Imperial Metals

First Quarter Report 2019

For the Three Months Ended March 31, 2019 and 2018

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Management's Discussion & Analysis

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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 months ended March 31, 2019 including the notes thereto ("the Interim Financial Statements"), as well as the audited Consolidated Financial Statements and Management's Discussion & Analysis for the year ended December 31, 2018. This MD&A contains statements that may be considered forward-looking information, and therefore investors are directed to review the "Forward-Looking Statements & Risks Notice" within this MD&A.

The Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard 34, Interim Financial Reporting.

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

Imperial is a Canadian mining company active in the acquisition, exploration, development, mining and production of base and precious metals. The Company, through its subsidiaries, owns the Red Chris, Mount Polley and Huckleberry copper mines in British Columbia. Imperial also holds a 50% interest in the Ruddock Creek lead/zinc property in British Columbia. Imperial has interests in various other early stage exploration properties, however exploration is currently focused at existing mining operations. The Company also continues to evaluate potential acquisitions.

Imperial's principal business registered and records office address is Suite 200, 580 Hornby Street, Vancouver, British Columbia V6C 3B6 Canada. The Company was incorporated under the British Columbia *Company Act*, which was superseded by the British Columbia *Business Corporations Act*, on December 6, 2001 under the name IMI Imperial Metals Inc. Imperial changed its name to Imperial Metals Corporation on April 10, 2002.

The Company is listed on The Toronto Stock Exchange and its shares trade under symbol III. As at May 14, 2019, the Company had 127,110,479 common shares outstanding, and on a diluted basis 142,917,891 common shares outstanding.

Additional Company disclosure can be obtained from *imperialmetals.com* or *sedar.com*.

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.

On January 7, 2019, due to declining copper prices, the Company announced that the Mount Polley mine would suspend operations at the end of May 2019. The mine is expected to remain on care and maintenance until the economics of mining improve.

On January 17, 2019, the Company issued 3,542,814 common shares in payment of $4.3 million of interest due on the Convertible Debentures.

On February 15, 2019, the Company issued 2,785,080 common shares in payment of $3.8 million of interest due on September 30, 2018 and December 31, 2018 for the Junior Credit Facility.

In mid-February and early March the Company also extended the maturity dates on a number of its credit facilities to mature on March 15, 2019.

On March 10, 2019, the Company entered into an agreement to sell a 70% interest in the Red Chris mine to Newcrest Mining Limited ("Newcrest") for US$806.5 million in cash, while retaining a 30% interest in the mine (the "Newcrest Transaction"). The Company and Newcrest will form a joint venture for the operation of the Red Chris mine going forward, with Newcrest acting as operator. The consideration payable will be subject to customary adjustments for certain assumed equipment loans, working capital and non-financial debt at closing.

On March 14, 2019, the Company extended the maturity dates on a number of its credit facilities as follows:

- the Senior Credit Facility extended from March 15, 2019 to September 5, 2019
- the Second Lien Credit Facility extended from March 15, 2019 to September 9, 2019
- the Junior Credit Facility from March 15, 2019 to September 12, 2019
- the Bridge Loan extended from March 15, 2019 to September 11, 2019

On March 15, 2019, the Company refinanced US$98.4 million of its US$325.0 million Senior Unsecured Notes due March 15, 2019 (the "Senior Notes"). Edco Capital Corporation (Edco"), a company controlled by a significant shareholder of the Company, subscribed for US$98.4 million of additional Senior Notes on the same terms and conditions as the existing Senior Notes. Such funding enabled the Company to repay an equal dollar amount of the principal of the Senior Notes that were payable in full on March 15, 2019, being US$98.4 million. The remaining existing holders of Senior Notes in the principal amount of US$226.6 million agreed, as did Edco in respect to the additional Senior Notes, to extend the maturity date of the Senior Notes until September 15, 2019.

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's significant accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2018.

In January 2016, the International Accounting Standards Board 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. All other leases within the scope of IFRS 16 are required to be brought on-balance sheet by lessees – recognizing a "right-of-use" asset and the related lease liability at commencement of the lease, with subsequent accounting generally similar to finance lease model under IAS 17.

The Company adopted IFRS 16 on January 1, 2019, using the modified retrospective approach, in accordance with the transitional provisions in IFRS 16. The Company identified and collected data relating to existing agreements that extended beyond January 1, 2019, that contained right-of-use assets. These include service contracts that may contain embedded leases for property, plant and equipment. Additionally, the Company has adopted the exemption for leases with a lease term of 12 months or less and for leases that are low value. Given that the Company's existing operating leases were trivial, no adjustment to equity has been recognized upon IFRS 16 adoption on January 1, 2019.

QUARTER HIGHLIGHTS

FINANCIAL

On March 10, 2019, the Company entered into an agreement to sell a 70% interest in the Red Chris mine to Newcrest. In accordance with IFRS, the Company has classified Red Chris mine as a discontinued operation effective January 1, 2019 and asset held for sale as at March 31, 2019, and the prior year comparative quarter consolidated statement of income has been restated accordingly. Unless otherwise stated this MD&A will report the total of continuing and discontinued operations as one total for ease of comparison with the prior comparative period.

Total revenue decreased to $76.7 million in the March 2019 quarter compared to $117.9 million in the 2018 comparative quarter, a decrease of $41.2 million or 34.9%. Revenue from the Red Chris mine in the March 2019 quarter was $62.9 million compared to $81.9 million in the 2018 comparative quarter. This decrease was attributable to a lower quantity of copper concentrate sold along with lower copper prices and slightly higher gold prices partially offset by the positive revenue revaluation noted below. Revenue from the Mount Polley mine in the March 2019 quarter was $13.8 million compared to $36.0 million in the 2018 comparative quarter due to lower production which was partially offset by the positive revenue revaluation noted below.

In the March 2019 quarter, there were 2.6 concentrate shipments from the Red Chris mine (2018-4.0 concentrate shipments) and 0.3 concentrate shipments from the Mount Polley mine (2018-1.0 concentrate shipment). 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 London Metals Exchange cash settlement copper price per pound averaged US$2.82 in the March 2019 quarter compared to US$3.16 in the 2018 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,304 in the March 2019 quarter compared to US$1,329 in the 2018 comparative quarter. The average CDN/US Dollar exchange rate was 1.329 in the March 2019 quarter, 5% higher than the exchange rate of 1.265 in the March 2018 quarter. In CDN Dollar terms the average copper price in the March 2019 quarter was CDN$3.75 per pound compared to CDN$4.00 per pound in the 2018 comparative quarter, and the average gold price in the March 2019 quarter was CDN$1,734 per ounce compared to CDN$1,681 per ounce in the 2018 comparative quarter.

Revenue in the March 2019 quarter increased by $2.5 million due to a positive revenue revaluation as compared to a $5.6 million negative revenue revaluation in the 2018 comparative quarter. Revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher or lower than when the revenue was initially recorded or the copper price at the last balance sheet date and finalization of contained metal as a result of final assays.

Net loss from continuing operations for the March 2019 quarter was $2.3 million ($0.02 per share) compared to net loss of $31.1 million ($0.27 per share) in the 2018 comparative quarter. The decrease in net loss of $28.8 million was primarily due to the following factors:

- Loss from mine operations went from income of $0.2 million in March 2018 to a loss of $2.5 million in March 2019, an increase in net loss of $2.7 million.
- Interest expense went from $17.8 million in March 2018 to $18.4 million in March 2019, an increase in net loss of $0.6 million.
- Foreign exchange gains/losses on current and non-current debt went from a loss of $11.3 million in March 2018 to a gain of $9.1 million in March 2019, a decrease in net loss of $20.4 million.
- Tax recovery went from $1.2 million in March 2018 to $14.1 million in March 2019, a decrease in net loss of $12.9 million.

The March 2019 quarter net income included a foreign exchange gain from continuing operations related to changes in CDN/US Dollar exchange rate of $8.9 million compared to a foreign exchange loss of $11.4 million in the 2018 comparative quarter. The $8.9 million foreign exchange gain is comprised of a $9.1 million gain on the senior notes and a $0.2 million loss on operational items. The average CDN/US Dollar exchange rate in the March 2019 quarter was 1.329 compared to an average of 1.265 in the 2018 comparative quarter.

Cash flow from continuing operations was $nil in the March 2019 quarter compared to cash flow of $4.7 million in the 2018 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 attributed to continuing operations was $0.7 million in the March 2019 quarter, down from $4.2 million in the 2018 comparative quarter. The majority of the March 2019 expenditures were related to curtailment expenditures for the Mount Polley shutdown.

At March 31, 2019, the Company has not hedged any copper, gold or CDN/US Dollar exchange. 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.

OPERATIONS

Red Chris Mine [(1)]

Red Chris first quarter metal production was 13.10 million pounds copper and 8,317 ounces gold. Mill throughput averaged 26,315 tonnes per calendar day during the first quarter, down from the 28,783 achieved in the same quarter last year. Metal recoveries were 73.84% copper and 48.06% gold, compared to 77.22% copper and 47.37% gold in the comparable 2018 quarter.

The reduced throughput and recovery in the quarter were the result of challenges with water reclaim quantity and quality. A large portion of the available water in the Tailings Impoundment Area became unavailable due to freezing, owing to extreme cold temperatures. Operations were sustained by utilizing the available free water to continue operations at a reduced rate. The period of reduced operations extended from about February 9 to March 28, with warming temperatures and adjusted tailings deposition management providing sufficient water for operations to return to normal throughput rates.

	Three Months Ended March 31	
	2019	2018
Ore milled - *tonnes*	2,368,337	2,590,490
Ore milled per calendar day - *tonnes*	26,315	28,783
Grade % - copper	0.340	0.447
Grade g/t - gold	0.227	0.310
Recovery % - copper	73.84	77.22
Recovery % - gold	48.06	47.37
Copper – *000's pounds*	13,100	19,725
Gold – *ounces*	8,317	12,215
Silver – *ounces*	22,627	34,881

Exploration, development and capital expenditures were $9.3 million in the March 2019 quarter compared to $4.9 million in the comparative 2018 quarter.

(1) The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 and the comparative period has been restated accordingly.

Mount Polley Mine

Mount Polley first quarter metal production was 2.31 million pounds copper and 6,147 ounces gold. Mill throughput averaged 13,653 tonnes per calendar day during the first quarter. Metal recoveries were 38.37% copper and 57.47% gold, compared to 75.67% copper and 73.75% gold in the comparable 2018 quarter. Copper oxide percentages in the 2019 first quarter averaged 40.9%, up substantially from the average of 13.4% in the comparable 2018 quarter. Copper oxide content negatively impacted metal recoveries as copper oxide minerals do not respond well to flotation recovery methods.

