August. We are targeting the completion of construction at the TSF by October 15, 2016.

<i>Red Chris Production</i>	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015 ⁽¹⁾
Ore milled - tonnes	2,636,332	1,851,608	4,780,129	2,667,379
Ore milled per calendar day - tonnes	28,971	19,906	26,264	20,347
Grade % - copper	0.587	0.502	0.606	0.484
Grade g/t - gold	0.400	0.238	0.391	0.243
Recovery % - copper	78.34	61.88	78.78	62.03
Recovery % - gold	53.77	31.94	54.49	31.87
Copper – 000's pounds	26,737	12,677	50,242	17,397
Gold – ounces	18,213	4,533	32,772	6,644
Silver – ounces	66,054	18,721	122,435	25,742

(1) production from February 17 to June 30, 2015

Exploration, development and capital expenditures were \$11.0 million in the June 2016 quarter compared to \$31.3 million in the 2015 comparative quarter. Included in this amount was capitalized interest of \$nil in the June 2016 quarter compared to \$13.0 million in the 2015 comparative quarter.

Mount Polley Mine

Over the past two years, Mount Polley management and staff have worked tirelessly in close cooperation with regulatory agencies, First Nations and members of the local communities, to repair and buttress the TSF following the Best Applicable Practices identified in the Independent Expert Engineering Investigation and Review Panel report. On June 23, 2016 Mount Polley received the necessary authorizations from the Ministry of Energy and Mines and the Ministry of Environment, to return to normal mine operations, making use of its repaired and buttressed TSF. Work on raising the minimum elevation to the perimeter embankment from 950 metres to 963.5 metres has begun, with a targeted completion of the end of October 2016.

During the past two years, Mount Polley has completed significant rehabilitation of the impacted areas, and will continue necessary rehabilitation and monitoring of those areas. Work on returning of the upper portion of Hazeltine Creek to fish habitat has begun. Research and monitoring to date indicates the environment is recovering rapidly. The Company has also initiated legal proceedings for the recovery of losses related to the Mount Polley Breach.

During the second quarter of 2016, the Mount Polley mine treated 1.57 million tonnes ore, and produced 5.31 million pounds copper and 9,476 ounces gold. The average ore grade for the second quarter 2016 was 0.22% copper and 0.28 g/t gold compared to 0.31% copper and 0.33 g/t gold in the first quarter of 2016. Lower head grades resulted in lower metal recoveries averaging 68.33% copper and 67.62% gold, compared to 70.31% copper and 71.52% gold achieved in the first quarter of 2016. Grades were lower as underground operations in the Boundary zone supplied 55,582 tonnes grading 0.91% copper and 0.55 g/t gold, down from 91,881 tonnes grading 1.73% copper and 1.10 g/t gold. A fill cycle in the main boundary stope was completed during the quarter and production from the underground operation is targeted to increase in the third quarter.

Mount Polley Production	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015 ⁽¹⁾	2016	2015 ⁽¹⁾
Ore milled - tonnes	1,573,542	-	3,282,690	-
Ore milled per calendar day - tonnes	17,292	-	18,037	-
Grade % - copper	0.224	-	0.268	-
Grade g/t - gold	0.277	-	0.304	-
Recovery % - copper	68.33	-	69.52	-
Recovery % - gold	67.62	-	69.82	-
Copper – 000's pounds	5,314	-	13,493	-
Gold – ounces	9,476	-	22,389	-
Silver – ounces	17,104	-	52,135	-

(1) production resumed August 5, 2015

Exploration, development, and capital expenditures were \$13.2 million in the June 2016 quarter compared to \$17.4 million in the 2015 comparative quarter.

Huckleberry Mine

Huckleberry mine production for the second quarter of 2016 quarter was in-line with targets. Throughput averaged 19,426 tonnes per day, and 7.71 million pounds copper were produced. Imperial's share of Huckleberry production was 3.86 million pounds copper. The copper grade averaged 0.23% and copper recovery was 87.6%. Milling of the stockpiles will continue until August 31, at which time it is planned that operations will be suspended and the mine placed on care and maintenance pending an increase in the price of copper.

Huckleberry Production⁽¹⁾	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Ore milled - tonnes	1,767,724	1,726,751	3,538,449	3,293,245
Ore milled per calendar day - tonnes	19,426	18,975	19,442	18,195
Grade % - copper	0.226	0.338	0.234	0.342
Recovery % - copper	87.6	89.3	87.7	89.0
Copper – 000's pounds	7,713	11,493	15,991	22,120
Gold – ounces	702	886	1,483	1,681
Silver – ounces	40,224	57,226	79,031	111,198

(1) production stated 100% - Imperial's allocation is 50%

Sterling Mine

Sterling underground mining operations were terminated at the end of May 2015. Residual gold continues to be recovered from the heap.

The draft Environmental Assessment ("EA") for expanding operations at the Sterling mine to incorporate open-pit mining was submitted to the U.S. Bureau of Land Management ("BLM"). Following a review the BLM generated a "Findings of No Significant Impact" which underwent a 30 day public review period. Comments received by the BLM have been written into the document by the BLM for final approval.

One comment generated from the EA from the State of Nevada identified the need for the Sterling mine to obtain a Public Water Utility permit. An engineering company has been commissioned to establish the scope and cost of providing a potable water system that will meet the state's requirements to obtain a Public Water Utility permit.

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.

Exploration and development expenditures at Sterling were \$nil in the June 2016 quarter compared to under \$0.1 in the 2015 comparative quarter.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2016 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2015

This review of the results of operations should be read in conjunction with the Interim Financial Statements of the Company for the three and six months ended June 30, 2016 and the audited consolidated financial statements of the Company for the year ended December 31, 2015.

Overview

Revenues increased to \$116.2 million in the June 2016 quarter compared to \$1.7 million in the 2015 comparative quarter. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The Company had income from mine operations of \$20.2 million in the June 2016 quarter compared to a loss of \$3.0 million in the 2015 comparative quarter. The increase in income from mine operations is related to the restart of operations at the Mount Polley mine on August 5, 2015 and the start of commercial production at the Red Chris mine on July 1, 2015.

Net loss for the June 2016 quarter was \$4.2 million (\$0.05 per share) compared to net income of \$1.6 million (\$0.02 per share) in the 2015 comparative quarter. The increase in net loss from the June 2015 quarter to the June 2016 quarter of \$5.8 million was primarily due to the following factors:

- Income/loss from mine operations went from a loss of \$3.0 million in June 2015 to income of \$20.2 million in June 2016, an increase to net income of \$23.2 million.
- Foreign exchange gains/losses on current and non-current debt went from a gain of \$7.2 million in June 2015 to a loss of \$1.6 million in June 2016, a decrease to net income of \$8.8 million.
- Interest expense went from \$2.3 million in June 2015 to \$17.1 million in June 2016, a decrease to net income of \$14.8 million.
- Loss/gain on derivative instruments went from a loss of \$3.1 million in June 2015 to a gain of \$0.4 million in June 2016, an increase to net income of \$3.5 million.
- Insurance recoveries net of idle mine costs went from a gain of \$4.6 million in June 2015 to \$nil in June 2016, a decrease to net income of \$4.6 million.

Revenue

expressed in thousands of dollars, except quantity amounts

	Three Months Ended June 30	
	2016	2015
Revenue before revaluation	\$115,868	\$1,826
Revenue revaluation	332	(100)
	<u>\$116,200</u>	<u>\$1,726</u>

expressed in thousands of dollars, except quantity amounts

	Three Months Ended June 30, 2016			
	Red Chris Mine	Mount Polley Mine	Sterling Mine	Total
<i>Sales</i>				
Copper – 000's pounds	25,799	4,784	-	30,583
Gold – ounces	17,310	7,742	-	25,052
Silver – ounces	67,051	18,373	-	85,424
<i>Revenue</i>				
Copper	\$61,657	\$10,711	\$ -	\$72,368
Gold	28,766	12,866	-	41,632
Silver	1,605	451	-	2,056
	<u>92,028</u>	<u>24,028</u>	<u>-</u>	<u>116,056</u>
Corporate	-	-	-	144
Total Revenue	<u>\$92,028</u>	<u>\$24,028</u>	<u>\$ -</u>	<u>\$116,200</u>

expressed in thousands of dollars, except quantity amounts

	Three Months Ended June 30, 2015			
	Red Chris Mine	Mount Polley Mine	Sterling Mine	Total
<i>Sales</i>				
Copper – 000's pounds	-	-	-	-
Gold – ounces	-	-	-	-
Silver – ounces	-	-	1,100	1,100
<i>Revenue</i>				
Copper	\$ -	\$(100)	\$ -	\$(100)
Gold	-	-	1,602	1,602
Silver	-	-	-	-
	<u>-</u>	<u>(100)</u>	<u>1,602</u>	<u>1,502</u>
Corporate	-	-	-	224
Total Revenue	<u>\$ -</u>	<u>\$(100)</u>	<u>\$1,602</u>	<u>\$1,726</u>

During the June 2016 quarter the Company sold 30.6 million pounds copper and 25,052 ounces gold compared to 1,100 ounces gold in the 2015 comparative quarter. Total revenues during the June 2016 quarter were \$116.2 million compared to \$1.7 million during the 2015 comparative quarter. There were five concentrate shipments in the June 2016 quarter from the Red Chris mine (2015 – nil) and one concentrate shipment from the Mount Polley mine (2015 – nil).

During the June 2016 quarter the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris and Mount Polley mines. The Red Chris mine accounted for 79.2% and Mount Polley mine accounted for 20.7% of the Company's revenue in the period. Copper accounted for 62.3% and gold accounted for 35.8% of the Company's revenue in the period. During the June 2015 comparative quarter revenue was primarily from the sale of gold from the Sterling mine as operations at Mount Polley mine were suspended due to the Mount Polley Breach and Red Chris mine had not entered into commercial production and therefore did not record any revenues during the period.

In US Dollars, the average London Metals Exchange cash settlement copper price was about 22.0% lower in the June 2016 quarter than in the 2015 comparative quarter, averaging US\$2.14 per pound compared to US\$2.74 per pound. The CDN

Dollar weakened by 4.7% compared to the US Dollar in the June 2016 quarter over the 2015 comparative quarter. Factoring in the average exchange rate, the price of copper averaged CDN\$2.76 per pound in the June 2016 quarter compared to the 2015 comparative quarter average of CDN\$3.37 per pound. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,259 in the June 2016 quarter compared to US\$1,193 in the 2015 comparative quarter. Factoring in the average exchange rate, the price of gold averaged CDN\$1,623 per ounce in the June 2016 quarter about 10.7% higher than the 2015 comparative quarter average of CDN\$1,466 per ounce.

