



Second Quarter Report 2020

Management's Discussion & Analysis

For the Three and Six Months Ended June 30, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation ("Imperial", the "Company", "we", "us" or "our") should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2020 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, 2019.

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 a 30% interest in the Red Chris mine, and 100% of the Mount Polley and Huckleberry copper mines, all located in British Columbia. Imperial also holds a 45.3% 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 The Company was incorporated under the British Columbia *Company Act*, which was superseded by the British Columbia *Business Corporations Act*, on December 6, 2001 under the name IMI Imperial Metals Inc. Imperial changed its name to Imperial Metals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 August 12, 2020, the Company had 128,490,174 common shares outstanding, and on a diluted basis 131,791,174 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 March 11, 2020 the World Health Organization declared the rapidly spreading coronavirus 2019-nCoV ("COVID-19") outbreak a global pandemic. The Company has been closely monitoring developments in the COVID-19 outbreak and has implemented preventive measures to ensure the safety of our workforce and local communities. Throughout the COVID-19 pandemic, the mining operations at Red Chris, the exploration activities at Ruddock Creek, and the care and maintenance of Mount Polley and Huckleberry have continued under the strict guidance and directives of federal, provincial and regional health authorities. To date, there have been no outbreaks of COVID-19 at any of our sites and there have been no significant disruptions to production, shipment of concentrate or supply chain. However, we have made changes to our business and how we operate in order to minimize the risks to our employees, communities and other stakeholders.

The Company has actively responded to the global COVID-19 pandemic at the operations controlled by the Company through a variety of means such as:

- restricting travel;
- shifting employees to remote work arrangements wherever possible, including at our corporate office;
- implementing and promoting preventative measures in place at each of our operations, including social distancing and frequent handwashing;
- adhering to the most up to date guidance from governments and public health authorities in each jurisdiction in which we operate;
- implementing enhanced cleaning and disinfecting protocols;
- eliminating group meetings; and
- restricting employees with any potential symptoms of COVID-19 from attending Company facilities.

The Company holds a 30% interest in the Red Chris mine through our wholly owned subsidiary. Newcrest Mining Limited (“Newcrest”) holds a 70% interest through its wholly owned subsidiary and is the project operator.

The Company understands that Newcrest is continuing to monitor the developments and escalating global concern around the COVID-19 pandemic and has implemented the following precautionary measures at Red Chris:

- conducting passenger screening and health checks for all fly-in-fly-out, contractors and visitors travelling to site;
- advising against international travel;
- applying self-quarantine to those who have travelled internationally for business or privately within 14 days, as well as any travellers who have been in contact with a person diagnosed with or suspected of having the virus;
- restricting Newcrest staff from attending conferences or similar events until further notice;
- providing regular communication updates through the Health and Safety Department and Newcrest All Site notifications to employees on all sites, particularly on sanitation practices and what to do if they feel symptomatic;
- updating local communities on Newcrest’s current site practices in relation to COVID-19;
- issuing communications to all sites highlighting safe and hygienic practises to minimise spread of infection;
- preparing business continuity plans and contingencies in the event of a significant number of operational employees and contractors being exposed or contracting the virus to minimise disruptions to operations; and
- establishing an emergency management team of key management at site level.

The Company also understands that the Tahltan Central Government, Iskut First Nation and Tahltan Band have agreed with Newcrest’s implementation of a package of further measures which proactively protect and support communities and enable Tahltan members to support their families and communities, while helping Red Chris to continue to operate during the COVID-19 pandemic. Such measures include altering employee work schedules during the COVID-19 pandemic to provide for longer on and off-site periods, decreasing the amount of travel required and enabling First Nation employees increased time to self-isolate before returning to their local communities.

As Newcrest is the operator of the Red Chris mine, the preventative measures implemented with respect to that project lie outside the direct control of the Company. If Newcrest manages the operations of the Red Chris mine in a manner that results in violation(s) of the guidance and directives of applicable health authorities, such violation(s) may have an adverse impact on the Company.

Despite the uncertainties and changes relating to COVID-19 and current market conditions, we remain confident in the long-term outlook for our major commodities. However, the extent to which COVID-19 impacts the Company’s business, including exploration, development and production activities and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the coronavirus outbreak.