Extremely cold winter temperatures also affected the Mount Polley mill throughput during the first quarter. Freezing ore in chutes and stockpiles limited the milling rates from the latter part of January into late February. During February 2019, only 9,764 dry metric tonnes were treated per calendar day milled, versus 17,531 dry metric tonnes treated during February 2018. Warmer temperatures in March improved mill throughput, which averaged over 16,000 tonnes per day in March and about 18,000 tonnes per day for the first 20 days of April. Milling of low grade stockpiles are targeted to continue to the end of May 2019, at which time the mine will be placed on care and maintenance until there is a sustained improvement in the price of copper.

	Three Months Ended March 31	
	2019	2018
Ore milled - *tonnes*	1,228,767	1,612,486
Ore milled per calendar day - *tonnes*	13,653	17,917
Grade % - copper	0.222	0.200
Grade g/t - gold	0.271	0.321
Recovery % - copper	38.37	75.67
Recovery % - gold	57.47	73.75
Copper – *000's pounds*	2,305	5,372
Gold – *ounces*	6,147	12,280
Silver – *ounces*	6,511	8,965

Exploration, development and capital expenditures were $0.7 million in the March 2019 quarter compared to $4.2 million in the comparative 2018 quarter.

Huckleberry Mine

Huckleberry continues to be on care and maintenance. For the quarter ending March 31, 2019, Huckleberry incurred idle mine costs comprised of $1.2 million in operating costs and $0.2 million in depreciation expense.

EARNINGS AND CASH FLOW

During the first quarter of 2019, the Company entered into an agreement for the sale of a 70% interest in the Red Chris Mine and it expects to complete the sale by the third quarter of 2019. As a result, this operation has been classified as a discontinued operation effective January 1, 2019 and the comparative periods have been restated.

Select Quarter Financial Information

Expressed in thousands, except share and per share amounts	Three Months Ended March 31	
	2019	2018
Continuing operations:		
Total revenues	$13,803	$36,027
Net loss	$(2,337)	$(31,078)
Net loss per share	$(0.02)	$(0.27)
Diluted loss per share	$(0.02)	$(0.27)
Adjusted net loss (1)	$(11,389)	$(19,666)
Adjusted net loss per share (1)	$(0.09)	$(0.16)
Adjusted EBITDA(1)	$(3,566)	$4,798
Cash flow (1)(2)	$25	$4,677
Cash flow per share (1)(2)	$(0.00)	$0.04
Discontinued operations:		
Total revenues	$62,878	$81,885
Net income	$69	$15,244
Net income per share	$0.00	$0.13
Diluted income (loss) per share	$0.00	$0.13
Adjusted net income (loss) (1)	$(225)	$15,344
Adjusted net income (loss) per share (1)	$(0.00)	$0.13
Adjusted EBITDA(1)	$10,553	$31,594
Cash flow (1)(2)	$10,260	$31,594
Cash flow per share (1)(2)	$0.08	$0.27
Working capital deficiency (3)	$727,836	$789,470
Total assets	$1,588,745	$1,573,903
Total debt (including current portion)	$874,329	$829,698

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

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

(3) Excludes assets and liabilities held for sale.

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

expressed in thousands	Three Months Ended March 31	
	2019	2018
Net loss before undernoted items from continuing operations	$(7,961)	($6,626)
Interest expense	(13,423)	(13,040)
Recovery of BC mineral taxes including interest	9,425	-
Foreign exchange gain (loss) on debt	9,052	(11,412)
Net loss from continuing operations	$(2,907)	$(31,078)

NON-IFRS FINANCIAL MEASURES

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

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

Adjusted Net Loss and Adjusted Net Loss per Share

Adjusted net loss from continuing operations in the March 2019 quarter was $11.4 million ($0.09 per share) compared to an adjusted net loss of $19.7 million ($0.16 per share) in the 2018 comparative quarter. Adjusted net loss reflects the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net loss is calculated by removing the gains or losses, resulting from mark to market revaluation of derivative instruments, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax and other adjustments as further detailed in the following table.

Calculation of Adjusted Net Loss

expressed in thousands, except share and per share amounts	Three Months Ended March 31	
	2019	2018
Net loss reported from continuing operations	$(2,337)	$(31,078)
Unrealized foreign exchange (gain) loss on debt, net of tax [1]	(9,052)	11,412
Adjusted net loss from continuing operations	(11,389)	(19,666)
Adjusted net income (loss) from discontinued operations	(225)	14,912
Total adjusted net loss reported	$(11,614)	$(4,754)
Basic weighted average number of common shares outstanding	125,088,105	116,858,528
Adjusted net loss per share from continuing operations	$(0.09)	$(0.16)
Adjusted net loss per share from discontinued operations	$(0.00)	$0.13
Total adjusted net loss per share	$(0.09)	$(0.03)

(1) 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.

Adjusted EBITDA

Adjusted EBITDA from continuing operations in the March 2019 quarter was a loss of $3.6 million compared to income of $5.1 million in the 2018 comparative quarter. We define Adjusted EBITDA as net income (loss) before interest expense, taxes, depletion and depreciation, and as adjusted for certain other items described in the following reconciliation table.

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

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

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

expressed in thousands	Three Months Ended March 31	
	2019	2018
Net loss from continuing operations	$(2,337)	$(31,078)
Adjustments:		
Income and mining tax recovery	(14,075)	(1,241)
Interest expense	18,388	17,863
Depletion and depreciation	2,844	7,797
Accretion of future site reclamation provisions	657	686
Share based compensation	109	151
Foreign exchange (gain) loss	(9,280)	11,791
Revaluation (gain) loss on marketable securities	158	(839)
Other	(30)	-
Adjusted EBITDA from continuing operations	(3,566)	5,130
Adjusted EBITDA from discontinued operations	10,553	31,262
Total adjusted EBITDA	$6,987	$36,392

Cash Flow and Cash Flow Per Share

Cash flow in the March 2019 quarter from continuing operations was $nil compared to positive $4.7 million in the 2018 comparative quarter. Cash flow per share was $(0.00) in the March 2019 quarter compared to $0.04 in the 2018 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.

expressed in thousands, except per share and per share amounts	Three Months Ended March 31	
	2019	2018
Loss before taxes from continuing operations	$(16,412)	$(32,319)
Items not affecting cash flows		
Depletion and depreciation	2,844	7,797
Share based compensation	109	182
Accretion of future site reclamation provisions	657	686
Fair value adjustment for debt settled in common shares	3,356	-
Unrealized foreign exchange (gain) loss	(9,012)	11,357
Interest expense	18,397	17,813
Other	86	(839)
Cash flow from continuing operations	25	4,677
Cash flow from discontinued operations	10,260	31,281
Total cash flow	$10,285	$35,958
Basic weighted average number of common shares outstanding	125,088,105	116,858,528
Cash flow per share from continuing operations	$(0.00)	$0.04
Cash flow per share from discontinued operations	$0.08	$0.27
Total cash flow per share	$0.08	$0.31

Cash Cost Per Pound of Copper Produced

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

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. Off-site costs include transportation, warehousing, marketing, related insurance and treatment and refining 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. 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 Huckleberry mine was 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$ for the three months ended March 31, 2019 and 2018.

Cash Cost Per Pound of Copper Produced
expressed in thousands, except cash cost per pound of copper produced

	Three Months Ended March 31, 2019			
	Red Chris*	Mount Polley**	Total per Financial Statements**	Composite
	A	B		C=A+B
Cost of sales	$61,769	$16,330	$16,330	$78,099
Less:				
Depletion and depreciation	(9,090)	(2,623)	(2,623)	(11,713)
Share based compensation	72	(16)	(16)	56
Cash costs before adjustment to production basis	52,751	13,691	$13,691	$66,442
Adjust for inventory change	2,440	5,002		7,442
Adjust transportation and offsite costs	(179)	239		60
Treatment, refining and royalty costs	5,639	975		6,614
By-product and other revenues	(13,552)	(10,510)		(24,062)
Cash cost of copper produced in CDN$	$47,099	$9,397		$56,496
US$ to CDN$ exchange rate	*1.3294*	*1.3294*		*1.3294*
Cash cost of copper produced in US$	$35,429	$7,069		$42,497
Copper produced – pounds	*13,100*	*2,305*		*15,405*
Cash cost per lb copper produced in US$	$2.70	$3.07		$2.76

	Three Months Ended March 31, 2018			
	Red Chris*	Mount Polley**	Total per Financial Statements**	Composite
	A	B		C=A+B
Cost of sales	$63,659	$36,683	$36,683	$100,342
Less:				
Depletion and depreciation	(12,991)	(8,275)	(8,275)	(21,266)
Share based compensation	(22)	(28)	(28)	(50)
Cash costs before adjustment to production basis	50,646	28,380	$28,380	$79,026
Adjust for inventory change	5,832	(347)		5,485
Adjust transportation and offsite costs	69	75		144
Treatment, refining and royalty costs	6,095	1,461		7,556
By-product and other revenues	(19,303)	(20,128)		(39,431)
Cash cost of copper produced in CDN$	$43,339	$9,441		$52,780
US$ to CDN$ exchange rate	*1.2650*	*1.2650*		*1.2650*
Cash cost of copper produced in US$	$34,260	$7,463		$41,723
Copper produced – pounds	*19,725*	*5,372*		*25,097*
Cash cost per lb copper produced in US$	$1.74	$1.39		$1.66

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 and prior periods have been restated.
** The Mount Polley Mine is a continuing operation.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2019 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2018 FROM CONTINUING OPERATIONS

Overview

Revenues decreased to $13.8 million in the March 2019 quarter compared to $36.0 million in the 2018 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 recorded a loss from mine operations of $2.5 million in the March 2019 quarter compared to a loss of $0.1 million in the 2018 comparative quarter.

Net loss for the March 2019 quarter was $2.3 million ($0.02 per share) compared to a net loss of $31.1 million ($0.27 per share) in the 2018 comparative quarter.

Revenue

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31	
	2019	2018
Revenue before revaluation from:		
Continuing operations	$13,417	$38,232
Discontinued operations	60,791	85,264
Revenue revaluation from:		
Continuing operations	386	(2,205)
Discontinued operations	2,087	(3,379)
	$76,681	$117,912

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31, 2019		
	Red Chris Mine*	Mount Polley Mine	Total
Sales			
Copper – *000's pounds*	*13,940*	*1,503*	*15,443*
Gold – *ounces*	*9,148*	*4,373*	*13,521*
Silver – *ounces*	*24,006*	*4,671*	*28,677*
Revenue			
Copper	$47,589	$7,953	$55,542
Gold	15,035	5,726	20,761
Silver	254	123	377
	62,878	13,802	76,680
Corporate	-	-	1
Total Revenue	$62,878	$13,802	$76,681

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31, 2018		
	Red Chris Mine*	Mount Polley Mine	Total
Sales			
Copper – *000's pounds*	*19,150*	*5,210*	*24,360*
Gold – *ounces*	*11,477*	*11,772*	*23,249*
Silver – *ounces*	*34,676*	*8,552*	*43,228*
Revenue			
Copper	$63,474	$16,679	$80,153
Gold	18,220	19,342	37,562
Silver	191	6	197
Total Revenue	$81,885	$36,027	$117,912

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 and prior periods have been restated.