Cost of Sales

expressed in thousands of dollars

	Three Months Ended June 30	
	2016	2015
Operating expenses	\$57,010	\$2,442
Salaries, wages and benefits	18,058	2,195
Depletion and depreciation	20,716	70
Share based compensation	265	-
	<u>\$96,049</u>	<u>\$4,707</u>

Cost of sales for the June 2016 quarter reflects operations at the Red Chris, Mount Polley and Sterling mines. Also included in cost of sales for the June 2016 quarter are inventory impairments to net realizable value of \$6.6 million. Cost of sales for the 2015 comparative quarter primarily reflect operations at the Sterling mine and included inventory impairments to net realizable value of \$2.7 million.

General and Administration Costs

expressed in thousands of dollars

	Three Months Ended June 30	
	2016	2015
Administration	\$669	\$1,220
Share based compensation - corporate	425	148
Depreciation – corporate assets	82	179
Foreign exchange loss – operations (excluding debt)	541	187
	<u>\$1,717</u>	<u>\$1,734</u>

General and administration costs were \$1.7 million in the June 2016 and June 2015 quarters. Administration costs decreased in 2016 primarily as a result of lower staff costs; share based compensation costs increased in 2016 as a result of options that were granted in December 2015; and foreign exchange losses on operational items denominated in US dollars were higher in 2016 compared to 2015.

The average CDN/US Dollar exchange rate for the June 2016 quarter was 1.289 compared to 1.229 in the 2015 comparative quarter. Foreign exchange losses are attributable to holding US Dollar denominated cash, accounts receivable, and accounts payable. These net US Dollar asset and liability balances are primarily the result of the activities at the Red Chris and Mount Polley mines.

Finance Income (Costs)

expressed in thousands of dollars

	Three Months Ended June 30	
	2016	2015
Gain (loss) on derivative instruments	\$366	\$(3,139)
Interest expense	(17,114)	(2,265)
Foreign exchange (loss) gain on short term and non-current debt	(1,580)	7,243
Other	(96)	(137)
	<u>\$(18,424)</u>	<u>\$1,702</u>

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 value of all its contracts. Changes in valuation of this derivative instrument position and the derivative instrument position carrying over from previous periods, due to changes in copper and gold price and foreign exchange rate, resulted in a gain of \$0.4 million during the June 2016 quarter compared to a loss of \$3.1 million in the 2015 comparative quarter. The ultimate gain or loss on any outstanding contracts will be determined by foreign exchange rates in the periods when these contracts settle.

Interest expense increased to \$17.1 million in the June 2016 quarter from \$2.3 million in the 2015 comparative quarter. This increase was primarily due to two factors: during the June 2015 quarter \$13.0 million in interest was capitalized to construction in progress as part of the construction of the Red Chris mine; and, the amount of non-current debt has increased to \$835.2 million as at June 30, 2016 compared to \$820.8 million as at June 30, 2015.

At June 30, 2016 the Company had US Dollar denominated debt of US\$353.3 million compared to US\$363.8 million at December 31, 2015. Foreign exchange gains and losses attributable to US denominated short and non-current debt reflect the foreign currency movement during the three months ended June 30, 2016 and resulted in a \$1.2 million loss on the senior notes, \$0.1 million loss on long term equipment loans and a \$0.3 million loss on short term debt.

The change in the CDN Dollar to US Dollar exchange rate during the June 2016 quarter resulted in total foreign exchange losses of \$2.1 million compared to total foreign exchange gains of \$7.1 million in the 2015 comparative quarter.

Equity Income in Huckleberry

The Company's 50% share of equity earnings from Huckleberry was a loss of \$1.7 million for the June 2016 quarter compared to a gain of \$0.6 million in the 2015 comparative quarter. The increase in loss was primarily attributable to a combination of lower metals prices and a \$2.4 million provision to reduce stockpile inventory to net realizable value.

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

expressed in thousands of dollars, except quantity amounts

	Three Months Ended June 30	
	2016	2015
Copper – 000's pounds sold	5,425	16,591
Gold – ounces sold	421	1,087
Silver – ounces sold	29,885	74,738
Revenue before revaluations	\$13,663	\$51,424
Revenue revaluation	885	(3,530)
	\$14,548	47,894
Cost of sales	(18,403)	(46,413)
(Loss) income from mine operations	(3,855)	1,481
Other	(356)	417
(Loss) income before taxes	(4,211)	1,898
Income and mining tax recovery (expense)	817	(647)
Net (loss) income	\$ (3,394)	\$ 1,251

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2016 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2015

This review of the results of operations should be read in conjunction with the Interim Financial Statements of the Company for the three and six months ended June 30, 2016 and the audited consolidated financial statements of the Company for the year ended December 31, 2015.

Overview

Revenues increased to \$253.0 million in the June 2016 period compared to \$3.3 million in the 2015 comparative period. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The Company had income from mine operations of \$40.5 million in the June 2016 period compared to a loss of \$4.7 million in the 2015 comparative period. The increase in income from mine operations is related to the restart of operations at the Mount Polley mine on August 5, 2015 and the start of commercial production at the Red Chris mine on July 1, 2015.

Net income for the June 2016 period was \$13.6 million (\$0.17 per share) compared to a net loss of \$31.7 million (\$0.42 per share) in the 2015 comparative period. The increase in net income from the June 2015 period to the June 2016 period of \$45.3 million was primarily due to the following factors:

- Income/loss from mine operations went from a loss of \$4.7 million in June 2015 to income of \$40.5 million in June 2016, an increase to net income of \$45.2 million.
- Foreign exchange gains/losses on current and non-current debt went from a loss of \$31.1 million in June 2015 to a gain of \$29.2 million in June 2016, an increase to net income of \$60.3 million.
- Interest expense went from \$4.9 million in June 2015 to \$33.7 million in June 2016, a decrease to net income of \$28.8 million.
- Loss/gain on derivative instruments went from gains of \$10.6 million in June 2015 to losses of \$6.9 million in June 2016, a decrease to net income of \$17.5 million.
- Tax expense/recovery went from a recovery of \$2.5 million in June 2015 to an expense of \$5.5 million in June 2016, a decrease to net income of \$8.0 million.

Revenue

expressed in thousands of dollars, except quantity amounts

	Six Months Ended June 30	
	2016	2015
Revenue before revaluation	\$247,431	\$3,451
Revenue revaluation	5,554	(192)
	<u>\$252,985</u>	<u>\$3,259</u>

expressed in thousands of dollars, except quantity amounts

	Six Months Ended June 30, 2016			
	Red Chris Mine	Mount Polley Mine	Sterling Mine	Total
<i>Sales</i>				
Copper – 000's pounds	51,311	14,219	-	65,530
Gold – ounces	32,383	24,610	109	57,102
Silver – ounces	124,567	51,457	-	176,024
<i>Revenue</i>				
Copper	\$123,464	\$33,915	\$ -	\$157,379
Gold	50,986	40,697	175	91,858
Silver	2,439	1,015	-	3,454
	<u>176,889</u>	<u>75,627</u>	<u>175</u>	<u>252,691</u>
Corporate	-	-	-	294
Total Revenue	<u>\$176,889</u>	<u>\$75,627</u>	<u>\$175</u>	<u>\$252,985</u>

expressed in thousands of dollars, except quantity amounts

	Six Months Ended June 30, 2015			
	Red Chris Mine	Mount Polley Mine	Sterling Mine	Total
Sales				
Copper – 000's pounds	-	-	-	-
Gold – ounces	-	-	2,054	2,054
Silver – ounces	-	-	-	-
Revenue				
Copper	\$ -	\$(192)	\$ -	\$(192)
Gold	-	-	2,937	2,937
Silver	-	-	-	-
	-	(192)	2,937	2,745
Corporate	-	-	-	514
Total Revenue	\$ -	\$(192)	\$2,937	\$3,259

During the June 2016 period the Company sold 65.5 million pounds copper and 57,102 ounces gold compared to 2,054 ounces gold in the 2015 comparative period. Total revenues during the June 2016 period were \$253.0 million compared to \$3.3 million during the 2015 comparative period. There were ten concentrate shipments in the June 2016 period from the Red Chris mine (2015 – nil) and three concentrate shipments from the Mount Polley mine (2015 – nil).

During the June 2016 period the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris and Mount Polley mines. The Red Chris mine accounted for 69.9% and Mount Polley mine accounted for 29.9% of the Company's revenue in the period. Copper accounted for 62.2% and gold accounted for 36.3% of the Company's revenue in the period. During the June 2015 comparative period revenue was primarily from the sale of gold from the Sterling mine as operations at Mount Polley mine were suspended due to the Mount Polley Breach and Red Chris mine had not entered into commercial production and therefore did not record any revenues during the period.

In US Dollars, the average London Metals Exchange cash settlement copper price was about 20.8% lower in the June 2016 period than in the 2015 comparative period, averaging US\$2.13 per pound compared to US\$2.69 per pound. The CDN Dollar weakened by 7.3% compared to the US Dollar in the June 2016 period over the 2015 comparative period. Factoring in the average exchange rate, the price of copper averaged CDN\$2.84 per pound in the June 2016 period compared to the 2015 comparative period average of CDN\$3.32 per pound.

The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,220 in the June 2016 period compared to US\$1,206 in the 2015 comparative period. Factoring in the average exchange rate, the price of gold averaged CDN\$1,625 per ounce in the June 2016 period about 9.1% higher than the 2015 comparative period average of CDN\$1,489 per ounce.

Cost of Sales

expressed in thousands of dollars

	Six Months Ended June 30	
	2016	2015
Operating expenses	\$123,218	\$4,086
Salaries, wages and benefits	43,419	3,624
Depletion and depreciation	45,295	243
Share based compensation	554	-
	\$212,486	\$7,953

Cost of sales for the June 2016 period reflects operations at the Red Chris, Mount Polley and Sterling mines. Also included in cost of sales are inventory impairments to net realizable value of \$9.2 million. Cost of sales for the 2015 comparative quarter primarily reflect operations at the Sterling mine and included inventory impairments to net realizable value of \$4.7 million.

