



## **First Quarter Report 2020**

**Condensed Consolidated Interim Financial Statements** (unaudited)

For the Three Months Ended March 31, 2020 and 2019

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31, 2020 and December 31, 2019

expressed in thousands of Canadian dollars

	Notes	March 31 2020	December 31 2019
<b>ASSETS</b>			
Current Assets			
Cash		\$82,495	\$89,953
Marketable securities		31	39
Trade and other receivables		3,540	5,759
Inventory	5	13,598	13,080
Prepaid expenses and deposits		3,007	2,968
		<u>102,671</u>	<u>111,799</u>
Mineral Properties	6	903,461	890,334
Other Assets	7	47,618	47,254
Deferred Income Tax Assets		8,101	9,115
		<u>\$1,061,851</u>	<u>\$1,058,502</u>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	8	\$54,287	\$49,300
Taxes payable		617	868
Provision for rehabilitation costs		1,295	1,146
Current portion of debt	9	1,301	1,300
Current portion of other obligations		2,860	3,933
		<u>60,360</u>	<u>56,547</u>
Provision for Rehabilitation Costs		703	938
Non-Current Debt	10	2,461	2,516
Deferred Trade Payables	8	-	4,686
Future Site Reclamation Provisions	11	109,783	99,503
Deferred Income Tax Liabilities		159,028	159,244
		<u>332,335</u>	<u>323,434</u>
<b>EQUITY</b>			
Share Capital	12	319,216	319,216
Contributed Surplus	12	40,351	40,302
Currency Translation Adjustment		8,371	7,762
Retained Earnings		361,578	367,788
		<u>729,516</u>	<u>735,068</u>
		<u>\$1,061,851</u>	<u>\$1,058,502</u>
Commitments and Pledges	21		
Contingent Liabilities	22		

See accompanying notes to these condensed consolidated financial statements.

Approved by the Board and authorized for issue on May 12, 2020

*/s/ Larry G. Moeller*

*/s/ J. Brian Kynoch*

Director

Director

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

For the Three Months Ended March 31, 2020 and 2019

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

	Notes	Three Months Ended March 31	
		2020	2019
Revenue		\$27,965	\$13,803
Cost of Sales	13	(28,274)	(16,330)
Loss from Mine Operations		(309)	(2,527)
General and Administration		(1,030)	(1,053)
Idle Mine Costs		(5,324)	(1,378)
Interest Expense	14	(397)	(18,397)
Other Finance Income	15	1,698	6,871
Other Income		-	72
Loss before Taxes		(5,362)	(16,412)
Income and Mining Tax (Expense) Recovery		(848)	14,075
Net Loss from continuing operations		(6,210)	(2,337)
Net income from discontinued operations		-	69
Net Loss		(6,210)	(2,268)
Other Comprehensive Income (Loss)			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment		609	(142)
Total Comprehensive Loss		\$(5,601)	\$(2,410)
Loss Per Share			
Basic		\$(0.05)	\$(0.02)
Diluted		\$(0.05)	\$(0.02)
Loss from Continuing Operations Per Share			
Basic		\$(0.05)	\$(0.02)
Diluted		\$(0.05)	\$(0.02)
Loss from Discontinued Operations Per Share			
Basic		\$ -	\$ -
Diluted		\$ -	\$ -
Weighted Average Number of Common Shares Outstanding			
Basic		128,490,174	125,088,105
Diluted		128,490,174	125,088,105

See accompanying notes to these condensed consolidated financial statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2020 and 2019

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

	Share Capital		Contributed Surplus						
	Number of Shares	Amount	Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Total	Currency Translation Adjustment	Retained Earnings	Total
Balance December 31, 2018	120,782,585	\$304,364	\$19,188	\$689	\$25,534	\$45,411	\$8,094	\$45,363	\$403,232
Issued for payment of interest on debt	6,327,894	11,458	-	-	-	-	-	-	11,458
Share based compensation expense	-	-	37	-	-	37	-	-	37
Total comprehensive loss	-	-	-	-	-	-	(142)	(2,268)	(2,410)
Balance March 31, 2019	127,110,479	\$315,822	\$19,225	\$689	\$25,534	\$45,448	\$7,952	\$43,095	\$412,317
Balance December 31, 2019	128,490,174	\$319,216	\$19,396	\$ -	\$20,906	\$40,302	\$7,762	\$367,788	\$735,068
Share based compensation expense	-	-	49	-	-	49	-	-	49
Total comprehensive income (loss)	-	-	-	-	-	-	609	(6,210)	(5,601)
Balance March 31, 2020	128,490,174	\$319,216	\$19,445	\$ -	\$20,906	\$40,351	\$8,371	\$361,578	\$729,516