During the March 2019 quarter the Company sold 15.4 million pounds copper and 13,521 ounces gold compared to 24.4 million pounds copper and 23,249 ounces gold in the 2018 comparative quarter.

During the March 2019 quarter there were 2.6 concentrate shipments from Red Chris mine (2018–4.0 concentrate shipments) and 0.3 concentrate shipments from Mount Polley mine (2018-1.0 concentrate shipment).

During the March 2019 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 82.0% and Mount Polley mine accounted for 18.0% of the Company's revenue in the March 2019 quarter. Copper accounted for 72.4% and gold accounted for 27.1% of the Company's revenue in the March 2019 quarter.

The following information only contains financial results from continuing operations. Prior year comparatives have been restated accordingly.

Cost of Sales

expressed in thousands of dollars	Three Months Ended March 31	
	2019	2018
Operating expenses	$8,489	$19,066
Salaries, wages and benefits	5,202	9,314
Depletion and depreciation	2,623	7,406
Share based compensation	16	28
	$16,330	$35,814

Cost of sales for the March 2019 quarter were $16.3 million compared to $35.8 million for the comparative quarter in 2018, due to the following major factors:

- operating expenses and salaries, wages and benefits for 2019 were $13.7 million compared to $28.4 million in the comparative 2018 quarter;
- Depletion and depreciation for 2019 was $2.6 million compared to $7.4 million in the comparative 2018 quarter;
- Included in cost of sales for 2019 are inventory impairment charges of $3.4 million compared to $nil in the comparative 2018 quarter.

General and Administration Costs

expressed in thousands of dollars	Three Months Ended March 31	
	2019	2018
Administration	$953	$1,036
Share based compensation - corporate	93	154
Depreciation – corporate assets	7	32
Foreign exchange loss	182	349
	$1,235	$1,571

General and administration costs were $1.2 million in the March 2019 quarter compared to $1.6 million in the 2018 comparative quarter. Administration costs decreased due to lower staffing costs and share based compensation costs decreased due to a lower number of options outstanding which still had vesting remaining.

The average CDN/US Dollar exchange rate for the March 2019 quarter was 1.3294 compared to 1.265 in the 2018 comparative quarter. Foreign exchange gains 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 Mount Polley mine.

Interest Expense

expressed in thousands of dollars	Three Months Ended March 31	
	2019	2018
Interest on non-current debt	$15,075	$17,042
Other interest	3,322	821
	$18,397	$17,863

Interest expense increased to $18.4 million in the March 2019 quarter from $17.9 million in the 2018 comparative quarter. The interest expense increased primarily as a result of the higher foreign exchange rates on US denominated debt.

Other Finance Income (Loss)

expressed in thousands of dollars

	Three Months Ended March 31	
	2019	2018
Accretion of future site reclamation provisions	$(657)	$(763)
Foreign exchange gain (loss) on debt	9,052	(11,407)
Fair value adjustment for debt settled in common shares	(3,356)	-
Fair value adjustment to marketable securities	(158)	839
	4,881	(11,331)
Interest income	2,172	137
Other finance income (loss)	$7,053	$(11,194)

Other finance income totaled $7.1 million in the March 2019 quarter compared to an expense of $11.2 million in the 2018 comparative quarter. The income resulted primarily from items discussed below.

At March 31, 2019, the Company had US Dollar denominated debt of US$334.5 million compared to US$335.0 million at December 31, 2018. Foreign exchange gains and losses attributable to US denominated short and non-current debt reflect the foreign currency movement during the three months ended March 31, 2019 and resulted in a $9.1 million gain on the senior notes. The Company also recorded $2.1 million in interest income related to a BC mineral tax refund.

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 2017. The capital structure of the Company consists of current and non-current debt and equity comprised of share capital, share option reserve, equity component of convertible debentures, warrant reserve, currency translation adjustment and retained earnings.

The Company is in compliance with the debt covenants related to its non-current debt as at March 31, 2019.

LIQUIDITY & CAPITAL RESOURCES AND FINANCING

At March 31, 2019, the Company had cash of $6.0 million and a working capital deficiency of $727.8 million, excluding assets and liabilities held for sale, which includes $739.5 million of current debt; compared to cash of $18.6 million and a working capital deficiency of $789.5 million at December 31, 2018.

Credit Risk

The Company's credit risk is limited to cash, trade and other receivables, and future site reclamation deposits 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 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.

From time to time the Company enters into derivative instruments with a number of counterparties to limit the amount of credit risk associated with any one counterparty. The Company did not enter into any derivative instruments during the quarter ended March 31, 2019.

Liquidity Risk

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

At March 31, 2019, the Company's primary sources of credit are comprised of a $200.0 million Senior Credit Facility, a $50.0 million Second Lien Credit Facility, US$325.0 million Senior Notes, $145.0 million face value of unsecured convertible debentures, a $75.0 million unsecured Junior Credit Facility, a $26.0 million Bridge loan facility and $19.9 million in secured equipment loans and leases. Subsequent to March 31, 2019 the Company obtained a $10.0 million unsecured line of credit from a related party.

The Company's $200.0 million Senior Credit Facility and the $50.0 million second lien revolving loan credit facility are due on September 5, 2019 and September 9, 2019, respectively. At March 31, 2019, the Company had drawn in cash $152.8 million ($0.2 million net of deferred financing costs) of the Senior Credit Facility and utilized $47.2 million of the facility for letters of credit to secure reclamation bonds and other obligations for a total usage of $200.0 million.

Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due assuming the successfully completion of the transaction with Newcrest and continuing support of the Company's creditors until such time as the Newcrest transaction closes. In addition, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing. There can be no assurance that the Company will be able to successfully complete the transaction with Newcrest and this creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

The Company holds mineral properties and marketable securities. While these may be convertible to cash they are not considered when assessing the Company's liquidity as they are part of the risk management program of the Company, long-term strategic holdings, or are only convertible to cash over a longer time horizon if realizable values exceed management's assessment of fair value, respectively. Therefore, as part of the Company's planning, budgeting and liquidity analysis process, these items are not relied upon to provide operational liquidity.

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 March 31, 2019:

expressed in thousands of dollars	Within 1 Year	2 Years	3 Years	4 Years	5 years	Total
Trade and other payables*	$86,030	$ -	$ -	$ -	$ -	$86,030
Other obligations*	43,419	13,983	-	-	-	57,402
Short-term debt	152,537	-	-	-	-	152,537
Current portion of non-current debt*	593,960	-	-	-	-	593,960
Non-current debt*	-	118,476	33,286	3,291	1,110	156,163
	875,946	132,459	33,286	3,291	1,110	1,046,092
Less future accretion and unamortized finance cost	(560)	(7,588)	(2,874)	-	-	(11,022)
Total	$875,386	$124,871	$30,412	$3,291	$1,110	$1,035,070

*Balances include liabilities held for sale.

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US$ denominated cash, accounts receivable, derivative instrument assets, reclamation deposits, trade and other payables and debt. If the US$ had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the quarter ended March 31, 2019 would have been higher/lower by $20.4 million.

Cash Flow

Cash flow was $nil in the March 2018 quarter compared to $4.7 million in the comparative 2018 quarter.

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 March 31, 2019, the Company had cash of $6.0 million and a working capital deficiency of $727.8 million, excluding assets and liabilities held for sale, which includes $739.5 million of current debt.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties on continuing and discontinued operations totaled $10.0 million in the March 2018 quarter compared to $9.1 million in the comparative 2018 quarter.

expressed in thousands of dollars	Three Months Ended March 31	
	2019	2018
Capital and Development Expenditures		
Red Chris*	$9,270	$4,850
Mount Polley	678	4,192
	9,948	9,042
Exploration Expenditures		
Red Chris*	19	4
Mount Polley	-	35
Other	61	61
	80	100
	$10,028	$9,142

*The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 and prior periods have been restated.

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.

At March 31, 2019, the Company had a provision of $3.1 million for future rehabilitation activities related to the August 4, 2014 tailings dam breach at the Mount Polley mine ("Mount Polley Breach"). 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 March 31, 2019. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

DERIVATIVE INSTRUMENTS

In the past, 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, gold or foreign exchange at March 31, 2019 or at the date of this document.

DEBT AND OTHER OBLIGATIONS

At March 31, 2019 the Company's current debt, net of unamortized deferred financing costs and accretion was comprised of the following:

- an unsecured Junior Credit Facility of $75.0 million
- Senior Notes - $433.7 million (US$325.0 million)
- a Senior Credit Facility of $200.0 million
- a Second Lien Credit Facility of $49.9 million
- Bridge Loan - $26.0 million
- a variety of equipment loans and leases denominated in both CDN$/US$ with a remaining balance of $8.7 million

Non-Current Debt

At March 31, 2019, the Company's non-current debt, net of unamortized deferred financing costs and accretion was comprised of the following:

- convertible debentures with a face value of $145.0 million - $134.5 million (book value)
- a variety of equipment loans and leases denominated in both CDN$/US$ with a remaining balance of $11.2 million

Detailed disclosure on the Company's non-current debt including amounts owed, interest rates and security can be found in Note 12 of the Interim Financial Statements.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At March 31, 2019, about 23% of the Company's outstanding borrowings were at floating interest rates compared to December 31, 2018 when about 22% of the Company's outstanding borrowings were at floating interest rates. The Company monitors its exposure to interest rates and is comfortable with its current exposure. The Company has not entered into any derivative contracts to manage this risk.