General and Administration Costs

expressed in thousands of dollars

	Six Months Ended June 30	
	2016	2015
Administration	\$2,086	\$2,471
Share based compensation - corporate	884	197
Depreciation – corporate assets	262	358
Foreign exchange loss – operations (excluding debt)	779	994
	<u>\$4,011</u>	<u>\$4,020</u>

General and administration costs were \$4.0 million in the June 2016 and June 2015 periods. Administration costs decreased in 2016 primarily as a result of lower staff costs; share based compensation costs increased in 2016 as a result of options that were granted in December 2015; and foreign exchange losses on operational items denominated in US dollars were lower in 2016 compared to 2015.

The average CDN/US Dollar exchange rate for the June 2016 period was 1.332 compared to 1.235 in the 2015 comparative period. Foreign exchange losses are attributable to holding US Dollar denominated cash, accounts receivable, and accounts payable. These net US Dollar asset and liability balances are primarily the result of the activities at the Red Chris and Mount Polley mines.

Finance Income (Costs)

expressed in thousands of dollars

	Six Months Ended June 30	
	2016	2015
(Loss) gain on derivative instruments	\$(6,941)	\$10,556
Interest expense	(33,654)	(4,931)
Foreign exchange gain (loss) on short term and non-current debt	29,162	(31,088)
Other	(296)	(361)
	<u>\$(11,729)</u>	<u>\$(25,824)</u>

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 value of all its contracts. Changes in valuation of this derivative instrument position and the derivative instrument position carrying over from previous periods, due to changes in copper and gold price and foreign exchange rate, resulted in a loss of \$6.9 million during the June 2016 period compared to a gain of \$10.6 million in the 2015 comparative period. The ultimate gain or loss on any outstanding contracts will be determined by foreign exchange rates in the periods when these contracts settle.

Interest expense increased to \$33.7 million in the June 2016 period from \$4.9 million in the 2015 comparative period. This increase was primarily due to two factors: during the June 2015 period \$24.4 million in interest was capitalized to construction in progress as part of the construction of the Red Chris mine; and, the amount of non-current debt has increased to \$835.2 million as at June 30, 2016 compared to \$820.8 million as at June 30, 2015.

At June 30, 2016 the Company had US Dollar denominated debt of US\$353.3 million compared to US\$363.8 million at December 31, 2015. Foreign exchange gains and losses attributable to US denominated short and non-current debt reflect the foreign currency movement during the six months ended June 30, 2016 and resulted in a \$26.6 million gain on the senior notes, \$2.0 million gain on long term equipment loans and a \$0.6 million gain on short term debt.

The change in the CDN Dollar to US Dollar exchange rate during the June 2016 period resulted in total foreign exchange gains of \$28.4 million compared to total foreign exchange losses of \$32.1 million in the 2015 comparative period.

Equity Income in Huckleberry

The Company's 50% share of equity earnings from Huckleberry was a loss of \$5.7 million for the June 2016 period compared to a gain of under \$0.1 million in the 2015 comparative period. The increase in loss was primarily attributable to a combination of lower metals prices, lower sales volumes and impairment charges on stockpile and concentrate inventory.

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

expressed in thousands of dollars, except quantity amounts

	Six Months Ended June 30	
	2016	2015
Copper – 000's pounds sold	14,128	22,353
Gold – ounces sold	1,137	1,529
Silver – ounces sold	71,770	101,038
Revenue before revaluations	\$37,447	\$68,724
Revenue revaluation	1,998	(6,082)
	39,445	62,642
Cost of sales	(54,754)	(62,890)
Loss from mine operations	(15,309)	(248)
Other	(1,514)	846
(Loss) income before taxes	(16,823)	598
Income and mining tax recovery (expense)	5,477	(532)
Net (loss) income	\$(11,346)	\$66

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 2015.

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.

LIQUIDITY & CAPITAL RESOURCES

At June 30, 2016, the Company had cash of \$4.1 million and a working capital deficiency of \$41.1 million.

During the first half of the 2016 fiscal year the Company completed a number of transactions to improve liquidity. These included the sale of US\$20.0 million of the US\$110.0 million cross currency swap for proceeds of \$5.7 million, refinancing some of mobile equipment for proceeds of \$7.5 million and entering into the electricity payment deferral plan with the British Columbia Hydro and Power Authority.

Furthermore, in May 2016 the Company extended the maturity date of the senior credit facility from October 1, 2016 to March 15, 2018 and amended certain terms and conditions of the facility. Concurrently, the Company extended the maturity date of the second lien secured credit facility from April 1, 2017 to August 15, 2018 and amended certain of its terms and conditions.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and other sources of financing, are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they become due. However, there are inherent risks related to mine operations which could require additional sources of financing. There can be no assurance 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 June 30, 2016 the Company's primary sources of credit are the long term financing arrangements comprised of a \$200.0 million senior credit facility, a \$50.0 million second lien credit facility, US\$325.0 million senior unsecured notes, \$145.0 million face value of unsecured convertible debentures, a \$75.0 million unsecured junior credit facility, and \$39.5 million in secured equipment loans.

The Company holds investments 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. 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's overall liquidity risk continues to decrease with several factors that have decreased liquidity risk relative to 2015. Increased operational cash flow from the Red Chris mine, the extension of the maturity dates and revisions to the terms and conditions of the senior credit facility and the second lien credit facility and the receipt of all necessary authorizations to return to normal mine operations at Mount Polley using its repaired and buttressed TSF are all factors that have decreased overall liquidity risk.

Average copper prices in CDN dollar terms have not changed significantly since late 2015 and therefore this factor continues to impact liquidity risk. However, the benefit of the electricity payment deferral plan that the Company's operating mines have entered into with British Columbia Hydro and Power Authority in late June 2016 will mitigate cash needs related to this large input cost during periods of low copper prices. At June 30, 2016 deferred trade payables included \$7.8 million related to the electricity payment deferral plan.

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 June 30, 2016:

expressed in thousands of dollars

	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total
Trade and other payables	\$75,854	\$ -	\$ -	\$ -	\$75,854
Deferred trade payables	7,834	-	-	-	7,834
Short term debt	15,599	-	-	-	15,599
Non-current debt*	17,435	279,619	541,749	30,047	868,850
	<u>\$116,722</u>	<u>\$279,619</u>	<u>\$541,749</u>	<u>\$30,047</u>	<u>\$968,137</u>

*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.

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

Joining the Payment Plan was optional and 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 onwards. At the maximum discount of 75% the estimated monthly payment deferral for all three mines would be approximately \$1.8 million and as at June 30, 2016 the Company had deferred \$7.8 million under the Payment Plan for the Red Chris and Mount Polley mines.

Cost Reduction Measures

The Company reviews its operating input costs 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 and its subsidiaries employees and directors took pay reductions in late 2015 and pay reductions for other employees are under consideration.

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 June 2016 period would have been higher/lower by \$39.1 million.

Cash Flow

Cash flow was \$89.8 million in the June 2016 period compared to a negative cash flow of \$3.8 million in the 2015 comparative period.

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 June 30, 2016 the Company had a working capital deficiency, defined as current assets less current liabilities, of \$41.1 million, a decrease of \$32.5 million from a working capital deficiency of \$73.4 million at June 30, 2015.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totaled \$34.7 million in the June 2016 period compared to \$93.6 million in the 2015 comparative quarter.

expressed in thousands of dollars

	Six Months Ended June 30	
	2016	2015
Capital and Development Expenditures		
Red Chris (including capitalized interest of \$nil (2015-\$24,441))	\$17,889	\$67,534
Mount Polley	16,415	25,531
Sterling	-	29
Other	13	5
	<u>34,317</u>	<u>93,099</u>
Exploration Expenditures		
Red Chris	15	5
Mount Polley	253	65
Sterling	15	68
Other	92	383
	<u>375</u>	<u>521</u>
	<u>\$34,692</u>	<u>\$93,620</u>

The Company completed major construction activities at Red Chris mine in June 2015 and declared commercial production on July 1, 2015 which resulted in the significant reduction of capital expenditures in the June 2016 period compared to 2015 comparative period.

DERIVATIVE INSTRUMENTS

In the June 2016 quarter the Company recorded net gains on derivative instruments of \$0.4 million compared to net losses of \$3.1 million in the 2015 comparative quarter. The \$0.4 million gain in the June 2016 quarter consisted of a \$0.4 million unrealized gain on the foreign currency swaps. In the 2015 comparative quarter the \$3.1 million loss consisted of realized gains of \$0.7 million on gold derivative instruments, unrealized losses of \$1.4 million for gold derivative instruments and unrealized losses of \$2.4 million on the foreign currency swap. The gains or losses in derivative instruments result from the mark to market valuation of the instruments based on changes, depending on the instrument, in the price of copper and gold and movements in the CDN/US exchange rate.

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 had no derivative instruments for copper or gold at June 30, 2016 or at the date of this document.

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 Dollar for each US Dollar. During the March 2016 quarter the Company sold US\$20.0 million of the cross currency swap for proceeds of \$5.7 million. Based on the June 30, 2016 CDN/US Dollar exchange rate the Company had an unrealized gain of \$17.6 million on the derivative instruments related to the swap.

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

DEBT AND OTHER OBLIGATIONS

Non-Current Debt

At June 30, 2016 the Company's non-current debt was comprised of the following:

- A secured revolving senior credit facility of \$200.0 million
- A secured revolving second lien credit facility of \$50.0 million
- An unsecured junior credit facility of \$75.0 million
- Senior unsecured notes of US\$325.0 million
- Convertible debentures with a face value of \$145.0 million
- A variety of equipment loans denominated in both CDN Dollars and US Dollars

During the March 2016 quarter the Company refinanced some of its mobile equipment for gross proceeds of \$7.5 million. These loans are secured by the refinanced equipment, bear an interest rate of 5.95%, require monthly payments of \$0.2 million and will be fully repaid by March 2020.

During the June 2016 quarter the Company extended the maturity date of the senior credit facility to March 15, 2018 and amended certain of its terms and conditions. The amount of the facility has not changed and remains at \$200.0 million. Effective January 1, 2016 the financial covenants have been amended to reflect the impact of reduced commodity prices. The interest rate charged under the amended facility will fluctuate with the financial leverage of the Company. The interest rate in the prior agreement was not linked to the Company's financial leverage.