See accompanying notes to these condensed consolidated financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Three Months Ended March 31, 2020 and 2019

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

	Note	Three Months Ended March 31	
		2020	2019
<b>OPERATING ACTIVITIES</b>			
Loss before taxes		\$(5,362)	\$(16,412)
Items not affecting cash flows			
Depletion and depreciation		8,759	2,844
Share based compensation		49	109
Accretion of future site reclamation provisions		664	657
Unrealized foreign exchange gains		(2,039)	(9,012)
Fair value adjustment for debt settled in common shares		-	3,356
Interest expense		397	18,397
Other		9	86
		<u>2,477</u>	<u>25</u>
Net change in non-cash operating working capital balances	17	1,445	(9,979)
Income and mining taxes (paid) refunded		(301)	14
Interest paid		(354)	(19,281)
Operating cash flows provided by (used in) continuing operations		<u>3,267</u>	<u>(29,221)</u>
Operating cash flows (used in) discontinued operations		-	(567)
Cash provided by (used in) operating activities		<u>3,267</u>	<u>(29,788)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds of short term debt		-	38,252
Repayment of short term debt		-	(7,591)
Proceeds of non-current debt, net of deferred financing costs		-	130,723
Repayment of non-current debt		(111)	(131,990)
Lease payments		(263)	(12)
Cash (used in) provided by financing activities in continuing operations		<u>(374)</u>	<u>29,382</u>
Cash used in financing activities in discontinued operations		-	(1,957)
Cash (used in) provided by financing activities		<u>(374)</u>	<u>27,425</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition and development of mineral properties		(11,600)	(734)
Payment of other obligations		(1,073)	-
Other		3	(179)
Investing cash flows used in continuing operations		<u>(12,670)</u>	<u>(913)</u>
Investing cash flows used in discontinued operations		-	(9,246)
Cash used in investing activities		<u>(12,670)</u>	<u>(10,159)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH		<u>2,319</u>	<u>(40)</u>
DECREASE IN CASH		<u>(7,458)</u>	<u>(12,562)</u>
CASH, BEGINNING OF PERIOD		<u>89,953</u>	<u>18,574</u>
CASH, END OF PERIOD		<u>\$82,495</u>	<u>\$6,012</u>

See accompanying notes to these condensed consolidated financial statements.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

### 1. NATURE OF OPERATIONS

Imperial Metals Corporation (the “Company”) is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration, development and production of base and precious metals from its mineral properties. The head office, principal address and registered and records office of the Company are located at 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:

- 30% interest in the 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.

These condensed 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.

On August 15, 2019, the Company completed the sale of a 70% interest in its Red Chris copper and gold mine to Newcrest Mining Limited (“Newcrest”). The Company and Newcrest have formed a joint venture for the operation of Red Chris, with Newcrest acting as operator (Note 3). The Company retains a 30% beneficial interest in the Red Chris mine. Proceeds from the sale of Red Chris were utilized to repay substantially all of the debt of the Company.

### COVID-19

COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company’s operating and financing capabilities. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. Although it is not possible to reliably estimate these developments, should the length or severity of the pandemic be prolonged for an extended period, this could have a significant adverse impact on the Company’s financial position and results of operations for future periods.

### 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 interim condensed consolidated 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, 2019.

#### 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 December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

### *Definition of a Business*

In October 2018, the IASB issued amendments in Definition of a Business (Amendments to IFRS 3) which:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Management determined that these amendments do not have an impact on the condensed consolidated financial statements of the Company.