In particular, the global economic uncertainty and COVID-19 had a significant negative effect on the price of copper in the latter part of the first quarter. The extent and duration of impacts that the pandemic may have on demand and commodity prices, on our suppliers and employees and on global financial markets is not known at this time, but could be both material and protracted.

The resumption of normal operating activities is highly dependent on the progression of the pandemic and the success of measures taken to prevent transmission, which will influence when health and government authorities remove various restrictions on our business activities. Even after the COVID-19 pandemic has subsided, we may continue to experience material adverse impacts to our business as a result of its global economic impact, including any related recession.

Executive Changes

Andre Deepwell, Imperial’s Chief Financial Officer and Corporate Secretary, retired effective June 30, 2020, after 35 years with the Company.

Darb Dhillon, the Company’s current Vice President Finance has been appointed to Chief Financial Officer and Corporate Secretary.

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, 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 31 December 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.

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 consolidated financial statements of the Company.

QUARTER HIGHLIGHTS

FINANCIAL

On February 20, 2019 the Company initiated a process for the sale of the Red Chris mine and in accordance with IFRS, the Company classified Red Chris mine as a discontinued operation effective January 1, 2019 up until the closing of the transaction with Newcrest on August 14, 2019. Effective August 15, 2019 the results from the Red Chris mine are presented on a proportionate basis relative to Imperial's 30% ownership in the joint venture. Unless otherwise stated, this MD&A only compares the comparative quarter results from continuing operations and excludes discontinued operations even though the Red Chris mine is in both discontinued operations pre and post August 15, 2019.

Total revenue from continuing operations increased to \$45.1 million in the June 2020 quarter compared to \$21.7 million in the 2019 comparative quarter, an increase of \$23.4 million or 107.8%. The June 2019 amount only included revenue from the Mount Polley mine as the revenues from the Red Chris mine was classified in discontinued operations. However, in the June 2020 quarter, the Company included its portion of the 30% interest in the Red Chris mine. In June 2019, the revenue from discontinued operations was \$61.9 million.

In the June 2020 quarter, the Red Chris mine (100% basis) had 5.5 concentrate shipments (2019-3.1 concentrate shipments).

Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The London Metals Exchange cash settlement copper price per pound averaged US\$2.42 in the June 2020 quarter compared to US\$2.77 in the 2019 comparative quarter. LBMA cash settlement gold price per troy ounce averaged US\$1,711 in the June 2020 quarter compared to US\$1,310 in the 2019 comparative quarter. The average US/CDN Dollar exchange rate was 1.385 in the June 2020 quarter, 3.5% higher than the exchange rate of 1.338 in the June 2019 quarter. In CDN Dollar terms the average copper price in the June 2020 quarter was CDN\$3.35 per pound compared to CDN\$3.71 per pound in the 2019 comparative quarter, and the average gold price in the June 2020 quarter was CDN\$2,248 per ounce compared to CDN\$1,752 per ounce in the 2019 comparative quarter.

Revenue in the June 2020 quarter increased by \$5.8 million due to a positive revenue revaluation as compared to a \$4.8 million negative revenue revaluation in the 2019 comparative quarter. Revenue revaluations are the result of the metal 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 metal price at the last balance sheet date and finalization of contained metal as a result of final assays.

Net income from continuing operations for the June 2020 quarter was \$0.7 million (\$0.01 per share) compared to net loss of \$9.7 million (\$0.08 per share) in the 2019 comparative quarter. The decrease in net loss of \$10.4 million was primarily due to the following factors:

- Loss from mine operations went from \$2.2 million in June 2019 to income of \$11.8 million in June 2020, a decrease in net loss of \$14.0 million.
- Interest expense went from \$18.1 million in June 2019 to \$0.4 million in June 2020, a decrease in net loss of \$17.7 million.
- Foreign exchange gains/losses went from a gain of \$9.1 million in June 2019 to a loss of \$1.1 million in June 2020, an increase in net loss of \$10.2 million.
- Tax recovery went from \$4.0 million in June 2019 to an expense of \$3.0 million in June 2020, an increase in net loss of \$7.0 million.