Concurrently, the Company extended the maturity date of the second lien credit facility from April 1, 2017 to August 15, 2018 and amended certain of its terms and conditions, including financial covenants. The changes to this facility are the same as those in the senior credit facility except there is no change in interest rate from the prior agreement. Concurrent with the changes to this facility the fee paid to a related party for guaranteeing this facility has been amended to fluctuate with the financial leverage of the Company on the same basis as the interest rate will fluctuate under the amended senior credit facility.

During the June 2016 quarter the Company entered into two equipment loans totalling \$0.8 million, bearing interest rates of 4.91% and 5.45% and maturity dates of 24 and 60 months.

Detailed disclosure on the Company's non-current debt including amounts owed, interest rates and security can be found in Note 11 of the Interim Financial Statements.

Financial Covenants

Giving effect to the covenant amendments in May 2016 on the senior credit facility and second lien credit facility, the Company has the following financial covenants related to its various debt agreements:

- Fixed charge coverage ratio
- Total debt to EBITDA ratio
- Secured debt to EBITDA ratio
- Tangible net worth test

As at the date of this document the Company continues to be in full compliance with all financial covenants under its debt agreements except for one covenant related to one equipment loan agreement. Non-compliance with this covenant did not result in an event of default under the equipment loan agreement or under any of the Company's other credit facilities. The equipment loan had a maturity date of July 2017 and at June 30, 2016 had a total amount owing of \$2.8 million all of which was included in the current portion of non-current debt. Subsequent to June 30, 2016 the Company repaid the loan in full.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At June 30, 2016 \$201.5 million of the Company's debt was at floating interest rates compared to December 31, 2015 when \$240.6 million of the Company's debt was at floating interest rates. The Company monitors its exposure to interest rates and is comfortable with its current exposure. The Company has not entered into any derivative contracts to manage this risk.

The Company had the following contractual obligations as of June 30, 2016:

expressed in thousands of dollars

	2016	2017	2018	2019	2020 and beyond	Total
Non-current debt ⁽¹⁾	\$8,759	\$91,155	\$197,140	\$426,135	\$145,661	\$868,850
Short term debt	15,599	-	-	-	-	15,599
Operating leases	322	316	99	87	14	838
Capital expenditures and other	9,429	-	-	-	-	9,429
Reclamation bonding	1,570	2,861	1,740	-	-	6,171
Mineral properties ⁽²⁾	401	606	856	986	2,454	5,303
	<u>\$36,080</u>	<u>\$94,938</u>	<u>\$199,835</u>	<u>\$427,208</u>	<u>\$148,129</u>	<u>\$906,190</u>

(1) Amounts shown are gross obligations at maturity date.

(2) 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 2021 only.

Based on current plans and assumptions as at June 30, 2016, the Company expects to have sufficient cash resources to support its normal operating and capital requirements on an ongoing basis.

At June 30, 2016 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 date of the statement of financial position. 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 June 30, 2016 the fair value of the senior notes is \$380.2 million (December 31, 2015-\$425.1 million) based on a quote received from dealers that trade the senior notes.

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

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

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 June 30, 2016 as follows:

expressed in thousands of dollars

	Level 1	Level 2	Total
Financial assets			
Cash	\$4,064	\$ -	\$4,064
Marketable securities	213	-	213
Provisionally priced receivables	-	4,404	4,404
Derivative instruments assets	-	17,649	17,649
Future site reclamation deposits	4,534	-	4,534
	8,811	22,053	30,864
Financial liabilities			
Amounts owing on provisionally priced receivables	-	(2,698)	(2,698)
	\$8,811	\$19,355	\$28,166

SELECT QUARTERLY FINANCIAL INFORMATION

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

	Three Months Ended			
	June 30 2016	March 31 2016	December 31 2015	September 30 2015
Total revenues	\$116,200	\$136,785	\$69,514	\$55,928
Equity (loss) income in Huckleberry	\$(1,697)	\$(3,976)	\$(2,269)	\$(800)
Net (loss) income	\$(4,160)	\$17,729	\$(35,877)	\$(29,344)
Basic (loss) income per share ⁽¹⁾	\$(0.05)	\$0.22	\$(0.44)	\$(0.37)
Diluted (loss) income per share ⁽¹⁾	\$(0.05)	\$0.22	\$(0.44)	\$(0.37)
Adjusted net (loss) income ⁽²⁾	\$(1,214)	\$1,199	\$(22,882)	\$(9,379)
Adjusted net (loss) income per share ⁽¹⁾⁽²⁾	\$(0.01)	\$0.01	\$(0.28)	\$(0.12)
Adjusted EBITDA ⁽²⁾	\$38,791	\$45,875	\$1,149	\$13,871
Cash flow ⁽²⁾	\$40,327	\$49,425	\$2,843	\$15,784
Cash flow per share ⁽¹⁾⁽²⁾	\$0.49	\$0.60	\$0.03	\$0.20
Average LME copper price/lb in US\$	\$2.14	\$2.12	\$2.22	\$2.38
Average LME gold price/troy oz in US\$	\$1,259	\$1,181	\$1,104	\$1,124
Average CDN/US\$ exchange rate	\$1.289	\$1.375	\$1.335	\$1.309
Period end CDN/US\$ exchange rate	\$1.301	\$1.297	\$1.384	\$1.339
	June 30 2015	March 31 2015	December 31 2014	September 30 2014
Total revenues	\$1,726	\$1,533	\$5,841	\$22,667
Equity (loss) income in Huckleberry	\$626	\$(593)	\$(1,295)	\$1,851
Net (loss) income	\$1,644	\$(33,384)	\$(9,134)	\$(49,221)
Basic (loss) income per share ⁽¹⁾	\$0.02	\$(0.45)	\$(0.12)	\$(0.66)
Diluted (loss) income per share ⁽¹⁾	\$0.02	\$(0.45)	\$(0.12)	\$(0.66)
Adjusted net (loss) income ⁽²⁾	\$(9,371)	\$(8,012)	\$(8,683)	\$3,729
Adjusted net (loss) income per share ⁽¹⁾⁽²⁾	\$(0.12)	\$(0.11)	\$(0.12)	\$0.05
Adjusted EBITDA ⁽²⁾	\$(7,840)	\$(6,145)	\$(4,686)	\$9,869
Cash flow ⁽²⁾	\$2,270	\$(6,061)	\$10,536	\$(59,129)
Cash flow per share ⁽¹⁾⁽²⁾	\$0.03	\$(0.08)	\$0.14	\$(0.79)
Average LME copper price/lb in US\$	\$2.74	\$2.64	\$3.000	\$3.170
Average LME gold price/troy oz in US\$	\$1,193	\$1,219	\$1,201	\$1,282
Average CDN/US\$ exchange rate	\$1.229	\$1.241	\$1.136	\$1.089
Period end CDN/US\$ exchange rate	\$1.247	\$1.268	\$1.160	\$1.121

(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 large net loss in the September 2014 quarter was primarily due to the provision for rehabilitation costs for the Mount Polley Breach.
- (b) 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.
- (c) The higher net loss in the June 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.
- (d) The net income in the June 2015 quarter is largely the result of \$11.0 million in insurance recoveries.
- (e) 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.
- (f) The net income in the March 2016 quarter was primarily due to the continued increase in production at the Red Chris mine and the Mount Polley mine being operated at closer to nameplate capacity and included foreign exchange gains on current and non-current debt of \$30.7 million on revaluation of the Company's US Dollar denominated debt and net unrealized and realized losses of \$7.3 million related to derivative instruments.
- (g) The net loss in the June 2016 quarter was primarily due to the an increase in finance costs which were \$18.4 million in the June 2016 quarter compared to finance income of \$6.7 million in the March 2016 quarter and finance income of \$1.7 million in the June 2015 quarter. Lower realized foreign exchange gains and lower amounts of interest expense capitalized in the June 2016 quarter were the primary reasons for the increase in finance costs.

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, 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

		Three Months Ended June 30		Six Months Ended June 30	
		2016	2015	2016	2015
Loan guarantee fee for guarantee of second lien credit facility	(a)	\$311	\$251	\$561	\$461
Loan commitment fee	(h)	\$ -	\$300	\$ -	\$300
Interest expense	(f)	\$3,925	\$3,848	\$7,932	\$6,527

Statement of Financial Position

expressed in thousands of dollars

		June 30	December 31
		2016	2015
Accrued interest on senior unsecured notes and convertible debentures	(f)	\$1,416	\$1,882
Junior credit facility	(b)	\$75,000	\$75,000
Senior Unsecured notes (US\$53,300)	(c)	\$69,338	\$73,767
Convertible debentures	(d)(g)	\$57,600	\$57,600
Trade and other payables	(e)	\$ -	\$4

- (a) The loan guarantee fee is 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 \$75.0 million junior credit facility from Edco was used to fund any cost overruns at the Red Chris mine and for general working capital purposes.
- (c) 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.
- (d) Edco purchased \$40.0 million of the \$115.0 million convertible debentures in June 2015 which provided funding for completing and commissioning the Red Chris mine, remediating the effects of the Mount Polley Breach, and for ongoing operations.
- (e) Trade and other payables relate to mine operating services supplied in the normal course by a company in which Mr. Yurkowski, a director, is an owner.
- (f) Interest expense in the 2016 period is related to the senior unsecured notes, the junior credit facility and the convertible debentures.
- (g) N. Murray Edwards and directors purchased \$17.6 million of the \$30.0 million Convertible Debenture Private Placement which closed on August 24, 2015.
- (h) 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 in August 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.

OTHER

As at August 10, 2016 the Company had 81,761,028 common shares outstanding, and on a diluted basis 97,846,179 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.

There have been no changes in the Company's internal controls over financial reporting and disclosure controls and procedures during the period ended June 30, 2016 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 condensed consolidated interim financial position or financial performance.

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, BC was breached and at June 30, 2016 the Company has a provision of \$5,666 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 18). The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required and is subject to revision in the future as further information becomes available to the Company.

During the third quarter of 2014, a securities class action lawsuit was filed against the Company and certain of its directors, officers and others in the Ontario Superior Court of Justice in Toronto (the Claim). The Company has engaged

independent legal counsel to advise it on this matter. At this time the Company cannot predict the outcome of the Claim or determine the amount of any potential losses and accordingly, no provision has been made as of June 30, 2016. 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 in the Company's MD&A in the audited Consolidated Financial Statements for the year ended December 31, 2015. 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 also include forward-looking information, and our actual results may differ substantially from those discussed in these forward-looking information. Refer to *Forward-Looking Statements and Risks Notice*.