### **3. DISCONTINUED OPERATIONS**

On February 20, 2019, the Company initiated a process for the sale of the Red Chris mine. On March 10, 2019, the Company entered into a binding agreement to sell a 70% interest in the Red Chris mine to Newcrest, while retaining a 30% beneficial interest in the mine. The disposal was completed on August 15, 2019, on which date control passed to Newcrest.

For the period from January 1 to August 14, 2019, the net income (loss) from the Red Chris mine is reported as income (loss) from discontinued operations. From August 15, 2019 onwards, the results from the Red Chris mine are reported in the financial statements in the appropriate line items according to their nature and the Company's proportionate interest in the asset, liabilities, revenues and expenditures of the Red Chris mine.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

### 4. RED CHRIS MINE JOINT OPERATIONS

On August 15, 2019 the Company and Newcrest entered into an unincorporated arrangement for the operation of the Red Chris mine with Newcrest acting as operator. The beneficial interests in the Red Chris mine are owned 70% by Newcrest and 30% by the Company. Under the Joint Venture Agreement (“JVA”), the Company has rights to its share of assets and liabilities of the arrangement rather than a right to a net return. The Company has recognized its interests in assets and liabilities, revenue of its share of the output by the unincorporated arrangement, and associated expenses. All such amounts have been measured in proportion to the Company’s 30% interest in the arrangement. These amounts have been recorded in the Company’s condensed consolidated financial statements and are classified according to their nature.

In accordance with IFRS the acquisition of the 30% interest in the Red Chris Joint Venture is accounted for as a business combination.

#### a) Provisional fair values

The Company has provisionally estimated the acquisition date fair values of the acquired assets and liabilities for its 30% share of the Red Chris Joint Venture. These provisional amounts will be adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The acquisition date fair values are described as provisional due to further valuation work needed on the fair value of mineral properties, deferred income tax liabilities and goodwill.

Summarized provisional fair values are disclosed in the table below. The balances are subject to a debt and working capital adjustment which is expected to be completed by June 30, 2020. There have been no adjustments to these provisional values in the three months ending March 31, 2020 from the balances presented at December 31, 2019.

	August 15 2019
Assets and Liabilities acquired	
Inventory	\$ 8,868
Prepaid expenses and deposits	422
Mineral properties	514,411
Other assets	8,811
Total Assets	532,512
Trade and other payables	(17,171)
Lease obligations	(4,000)
Other obligations	(16,144)
Future site reclamation costs	(5,293)
Deferred Income Tax Liabilities	(50,132)
Total Liabilities	(92,740)
Total identifiable net assets at fair value	\$439,772



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

### b) Operational performance

The following table summarizes the Company's 30% share of the Red Chris Joint Venture, including the provisional fair values of identified assets acquired and liabilities assumed at the acquisition date.

#### Statement of Financial Position

	March 31 2020	December 31 2019
<b>ASSETS</b>		
Current Assets		
Cash	\$14,371	\$17,193
Trade and other receivables	758	2,266
Inventory	12,061	11,526
Prepaid expenses and deposits	1,777	1,392
	<u>28,967</u>	<u>32,377</u>
Mineral Properties	522,447	516,703
Other Assets	10,343	9,968
	<u>\$561,757</u>	<u>\$559,048</u>
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	\$19,703	\$14,073
Current portion of debt	1,015	953
Current portion of other obligations	2,860	3,933
	<u>23,578</u>	<u>18,959</u>
Future Site Reclamation Costs	6,345	4,743
Non-Current debt	2,437	2,469
Deferred Income Tax Liabilities	50,132	50,132
	<u>82,492</u>	<u>76,303</u>
Equity in Red Chris Joint Venture	481,942	484,874
Accumulated Operating loss	(2,677)	(2,129)
	<u>479,265</u>	<u>482,745</u>
	<u>\$561,757</u>	<u>\$559,048</u>

The following table summarizes the Company's 30% share of the Red Chris Joint Venture Statement of Operations.

Taxes are accounted for separately by each joint venturer and therefore are not included in the Statement of Operations for the Red Chris Joint Venture.