Off-Balance Sheet Arrangements

At March 31, 2019, 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 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 Senior Notes, management believes that the carrying value of remaining non-current and short term debt approximates fair value. At March 31, 2019 the fair value of the Senior Notes is $416.9 million (December 31, 2018-$297.1 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; and
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at March 31, 2019 as follows for continuing operations:

expressed in thousands of dollars	Level 1	Level 2	Total
Financial assets			
Cash	$6,012	$ -	$6,012
Marketable securities	933	-	933
Provisionally priced receivables	-	2,072	2,072
Future site reclamation deposits	14,324	-	14,324
	21,269	2,072	23,341
Financial liabilities			
Amounts owing on provisionally priced receivables	-	(971)	(971)
	$21,269	$1,101	$22,370

SELECT QUARTERLY FINANCIAL INFORMATION FROM TOTAL OPERATIONS (INCLUDING RED CHRIS MINE)

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

	Three Months Ended			
	March 31 2019	December 31 2018	September 30 2018	June 30 2018
Total revenues	$76,681	$91,714	$70,481	$80,066
Net loss	$(2,268)	$(44,265)	$(28,609)	$(36,555)
Basic loss per share [1]	($0.02)	$(0.37)	$(0.24)	$(0.31)
Diluted loss per share [1]	($0.02)	$(0.37)	$(0.24)	$(0.31)
Adjusted net loss [2]	$(11,614)	$(15,087)	$(37,099)	$(27,823)
Adjusted net loss per share[1][2]	$(0.09)	($0.13)	$(0.30)	$(0.24)
Adjusted EBITDA [2]	$6,987	$12,341	$(13,287)	$(2,180)
Cash flow [2]	$10,285	$121,850	$(11,766)	$(2,593)
Cash flow per share [1][2]	$0.08	$1.03	$(0.10)	$(0.02)
Average LME copper price/lb in US$	$2.82	$2.80	$2.77	$3.12
Average LME gold price/troy oz in US$	$1,304	$1,228	$1,213	$1,306
Average CDN/US$ exchange rate	$1.329	$1.321	$1.307	$1.291
Period end CDN/US$ exchange rate	$1.337	$1.364	$1.295	$1.278

	March 31 2018	December 31 2017	September 30 2017	June 30 2017
Total revenues	$117,912	$140,466	$90,157	$106,741
Equity loss in Huckleberry	$ -	$ -	$ -	$1,032
Net income (loss)	$(16,166)	$(2,107)	$(1,572)	$99,544
Basic income (loss) per share [1]	$(0.14)	($0.02)	$(0.02)	$1.06
Diluted income (loss) per share [1]	$(0.14)	($0.02)	$(0.02)	$1.06
Adjusted net loss [2]	$(4,754)	$(492)	$(18,058)	$(21,780)
Adjusted net income (loss) per share[1][2]	$(0.04)	$0.01	$(0.19)	$(0.23)
Adjusted EBITDA [2]	$36,394	$42,514	$17,903	$12,852
Cash flow [2]	$35,958	$43,009	$17,966	$12,341
Cash flow per share [1][2]	$0.30	$0.46	$0.19	$0.13
Average LME copper price/lb in US$	$3.16	$3.09	$2.88	$2.57
Average LME gold price/troy oz in US$	$1,329	$1,275	$1,278	$1,257
Average CDN/US$ exchange rate	$1.265	$1.271	$1.253	$1.345
Period end CDN/US$ exchange rate	$1.289	$1.255	$1.248	$1.298

(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 two 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$/US$ 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$ denominated debt, changes in production cost inputs and changes in tax rates and in 2017 the gain on bargain purchase of Huckleberry and revaluation of equity investment in Huckleberry.

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 primary reasons for the large increase in net income in the June 2017 quarter compared to the December 2016 quarter was largely due to the $109.8 million gain on bargain purchase that was recognized by the Company on the acquisition of the remaining 50% share of Huckleberry and revaluation of equity investment in Huckleberry. Revenues were lower as production was lower at both Red Chris and Mount Polley mines due to the mining and treatment of lower grade ore in those periods.

(b) The primary reason for loss in the September 2017 quarter compared to the June 2017 quarter was that there was a $109.8 million gain on bargain purchase that was recognized in the second quarter of 2017. However, that was slightly off set by a foreign exchange gain relating to the Company's US denominated debt in the September 2017 quarter compared to the June 2017 quarter.

(c) The primary reasons for the increase in net income in the December 2017 quarter compared to the September 2017 quarter was due to higher production at both Red Chris and Mount Polley which led to higher revenues of approximately $50.3 million.

(d) The primary reasons for the loss in the June 2018 quarter compared to income in the June 2017 quarter was largely due to the $109.8 million gain on bargain purchase that was recognized by the Company on the acquisition of the remaining 50% share of Huckleberry in 2017. Revenues were lower at both Red Chris and Mount Polley mines due to the mining and treatment of lower grade ore compared to the March 2018 quarter which led to a decrease in overall metal production.

(e) The primary reasons for the increase in net loss in the September 2018 quarter compared to the September 2017 quarter was largely due to revenues being lower at both Red Chris and Mount Polley mines due to the mining and treatment of lower grade ore. However, compared to the June 2018 quarter, net loss in the September 2018 quarter was lower due to a foreign exchange gain of $7.3 million relating to the Company's US denominated debt compared to foreign exchange loss of $9.2 million in the June 2018 quarter.

(f) The primary reasons for the increase in net loss in the December 2018 quarter compared to the September 2018 quarter was largely due to an impairment charge of $109.2 million on the Mount Polley mine, higher foreign exchange losses on debt of $23.8 million, partially offset by a $108.0 million settlement that was received in relation to the Mount Polley Breach

(g) The primary reasons for the decrease in net loss in the March 2019 quarter compared to March 2018 quarter was due to a $20.8 million reduction in foreign exchange losses on long term debt and an $8.1 million non-recurring recovery of BC mineral taxes. These factors were partially offset by lower revenues due to the mining and treatment of lower grade ore from stockpiles at Mount Polley and shortage of available free water at Red Chris due to freezing conditions that reduced production.

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, companies controlled by N. Murray Edwards including Edco, 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 March 31 2019	2018
Loan guarantee fee for guarantee of Senior Credit Facility and Second Lien Secured Credit Facility	(a)	$1,387	$478
Interest expense	(f)	$4,661	$4,138

Statement of Financial Position

expressed in thousands of dollars		March 31 2019	December 31 2018
Accrued interest on Senior Notes and convertible debentures, Junior Credit Facility and Bridge Loan	(e)	$3,402	$7,010
Junior Credit Facility	(b)	$75,000	$75,000
Senior unsecured notes (March 31, 2019-US$151,765; March 31, 2018-US$53,300)	(c)	$202,804	$72,739
Convertible Debentures	(d)(f)	$59,000	$59,000
Bridge Loan	(h)	$13,000	$13,000

(a) The loan guarantee fee is related to the guarantee by Edco on the second lien credit facility which provided additional liquidity in 2015 for the commissioning of the Red Chris mine and the new extended senior credit facility on September 14, 2018 to guarantee the facility to maturity on September 5, 2019.

(b) The $75.0 million junior credit facility from N. Murray Edwards was used to fund any cost overruns at the Red Chris mine and for general working capital purposes.

(c) At March 31, 2019, N. Murray Edwards, directors and officers hold US$202.8 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) N. Murray Edwards holds $40.0 million of the $115.0 million 2014 convertible debentures which provided funding for completing and commissioning the Red Chris mine, remediating the effects of the Mount Polley Breach, and for ongoing operations.

(e) Interest expense is related to the senior unsecured notes, the junior credit facility, convertible debentures and on factored accounts receivables and related financing transactions.

(f) N. Murray Edwards and directors hold $19.0 million of the $30.0 million 2015 convertible debenture which closed on August 24, 2015.

(g) Bridge Loan held by a company controlled by N. Murray Edwards.

The Company incurred the above transactions and balances in the normal course of operations. Expenses have been measured at the fair value which is determined on a cost recovery basis. Additional details on related party transactions can be found in Note 23 to the Interim Financial Statements for the three months ended March 31, 2019.

CONTROLS AND PROCEDURES

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:

- pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of the assets of the Company;
- 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
- 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 March 31, 2019 quarter ended that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

Limitations

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.

RISK FACTORS

The Company's business involves a high degree of risk. You should carefully consider the risks described in this MD&A and the audited Consolidated Financial Statements of the Company. The risks and uncertainties described therein are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition, results of operations and cash flow would suffer.

FORWARD-LOOKING STATEMENTS & RISKS NOTICE

This MD&A is a review of the Company's operations and financial position as at and for the quarter ended March 31, 2019, and plans for the future based on facts and circumstances as of May 14, 2019. Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking information which are prospective in nature and reflect the current views and/or expectations of Imperial. Often, but not always, forward-looking information can be identified by the use of statements such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this MD&A includes, without limitation, statements regarding: expectations that the agreement to sell a 70% interest in the Company's Red Chris mine to Newcrest will successfully close and within necessary time frames, resulting in the joint venture between the parties for the operation of the Red Chris asset going forward, with Newcrest acting as operator; expectations that milling of the low grade stockpiles at Mount Polley will continue until May 2019, at which time that mine will be put on care and maintenance until there is a sustained improvement in the price of copper; production and marketing; capital expenditures; adequacy of funds for projects and liabilities; the receipt of necessary regulatory permits, approvals or other consents; outcome and impact of litigation; cash flow; working capital requirements; the requirement for additional capital; results of operations, production, revenue, margins and earnings; future prices of copper and gold; future foreign currency exchange rates and impact; future accounting changes; and future prices for marketable securities.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including, but not limited to, assumptions that: the agreement to sell a 70% interest in the Company's Red Chris mine to Newcrest will successfully close and within necessary time frames, enabling the Company to satisfy its debt obligations and repay its credit facilities as they become due; the Company will have access to capital as required and will be able to fulfill its funding obligations as the Red Chris minority joint venture partner; the Company will be able to advance and complete remaining planned rehabilitation activities within expected timeframes; there will be no significant delay or other material impact on the expected timeframes or costs for completion of rehabilitation of the Mount Polley mine and implementation of Mount Polley's long term water management plan; the Company's initial rehabilitation activities at Mount Polley will be successful in the long term; all required permits, approvals and arrangements to proceed with planned rehabilitation and Mount Polley's long term water management plan will be obtained in a timely manner; there will be no material operational delays at the Red Chris mine; equipment will operate as expected; there will not be significant power outages; there will be no material adverse change in the market price of commodities and exchange rates; the Red Chris mine will achieve expected production outcomes (including with respect to mined grades and mill recoveries and access to water as needed). 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: the risk that the agreement to sell a 70% interest in the Company's Red Chris mine to Newcrest will not successfully close and within necessary time frames, jeopardizing the Company's ability to satisfy its debt obligations and repay its credit facilities as they become due, and undermining the Company's ability to continue as a going concern; the risk that the Company's ownership of the Red Chris mine may be diluted over time should it not have access to capital as required and will not be able to meet its funding obligations as the Red Chris minority joint venture partner; that additional financing that may be required may not be available to Imperial on terms acceptable to Imperial or at all; uncertainty regarding the outcome of sample testing and analysis being conducted on the area affected by the Mount Polley Breach; risks relating to the timely receipt of necessary approvals and consents to proceed with the rehabilitation plan and Mount Polley's long term water management plan; risks relating to the remaining costs and liabilities and any unforeseen longer-term environmental consequences arising from the Mount Polley Breach; uncertainty as to actual timing of completion of rehabilitation activities and the implementation of Mount Polley's long term water management plan; risks relating to the impact of the Mount Polley Breach on Imperial's reputation; the quantum of claims, fines and penalties that may become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risks of protesting activity and other civil disobedience restricting access to the Company's properties; failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation, unavailability of materials and equipment, labour unrest, power outages, and natural phenomena such as weather conditions and water shortages negatively impacting the operation of the Red Chris 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 MD&A for the three months ended March 31, 2019 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.