OUTLOOK

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

Operations, Earnings and Cash Flow

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. The target for 2016 production at Mount Polley is 27-29 million pounds copper and 48-52 thousand ounces gold. No target has been established for Huckleberry as it is milling stockpiled lower grade material and continued operation is dependent on a copper price increase.

Derivative instruments for the period April to December 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 June 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 several exploration properties located in Canada. However, the Company's focus is currently to minimize exploration expenditures on non-core projects. Only minimum exploration work is being undertaken on all projects.

Development

At Red Chris work continues to optimize the operation of our newest mine. Copper recovery has improved and averaged 78.8% for the first half of 2016 compared to 73.3% in the second half of 2015. Efforts to improve copper recovery continue. Copper and gold production in the month of May 2016 of 10.0 million pounds copper and 6,993 ounces gold set new monthly records.

Initial studies have indicated the mineralization below the current pit design has suitable geometry and anticipated rock conditions for a block cave design. A single lift of 500 metres will likely yield a mining rate of over 50,000 tonnes per day. Further work is warranted on this deep, higher grade deposit, and this work is expected to include drilling of approximately five 1,100 metre long diamond drill holes to confirm the geological and geotechnical conditions in the vicinity of the conceptual block cave.

Mount Polley obtained the permits required to return to normal operations using the repaired and buttressed TSF, which is now being used to store tailings. Water levels in the Springer pit are going down as treated water is being discharged from the site. Currently, milling operations are benefiting from the supply of higher grade tonnes from underground mining in the Boundary zone. Also, an exploration ramp from the underground Boundary zone workings is being driven to provide access for underground diamond drilling to further define the Martel zone for potential underground mining.

In response to lower copper prices, Huckleberry suspended open pit operations in January 2016, while continuing to mill stockpiles. Huckleberry will suspend milling operations and enter care and maintenance at the end of August.

Acquisitions

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



Condensed Consolidated Interim Financial Statements (unaudited)

For the Three and Six Months Ended June 30, 2016 and 2015

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	Notes	June 30 2016	December 31 2015
ASSETS			
Current Assets			
Cash		\$4,064	\$9,188
Marketable securities		213	86
Trade and other receivables	3	17,157	12,033
Inventory	4	60,330	67,540
Prepaid expenses and deposits		1,186	2,162
		<u>82,950</u>	<u>91,009</u>
Derivative Instrument Assets	12	17,649	30,632
Investment in Huckleberry Mines Ltd.	5	84,061	89,734
Mineral Properties	6	1,255,758	1,261,557
Other Assets	7	5,782	6,420
		<u>\$1,446,200</u>	<u>\$1,479,352</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	8	\$75,854	\$79,084
Deferred trade payables	9	7,834	-
Taxes payable		1,615	985
Short term debt	10	15,599	24,754
Provision for rehabilitation costs	18	5,666	2,123
Current portion of non-current debt	11	17,435	181,957
Current portion of future site reclamation provisions		54	58
		<u>124,057</u>	<u>288,961</u>
Non-Current Debt	11	817,779	707,750
Future Site Reclamation Provisions	13	37,465	32,685
Deferred Income Taxes		77,580	73,809
		<u>1,056,881</u>	<u>1,103,205</u>
EQUITY			
Share Capital	14	178,730	178,730
Share Option Reserve	14	16,227	14,789
Warrant Reserve		-	870
Equity Component of Convertible Debentures	11	25,534	25,534
Currency Translation Adjustment		7,334	9,169
Retained Earnings		161,494	147,055
		<u>389,319</u>	<u>376,147</u>
		<u>\$1,446,200</u>	<u>\$1,479,352</u>
Commitments and Pledges	4, 6, 26		
Contingent Liabilities	27		

See accompanying notes to these condensed consolidated interim financial statements.

Approved by the Board and authorized for issue on August 10, 2016

/s/ Larry G. Moeller

/s/ J. Brian Kynoch

Director

Director

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

	Notes	Second Quarter		Year to Date	
		Three Months Ended June 30	Three Months Ended June 30	Six Months Ended June 30	Six Months Ended June 30
		2016	2015	2016	2015
Revenue		\$116,200	\$1,726	\$252,985	\$3,259
Cost of Sales	15	(96,049)	(4,707)	(212,486)	(7,953)
Income (Loss) from Mine Operations		20,151	(2,981)	40,499	(4,694)
General and Administration	16	(1,717)	(1,734)	(4,011)	(4,020)
Finance (Costs) Income	17	(18,424)	1,702	(11,729)	(25,824)
Idle Mine Costs		-	(6,381)	-	(11,070)
Insurance Recoveries		-	11,000	-	11,000
Other Income (Expense)		32	84	(13)	289
Share of (Loss) Income in Huckleberry	5	(1,697)	626	(5,673)	33
(Loss) Income before Taxes		(1,655)	2,316	19,073	(34,286)
Income and Mining Tax (Expense) Recovery		(2,505)	(672)	(5,504)	2,546
Net (Loss) Income		(4,160)	1,644	13,569	(31,740)
Other Comprehensive Income (Loss)					
Items that may be subsequently reclassified to profit or loss					
Currency translation adjustment		89	(519)	(1,835)	2,195
Total Comprehensive (Loss) Income		<u>\$(4,071)</u>	<u>\$1,125</u>	<u>\$11,734</u>	<u>\$(29,545)</u>
(Loss) Earnings Per Share					
Basic	20	\$(0.05)	\$0.02	\$0.17	\$(0.42)
Diluted	20	\$(0.05)	\$0.02	\$0.17	\$(0.42)
Weighted Average Number of Common Shares Outstanding					
Basic	20	81,761,028	74,969,955	81,761,028	74,969,365
Diluted	20	81,761,028	75,598,141	81,863,358	74,969,365

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

	Share Capital		Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Currency Translation Adjustment	Retained Earnings	Total
	Number of Shares	Amount						
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	1,500	16	(7)	-	-	-	-	9
Share based compensation expense	-	-	213	-	-	-	-	213
Total comprehensive income (loss)	-	-	-	-	-	2,195	(31,740)	(29,545)
Balance June 30, 2015	74,970,268	\$123,875	\$14,674	\$870	\$20,906	\$6,070	\$212,276	\$378,671
Balance December 31, 2015	81,761,028	\$178,730	\$14,789	\$870	\$25,534	\$9,169	\$147,055	\$376,147
Share based compensation expense	-	-	1,438	-	-	-	-	1,438
Expiry of warrants	-	-	-	(870)	-	-	870	-
Total comprehensive income (loss)	-	-	-	-	-	(1,835)	13,569	11,734
Balance June 30, 2016	81,761,028	\$178,730	\$16,227	\$-	\$25,534	\$7,334	\$161,494	\$389,319

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

Notes	Second Quarter		Year to Date	
	Three Months Ended June 30	Three Months Ended June 30	Six Months Ended June 30	Six Months Ended June 30
	2016	2015	2016	2015
OPERATING ACTIVITIES				
(Loss) income before taxes	\$(1,655)	\$2,316	\$19,073	\$(34,286)
Items not affecting cash flows				
Share of loss (income) in Huckleberry	1,697	(626)	5,673	(33)
Depletion and depreciation	20,799	1,614	45,558	3,191
Share based compensation	690	107	1,438	213
Accretion of future site reclamation provisions	227	209	458	420
Unrealized foreign exchange losses (gains)	1,963	(7,540)	(28,966)	31,088
Unrealized (gains) losses on derivative instruments	(366)	3,833	12,982	(9,250)
Interest expense	17,114	2,265	33,654	4,931
Other	(142)	92	(118)	(65)
	40,327	2,270	89,752	(3,791)
Net change in non-cash operating working capital balances	21 4,783	(963)	3,527	(28,719)
Income and mining taxes paid	(870)	-	(870)	-
Interest paid	(9,747)	(4,713)	(29,214)	(21,972)
Cash provided (used) by operating activities	34,493	(3,406)	63,195	(54,482)
FINANCING ACTIVITIES				
Proceeds of short term debt	109,017	68,369	193,429	75,641
Repayment of short term debt	(100,435)	(45,834)	(202,017)	(45,834)
Proceeds of non-current debt	16,245	11,001	23,745	90,808
Repayment of non-current debt	(49,330)	(3,373)	(55,129)	(11,270)
Issue of share capital	-	9	-	9
Cash (used) provided by financing activities	(24,503)	30,172	(39,972)	109,354
INVESTING ACTIVITIES				
Acquisition and development of mineral properties	(23,410)	(35,945)	(33,878)	(69,179)
Net change in non-cash investing working capital balances	21 6,390	19,995	6,390	11,742
Proceeds on sale of mineral properties	32	83	32	83
Other	-	93	-	(12)
Cash used in investing activities	(16,988)	(15,774)	(27,456)	(57,366)
EFFECT OF FOREIGN EXCHANGE ON CASH (DECREASE) INCREASE IN CASH	(312)	28	(891)	99
CASH, BEGINNING OF PERIOD	11,374	6,498	9,188	19,913
CASH, END OF PERIOD	\$4,064	\$17,518	\$4,064	\$17,518

See accompanying notes to these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

1. NATURE OF OPERATIONS

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

The Company's key projects 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 unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to 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.

At June 30, 2016 the Company had cash of \$4,064 and a working capital deficiency of \$41,107, which included \$7,834 deferred trade payables (Note 9) compared to a working capital deficiency of \$197,952 at December 31, 2015, which included \$166,072 related to the senior secured revolving credit facility.

In May 2016 the Company extended the maturity date of the \$200,000 senior secured revolving credit facility to March 15, 2018 and modified certain terms and conditions of the senior secured revolving credit facility (Note 11(a)). Concurrently, the Company extended the maturity date of the second lien secured revolving credit facility from April 1, 2017 to August 15, 2018 and modified certain terms and conditions (Note 11(b)).

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and other sources of financing are expected to be sufficient to fund the working capital deficiency and the Company’s obligations as they come due. However, there are inherent risks related to the operations of the Company’s mines which could require additional sources of financing. There can be no assurance 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 ability to continue as a going concern.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2015.

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015 prepared in accordance with IFRS.

The preparation of condensed consolidated interim financial statements 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. The significant accounting judgments and estimates applied in the preparation of the Company’s unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 2 to the Company’s audited consolidated financial statements for the year ended December 31, 2015.