#### Statement of Operations

	Three Months Ended March 31	
	2020	2019
Revenue	\$27,643	\$ -
Cost of Sales	(28,300)	-
Loss from Mine Operations	(657)	-
Interest Expense	(83)	-
Other finance income	191	-
Loss before taxes	<u>\$(549)</u>	<u>\$ -</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

The following table summarizes the Company's 30% share of the Red Chris Joint Venture Statement of Cash Flows.

### Statement of Cash Flows

	Three Months Ended March 31	
	2020	2019
<b>OPERATING ACTIVITIES</b>		
Loss before taxes	\$(549)	\$ -
Items not affecting cash flows		
Depletion and depreciation	7,188	-
Accretion of future site reclamation provisions	32	-
Interest expense	83	-
Unrealized foreign exchange losses	275	-
	7,029	-
Net change in non-cash operating working capital balances	5,788	-
Interest paid	(48)	-
Cash flows provided by operating activities	12,769	-
<b>FINANCING ACTIVITIES</b>		
Distributions to Joint Venture Partners	(32,252)	-
Contributions from Joint Venture Partners	29,320	-
Payment of long-term debt	(39)	-
Lease payments	(249)	-
Cash flows used in financing activities	(3,220)	-
<b>INVESTING ACTIVITIES</b>		
Acquisition and development of mineral properties	(11,308)	-
Payment of other obligations	(1,073)	-
Cash flows used in investing activities	(12,381)	-
<b>EFFECT OF FOREIGN EXCHANGE ON CASH</b>		
DECREASE IN CASH	(2,832)	-
CASH, BEGINNING OF PERIOD	17,193	-
CASH, END OF PERIOD	\$14,371	\$ -

### 5. INVENTORY

	March 31	December 31
	2020	2019
Stockpile ore	\$11,415	\$12,041
Concentrate	3,195	2,968
Supplies	32,221	30,931
Total inventories	46,831	45,940
Less non-current inventories included in other assets (Note 7)	(33,233)	(32,860)
Total current inventories	\$13,598	\$13,080

During the three month period ended March 31, 2020 inventory of \$24,601 was recognized in cost of sales (March 31, 2019-\$13,306) and an impairment charge of \$nil (March 31, 2019-\$3,396) on stockpile ore, concentrate and supplies inventory was included in cost of sales.

As at March 31, 2020, the Company had \$24,427 (December 31, 2019-\$24,446) of inventory pledged as security for debt.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

### 6. MINERAL PROPERTIES

<i>Cost</i>	Mineral Properties not being Depleted				Total
	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2018	\$473,917	\$43,667	\$103,464	\$1,442,334	\$2,063,382
Additions from continuing operations	10,312	2,568	1,484	13,751	28,115
Additions from discontinued operations	3,163	53	-	29,371	32,587
Reclassification	407	77	-	(484)	-
Write down	-	-	-	(53)	(53)
Foreign exchange movement	-	-	(332)	(42)	(374)
Disposition of assets held for sale	(107,330)	(43,797)	-	(1,128,139)	(1,279,266)
Acquisition of 30% of beneficial interest in Red Chris	163,616	29,571	50,132	271,092	514,411
Balance December 31, 2019	544,085	32,139	154,748	627,830	1,358,802
Additions	13,698	2,348	170	5,004	21,220
Foreign exchange movement	-	-	609	77	686
Balance March 31, 2020	\$557,783	\$34,487	\$155,527	\$632,911	\$1,380,708

<i>Accumulated depletion &amp; depreciation &amp; impairment losses</i>	Mineral Properties not being Depleted				Total
	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2018	\$281,978	\$ -	\$1,645	\$346,976	\$630,599
Depletion and depreciation from continuing operations	3,670	-	-	16,596	20,266
Depletion and depreciation from discontinued operations	742	-	-	6,021	6,763
Write down	-	-	-	(47)	(47)
Foreign exchange movement	-	-	-	(42)	(42)
Disposition of assets held for sale	(25,830)	-	-	(163,241)	(189,071)
Balance December 31, 2019	260,560	-	1,645	206,263	468,468
Depletion and depreciation from continuing operations	2,244	-	-	6,458	8,702
Foreign exchange movement	-	-	-	77	77
Balance March 31, 2020	\$262,804	\$ -	\$1,645	\$212,798	\$477,247
<i>Carrying Amount</i>					
Balance December 31, 2018	\$191,939	\$43,667	\$101,819	\$1,095,358	\$1,432,783
Balance December 31, 2019	\$283,525	\$32,139	\$153,103	\$421,567	\$890,334
Balance March 31, 2020	\$294,979	\$34,487	\$153,882	\$420,113	\$903,461