The average US/CDN Dollar exchange rate in the June 2020 quarter was 1.386 compared to an average of 1.338 in the 2019 comparative quarter.

Cash flow was \$16.4 million in the June 2020 quarter compared to \$0.2 million in the 2019 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 from continuing operations were \$19.3 million in the June 2020 quarter, up from \$0.8 million in the 2019 comparative quarter.

At June 30, 2020, 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

Earlier, we described the current impact of COVID-19 on our business. The Company's plans for 2020 and beyond could be adversely impacted by the effects of the coronavirus (2019-nCoV) global pandemic. In particular, the continued spread of the coronavirus and travel, and other operating restrictions established to curb the spread of coronavirus, could materially and adversely impact the Company's current plans by causing a temporary closure of the Red Chris mine, suspending planned exploration work, causing an economic slowdown resulting in a decrease in the demand for copper and gold, negatively impacting copper and gold prices, impacting the Company's ability to transport or market the Company's concentrate or causing disruptions in the Company's supply chains.

Red Chris Mine

Operations

Red Chris metal production for the second quarter of 2020 was 26.5 million pounds copper and 22,057 ounces gold, up from 22.5 million pounds copper and 17,427 ounces gold in the first quarter of 2020.

Imperial's 30% portion of Red Chris second quarter production was 7.9 million pounds copper and 6,617 ounces gold.

Gold production was 27% higher than the prior quarter reflecting an increase in grade and recovery, partially offset by lower mill throughput.

During the quarter, a number of improvement initiatives were implemented to improve efficiencies across the site, including the optimization of haul road conditions and dumping locations to reduce truck cycle times, and the introduction of *just in time fueling* to increase operating time.

To date, Red Chris has not experienced any COVID-19 related disruptions to the supply of goods or services or to its workforce.

	Three Months Ended June 30*		Six Months Ended June 30*	
	2020	2019	2020	2019
Ore milled - tonnes	2,455,053	2,694,090	4,419,279	5,062,427
Ore milled per calendar day – tonnes	26,979	29,605	24,282	27,969
Grade % - copper	0.606	0.389	0.612	0.366
Grade g/t - gold	0.506	0.206	0.501	0.216
Recovery % - copper	80.6	76.2	82.1	75.2
Recovery % - gold	55.2	42.6	55.4	45.3
Copper – 000's pounds	26,458	17,599	48,910	30,700
Gold – ounces	22,057	7,580	39,484	15,897
Silver – ounces	50,581	30,427	95,130	53,054

* 100% Red Chris mine production

Exploration

The highlight in the second quarter was drill hole RC625, which is the second hole drilled in the newly discovered high grade pod. First intersected by RC616 this new high grade pod is located on the western edge of the East zone. Hole RC625 has returned a partial intercept of 400 metres grading 0.65 g/t gold and 0.51% copper, which includes a 60 metre interval grading 2.2 g/t gold and 1.3% copper. This has expanded the new high grade zone as RC625 is located 100 metres south west of RC616. Drilling to define and extend this new high grade zone is ongoing.

Final results for drill hole RC623 (partial results ref: June 10, 2020 news release) were received. RC623 intersected 532 metres grading 1.3 g/t gold and 0.82% copper, including 122 metres grading 4.5 g/t gold and 2.3% copper. RC623 was drilled to expand and confirm the continuity of the discrete high-grade East Zone pod in the vicinity of RC09-350. Drill hole RC620, drilled 100 metres below RC611, has confirmed the extent of the +1 g/t gold halo which surrounds the high grade pod. Follow up infill drilling continues to define the extent of this high grade mineralization.

The eastern most drill hole drilled by Newcrest Red Chris Joint Venture to date, is RC621 which is located on the eastern edge of the known mineralization about 400 metres east of RC09-350. Hole RC621 intercepted 414 metres grading 0.39 g/t gold and 0.32% copper, including an interval of 84 metres grading 0.73 g/t gold and 0.45% copper. Hole RC621 was drilled along a section that only one hole (RC-10-411) had been previously drilled and is expanding the mineralization on the eastern edge of the East zone.