Changes in Accounting Standards Not Yet Effective

Financial Instruments

The International Accounting Standards Board (“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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

3. TRADE AND OTHER RECEIVABLES

	June 30 2016	December 31 2015
Trade receivables	\$15,911	\$10,557
Taxes receivable	1,246	1,476
	<u>\$17,157</u>	<u>\$12,033</u>

4. INVENTORY

	June 30 2016	December 31 2015
Stockpile ore	\$4,983	\$5,091
Dore	30	180
Concentrate	25,693	36,458
Supplies	29,624	25,811
	<u>\$60,330</u>	<u>\$67,540</u>

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Inventory recognized as expense during the period	<u>\$69,187</u>	<u>\$4,609</u>	<u>\$153,346</u>	<u>\$7,675</u>
Impairment charges on stock pile, ore under leach and concentrate inventory included in expense during the period	<u>\$6,584</u>	<u>\$2,744</u>	<u>\$9,204</u>	<u>\$4,674</u>

As at June 30, 2016 the Company had \$60,330 (December 31, 2015-\$67,540) of inventory pledged as security for debt.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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 mine is located 88 kilometres from 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.

	Six Months Ended June 30 2016	Year Ended December 31 2015
Balance, beginning of period	\$89,734	\$92,770
Share of loss for the period	(5,673)	(3,036)
Balance, end of period	<u>\$84,061</u>	<u>\$89,734</u>

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

Statement of Financial Position

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

	Six Months Ended June 30 2016	Year Ended December 31 2015
ASSETS		
Current Assets		
Cash	\$16,728	\$19,782
Other current assets	19,955	20,429
	<u>36,683</u>	<u>40,211</u>
Mineral Properties	181,741	187,687
Other Non-Current Assets	15,324	20,046
	<u>\$233,748</u>	<u>\$247,944</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	\$11,138	\$13,043
Other current liabilities	494	494
	<u>11,632</u>	<u>13,537</u>
Future Site Reclamation Provisions	53,493	48,735
Other Non-Current Liabilities	501	6,203
	<u>65,626</u>	<u>68,475</u>
EQUITY		
Share Capital	57,596	57,596
Retained Earnings	110,526	121,873
	<u>168,122</u>	<u>179,469</u>
	<u>\$233,748</u>	<u>\$247,944</u>

⁽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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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%

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Revenue	\$14,548	\$47,894	\$39,445	\$62,642
Cost of Sales	(18,403)	(46,413)	(54,754)	(62,890)
(Loss) Income from Mine Operations	(3,855)	1,481	(15,309)	(248)
General and Administration	3	352	(837)	1,133
Finance Costs	(359)	65	(677)	(287)
(Loss) Income Before Taxes	(4,211)	1,898	(16,823)	598
Income and Mining Tax Recovery (Expense)	817	(647)	5,477	(532)
Net (Loss) Income and Comprehensive (Loss) Income	<u>\$ (3,394)</u>	<u>\$ 1,251</u>	<u>\$ (11,346)</u>	<u>\$ 66</u>

Statement of Cash Flows

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
OPERATING ACTIVITIES				
Net (Loss) Income before taxes	\$ (4,211)	\$ 1,898	\$ (16,823)	\$ 598
Items not affecting cash flows				
Depletion and depreciation	5,285	7,834	13,584	10,670
Unrealized foreign exchange loss	120	(53)	385	119
Other	297	351	670	719
	<u>1,491</u>	<u>10,030</u>	<u>(2,184)</u>	<u>12,106</u>
Net change in non-cash operating working capital balances	878	(4,139)	(1,288)	(3,891)
Income and mining taxes paid	-	615	-	(3,406)
Cash provided by (used in) operating activities	<u>2,369</u>	<u>6,506</u>	<u>(3,472)</u>	<u>4,809</u>
INVESTING ACTIVITIES				
Acquisition and development of mineral properties	(2,849)	(8,403)	(3,919)	(15,067)
Other	89	(1,875)	4,722	(2,121)
Cash (used in) provided by investing activities	<u>(2,760)</u>	<u>(10,278)</u>	<u>803</u>	<u>(17,188)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH	<u>(120)</u>	<u>53</u>	<u>(385)</u>	<u>(119)</u>
DECREASE IN CASH	(511)	(3,719)	(3,054)	(12,498)
CASH, BEGINNING OF PERIOD	17,239	15,131	19,782	23,910
CASH, END OF PERIOD	<u>\$16,728</u>	<u>\$11,412</u>	<u>\$16,728</u>	<u>\$11,412</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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, 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
Additions	8,283	-	8,283
Depletion & Depreciation	-	14,229	(14,229)
Balance June 30, 2016	\$567,255	\$385,514	\$181,741

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

(b) Derivative Instruments

Huckleberry had no derivative instruments outstanding at June 30, 2016.

(c) Pledged Assets

At June 30, 2016 Huckleberry had pledged cash deposits of \$14,136 (December 31, 2015-\$14,136) and certain mining equipment with a net book value of \$12,882 (December 31, 2015-\$14,658) as security for future site reclamation obligations.

(d) Future Site Reclamation Provisions

Changes to the future site reclamation provisions are as follows:

	Six Months Ended June 30 2016	Year Ended December 31 2015
Balance, beginning of period	\$49,107	\$45,716
Accretion	779	1,482
Costs incurred during the period	(108)	(130)
Change in estimates of future costs and discount rate	3,962	2,039
Balance, end of period	53,740	49,107
Less portion due within one year	(247)	(372)
	\$53,493	\$48,735

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

(e) Reclamation Bonding Obligations

As at June 30, 2016 Huckleberry is obligated to increase its reclamation bond funding as follows:

2016	\$9,000
2017	18,000
	<u>\$27,000</u>

(f) Commitments

As at June 30, 2016 Huckleberry is committed to future minimum lease payments as follows:

	Operating Leases	Finance Leases
2016	\$47	\$131
2017	17	262
2018	10	65
2019	2	-
	<u>\$76</u>	<u>\$458</u>

As at June 30, 2016 Huckleberry did not have any contractual commitments to purchase property, plant or equipment.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

6. MINERAL PROPERTIES

Cost	Mineral Properties being Depleted	Mineral Properties not being Depleted			Construction in Progress	Total
		Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment		
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
Additions	6,208	268	131	32,736	-	39,343
Disposals	-	-	(45)	(276)	-	(321)
Foreign exchange movement	(752)	-	(2,178)	100	-	(2,830)
Balance as at June 30, 2016	\$337,377	\$56,033	\$48,653	\$1,150,608	\$ -	\$1,592,671

Accumulated depletion & depreciation & impairment losses	Mineral Properties being Depleted	Mineral Properties not being Depleted			Construction in Progress	Total
		Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment		
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
Depletion & depreciation	12,598	-	-	30,663	-	43,261
Disposals	-	-	-	(276)	-	(276)
Foreign exchange movement	(752)	-	-	(242)	-	(994)
Balance as at June 30, 2016	\$126,253	\$ -	\$1,645	\$209,015	\$ -	\$336,913

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
Balance as at June 30, 2016	\$211,124	\$56,033	\$47,008	\$941,593	\$ -	\$1,255,758

At June 30, 2016 the Company had contractual commitments totaling \$9,429 (December 31, 2015-\$nil) for the acquisition of property, plant and equipment.

At June 30, 2016 mineral property assets with a carrying value of \$1,370 (December 31, 2015-\$1,370) are legally restricted for the purposes of settling future site reclamation provisions (Note 26(b)).

During the six months ended June 30, 2016 the Company capitalized borrowing costs of \$Nil (June 30, 2015-\$24,441) related to the Red Chris project into construction in progress at a weighted average borrowing rate of Nil% (June 30, 2015-7.28%).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

Red Chris

The Red Chris copper/gold mine and property are owned by Red Chris Development Company Ltd., a subsidiary of the Company. The property is located 18 kilometres southeast of Iskut in northwest British Columbia, and is comprised of the Red Chris Main claim group and the Red Chris South group, consisting of 77 mineral tenures covering a total area of 23,142 hectares. Five of the tenures (5,141 hectares) are mining leases.

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

Mount Polley

The Mount Polley copper/gold mine and property are owned by Mount Polley Mining Corporation, a subsidiary of the Company. The property is located 56 kilometres northeast of Williams Lake in central British Columbia, and encompasses 19,601 hectares, consisting of seven mining leases totalling 2,007 hectares, and 45 mineral claims encompassing 17,594 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.

Sterling

The Sterling gold mine and property are owned by Sterling Gold Mining Corporation, a subsidiary of the Company. The property is located near Beatty, Nevada, and consists of 707 claims totalling 5,911 hectares. 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.

Sterling operated as an underground heap leach mine from 2012 until May 2015. Residual gold continues to be recovered from the heap.

Other Exploration Properties

The Company has interest in other early stage exploration properties located primarily in Canada. These properties were acquired by staking, and the cost of maintaining ownership is not significant.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

7. OTHER ASSETS

	June 30 2016	December 31 2015
Future site reclamation deposits	\$4,534	\$4,813
Other	1,248	1,607
	<u>\$5,782</u>	<u>\$6,420</u>

8. TRADE AND OTHER PAYABLES

	June 30 2016	December 31 2015
Trade payables	\$38,273	\$43,252
Accrued liabilities	37,581	35,832
	<u>\$75,854</u>	<u>\$79,084</u>

9. DEFERRED TRADE PAYABLES

	Six Months Ended June 30 2016	Year Ended December 31 2015
Balance beginning of period	\$ -	\$ -
Additions including interest	7,834	-
Balance end of period	<u>\$7,834</u>	<u>\$ -</u>

Deferred trade payables consist of amounts invoiced for electricity billings that have been deferred pursuant to a tariff supplement. The tariff supplement allows for deferral of up to 75% of the monthly electricity billing (the "Payment Plan") depending on the average London Metals Exchange 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 amounts is charged and added to the deferred trade payables balance at Bank Prime Rate plus 5%.

The Payment Plan commenced in March 2016 and 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 in March 2021.