Additions to Mineral Properties being Depleted for the three months ended March 31, 2020 include an increase of \$9,616, which represents a net change in estimates of future site reclamation provisions (twelve months ended December 31, 2019-increase of \$11,307).

At March 31, 2020, the net carrying value of the deferred stripping costs was \$6,252 (December 31, 2019-\$2,187) and is included in mineral properties.

At March 31, 2020, leased mobile equipment at cost of \$4,953 (December 31, 2019-\$4,953) and accumulated depreciation of \$1,041 (December 31, 2018-\$850) was included with plant and equipment.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

At March 31, 2020, the Company had provided \$28,370 (December 31, 2019-\$28,370) of security for reclamation bonding obligations by securing certain plant and equipment.

At March 31, 2020, the Company had \$6,152 of contractual commitments (December 31, 2019-\$5,157) for the expenditures on property, plant and equipment.

### Red Chris Mine

Red Chris Mine located in northwest British Columbia, the property is comprised of the Red Chris Main claim group and the Red Chris South group, consisting of 77 mineral tenures (23,142 hectares). Five of these tenures (5,141 hectares) are mining leases. Net smelter royalties between 1.0% to 2.0% are payable on production from the Red Chris mine.

After completion of the sale on August 15, 2019 of a 70% interest in the Red Chris copper and gold mine to Newcrest, the Company and Newcrest have formed a joint venture for the operation of Red Chris with Newcrest Red Chris Mining Limited acting as operator. Red Chris Development Company Ltd, a subsidiary of the Company, owns a 30% beneficial interest in the Red Chris mine.

### Mount Polley Mine

The Mount Polley copper/gold mine is owned by Mount Polley Mining Corporation, a subsidiary of the Company. Located in south-central British Columbia, the property, including claims under option, encompasses 23,369 hectares consisting of seven mining leases (2,007 hectares) and 50 mineral claims (21,362 hectares). A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred on this tenure in 2019 or 2020. In October 2019, Mount Polley Mining Corporation optioned seven adjacent mineral tenures (3,331 hectares). Upon the exercising of the option on or before December 31, 2022, these claims will be subject to a production royalty payable on ore mined from the claims and milled in the Mount Polley processing plant.

Mount Polley mine operations were suspended in May 2019, and the mine is on care and maintenance until the economics of mining improve.

### Huckleberry Mine

The Huckleberry copper mine is owned by Huckleberry Mines Ltd., a subsidiary of the Company. Located in west-central British Columbia, the property encompasses 23,241 hectares consisting of two mining leases (2,422 hectares) and 44 mineral claims (20,819 hectares).

Huckleberry mine operations were suspended in August 2016, and the mine remains on care and maintenance status until the economics of mining improve.

### Other Exploration Properties

The Company has interests in several 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.

### Impairment Analysis of Mineral Properties

In accordance with its accounting policies and processes, each asset or cash-generating unit ("CGU") is evaluated at least annually at December 31, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed. The triggers for the impairment test are primarily due to changes to the mine plan and a decline in the copper price.