Imperial Metals

First Quarter Report 2019

Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2019 and 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2019 and December 31, 2018
expressed in thousands of Canadian dollars

	Notes	March 31 2019	December 31 2018
ASSETS			
Current Assets			
Cash		$6,012	$18,574
Marketable securities		933	1,325
Trade and other receivables	4	19,335	7,084
Inventory	5	22,080	49,282
Prepaid expenses and deposits		4,809	6,666
Assets classified as held for sale	3	1,118,240	-
		1,171,409	82,931
Mineral Properties	6	381,454	1,432,783
Other Assets	7	28,297	51,752
Deferred Income Tax Assets		7,585	6,437
		$1,588,745	$1,573,903
LIABILITIES			
Current Liabilities			
Trade and other payables	8	$38,718	$104,621
Taxes payable		767	773
Short term debt	11	152,537	121,773
Provision for rehabilitation costs	19	2,038	2,265
Current portion of debt	12	586,945	603,648
Current portion of other obligations	10	-	39,321
Liabilities classified as held for sale	3	133,291	-
		914,296	872,401
Provision for Rehabilitation costs	19	1,064	1,067
Non-Current Debt	12	134,847	145,847
Deferred Trade Payables	9	4,450	4,428
Other Obligations	10	-	13,108
Future Site Reclamation Provisions	13	90,428	97,668
Deferred Income Tax Liabilities		31,343	36,152
		1,176,428	1,170,671
EQUITY			
Share Capital	14	315,822	304,364
Share Option Reserve	14	19,225	19,188
Warrant Reserve		689	689
Equity Component of Convertible Debentures		25,534	25,534
Currency Translation Adjustment		7,952	8,094
Retained Earnings		43,095	45,363
		412,317	403,232
		$1,588,745	$1,573,903
Commitments and Pledges	5, 6, 27		
Contingent Liabilities	28		
Subsequent events	29		

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on May 14 , 2019

/s/ Larry G. Moeller — Director

/s/ J. Brian Kynoch — Director

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

For the Three Months Ended March 31, 2019 and 2018

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

	Notes	Three Months Ended March 31 2019	2018 Restated (Note 3)
Continuing operations[1]			
Revenue		$13,803	$36,027
Cost of Sales	15	(16,330)	(35,814)
(Loss) Income from Mine Operations		(2,527)	213
General and Administration	16	(1,235)	(1,571)
Idle Mine Costs		(1,378)	(1,351)
Interest Expense	17	(18,397)	(17,813)
Other Finance Income (Loss)	18	7,053	(11,194)
Other Income (Expense)		72	(603)
Loss before Taxes from continuing operations		(16,412)	(32,319)
Income and Mining Tax Recovery	20	14,075	1,241
Net Loss from continuing operations		(2,337)	(31,078)
Net Income from discontinued operations, net of tax	3	69	14,912
Net Loss		(2,268)	(16,166)
Other Comprehensive (Loss) Income			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment		(142)	177
Total Comprehensive Loss		$(2,410)	$(15,989)
Loss from Continuing Operations Per Share			
Basic	21	$(0.02)	$(0.27)
Diluted	21	$(0.02)	$(0.27)
Income from Discontinued Operations Per Share			
Basic	21	$ -	$0.13
Diluted	21	$ -	$0.13
Loss Per Share			
Basic	21	$(0.02)	$(0.14)
Diluted	21	$(0.02)	$(0.14)
Weighted Average Number of Common Shares Outstanding			
Basic	21	125,088,105	116,858,528
Diluted	21	125,088,105	116,858,528

[1] For the three months ended March 31, 2019 and a comparative period, Red Chris mine was classified as discontinued operations and accordingly income (loss) and cash flows from continued operations are presented exclusive of Red Chris mine. Refer Note 3 for further details.

See accompanying notes to these consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2019 and 2018

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

	Share Capital		Share		Equity Component of	Currency		
	Number of Shares	Amount	Option Reserve	Warrant Reserve	Convertible Debentures	Translation Adjustment	Retained Earnings	Total
Balance December 31, 2017	114,505,472	$290,201	$18,582	$689	$25,534	$7,537	$170,958	$513,501
Issued for payment of interest for debt	2,353,274	6,212	-	-	-	-	-	6,212
Share based compensation expense	-	-	204	-	-	-	-	204
Total comprehensive income (loss)	-	-	-	-	-	177	(16,166)	(15,989)
Balance March 31, 2018	116,858,746	$296,413	$18,786	$689	$25,534	$7,714	$154,792	$503,928
Balance December 31, 2018	120,782,585	$304,364	$19,188	$689	$25,534	$8,094	$45,363	$403,232
Issued for payment of interest for debt	6,327,894	11,458	-	-	-	-	-	11,458
Share based compensation expense	-	-	37	-	-	-	-	37
Total comprehensive income (loss)	-	-	-	-	-	(142)	(2,268)	(2,410)
Balance March 31, 2019	127,110,479	$315,822	$19,225	$689	$25,534	$7,952	$43,095	$412,317

See accompanying notes to these consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2019 and 2018

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

	Notes	Three Months Ended March 31 2019	2018 Restated (Note 3)
OPERATING ACTIVITIES			
Loss before taxes from continuing operations		$(16,412)	$(32,319)
Items not affecting cash flows			
Depletion and depreciation		2,844	7,797
Share based compensation		109	182
Accretion of future site reclamation provisions		657	686
Unrealized foreign exchange (gains) losses		(9,012)	11,357
Fair value adjustment for debt settled in common shares	18	3,356	-
Interest expense	17	18,397	17,863
Other		86	(839)
		25	4,677
Net change in non-cash operating working capital balances	22	(9,979)	(3,610)
Income and mining taxes paid		(8)	(61)
Income and mining taxes refunded		22	137
Interest paid		(19,281)	(18,797)
Operating cash flows (used in) continuing operations		(29,221)	(17,654)
Operating cash flows (used in) provided by discontinued operations	3	(567)	21,963
Cash (used in) provided by operating activities		(29,788)	4,309
FINANCING ACTIVITIES			
Proceeds of short term debt	11	38,252	41,777
Repayment of short term debt	11	(7,591)	(41,782)
Proceeds of non-current debt	12	130,723	14,294
Repayment of non-current debt	12	(131,990)	(50,234)
Lease payments		(12)	-
Cash provided by (used in) financing activities in continuing operations		29,382	(35,945)
Cash provided by (used in) financing activities in discontinued operations	3	(1,957)	(526)
Cash provided by (used in) financing activities		27,425	(36,471)
INVESTING ACTIVITIES			
Acquisition and development of mineral properties		(734)	(4,137)
Net change in non-cash investing working capital balances		(209)	124
Proceeds on sale of mineral properties		30	-
Investing cash flows used in continuing operations		(913)	(4,013)
Investing cash flows used in discontinued operations	3	(9,246)	(9,235)
Cash used in investing activities		(10,159)	(13,248)
EFFECT OF FOREIGN EXCHANGE ON CASH		(40)	55
DECREASE IN CASH		(12,562)	(45,355)
CASH, BEGINNING OF PERIOD		18,574	51,895
CASH, END OF PERIOD		$6,012	$6,540

See accompanying notes to these consolidated financial statements.

1. NATURE OF OPERATIONS

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

On March 10, 2019, the Company entered into a binding agreement to sell a 70% interest in the Red Chris mine to Newcrest for US$806,500 in cash, while retaining a 30% interest in the mine. The Company and Newcrest will form a joint venture for the operation of the Red Chris asset going forward, with Newcrest acting as operator. The consideration payable will be subject to customary adjustments for certain assumed equipment loans, working capital and non-financial debt at closing.

Red Chris mine has been classified as a discontinued operation effective January 1, 2019 (Note 3).

Upon the completion of sale of 70% interests in the Red Chris mine to Newcrest, the Company will account for its 30% interest in the mine as investments for under equity method.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to service its debt obligations, realize its assets and discharge its liabilities in the normal course as they come due. The Company has in place a planning, budgeting and forecasting process to determine the funds required to support the Company's operations and expansionary plans.

At March 31, 2019, the Company had cash of $6,012, available capacity of $44 for future draws under the Senior Credit Facility (Note 11) and a working capital deficiency of $727,836, excluding assets and liabilities held for sale of $984,949. The working capital deficiency is primarily due to debt of $739,482 related to the Senior Credit Facility and the Second Lien Credit Facility, which mature on September 5, 2019 and September 9, 2019 accordingly, and the Senior Unsecured Notes which mature on September 15, 2019.

During the three months ended March 31, 2019, $11,458 of interest for certain debt facilities was paid in common shares of the Company (Notes 12(c), 12(d), 12(e) and Note 18).

Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due assuming the successfully completion of the transaction with Newcrest and continuing support of the Company's creditors until such time as the Newcrest transaction closes. In addition, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing. There can be no assurance that the Company will be able to successfully complete the transaction with Newcrest and this creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34).

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, 2018.

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 on January 1, 2019, using the modified retrospective approach, in accordance with the transitional provisions in IFRS 16. The Company identified and collected data relating to existing agreements that extended beyond January 1, 2019, that contained right-of-use assets. These include service contracts that may contain embedded leases for property, plant and equipment. The Company has elected to measure its right-of-use assets at amounts equal to the associated lease liabilities as at the adoption date, however due to trivial effect, no increase to asset and liabilities was recorded and therefore no adjustment to retained earnings.

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

- *Right-of-use assets.* The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.
- *Lease liabilities.* At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets.* The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.
- *Significant judgement in determining the lease term of contracts with renewal options*. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- how an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Company applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The interpretation did not have an impact on the consolidated financial statements of the Company.

3. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

On February 20, 2019, the Company began a process for the sale of Red Chris mine and upon commencement of the process met the criteria as a discontinued operations under IFRS 5. On March 10, 2019, the Company entered into a binding agreement to sell a 70% interest in the Red Chris mine to Newcrest for US$806,500 in cash, while retaining a 30% interest in the mine. The Company and Newcrest will form a joint venture for the operation of the Red Chris asset going forward, with Newcrest acting as operator. The consideration payable will be subject to customary adjustments for certain assumed equipment loans, working capital and non-financial debt at closing.

For the three months ended March 31, 2019 and March 31, 2018, the net income (loss) from Red Chris mine is reported as income (loss) from discontinued operations. Total assets and liabilities of Red Chris mine (excluding any assets and liabilities which do not form part of the net assets being sold) are reported as assets and liabilities held for sale, respectively, as at March 31, 2019. As a result of the classification of the Red Chris mine as held-for-sale, the Company ceased recognizing depreciation and depletion expense at Red Chris mine effective February 20, 2019.

In measuring the assets, liabilities, revenues, expenses, gains, losses and cash flows of discontinued operations for the purpose of disclosures, such items are attributed to discontinued operations if they will be disposed of, settled, reduced, or eliminated when the discontinuance is completed. To the extent that such items continue after the completion of the discontinuance, they allocated to the continuing operations.