10. SHORT TERM DEBT

Amounts due for short term debt are:

	June 30 2016	December 31 2015
Concentrate advances of US\$11,991 (December 31, 2015-US\$17,886) 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.	<u>\$15,599</u>	<u>\$24,754</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

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

	Six Months Ended June 30 2016	Year Ended December 31 2015
Balance, beginning of period	\$24,754	\$ -
Amounts advanced	193,429	203,876
Amounts repaid	(202,017)	(180,310)
Foreign exchange (gains) losses	(567)	1,188
Balance, end of period	<u>\$15,599</u>	<u>\$24,754</u>

11. NON-CURRENT DEBT

Amounts due for non-current debt are:

	June 30 2016	December 31 2015
Senior secured revolving credit facility, net of issue costs	(a) \$135,969	\$166,072
Second lien secured revolving credit facility, net of issue costs	(b) 49,894	49,728
Senior unsecured notes, net of issue costs	(c) 416,505	442,021
Junior credit facility	(d) 75,000	75,000
Convertible debentures - 2014	(e) 94,184	91,972
Convertible debentures - 2015	(f) 24,172	23,672
Equipment loans	(g) 39,490	41,242
	835,214	889,707
Less portion due within one year	(17,435)	(181,957)
	<u>\$817,779</u>	<u>\$707,750</u>

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

	Three Months Ended June 30 2016	Year Ended December 31 2015
Balance, beginning of period	\$889,707	\$706,847
Amounts advanced, net of issue costs	24,559	162,193
Foreign exchange (gains) losses	(28,595)	78,468
Accretion of debt issue costs	1,959	2,923
Accretion of interest on convertible debentures	2,713	4,641
Amounts repaid	(55,129)	(65,365)
Balance, end of period	835,214	889,707
Less portion due within one year	(17,435)	(181,957)
	<u>\$817,779</u>	<u>\$707,750</u>

(a) Senior Credit Facility

Senior secured revolving credit facility from a syndicate of banks aggregating \$200,000 (December 31, 2015-\$200,000) due on March 15, 2018. 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. \$36,162 of this facility (December 31, 2015-\$33,098) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 26(b)).

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(b) Second Lien Credit Facility

Second lien secured revolving credit facility aggregating \$50,000 (December 31, 2015-\$50,000) due on August 15, 2018. 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 syndicate. This facility has been guaranteed by a related party (Note 22).

(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, 2015-\$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.

(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 Toronto Stock Exchange 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 paid 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.

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(g) Equipment Loans

Seven finance contracts for US\$21,179 (December 31, 2015-US\$26,490) and six finance contracts for \$11,939 (December 31, 2015-\$4,580) at interest rates ranging from 2.50% to 5.95% with monthly installments of US\$942 and \$301, respectively.

- (i) Finance contract for US\$2,180 (December 31, 2015-US\$3,163) 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\$1,524 (December 31, 2015-US\$1,927) repayable in monthly installments of US\$71 including interest at a fixed rate of 2.50% and secured by the financed equipment.
- (iii) Finance contract for US\$1,726 (December 31, 2015-US\$2,127) repayable in monthly installments of US\$71 including interest at a fixed rate of 2.50% and secured by the financed assets.
- (iv) Finance contract for US\$2,116 (December 31, 2015-US\$2,587) repayable in monthly installments of US\$84 including interest at a fixed rate of 2.50% and secured by the financed equipment.
- (v) Finance contract for US\$212 (December 31, 2015-US\$259) repayable in monthly installments of US\$8 including interest at a fixed rate of 2.50% secured by the financed equipment.
- (vi) Finance contract for US\$4,203 (December 31, 2015-US\$5,305) repayable in monthly installments of US\$197 including interest at a fixed rate of 3.42% secured by the financed assets.
- (vii) Finance contract for US\$9,218 (December 31, 2015-US\$11,122) repayable in monthly installments of US\$340 at a fixed interest rate of 2.57% and secured by the financed equipment.
- (viii) Finance contract for \$4,044 (December 31, 2015-\$4,580) 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.
- (ix) Finance contract for \$2,125 (December 31, 2015-\$nil) repayable in monthly installments of \$62 at a fixed rate of 5.95% and secured by the financed equipment.
- (x) Finance contract for \$2,490 (December 31, 2015-\$nil) repayable in monthly installments of \$53 at a fixed rate of 5.95% and secured by the financed equipment.
- (xi) Finance contract for \$2,466 (December 31, 2015-\$nil) repayable in monthly installments of \$61 at a fixed rate of 5.95% and secured by the financed equipment.
- (xii) Finance contract for \$389 (December 31, 2015-\$nil) repayable in monthly installments of \$17 at a fixed rate of 5.45% and secured by the financed equipment.
- (xiii) Finance contract for \$425 (December 31, 2015-\$nil) repayable in monthly installments of \$8 at a fixed rate of 4.91% and secured by the financed equipment.

Effective June 30, 2016 the Company continues to be in full compliance with all financial covenants under its debt agreements except for one covenant in the finance contract in item (i) above which has a maturity of July 2017. Non-compliance with this covenant did not result in an event of default under the equipment loan agreement or under any of the Company's other credit facilities. At June 30, 2016 all amounts owing under this agreement are included in the current portion of non-current debt. Subsequent to June 30, 2016 the Company repaid the loan in full.

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12. DERIVATIVE INSTRUMENTS

Commodity Derivatives

The Company has no commodity derivative contracts outstanding at June 30, 2016.

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 11(c)). These cash flow hedges provided 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 Dollar 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.

On February 19, 2016 the Company sold US\$20,000 of the US\$110,000 cross currency swap for proceeds of \$5,662 leaving US\$90,000 remaining on the currency swap as of June 30, 2016.

At June 30, 2016 the fair value of the cross currency swap was an asset of \$17,649 (December 31, 2015-\$30,632).

13. 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:

	Six Months Ended June 30 2016	Year Ended December 31 2015
Balance, beginning of period	\$32,743	\$25,913
Accretion (Note 17)	458	844
Costs incurred during the period	-	(23)
Change in estimates of future costs and effect of translation of foreign currencies	4,318	6,009
Balance, end of period	37,519	32,743
Less portion due within one year	(54)	(58)
	<u>\$37,465</u>	<u>\$32,685</u>

The total undiscounted amount of estimated future cash flows required to settle the obligations is \$46,373 (December 31, 2015-\$45,231). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2015-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 2.76% (December 31, 2015-3.16%).

The obligations are expected to be settled primarily in the years 2017 through 2043.

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

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14. 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 June 30, 2016 a total of 4,246,703 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 six months ended June 30, 2016, the Company granted 15,000 stock options at a weighted average exercise price of \$8.00. During the year ended December 31, 2015 the Company granted 1,960,000 stock options 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%.

Movements in Share Options

The changes in share options were as follows:

	Six Months Ended June 30, 2016		Year Ended December 31, 2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	4,157,450	\$8.20	2,238,950	\$8.37
Granted	15,000	\$8.00	1,960,000	\$8.00
Exercised	-	\$ -	(21,500)	\$4.52
Forfeited	(201,000)	\$8.34	(20,000)	\$11.55
Expired	(42,050)	\$11.55	-	\$ -
Outstanding at end of period	3,929,400	\$8.16	4,157,450	\$8.20
Options exercisable at end of period	2,044,400	\$8.30	2,197,450	\$8.38

The following table summarizes information about the Company’s share options outstanding at June 30, 2016:

Exercise Prices	Options Outstanding		Options Exercisable	
	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$4.41	800,900	2.50	800,900	2.50
\$5.93	163,500	3.35	163,500	3.35
\$8.00	1,885,000	9.43	-	-
\$11.55	1,080,000	4.30	1,080,000	4.30
	3,929,400	6.35	2,044,400	3.52

For share options exercised during the year ended December 31, 2015, the weighted average share price at the date of exercise was \$8.33.

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15. COST OF SALES

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Operating expenses	\$57,010	\$2,442	\$123,218	\$4,086
Salaries, wages and benefits	18,058	2,195	43,419	3,624
Depletion and depreciation	20,716	70	45,295	243
Share based compensation	265	-	554	-
	<u>\$96,049</u>	<u>\$4,707</u>	<u>\$212,486</u>	<u>\$7,953</u>

16. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Administration	\$669	\$1,220	\$2,086	\$2,471
Share based compensation	425	148	884	197
Depreciation	82	179	262	358
Foreign exchange loss	541	187	779	994
	<u>\$1,717</u>	<u>\$1,734</u>	<u>\$4,011</u>	<u>\$4,020</u>

17. FINANCE INCOME (COSTS)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Accretion of future site reclamation provisions	\$(227)	\$(209)	\$(458)	\$(420)
Other interest	(789)	(693)	(966)	(711)
Interest on non-current debt	(16,325)	(1,572)	(32,688)	(4,220)
Foreign exchange (loss) gain on current debt	(297)	(145)	567	(193)
Foreign exchange (loss) gain on non-current debt	(1,283)	7,388	28,595	(30,895)
Fair value adjustment to marketable securities	107	45	127	(4)
Realized gain on derivative instruments	-	694	6,041	1,306
Unrealized gain (loss) on derivative instruments	366	(3,833)	(12,982)	9,250
	<u>(18,448)</u>	<u>1,675</u>	<u>(11,764)</u>	<u>(25,887)</u>
Interest income	24	27	35	63
Finance income (costs)	<u>\$(18,424)</u>	<u>\$1,702</u>	<u>\$(11,729)</u>	<u>\$(25,824)</u>

18. PROVISION FOR REHABILITATION COSTS

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, BC was breached and the Company charged \$67,435 to expense for the year ended December 31, 2014 to accrue for the estimated rehabilitation 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 condensed consolidated statements of income (loss) and comprehensive income (loss).