During the three months ended March 31, 2020 the Company reassessed the estimates of the residual values and the useful life of its mineral properties, plant and equipment given the current economic conditions due to COVID-19. Management considered if there are any significant changes in the economic performance of its mines, which might require adjustment to the cost, long-term commodity price for copper and gold forecast, USD/CAD foreign exchange rates. Based on the analysis performed, management concluded that there are no indications of impairment of its mineral properties, plant and equipment as at March 31, 2020.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

### 7. OTHER ASSETS

	March 31 2020	December 31 2019
Future site reclamation deposits	\$14,316	\$14,319
Non-current inventory – ore stockpile	11,415	11,042
Non-current inventory – supplies	17,875	17,875
Non-current inventory – critical spare parts	3,943	3,943
Other	69	75
	<u>\$47,618</u>	<u>\$47,254</u>

### 8. DEFERRED 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 15<sup>th</sup> of each month. Payment of any remaining balance under the Payment Plan is due at the end of March 2021. As of March 31, 2020 the balance of \$5,407 all related to the Huckleberry mine, are due within one year and therefore included as current liabilities in trade and other payables.

Interest on the deferred amounts is charged and added to the deferred trade payables balance at 12%.

### 9. SHORT TERM DEBT

Credit facility aggregating \$50,000 (December 31, 2019-\$50,000) due October 2, 2020. The facility is secured by shares of all material subsidiaries and a floating charge on certain assets of the Company. Of this facility \$38,583 (December 31, 2019-\$38,583) has been utilized for letters of credit pledged for settlement of future site reclamation provisions and for other liabilities.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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

### 10. NON-CURRENT DEBT

Amounts due for non-current debt are:

	March 31 2020	December 31 2019
Equipment loans	(a) \$404	\$515
Equipment leases	(b) 3,358	3,301
	3,762	3,816
Less portion due within one year	(1,301)	(1,300)
	<u>\$2,461</u>	<u>\$2,516</u>

The Company has the following debt facilities:

(a) Equipment Loans

The outstanding amount of equipment loans is \$404 (December 31, 2019-\$515) at a weighted average interest rate of 5.31% with monthly payments of \$39. All equipment loans are secured by the financed equipment.

(b) Equipment Leases

	Interest Rate	Monthly payment	March 31 2020	December 31 2019
Equipment Lease	6.25%	\$4	\$38	\$51
Equipment Lease	4.30%	\$89	\$3,320	\$3,250

	March 31 2020	December 31 2019
Contractual Lease Payments		
Due in less than one year	\$1,109	\$1,032
Due in one to three years	2,496	2,530
Total undiscounted lease liabilities, end of period	<u>\$3,605</u>	<u>\$3,562</u>

### 11. 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.

The total undiscounted amount of estimated future cash flows required to settle the obligations is \$160,074 (December 31, 2019-\$158,771). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2019-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 2.36% (December 31, 2019-2.67%) except for obligations related to Mount Polley and Huckleberry beyond 2048 that are discounted using a rate of 3.36% (December 31, 2019-3.67%). Obligations in amount of \$76,398 are expected to be settled in the years 2020 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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 12. SHARE CAPITAL

#### (i) 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

#### (ii) Share Option Plans

Under the Share Option Plans, the Company may grant options to its directors, officers and employees not to exceed 10% of the issued common shares of the Company. At December 31, 2019, a total of 10,853,017 common share options remain available for grant under the plans. Under the plans, the exercise price of each option cannot be greater than the market price of the Company's shares on the date of grant and an option's maximum term is 10 years. Options are granted from time to time by the Board of Directors and vest over a three or five year period.

During the three months ended March 31, 2020 and year ended December 31, 2019 the Company did not grant any stock options to its directors, officers or employees.

#### Movements in Share Options

The changes in share options were as follows:

	Three Months Ended March 31, 2020		Year Ended December 31, 2019	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	1,996,000	\$9.62	2,594,000	\$9.16
Forfeited	-	\$ -	(86,000)	\$8.00
Expired	-	\$ -	(512,000)	\$5.74
Outstanding at end of period	1,996,000	\$9.62	1,996,000	\$9.62
Options exercisable at end of period	1,762,000	\$9.88	1,762,000	\$9.88

The following table summarizes information about the Company's share options outstanding at March 31, 2020:

Exercise Prices	Options Outstanding		Options Exercisable	
	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$5.75	65,000	7.8	26,000	7.8
\$8.00	981,000	5.7	786,000	5.7
\$11.55	950,000	0.5	950,000	0.5
	1,996,000	3.3	1,762,000	2.9

No share options were exercised during the three months ended March 31, 2020.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 13. COST OF SALES

	Three Months Ended March 31	
	2020	2019
Operating expenses	\$15,912	\$8,489
Salaries, wages and benefits	4,995	5,202
Depletion and depreciation	7,367	2,623
Share based compensation	-	16
	<u>\$28,274</u>	<u>\$16,330</u>

Included in cost of sales for the three months ended March 31, 2020 is \$nil (March 31, 2019-\$3,396) of impairment charges in relation to concentrate inventory.