Financial position information is neither restated nor remeasured for discontinued operations.

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

The discontinued operations presented in the income statement and statement of cash flows in the comparative period are restated in respect of all operations that have been classified as discontinued by the balance sheet date of the most recent period presented.

As at March 31, 2019, the Company measured the assets at the lower of carrying value and fair value less cost to sell ("FVLCS"). The estimated consideration on sale was used as the basis for determining the fair value and an estimate of the disposal cost was used as the basis for the cost to sell. The Company determined that no impairment losses are to be recognized.

The assets and liabilities of Red Chris mine being disposed and included in assets and liabilities classified as held for sale of are as follows:

	March 31 2019
Current Assets	
Trade and other receivables	$348
Inventory	31,895
Prepaid expenses and deposits	1,589
	33,832
Mineral Properties	1,058,661
Other assets	25,747
Assets classified as held for sale	$1,118,240
Current liabilities	
Trade and other payables	$47,321
Current portion of debt	6,455
Current portion of other obligations	43,419
	97,195
Non-Current Debt	10,854
Non-Current Other Obligations	9,533
Future Site Reclamation Provisions	15,709
Liabilities classified as held for sale	$133,291

The net income (loss) from Red Chris mine for the three months ended March 31, 2019 and prior year comparative period are as follows:

	March 31 2019	March 31 2018
Revenue	$62,878	$81,885
Cost of Sales [1]	(61,769)	(64,528)
Income from Mine Operations	1,109	17,357
General and Administration	116	(35)
Interest expense	(1,109)	(1,179)
Finance income (expense)	198	(24)
Income before taxes	314	16,119
Income and Mining taxes	(245)	(1,207)
Income from discontinued operations	$69	$14,912

(1) Depreciation and depletion included herein relates to the Red Chris mine prior to the date of reclassification as a discontinued operation during the three months ended March 31, 2019.

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

The following table provides details of the cash flows from operations, investing and financing activities of the Red Chris mine for the three months ended March 31, 2019 and prior year comparative period:

	March 31 2019	March 31 2018
OPERATING ACTIVITIES		
Income before taxes from discontinuing operations	$314	$16,119
Items not affecting cash flows		
Depletion and depreciation	9,090	13,860
Share based compensation	(72)	22
Unrealized foreign exchange gain	(293)	-
Accretion of future site reclamation provisions	112	101
Interest expense	1,109	1,179
	10,260	31,281
Net change in non-cash operating working capital balances	(10,030)	(8,891)
Income and mining taxes paid	(237)	(259)
Interest paid	(560)	(168)
Operating cash flows (used in) provided by discontinued operations	$(567)	$21,963
FINANCING ACTIVITIES		
Repayment of non-current debt	$(1,280)	$(526)
Lease payments	(677)	-
Investing cash flows used by discontinued operations	$(1,957)	$(526)
INVESTING ACTIVITIES		
Acquisition and development of mineral properties	$(9,289)	$(4,854)
Net change in non-cash investing working capital balances	43	(4,381)
Investing cash flows used by discontinued operations	$(9,246)	$(9,235)

4. TRADE AND OTHER RECEIVABLES

	March 31 2019	December 31 2018
Trade receivables	$11,001	$6,846
Taxes receivable	8,334	238
	$19,335	$7,084

As at March 31, 2019, the Red Chris mine trade and other receivables were classified as asset held for sale (Note 3).

During the reporting period the Company received a favorable judgment with respect to BC mineral tax paid in prior years and recognised a tax receivable of $8,112 and related interest receivable of $2,111.

5. INVENTORY

	March 31 2019	December 31 2018
Stockpile ore	$1,858	$23,030
Concentrate	9,676	12,115
Supplies	24,421	51,260
Total inventories	35,955	86,405
Less non-current inventories included in other assets (Note 7)	(13,875)	(37,123)
Total current inventories	$22,080	$49,282

During the three month period ended March 31, 2019, inventory of $13,306 was recognized in cost of sales (March 31, 2018-$34,372) and an impairment charge of $3,396 (March 31, 2018-$nil) on concentrate inventory was included in cost of sales.

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

As at March 31, 2019, the Company had $93,397 (December 31, 2018-$86,405) of inventory pledged as security for debt from continuing and discontinued operations.

As at March 31, 2019, the Red Chris mine inventory were classified as asset held for sale (Note 3).

6. MINERAL PROPERTIES

		Mineral Properties not being Depleted			
Cost	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	Total
Balance December 31, 2017	$463,431	$56,881	$102,165	$1,368,778	$1,991,255
Additions	(3,671)	943	742	75,920	73,934
Reclass to non-current inventory	-	-	-	(2,434)	(2,434)
Reclassification	14,157	(14,157)	-	-	-
Foreign exchange movement	-	-	557	70	627
Balance December 31, 2018	473,917	43,667	103,464	1,442,334	2,063,382
Additions from continuing operations	6,303	-	61	678	7,042
Additions from discontinued operations (Note 3)	1,397	19	-	9,270	10,686
Reclassification	407	77	-	(484)	-
Foreign exchange movement	-	-	(142)	(18)	(160)
Assets reclassified as held for sale (Note 3)	(105,563)	(43,763)	-	(1,099,614)	(1,248,940)
Balance March 31, 2019	$376,461	$ -	$103,383	$352,166	$832,010

		Mineral Properties not being Depleted			
Accumulated depletion & depreciation & impairment losses	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	Total
Balance December 31, 2017	$161,853	$ -	$1,645	$281,897	$445,395
Depletion and depreciation	18,769	-	-	57,161	75,930
Impairment	101,356	-	-	7,848	109,204
Foreign exchange movement	-	-	-	70	70
Balance December 31, 2018	281,978	-	1,645	346,976	630,599
Depletion and depreciation from continuing operations	188	-	-	3,399	3,587
Depletion and depreciation from discontinued operations	737	-	-	5,930	6,667
Foreign exchange movement	-	-	-	(18)	(18)
Assets reclassified as held for sale (Note 3)	(25,825)	-	-	(164,454)	(190,279)
Balance March 31, 2019	$257,078	$ -	$1,645	$191,833	$450,556
Carrying Amount					
Balance December 31, 2017	$301,578	$56,881	$100,520	$1,086,881	$1,545,860
Balance December 31, 2018	$191,939	$43,667	$101,819	$1,095,358	$1,432,783
Balance March 31, 2019	$119,383	$ -	$101,738	$160,333	$381,454

Additions to Mineral Properties being Depleted for the three months ended March 31, 2019 includes an increase of $7,700, which represents a net change in estimates of future site reclamation provisions (twelve months ended December 31, 2018-reduction of $3,840).

At March 31, 2019, the net carrying value of the deferred stripping costs was $7,446 (December 31, 2018-$47,045) and is included in mineral properties.

At March 31, 2019, leased mobile equipment at cost of $144 (December 31, 2018-$16,176) and accumulated depreciation of $29 (December 31, 2018-$227) was included with plant and equipment.

At March 31, 2019, the Company had provided $28,370 (December 31, 2018-$28,370) of security for reclamation bonding obligations by securing certain plant and equipment (Notes 27(a) and (b)).

At March 31, 2019, the Company had $nil of contractual commitments (December 31, 2018-$3,402) for the expenditures on property, plant and equipment.

Red Chris Mine

The Red Chris copper/gold mine is owned and operated by Red Chris Development Company Ltd., a subsidiary of the Company. The property, located in northwest British Columbia, is comprised of the Red Chris Main claim group and the Red Chris South group, and consists of 77 mineral tenures that cover 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.

On March 10, 2019 the Company entered into an agreement to sell a 70% interest in the Red Chris mine to Newcrest for US$806,500 in cash, while retaining a 30% interest in the mine. The Company and Newcrest will form a joint venture for the operation of the Red Chris mine going forward, with Newcrest acting as operator (Note 3).

Mount Polley Mine

The Mount Polley copper/gold mine is owned and operated by Mount Polley Mining Corporation, a subsidiary of the Company. The property, located in south-central British Columbia, is comprised of 20,038 hectares, consisting of seven mining leases totalling 2,007 hectares, and 43 mineral claims encompassing 18,031 hectares. A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred on this tenure in 2017 or 2018.

On January 7, 2019, due to declining copper prices, the Company announced that the Mount Polley mine would suspend operations at the end of May 2019. The mine is expected to remain on care and maintenance until the economics of mining improve.

Huckleberry Mine

The Huckleberry copper mine is owned and operated by Huckleberry Mines Ltd., a subsidiary of the Company. The property, located in west-central British Columbia, is comprised of 24,387 hectares, consisting of two mining leases totalling 2,422 hectares, and 44 mineral claims encompassing 21,965 hectares. Huckleberry mine operations were suspended in August 2016. The mine remains on care and maintenance status.

Other Exploration Properties

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

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

7. OTHER ASSETS

	March 31 2019	December 31 2018
Future site reclamation deposits	$14,324	$14,324
Non-current inventory - ore stockpile	1,485	22,404
Non-current inventory - supplies	12,390	10,085
Non-current inventory - critical spare parts	-	4,634
Other	98	305
	$28,297	$51,752

As at March 31, 2019, the Red Chris mine other assets were classified as asset held for sale (Note 3).

8. TRADE AND OTHER PAYABLES

	March 31 2019	December 31 2018
Trade payables	$15,732	$37,422
Deferred payables due within one year (Note 9)	5,786	16,819
Accrued liabilities	17,200	50,380
	$38,718	$104,621

As at March 31, 2019, the Red Chris mine trade and other payables were classified as liabilities held for sale (Note 3).

9. DEFERRED PAYABLES

	March 31 2019	December 31 2018
Deferred trade payables	$10,236	$21,247
Less deferred payables due within one year	(5,786)	(16,819)
	$4,450	$4,428

(a) Deferred Trade Payables

Deferred trade payables consist of amounts invoiced for electricity billings by British Columbia Hydro and Power Authority ("BC Hydro") 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% except for Huckleberry which is at 12%.

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 remaining balance under the Payment Plan is due at the end of the five year term in March 2021.

As at March 31, 2019, the Red Chris mine deferred payables of $8,026 were classified as liabilities held for sale (Note 3).

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

10. OTHER OBLIGATIONS

	March 31 2019	December 31 2018
Northwest Transmission Line payable	$ -	$52,429
Less portion due within one year	-	(39,321)
	$ -	$13,108

Pursuant to a tariff supplement the Company is obligated to reimburse BC Hydro for its portion of the costs related to BC Hydro's construction of the Northwest Transmission Line which provides power to the Red Chris mine. Repayments are due monthly of $1,192 plus interest at 4.05% per annum. The interest rate is subject to review annually.

As at March 31, 2019, the Red Chris mine other obligations of $52,953 were classified as liabilities held for sale (Note 3).