The East Zone Resource Definition program comprising 16 angled drill holes has been completed. A further 10 follow up infill holes were designed to define and extend the East zone high grade pods, of which 6 have been completed and 3 holes are underway.

A total of 20,433 metres of drilling has been completed since the end of March 2020. The number of drill rigs was recently increased from six to eight.

The Company's share of exploration, development and capital expenditures were \$18.7 million in the June 2020 quarter compared to \$11.7 million in the 2019 comparative quarter.

Mount Polley Mine

Operations

Mount Polley mine operations were shut down in May 2019, and the mine remains on care and maintenance status pending improvement of the economics of mining. Site personnel are maintaining access, fire watch, and managing the collection, treatment and discharge of site contact water.

For the June 2020 quarter, Mount Polley incurred idle mine costs comprised of \$3.0 million in operating costs and \$1.1 million in depreciation expense.

Exploration

A comprehensive exploration program was initiated at Mount Polley in late 2019. One targeted area is the Frypan/Morehead, a largely till covered magnetic "high" which has a similar magnetic response to that obtained over the Mount Polley mine host rock of monzonite and hydrothermally altered monzonite breccia pipes. The area is located west and north of the mine and is approximately three by three kilometres in size. There were 948 soil samples collected and analyzed using the Mobile Metal Ion technique. SJ Geophysics also completed an 80.7 line kilometre Volterra-3D Induced Polarization (IP) survey covering the same grid area. Numerous, high priority targets were outlined and will be tested once final analysis is completed.

Last month the same kind of IP survey was conducted over the Mount Polley mine site to identify the geophysical response of the known mineralization to aid in prioritizing targets on the Frypan/Morehead area. The survey consisted of 81.5 line kilometres and was successful in delineating the known mineralization, as well as outlining several "new" un-tested areas in the vicinity of the mine.

A drill program is being planned to test the geophysical anomalies later this summer.

Huckleberry Mine

Operations

Huckleberry mine operations were shut down in August 2016, and the mine remains on care and maintenance status, pending improvement of the economics of mining. Activities at the mine site have focused on water management, snow removal, maintenance of site infrastructure and equipment and environmental compliance monitoring. The tailings management facilities are actively monitored.

For the June 2020 quarter, Huckleberry incurred idle mine costs comprised of \$1.5 million in operating costs and \$0.2 million in depreciation expense.

Exploration

A diamond drill is being mobilized to the Huckleberry mine for exploration drilling in the vicinity of the East zone pit where the majority of the historic drill holes were stopped while still in copper mineralization. The initial focus of the exploration will be to investigate the East zone at depth below the historic drilling that ended in copper mineralization.

EARNINGS AND CASH FLOW

The Company completed the sale of 70% interest in the Red Chris mine to Newcrest on August 15, 2019. As a result, this operation was classified as a discontinued operation effective January 1, 2019 to August 14, 2019.

Select Quarter Financial Information

expressed in thousands, except share and per share amounts

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Continuing operations:				
Total revenues	\$45,056	\$21,673	\$73,021	\$35,476
Net income (loss)	\$707	\$(9,677)	\$(5,503)	\$(12,014)
Net income (loss) per share	\$0.01	\$(0.08)	\$(0.04)	\$(0.10)
Diluted income (loss) per share	\$0.01	\$(0.08)	\$(0.04)	\$(0.10)
Adjusted net income (loss) ⁽¹⁾	\$579	\$(18,651)	\$(5,347)	\$(30,040)
Adjusted net income (loss) per share ⁽¹⁾	\$0.00	\$(0.15)	\$(0.04)	\$(0.23)
Adjusted EBITDA ⁽¹⁾	\$16,224	\$(16)	\$18,758	\$(3,573)
Cash flow ⁽¹⁾⁽²⁾	\$16,417	\$207	\$18,894	\$232
Cash flow per share ⁽¹⁾⁽²⁾	\$0.13	\$0.00	\$0.14	\$0.00
Discontinued operations:				
Total revenues	\$ -	\$61,945	\$ -	\$124,823
Net income	\$ -	\$2,227	\$ -	\$2,296
Net income share	\$ -	\$0.02	\$ -	\$0.02
Diluted income per share	\$ -	\$0.02	\$ -	\$0.02
Adjusted net income ⁽¹⁾	\$ -	\$1,968	\$ -	\$1,743
Adjusted net income per share ⁽¹⁾	\$ -	\$0.02	\$ -	\$0.02
Adjusted EBITDA ⁽¹⁾	\$ -	\$3,506	\$ -	\$14,059
Cash flow ⁽¹⁾⁽²⁾	\$ -	\$3,260	\$ -	\$13,520
Cash flow per share ⁽¹⁾⁽²⁾	\$ -	\$0.03	\$ -	\$0.11
Working capital (deficiency)	\$35,924	\$(744,682)	\$35,924	\$(744,682)
Total assets	\$1,073,013	\$1,591,256	\$1,073,013	\$1,591,256
Total debt (including current portion)	\$3,197	\$887,932	\$3,197	\$887,932