### 14. INTEREST EXPENSE

	Three Months Ended March 31	
	2020	2019
Interest on non-current debt	\$42	\$15,075
Other interest	355	3,322
	<u>\$397</u>	<u>\$18,397</u>

### 15. OTHER FINANCE INCOME

	Three Months Ended March 31	
	2019	2019
Accretion of future site reclamation provisions	\$(664)	\$(657)
Foreign exchange gain (loss) on non-current debt	(284)	9,052
Other foreign exchange gain (loss)	2,266	(182)
Fair value adjustment on debt settled in common shares	-	(3,356)
Fair value adjustment to marketable securities	(9)	(158)
	<u>1,309</u>	<u>4,699</u>
Interest income	389	2,172
Other finance income	<u>\$1,698</u>	<u>\$6,871</u>

### 16. 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.

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, 2020, and is subject to revision in the future as further information becomes available to the Company.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 17. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash operating working capital balances:

	Three Months Ended March 31	
	2020	2019
Trade and other receivables	\$5,426	\$(1,276)
Inventory	(944)	(3,862)
Prepaid expenses and deposits	(39)	(281)
Trade and other payables	(2,912)	(2,852)
Deferred trade payables	-	(1,479)
Provision for rehabilitation costs	(86)	(229)
	<u>\$1,445</u>	<u>\$(9,979)</u>

### 18. RELATED PARTY TRANSACTIONS AND COMPENSATION TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### (a) 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 (Loss)

	Three Months Ended March 31	
	2020	2019
Loan guarantee fee for guarantee of second lien credit facility	\$ -	\$277
Loan guarantee fee for guarantee of senior credit facility	\$ -	\$1,110
Interest expense	\$ -	\$4,661

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

#### (b) Compensation of Directors and Key Management Personnel

The remuneration of the Company's directors and other key management personnel is in amount of \$365 for the three months ended March 31, 2020 (three months ended March 31, 2019-\$375).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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### 19. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All of the Company's assets are located in Canada, except for assets comprised primarily of the Sterling mine totaling \$6,609 as at December 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, 2020				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Reportable segmented revenues	\$27,391	\$264	\$408	\$155	\$28,218
Less inter-segment revenues	-	(79)	(122)	(52)	(253)
Revenues from external sources	\$27,391	\$185	\$286	\$103	\$27,965
Depletion and depreciation	\$7,188	\$1,267	\$298	\$6	\$8,759
Interest (expense) and other finance (expense) income	\$(680)	\$(395)	\$(434)	\$2,810	\$1,301
Net income (loss)	\$(1,364)	\$(3,007)	\$(2,881)	\$1,042	\$(6,210)
Capital expenditures	\$9,077	\$9	\$ -	\$ -	\$9,086
Total assets	\$563,599	\$154,582	\$236,298	\$107,372	\$1,061,851
Total liabilities	\$181,908	\$73,050	\$77,161	\$216	\$332,335

Reportable Segments	Three Months Ended March 31, 2019				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	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	\$(3,517)	\$(11,344)
Net income (loss) from continuing operations	\$(1,552)	\$(4,724)	\$8,334	\$(4,395)	\$(2,337)
Net income from discontinued operations	\$69	\$ -	\$ -	\$ -	\$69
Net income (loss)	\$(1,483)	\$(4,724)	\$8,334	\$(4,395)	\$(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	\$42,508	\$470,505
Assets held for sale	1,118,240	-	-	-	1,118,240
Total assets	\$1,125,633	\$181,090	\$239,514	\$42,508	\$1,588,745
Liabilities from continuing operations	\$752,083	\$224,218	\$62,946	\$3,890	\$1,043,137
Liabilities held for sale	133,291	-	-	-	133,291
Total liabilities	\$885,374	\$224,218	\$62,946	\$3,890	\$1,176,428