11. SHORT TERM DEBT

Amounts due for short term debt are:

	March 31 2019	December 31 2018
Senior secured revolving credit facility, net of issue costs	$152,537	$121,773

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

	Three Months Ended March 31 2019	Year Ended December 31 2018
Balance, beginning of period	$121,773	$ -
Amounts advanced	38,252	142,954
Proceeds from Senior Credit Facility, net of issuance costs (Note 11)	-	143,875
Senior credit facility reclassified from non-current debt	-	30,300
Amounts repaid	(7,591)	(143,545)
Payment of short term credit facilities	-	(52,613)
Accretion of finance fees	103	211
Foreign exchange loss	-	591
Balance, end of period	$152,537	$121,773

Senior Credit Facility

Senior secured revolving credit facility aggregating $200,000 (December 31, 2018-$200,000) due September 5, 2019. 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. Of this facility, $47,156 (December 31, 2018-$47,156) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 27(a)) and for other liabilities. This facility has been guaranteed by a related party (Note 23).

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

12. NON-CURRENT DEBT

Amounts due for non-current debt are:

		March 31 2019	December 31 2018
Second lien secured revolving credit facility, net of issue costs	(a)	$49,916	$49,968
Senior unsecured notes, net of issue costs	(b)	433,738	442,781
Junior credit facility	(c)	75,000	75,000
Convertible debentures – 2014	(d)	107,411	106,153
Convertible debentures – 2015	(e)	27,126	26,846
Bridge loan	(f)	26,000	26,000
Equipment loans	(g)	2,514	8,406
Equipment leases	(h)	87	14,340
		721,792	749,495
Less portion due within one year		(586,945)	(603,648)
		$134,847	$145,847

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

	Loans	Leases	March 31 2019	December 31 2018
Balance, beginning of period	$735,156	$14,339	$749,495	$852,378
Continued operations:				
Amounts advanced, net of issue costs	130,723	-	130,723	70,347
Portion of senior credit facility reclassified to short term debt (Note 11)	-	-	-	(30,300)
Foreign exchange (gains) losses	(9,053)	-	(9,053)	35,689
Accretion of debt issue costs	651	-	651	2,926
Accretion of interest on convertible debentures and leases	1,537	2	1,539	6,057
Amounts repaid	(131,990)	(13)	(132,003)	(202,395)
	(8,132)	(11)	(8,143)	(117,676)
Discontinued operations:				
Amounts advanced, net of issue costs	-	-	-	18,168
Foreign exchange (gains) losses	-	(293)	(293)	668
Accretion of interest on convertible debentures and leases	-	159	159	213
Amounts repaid	(1,280)	(837)	(2,117)	(4,256)
Liabilities reclassified as held for sale (Note 3)	(4,039)	(13,270)	(17,309)	-
	(5,319)	(14,241)	(19,560)	14,793
Balance, end of period	721,705	87	721,792	749,495
Less portion due within one year	(586,897)	(48)	(586,945)	(603,648)
	$134,808	$39	$134,847	$145,847

The Company has the following debt facilities:

(a) Second Lien Credit Facility

Second lien secured revolving credit facility aggregating $50,000 (December 31, 2018-$50,000) due September 9, 2019. 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 (Note 11). This facility has been guaranteed by a related party (Note 23).

(b) Senior Unsecured Notes

Senior unsecured notes (the "Notes") due September 15, 2019 aggregating US$325,000 with interest at 7% per annum payable on September 15. The Notes, net of transaction costs, are accounted for at amortized cost using the effective interest method. 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. During the three months ended March 31, 2019 the Company issued new Notes for US$98,445 and repaid US$98,445 of existing Notes. The maturity date of Notes was then extended from March 15, 2019 to September 15, 2019.

(c) Junior Credit Facility

The junior credit facility is from a related party (Note 23). It aggregates $75,000 (December 31, 2018-$75,000) and is unsecured with interest payable semi-annually at 10% per annum. The facility is due on September 12, 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. Interest payments during the period October 31, 2017 to January 1, 2019 were payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

(d) 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 September 30 and December 31. As a result of the rights offering completed in December 2017 the conversion price was reduced from $11.91 to $11.69 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 $11.69 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. Interest payments during the period October 31, 2017 to January 1, 2019 were payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

(e) 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 September 30 and December 31 with the first payment paid on December 31, 2016. As a result of the rights offering completed in December 2017 the conversion price was reduced from $12.00 to $11.77 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 $11.77 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. Interest payments on $27,900 of the $30,000 outstanding debentures during the period October 31, 2017 to January 1, 2019 were payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

(f) Bridge loan

Bridge loan of $26,000 (December 31, 2018-$26,000) maturing on September 11, 2019. The Bridge loan (50%) is provided by a related party and is secured by all assets of the Company and is subordinated to the Senior Credit Facility and Second Lien Credit Facility lenders. Interest on the Bridge loan is payable monthly at the rate of 8% per annum.

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

(g) Equipment Loans

The outstanding amount of equipment loans from continuing operations is $2,514 (December 31, 2018-$8,406) at a weighted average interest rate of 5.91% with monthly payments of $214. All equipment loans are secured by the financed equipment.

(h) Equipment Leases

	Interest Rate	Monthly payment	March 31 2019	December 31 2018
Equipment Leases	6.25%	$4	$87	$99

	March 31 2019	December 31 2018
Contractual Lease Payments		
Due in less than one year	$53	$3,482
Due in one to five years	39	12,339
Total undiscounted lease liabilities, end of period	$92	$15,821

13. FUTURE SITE RECLAMATION PROVISIONS

The Company has recognized provisions for future site reclamation at its Red Chris, Mount Polley, Huckleberry, Ruddock Creek and Catface 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:

	Three Months Ended March 31 2019	Year Ended December 31 2018
Balance, beginning of period	$97,668	$98,342
Continuing operations:		
Accretion	657	2,762
Change in estimates of future costs, discount rate and effect of translation of foreign currencies	6,303	(4,978)
Discontinued operations:		
Accretion (Note 3)	112	405
Change in estimates of future costs, discount rate and effect of translation of foreign currencies	1,397	1,137
Amount classified as liabilities held for sale (Note 3)	(15,709)	-
	$90,428	$97,668

The total undiscounted amount of estimated future cash flows required to settle the obligations is $152,192 (December 31, 2018-$174,566). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2018-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 2.84% (December 31, 2018-3.15%) except for obligations related to Mount Polley and Huckleberry beyond 2048 that are discounted using a rate of 3.84% (December 31, 2018-4.15%). Obligations in amount of $70,682 are expected to be settled in the years 2019 through 2048.

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 27(a) and (b) for assets pledged and legally restricted for the purposes of settling future site reclamation provisions and the obligation to increase reclamation bond funding.

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

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 March 31, 2019, a total of 10,199,048 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.

Movements in Share Options

The changes in share options were as follows:

	Three Months Ended March 31, 2019		Year Ended December 31, 2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,594,000	$9.16	3,601,900	$8.13
Forfeited	(30,000)	$8.00	(108,000)	$8.00
Expired	(52,000)	$8.00	(899,900)	$5.19
Outstanding at end of period	2,512,000	$9.20	2,594,000	$9.16
Options exercisable at end of period	1,956,000	$9.60	2,008,000	$9.56

The following table summarizes information about the Company's share options outstanding at March 31, 2019:

	Options Outstanding		Options Exercisable	
Exercise Prices	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
$5.75	65,000	8.76	13,000	8.76
$5.93	156,000	0.75	156,000	0.75
$8.00	1,311,000	6.68	807,000	6.68
$11.55	980,000	1.55	980,000	1.55
	2,512,000	4.36	1,956,000	3.65

No share options were exercised during the three months ended March 31, 2019.

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

15. COST OF SALES

	Three Months Ended March 31	
	2019	2018
		Restated (Note 3)
Operating expenses	$8,489	$19,066
Salaries, wages and benefits	5,202	9,314
Depletion and depreciation	2,623	7,406
Share based compensation	16	28
	$16,330	$35,814

Included in cost of sales for the three months ended March 31, 2019 is $3,396 (March 31, 2018-$nil) of impairment charges in relation to concentrate inventory (Note 5).

Red Chris mine operations were classified as discontinued operations for three months ended March 31, 2019 and March 31, 2018 accordingly (Note 3).

16. GENERAL AND ADMINISTRATION

	Three Months Ended March 31	
	2019	2018
		Restated (Note 3)
Administration costs	$953	$1,036
Share based compensation	93	154
Depreciation	7	32
Foreign exchange loss (gain)	182	349
	$1,235	$1,571

Red Chris mine operations were classified as discontinued operations for three months ended March 31, 2019 and March 31, 2018 accordingly (Note 3).

17. INTEREST EXPENSE

	Three Months Ended March 31	
	2019	2018
		Restated (Note 3)
Interest on non-current debt	$15,075	$17,042
Other interest	3,322	821
	$18,397	$17,863

Red Chris mine operations were classified as discontinued operations for three months ended March 31, 2019 and March 31, 2018 accordingly (Note 3).

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

18. OTHER FINANCE INCOME (LOSS)

	Three Months Ended March 31	
	2019	2018
		Restated (Note 3)
Accretion of future site reclamation provisions	$(657)	$(763)
Foreign exchange gain on short term debt	-	5
Foreign exchange gain (loss) on non-current debt	9,052	(11,412)
Fair value adjustment for debt settled in common shares	(3,356)	-
Fair value adjustment to marketable securities	(158)	839
	4,881	(11,331)
Interest income	2,172	137
Other finance income (loss)	$7,053	$(11,194)

In accordance with the terms of certain debt agreements (Notes 12(c), 12(d) and 12(e)) the Company issued common shares pursuant to the formula set out in the agreements in payment of interest owed. The fair value of the common shares on the specific date of issuance was greater than the book value of the interest owed and therefore in compliance with IFRS the Company recorded a loss of $3,356 in the statement of income for the corresponding fair value adjustment.

Red Chris mine operations were classified as discontinued operations for three months ended March 31, 2019 and March 31, 2018 accordingly (Note 3).

19. PROVISION FOR REHABILITATION COSTS

On August 4, 2014, the tailings dam at the Mount Polley mine near Likely, British Columbia was breached. At that time, the Company charged to expense the estimated rehabilitation costs, and during the year ended December 31, 2018 the rehabilitation provision was increased by $151 to reflect assumptions and estimates as of that date.

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 March 31, 2019, 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:

	Three Months Ended March 31 2019	Year Ended December 31 2018
Balance, beginning of the period	$3,332	$5,335
Costs incurred in the period	(230)	(2,154)
Increase in provision	-	151
Balance, end of the period	3,102	3,332
Less portion expected to be incurred within one year	(2,038)	(2,265)
	$1,064	$1,067

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

20. INCOME AND MINING TAX RECOVERY

	Three Months Ended March 31	
	2019	2018
		Restated (Note 3)
Current income and mining taxes recovery (expense)	$8,112	$(251)
Deferred income and mining taxes	5,963	1,492
	$14,075	$1,241

During the reporting period the Company received a favorable judgment with respect to BC mineral tax paid in prior years and recognised a tax receivable of $8,112. Red Chris mine operations were classified as discontinued operations for three months ended March 31, 2019 and March 31, 2018 accordingly (Note 3).