(1) Refer to *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.

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

expressed in thousands

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Net income (loss) before undernoted items	\$846	\$(7,330)	\$(4,790)	\$(14,721)
Interest expense	(267)	(13,184)	(557)	(26,607)
Recovery of BC Mineral taxes including interest	-	1,863	-	11,288
Foreign exchange gain (loss) on debt	128	8,974	(156)	18,026
Net income (loss) from continuing operations	\$707	\$(9,677)	\$(5,503)	\$(12,014)

NON-IFRS FINANCIAL MEASURES

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

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

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

Adjusted net income from continuing operations in the June 2020 quarter was \$0.6 million (\$0.00 per share) compared to an adjusted net loss of \$18.7 million (\$0.15 per share) in the 2019 comparative quarter. Adjusted net income or loss shows the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net income or loss is calculated by removing the gains or loss, resulting from acquisition and disposal of property, mark to market revaluation of derivative instruments not related to the current period, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax, as further detailed in the following table.

Calculation of Adjusted Net Income (Loss)

expressed in thousands, except share and per share amounts	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Net income (loss) reported from continuing operations	\$707	\$(9,677)	\$(5,503)	\$(12,014)
Unrealized foreign exchange (gain) loss on debt, net of tax ^(a)	(128)	(8,974)	156	(18,026)
Adjusted net income (loss) from continuing operations	579	(18,651)	(5,347)	(30,040)
Adjusted net income from discontinued operations	-	1,968	-	1,743
Total Adjusted Net Income (Loss) Reported	\$579	\$(16,683)	\$(5,347)	\$(26,797)
Basic weighted average number of common shares outstanding	128,490,174	127,110,479	128,490,174	126,104,879
Adjusted net income (loss) per share from continuing operations	\$0.00	\$(0.15)	\$(0.04)	\$(0.23)
Adjusted net income (loss) per share from discontinued operations	\$0.00	\$0.02	\$0.00	\$0.02
Total Adjusted Net Income (Loss) Per Share	\$0.00	\$(0.13)	\$(0.04)	\$(0.21)

(a) 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 June 2020 quarter was \$16.2 million compared to a loss of \$nil in the 2019 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 June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Net income (loss)	\$707	\$(9,677)	\$(5,503)	\$(12,014)
Adjustments:				
Income and mining tax expense (recovery)	2,954	(3,999)	3,802	(18,074)
Interest expense	366	18,091	763	36,488
Depletion and depreciation	10,544	4,256	19,303	7,100
Accretion of future site reclamation provisions	644	638	1,308	1,295
Share based compensation	136	84	185	193
Foreign exchange gain (loss)	889	(9,447)	(1,093)	(18,727)
Revaluation gain (loss) on marketable securities	(10)	44	(1)	202
Other	(6)	(6)	(6)	(36)
Adjusted EBITDA from continuing operations	16,224	(16)	18,758	(3,573)
Adjusted EBITDA from discontinued operations	-	3,506	-	14,059
Total Adjusted EBITDA	\$16,224	\$3,490	\$18,758	\$10,486