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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### Revenue by Geographic Area

	Three Months Ended March 31	
	2020	2019
Switzerland	\$24,030	\$13,802
Singapore	3,361	-
Canada	574	1
	<u>\$27,965</u>	<u>\$13,803</u>

Revenues are attributed to geographic area based on country of customer. In the period ended March 31, 2020, the Company had 4 principal customers accounting for 36%, 29%, 21% and 12% of revenues (March 31, 2019—one principal customer accounting for 100%).

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.

### Revenue by Major Product and Service

	Three Months Ended March 31	
	2020	2019
Copper	\$16,503	\$7,953
Gold	10,733	5,726
Silver	155	123
Other	574	1
	<u>\$27,965</u>	<u>\$13,803</u>

## 20. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

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

### Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity comprised of share capital, contributed surplus, currency translation adjustment and retained earnings.

### 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's maximum exposure to credit risk is as follows:

	March 31	December 31
	2020	2019
Cash	\$82,495	\$89,953
Marketable securities	31	39
Trade receivables	3,540	5,759
Future site reclamation deposits	14,316	14,319
	<u>\$100,382</u>	<u>\$110,070</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

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### Liquidity Risk

Cash balances on hand, the projected cash flow from the Red Chris mine are expected to be sufficient to fund the Company's obligations as they come. However, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing.

Liquidity risk is also impacted by credit risk, although the Company considers this risk low.

### Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash, trade and other accounts receivable, reclamation deposits, trade and other payables and debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net (loss) income and comprehensive (loss) income for the three months ended March 31, 2020 would have been higher/lower by \$1,831.

### Interest Rate Risk

The Company does not have any significant exposure to interest rate risk.

### 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 is comprised of the following:

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	Provisional lb/oz	Provisional Price per lb/oz	Provisional lb/oz	Provisional Price per lb/oz
	<i>000's</i>	<i>US\$</i>	<i>000's</i>	<i>US\$</i>
Copper – <i>provisional price per lb</i>	4,613.5	\$2.23	9,291.1	\$2.94
Gold – <i>provisional price per oz</i>	3.4	\$1,585	16.1	\$1,293

The following tables summarize the realized and unrealized gains (losses) on provisionally priced sales:

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Copper	Gold & Silver	Total	Copper	Gold & Silver	Total
Realized	\$(2,434)	\$135	\$(2,299)	\$3,497	\$311	\$3,808
Unrealized	(2,388)	111	(2,277)	1,693	(244)	1,449
Total	\$(4,822)	\$246	\$(4,576)	\$5,190	\$67	\$5,257

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### Fair Value Estimation

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at March 31, 2020 as follows:

Financial Assets	Level 1	Level 2	Total
Cash	\$82,495	\$ -	\$82,495
Marketable securities	31	-	31
Provisionally priced accounts receivables	-	1,524	1,524
Future site reclamation deposits	14,316	-	14,316
	<u>96,842</u>	<u>1,524</u>	<u>98,366</u>
Financial Assets			
Provisionally priced accounts payable	-	(3,273)	(3,273)
	<u>\$96,842</u>	<u>\$(1,749)</u>	<u>\$95,093</u>

### 21. COMMITMENTS AND PLEDGES

(a) At March 31, 2020, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Note 7)	\$14,316
Mineral property, plant and equipment	28,370
Letters of credit (Note 9)	38,583
	<u>\$81,269</u>

(b) At March 31, 2020, the Company had commitments of \$6,152 for expenditures on mineral properties.

### 22. 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 financial position or financial performance.

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, British Columbia was breached. At March 31, 2020, the Company has a provision of \$1,998 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 16). 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 December 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.

During the March 2020 quarter a claim from a contractor in the amount of \$8,500 was filed against the Company and is at the early stages of a stepped resolution process. The claim is based on a contractor's self assessment of additional compensation owed for work previously carried out. The Company has denied that any further amounts are owed and has engaged independent legal counsel to advise on this matter.



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