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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 June 30, 2016 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:

	Six Months Ended June 30 2016	Year Ended December 31 2015
Balance, beginning of the period	\$2,123	\$25,961
Adjustments (costs incurred) in the period including depreciation of \$nil (2015-\$1,332)	3,543	(23,838)
Balance, end of the period	5,666	2,123
Less portion to be incurred within one year	(5,666)	(2,123)
	\$ -	\$ -

19. INCOME AND MINING TAX EXPENSE (RECOVERY)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Current income and mining taxes	\$828	\$(3,688)	\$1,733	\$(3,663)
Deferred income and mining taxes	1,677	4,360	3,771	1,117
	\$2,505	\$672	\$5,504	\$(2,546)

20. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Numerator:				
Net (Loss) Income	\$(4,160)	\$1,644	\$13,569	\$(31,740)
Denominator:				
Basic weighted-average number of common shares outstanding	81,761,028	74,969,955	81,761,028	74,969,365
Effect of dilutive securities:				
Stock options, warrants and convertible debentures	-	628,186	102,330	-
Diluted weighted-average number of common shares outstanding	81,761,028	75,598,141	81,863,358	74,969,365
Basic net (loss) income per common share	\$(0.05)	\$0.02	\$0.17	\$(0.42)
Diluted net (loss) income per common share	\$(0.05)	\$0.02	\$0.17	\$(0.42)

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Stock options	3,929,400	-	3,128,500	2,237,450
Warrants	-	750,000	-	750,000
Convertible debentures	12,155,751	9,583,333	12,155,751	9,583,333

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21. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Trade and other receivables	\$8,476	\$(1,106)	\$(6,614)	\$7,393
Inventory	(7,113)	14,770	5,152	(5,322)
Derivative instruments	-	-	1,347	-
Prepaid expenses and deposits	567	(1,572)	976	(1,433)
Trade and other payables	(7,666)	(11,091)	(8,711)	(10,838)
Deferred trade payables	6,070	-	7,834	-
Derivative instrument liabilities	-	(30)	-	(215)
Provision for rehabilitation costs	4,449	(1,934)	3,543	(18,304)
	<u>\$4,783</u>	<u>\$(963)</u>	<u>\$3,527</u>	<u>\$(28,719)</u>

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

During the six months ended June 30, the Company purchased certain mobile equipment at a cost of \$814 which was financed by long term debt (Note 11(g)).

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Trade and other payables	<u>\$6,390</u>	<u>\$19,995</u>	<u>\$6,390</u>	<u>\$11,742</u>

22. RELATED PARTY TRANSACTIONS

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Loan guarantee fee for guarantee of second lien credit facility	\$311	\$251	\$561	\$461
Loan commitment fee	\$ -	\$300	\$ -	\$300
Interest expense	\$3,925	\$3,848	\$7,932	\$6,527

Statement of Financial Position

	June 30	December 31
	2016	2015
Accrued interest on senior unsecured notes and convertible debentures	\$1,416	\$1,882
Junior credit facility	\$75,000	\$75,000
Senior unsecured notes (US\$53,300)	\$69,338	\$73,767
Convertible debentures	\$57,600	\$57,600
Trade and other payables	\$ -	\$4

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

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23. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel during the six months ended June 30, 2016 and 2015 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Short term benefits ⁽¹⁾	\$323	\$349	\$647	\$689
Share based payments ⁽²⁾	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Short term employee benefits include salaries, estimated bonuses payable within six months of the Statement of Financial Position date and other annual employee benefits. Directors and other key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the Six Months Ended June 30, 2016 and 2015.

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

24. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All of the Company's assets are located in Canada, except for assets comprised primarily of the Sterling mine totaling \$33,264 as at June 30, 2016 (December 31, 2015-\$35,665) which are located in the USA. 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

	Three Months Ended June 30, 2016					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	\$92,060	\$24,700	\$32	\$ -	\$293	\$117,085
Less inter-segment revenues	(32)	(673)	(32)	-	(148)	(885)
Revenues from external sources	\$92,028	\$24,027	\$ -	\$ -	\$145	\$116,200
Depletion and depreciation	\$14,667	\$5,945	\$104	\$ -	\$83	\$20,799
Finance (costs) income	\$(15,636)	\$(2,869)	\$(39)	\$ -	\$120	\$(18,424)
Share of loss in Huckleberry	\$ -	\$ -	\$ -	\$(1,697)	\$ -	\$(1,697)
Net income (loss)	\$5,286	\$(7,477)	\$(498)	\$(1,697)	\$226	\$(4,160)
Capital expenditures	\$10,994	\$13,157	\$ -	\$ -	\$86	\$24,237
Equity investment	\$ -	\$ -	\$ -	\$84,061	\$ -	\$84,061
Total assets	\$1,004,189	\$297,588	\$33,095	\$84,061	\$27,267	\$1,446,200
Total liabilities	\$832,816	\$205,250	\$5,007	\$ -	\$13,808	\$1,056,881

	Three Months Ended June 30, 2015					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	\$ -	\$(99)	\$1,602	\$ -	\$348	\$1,851
Less inter-segment revenues	-	-	-	-	(125)	(125)
Revenues from external sources	\$ -	\$(99)	\$1,602	\$ -	\$223	\$1,726
Depletion and depreciation	\$ -	\$1,365	\$70	\$ -	\$179	\$1,614
Finance income (costs)	\$3,113	\$(1,289)	\$(31)	\$ -	\$(91)	\$1,702
Share of loss in Huckleberry	\$ -	\$ -	\$ -	\$626	\$ -	\$626
Net income (loss)	\$3,161	\$6,944	\$(3,106)	\$626	\$(5,981)	\$1,644
Capital expenditures	\$31,314	\$17,372	\$70	\$ -	\$193	\$48,949
Equity investment	\$ -	\$ -	\$ -	\$92,803	\$ -	\$92,803
Total assets	\$977,478	\$286,802	\$33,167	\$92,803	\$49,783	\$1,440,033
Total liabilities	\$788,641	\$199,843	\$4,300	\$ -	\$68,578	\$1,061,362

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Reportable Segments

	Six Months Ended June 30, 2016					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	\$176,952	\$77,009	\$229	\$ -	\$608	\$254,798
Less inter-segment revenues	(63)	(1,382)	(54)	-	(314)	(1,813)
Revenues from external sources	\$176,889	\$75,627	\$175	\$ -	\$294	\$252,985
Depletion and depreciation	\$29,050	\$16,005	\$240	\$ -	\$263	\$45,558
Finance (costs) income	\$(7,761)	\$(4,035)	\$(76)	\$ -	\$143	\$(11,729)
Share of loss in Huckleberry	\$ -	\$ -	\$ -	\$(5,673)	\$ -	\$(5,673)
Net income (loss)	\$26,495	\$(5,022)	\$(1,046)	\$(5,673)	\$(1,185)	\$13,569
Capital expenditures	\$17,904	\$16,669	\$18	\$ -	\$101	\$34,692
Equity investment	\$ -	\$ -	\$ -	\$84,061	\$ -	\$84,061
Total assets	\$1,004,189	\$297,588	\$33,095	\$84,061	\$27,267	\$1,446,200
Total liabilities	\$832,816	\$205,250	\$5,007	\$ -	\$13,808	\$1,056,881

	Six Months Ended June 30, 2015					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	\$ -	\$(192)	\$2,937	\$ -	\$777	\$3,522
Less inter-segment revenues	-	-	-	-	(263)	(263)
Revenues from external sources	\$ -	\$(192)	\$2,937	\$ -	\$514	\$3,259
Depletion and depreciation	\$ -	\$2,590	\$243	\$ -	\$358	\$3,191
Finance (costs) income	\$(20,761)	\$(5,016)	\$(63)	\$ -	\$16	\$(25,824)
Share of loss in Huckleberry	\$ -	\$ -	\$ -	\$33	\$ -	\$33
Net (loss) income	\$(20,043)	\$(1,370)	\$(5,058)	\$33	\$(5,302)	\$(31,740)
Capital expenditures	\$67,538	\$25,607	\$97	\$ -	\$378	\$93,620
Equity investment	\$ -	\$ -	\$ -	\$92,803	\$ -	\$92,803
Total assets	\$977,478	\$286,802	\$33,167	\$92,803	\$49,783	\$1,440,033
Total liabilities	\$788,641	\$199,843	\$4,300	\$ -	\$68,578	\$1,061,362

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

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

Revenue by Geographic Area

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Canada	\$145	\$223	\$294	\$514
Korea	17,410	-	33,611	-
Singapore	18,886	-	52,887	-
Switzerland	17,458	-	52,117	-
United States	62,301	1,503	114,076	2,745
	<u>\$116,200</u>	<u>\$1,726</u>	<u>\$252,985</u>	<u>\$3,259</u>

Revenues are attributed to geographic area based on country of customer. In the six months ended June 30, 2016, the Company had five principal customers (June 30, 2015—one principal customer) accounting for 30%, 21%, 21%, 15% and 13% of revenues (June 30, 2015—90%). 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 first quarter 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:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Copper	\$72,368	\$(52)	\$157,379	\$(172)
Gold	41,631	1,555	91,857	2,915
Silver	2,056	-	3,455	2
Other	145	223	294	514
	<u>\$116,200</u>	<u>\$1,726</u>	<u>\$252,985</u>	<u>\$3,259</u>

25. FINANCIAL INSTRUMENTS

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 11(c)), management believes that the carrying value of remaining non-current and short term debt approximates fair value. At June 30, 2016 the fair value of the Notes is \$380,217 (December 31, 2015-\$425,061) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at June 30, 2016 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	\$4,064	\$ -	\$4,064
Marketable securities	213	-	213
Provisionally priced accounts receivables	-	4,404	4,404
Derivative instruments assets	-	17,649	17,649
Future site reclamation deposits	4,534	-	4,534
	<u>8,811</u>	<u>22,053</u>	<u>30,864</u>
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(2,698)	(2,698)
	<u>\$8,811</u>	<u>\$19,355</u>	<u>\$28,166</u>

26. COMMITMENTS AND PLEDGES

(a) At June 30, 2016, the Company is committed to future minimum operating lease payments as follows:

2016	\$322
2017	316
2018	99
2019	87
2020 and beyond	14
	<u>\$838</u>

(b) At June 30, 2016, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets	\$4,534
Mineral property, plant and equipment	1,370
Letters of credit (Note 11(a))	36,162
	<u>\$42,066</u>

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

2016	\$1,570
2017	2,861
2018	1,740
	<u>\$6,171</u>

(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 Northwest 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.

(e) At June 30, 2016 the Company had commitments to purchase property, plant and equipment at a cost of \$9,429.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2016 and 2015

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27. CONTINGENT LIABILITIES

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

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, BC was breached and at June 30, 2016 the Company has a provision of \$5,666 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 18). The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required and is subject to revision in the future as further information becomes available to the Company.

During the third quarter of 2014, a securities class action lawsuit was filed against the Company and certain of its directors, officers and others in the Ontario Superior Court of Justice in Toronto (the Claim). The Company has engaged independent legal counsel to advise it on this matter. At this time the Company cannot predict the outcome of the Claim or determine the amount of any potential losses and accordingly, no provision has been made as of June 30, 2016. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.