Cash Flow and Cash Flow Per Share

Cash flow from continuing operations in the June 2020 quarter was \$16.4 million compared to \$0.2 million in the 2019 comparative quarter. Cash flow per share was \$0.13 in the June 2020 quarter compared to \$nil in the 2019 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 June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Income (loss) before taxes	\$3,661	\$(13,676)	\$(1,701)	\$(30,088)
Items not affecting cash flows:				
Depletion and depreciation	10,544	4,256	19,303	7,100
Share based compensation	136	70	185	179
Accretion of future site reclamation provisions	644	638	1,308	1,295
Fair value adjustment for debt settled in common shares	-	-	-	3,356
Unrealized foreign exchange gains (loss)	1,082	(9,167)	(957)	(18,179)
Interest expense	366	18,091	763	36,488
Other	(16)	(5)	(7)	81
Cash flow from continuing operations	16,417	207	18,894	232
Cash flow from discontinued operations	-	3,260	-	13,520
Total Cash Flow	\$16,417	\$3,467	\$18,894	\$13,752
Basic weighted average number of common shares outstanding	128,490,174	127,110,479	128,490,174	126,104,879
Cash flow per share from continuing operations	\$0.13	\$0.00	\$0.15	\$0.00
Cash flow per share from discontinued operations	\$0.00	\$0.03	\$0.00	\$0.11
Total Cash Flow Per Share	\$0.13	\$0.03	\$0.15	\$0.11

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 (30% share), 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 and Mount Polley mines were not in operation have been excluded from the cash cost per pound of copper produced.

The following tables reconcile cost of sales as shown on the consolidated statement of comprehensive income to the cash cost per pound of copper produced in US\$ for the three months ended June 30, 2020 and 2019.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Three Months Ended June 30, 2020		
	Red Chris	**Mount	
		Polley	Composite
	A	B	C=A+B
Cost of sales	\$33,248	\$ -	\$33,248
Less:			
Depletion and depreciation	(9,221)	-	(9,221)
Cash costs before adjustment to production basis	24,027	-	24,027
Adjust for inventory change	(1,647)	-	(1,647)
Adjust transportation and offsite costs	(87)	-	(87)
Adjust for other costs	429	-	429
Treatment, refining and royalty costs	3,312	-	3,312
By-product and other revenues	(14,904)	-	(14,904)
Cash cost of copper produced in CDN\$	\$11,130	\$ -	\$11,130
US\$ to CDN\$ exchange rate	1.3861	-	1.3861
Cash cost of copper produced in US\$	\$8,030	\$ -	\$8,030
Copper produced – pounds	7,937	-	7,937
Cash cost per lb copper produced in US\$	\$1.01	\$ -	\$1.01

	Three Months Ended June 30, 2019		
	*Red Chris	**Mount	
		Polley	Composite
	A	B	C=A+B
Cost of sales	\$58,887	\$23,828	\$82,715
Less:			
Depletion and depreciation	(132)	(3,521)	(3,653)
Share based compensation	(16)	25	9
Cash costs before adjustment to production basis	58,739	20,332	79,071
Adjust for inventory change	2,610	(8,599)	(5,989)
Adjust transportation and offsite costs	3,611	(808)	2,803
Adjust for other costs	-	-	-
Treatment, refining and royalty costs	7,263	623	7,886
By-product and other revenues	(12,735)	(7,959)	(20,694)
Cash cost of copper produced in CDN\$	\$59,488	\$3,589	\$63,077
US\$ to CDN\$ exchange rate	1.3287	1.3418	1.3353
Cash cost of copper produced in US\$	\$44,772	\$2,675	\$47,238
Copper produced – pounds	17,599	1,520	19,119
Cash cost per lb copper produced in US\$	\$2.54	\$1.76	\$2.47

* The Red Chris mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. Effective August 15, 2019, the results from Red Chris are presented in continuing operations on a proportional basis relative to Imperial's 30% beneficial interest in the joint venture.