21. EARNINGS (LOSS) PER SHARE

Basic earnings per share is calculated by dividing the net income (loss) for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

	Three Months Ended March 31	
	2019	2018
		Restated (Note 3)
Net Loss	$(2,268)	$(16,166)
Weighted-average number of common shares outstanding	125,088,105	116,858,528
Basic and diluted loss per common share	$(0.02)	$(0.14)
Net Loss from continuing operations	$(2,337)	$(31,078)
Weighted-average number of common shares outstanding	125,088,105	116,858,528
Basic and diluted loss per common share	$(0.02)	$(0.27)
Net Income from discontinued operations	$69	$14,912
Weighted-average number of common shares outstanding	125,088,105	116,858,528
Basic and diluted (loss) earnings per common share	$ -	$0.13

The following common shares that may be issued in relation to the following items have been excluded from the calculation of diluted loss per common share as the result would be anti-dilutive:

	Three Months Ended March 31	
	2019	2018
Stock options	2,512,000	3,432,900
Warrants	909,091	909,091
Convertible debentures	12,386,321	12,386,321

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

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31	
	2019	2018
		Restated (Note 3)
Trade and other receivables	$(1,276)	$3,258
Inventory	(3,862)	1,127
Prepaid expenses and deposits	(281)	213
Trade and other payables	(2,852)	(7,593)
Deferred trade payables (Note 9(a))	(1,479)	(363)
Provision for rehabilitation costs	(229)	(252)
	$(9,979)	$(3,610)

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

During the three months ended March 31, 2019, the Company issued 6,327,894 common share at an ascribed value of $1.22 - $1.53 per share for $11,458 in payment of accrued interest on the Junior Credit Facility (Note 12 (c)), the 2014 Convertible Debentures (Note 12(d)) and a portion of the 2015 Convertible Debentures (Note 12(e)). Also see Note 18.

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

	Three Months Ended March 31	
	2019	2018
		Restated (Note 3)
Trade and other payables	$(209)	$124

23. 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 March 31	
	2019	2018
Loan guarantee fee for guarantee of second lien credit facility (Note 12(a))	$277	$478
Loan guarantee fee for guarantee of senior credit facility (Note 11)	$1,110	$ -
Interest expense	$4,661	$4,138

Statement of Financial Position

	March 31	December 31
	2019	2018
Accrued interest on senior unsecured notes, convertible debentures, junior credit facility and bridge loan	$3,402	$7,010
Junior credit facility	$75,000	$75,000
Senior unsecured notes (March 31, 2019-US$151,765, March 31, 2018-US$53,000)	$202,804	$72,739
Convertible debentures	$59,000	$59,000
Bridge loan	$13,000	$13,000

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

24. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel are as follows:

	Three Months Ended March 31	
	2019	2018
Short term benefits[1]	$375	$364
Share based payments[2]	$ -	$ -

[1] Short term employee benefits include salaries, estimated bonuses payable within the year 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 three months ended March 31, 2019 and 2018.

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

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

25. 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 totalling $7,939 as at March 31, 2019 (December 31, 2018-$8,215), 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 March 31, 2019					
	Red Chris[1]	Mount Polley	Huckleberry	Sterling	Corporate	Total
Continuing operations:						
Reportable segmented revenues	$ -	$14,552	$382	$ -	$9	$14,943
Less inter-segment revenues	-	(750)	(382)	-	(8)	(1,140)
Revenues from external sources	$ -	$13,802	$ -	$ -	$1	$13,803
Depletion and depreciation	$ -	$2,622	$215	$ -	$7	$2,844
Interest (expense) and other finance income (expense)	$(5,473)	$(3,801)	$1,447	$(173)	$(3,344)	$(11,344)
Net income (loss) from continuing operations	$(1,552)	$(4,724)	$8,334	$(131)	$(4,264)	$(2,337)
Discontinued operations:						
Reportable segmented revenues	$62,454	$ -	$ -	$ -	$ -	$62,454
Less inter-segment revenues	424	-	-	-	-	424
Revenues from external sources	$62,878	$ -	$ -	$ -	$ -	$62,878
Depletion and depreciation	$9,090	$ -	$ -	$ -	$ -	$9,090
Interest (expense) and other finance income (expense)	$(911)	$ -	$ -	$ -	$ -	$(911)
Net income from discontinued operations	$69	$ -	$ -	$ -	$ -	$69
Net income (loss)	$(1,483)	$(4,724)	$8,334	$(131)	$(4,264)	$(2,268)
Capital expenditures (continuing and discontinued operations)	$9,289	$678	$2	$ -	$54	$10,023
Assets from continuing operations	$7,393	$181,090	$239,514	$7,939	$34,569	$470,505
Assets held for sale	1,118,240	-	-	-	-	1,118,240
Total assets	$1,125,633	$181,090	$239,514	$7,939	$34,569	$1,588,745
Liabilities from continuing operations	$752,083	$224,218	$62,946	$9	$3,881	$1,043,137
Liabilities held for sale	133,291	-	-	-	-	133,291
Total liabilities	$885,374	$224,218	$62,946	$9	$3,881	$1,176,428

(1) For the three months ended March 31, 2019 and the comparative period ended March 31, 2018, the Red Chris mine was classified as a discontinued operation and accordingly income (loss) and cash flows from continuing operations are presented exclusive of the Red Chris mine. Refer to Note 3 for further details.

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

	Three Months Ended March 31, 2018 Restated (Note 3)					
	Red Chris[1]	Mount Polley	Huckleberry	Sterling	Corporate	Total
Continuing operations:						
Reportable segmented revenues	$ -	$36,333	$302	$ -	$14	$118,565
Less inter-segment revenues	-	(306)	(302)	-	(14)	(653)
Revenues from external sources	$ -	$36,027	$ -	$ -	$ -	$117,912
Depletion and depreciation	$ -	$7,406	$359	$ -	$32	$7,797
Interest (expense) and other finance income (expense)	$(15,173)	$(3,676)	$(143)	$ -	$ -	$(18,992)
Net income (loss) from continuing operations	$(25,042)	$(5,888)	$(1,453)	$880	$425	$(31,078)
Discontinued operations:						
Reportable segmented revenues	$81,916	$ -	$ -	$ -	$ -	$81,916
Less inter-segment revenues	(31)	-	-	-	-	(31)
Revenues from external sources	$81,885	$ -	$ -	$ -	$ -	$81,885
Depletion and depreciation	$13,860	$ -	$ -	$ -	$ -	$13,860
Net income from discontinued operations	$14,912	$ -	$ -	$ -	$ -	$14,912
Net income (loss)	$(10,130)	$(5,888)	$(1,453)	$880	$425	$(16,166)
Capital expenditures (continuing and discontinued operations)	$4,854	$4,227	$1	$ -	$53	$9,135
Total assets	$1,080,602	$312,202	$228,313	$9,541	$31,870	$1,662,528
Total liabilities	$859,579	$231,823	$63,554	$11	$3,633	$1,158,600

(1) For the three months ended March 31, 2019 and the comparative period ended March 31, 2018, the Red Chris mine was classified as a discontinued operation and accordingly income (loss) and cash flows from continuing operations are presented exclusive of the Red Chris mine. Refer to Note 3 for further details.

Revenue by Geographic Area

	Three Months Ended March 31	
	2019	2018 Restated (Note 3)
Switzerland	$13,802	$36,152
United States	-	(125)
Canada	1	-
	$13,803	$36,027

Red Chris mine operations were classified as discontinued operations for three months ended March 31, 2019 and March 31, 2018 accordingly (Note 3).

Revenues are attributed to geographic area based on country of customer. In the period ended March 31, 2019, the Company had one principal customer from continuing operations accounting for 100% of revenues (March 31, 2018– two principal customers accounting for 66% and 34%).

The Company's principal product is copper concentrate (contains copper, gold and silver) which is sold at prices quoted on the London Metals Exchange. The Company sells all of its concentrate and gold production to third party traders.

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

Revenue by Major Product and Service

	Three Months Ended March 31	
	2019	2018 Restated (Note 3)
Copper	$7,953	$16,679
Gold	5,726	19,342
Silver	123	6
Other	1	-
	$13,803	$36,027

Red Chris mine operations were classified as discontinued operations for three months ended March 31, 2019 and March 31, 2018 accordingly (Note 3).

Provisionally Priced Revenues

As a result of the provisional pricing terms in its sales contracts, the Company is exposed to commodity price risk until final pricing is determined. Therefore, revenues in subsequent periods will be adjusted for any changes to provisionally priced accounts receivables outstanding at period end. Final pricing is usually four to five months after the date of shipment and therefore changes in metal prices may have a material impact on the final revenue.

Provisionally priced revenues for continuing operations is comprised of the following:

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Provisional lb/oz	Provisional Price per lb/oz	Provisional lb/oz Restated (Note 3)	Provisional Price per lb/oz
	000's	*US$*	*000's*	*US$*
Copper	9,291.1	$2.94	8,199.6	$3.04
Gold	16.1	$1,293	13.0	$1,325

Red Chris mine operations were classified as discontinued operations for three months ended March 31, 2019 and March 31, 2018 accordingly (Note 3).

26. 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 12(b)), management believes that the carrying value of remaining non-current and short term debt approximates fair value. At March 31, 2019, the fair value of the Notes is $416,926 (December 31, 2018-$297,055) 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.

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

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as March 31, 2019 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	$6,012	$ -	$6,012
Marketable securities	933	-	933
Provisionally priced accounts receivables	-	2,072	2,072
Future site reclamation deposits	14,324	-	14,324
	21,269	2,072	23,341
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(971)	(971)
	$21,269	$1,101	$22,370

27. COMMITMENTS AND PLEDGES

(a) At March 31, 2019, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Note 7)	$14,324
Mineral property, plant and equipment	28,370
Letters of credit (Note 11)	42,500
	$85,194

(b) The Company has provided $28,370 for reclamation bonding obligations by securing certain plant and equipment. This security may be required to be replaced with cash security.

(c) At March 31, 2019, the Company had commitments of $nil for expenditures on mineral properties.

28. CONTINGENT LIABILITIES

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

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, British Columbia was breached and March 31, 2019 the Company has a provision of $3,102 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 19). 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 March 31, 2019. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

29. SUBSEQUENT EVENT

Subsequent to March 31, 2019, the Company obtained a $10,000 unsecured line of credit (the "2019 LOC") from a related party. The 2019 LOC is due on September 15, 2019 with interest payable monthly at 12% per annum.

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