** The Mount Polley mine was placed on care and maintenance on May 26, 2019.

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 six months ended June 30, 2020 and 2019.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Six Months Ended June 30, 2020		
	**Mount		
	Red Chris	Polley	Composite
	A	B	C=A+B
Cost of sales	\$61,522	\$ -	\$61,522
Less:			
Depletion and depreciation	(16,588)	-	(16,588)
Cash costs before adjustment to production basis	44,934	-	44,934
Adjust for inventory change	(991)	-	(991)
Adjust transportation and offsite costs	(115)	-	(115)
Adjust for other costs	429	-	429
Treatment, refining and royalty costs	6,006	-	6,006
By-product and other revenues	(25,751)	-	(25,751)
Cash cost of copper produced in CDN\$	\$24,512	\$ -	\$24,512
US\$ to CDN\$ exchange rate	1.3653	-	1.3653
Cash cost of copper produced in US\$	\$17,954	\$ -	\$17,954
Copper produced – pounds	14,672	-	14,672
Cash cost per lb copper produced in US\$	\$1.22	\$ -	\$1.22

	Six Months Ended June 30, 2019		
	**Mount		
	Red Chris	Polley	Composite
	A	B	C=A+B
Cost of sales	\$120,656	\$40,158	\$160,814
Less:			
Depletion and depreciation	57	9	66
Cash costs before adjustment to production basis	111,491	34,023	145,514
Adjust for inventory change	5,050	-	5,050
Adjust transportation and offsite costs	3,432	(569)	2,863
Adjust for other costs	-	-	-
Treatment, refining and royalty costs	12,902	1,598	14,500
By-product and other revenues	(26,287)	(18,469)	(44,756)
Cash cost of copper produced in CDN\$	\$106,588	\$16,583	\$123,171
US\$ to CDN\$ exchange rate	1.3333	1.3342	1.3337
Cash cost of copper produced in US\$	\$79,942	\$12,429	\$92,352
Copper produced – pounds	30,700	3,825	34,525
Cash cost per lb copper produced in US\$	\$2.60	\$3.25	\$2.67

* The Red Chris mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. Effective August 15, 2019, the results from Red Chris are presented in continuing operations on a proportional basis relative to Imperial's 30% beneficial interest in the joint venture.

** The Mount Polley mine was placed on care and maintenance on May 26, 2019.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2020 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2019

Overview

Revenues from continuing operations increased to \$45.1 million in the June 2020 quarter compared to \$21.7 million in the 2019 comparative quarter, an increase of \$23.4 million or 107.8%. 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.

Net income from continuing operations for the June 2020 quarter was \$0.7 million (\$0.01 per share) compared to net loss of \$9.7 million (\$0.08 per share) in the 2019 comparative quarter. The decrease in net loss of \$10.4 million was primarily due to the following factors:

- Loss from mine operations went from \$2.2 million in June 2019 to income of \$11.8 million in June 2020, a decrease in net loss of \$14.0 million.
- Interest expense went from \$18.1 million in June 2019 to \$0.4 million in June 2020, a decrease in net loss of \$17.7 million.
- Foreign exchange gains/losses went from a gain of \$9.1 million in June 2019 to a loss of \$1.1 million in June 2020, an increase in net loss of \$10.2 million.
- Tax recovery went from \$4.0 million in June 2019 to an expense of \$3.0 million in June 2020, an increase in net loss of \$7.0 million.

The average US/CDN Dollar exchange rate in the June 2020 quarter was 1.386 compared to an average of 1.338 in the 2019 comparative quarter.

Revenue

expressed in thousands of dollars, except quantity amounts

	Three Months Ended June 30	
	2020	2019
Revenue from continuing operations before revaluation	\$39,286	\$23,592
Revenue revaluations from continuing operations	5,770	(1,919)
Revenue from continuing operations	45,056	21,673
Revenue from discontinued operations	-	64,806
Revenue revaluation from discontinued operations	-	(2,861)
Revenue from discontinued operations	-	61,945
Total Revenue	\$45,056	\$83,618

expressed in thousands of dollars, except quantity amounts

	Three Months Ended June 30, 2020		
	Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	8,264	-	8,264
Gold – ounces	6,696	-	6,696
Silver – ounces	15,736	-	15,736
Revenue			
Copper	\$28,593	\$ -	\$28,593
Gold	15,875	-	15,875
Silver	217	-	217
	\$44,685	\$ -	\$44,685
Corporate and Other			371
Total Revenue			\$45,056

expressed in thousands of dollars, except quantity amounts

	Three Months Ended June 30, 2019		
	*Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	16,876	3,071	19,947
Gold – ounces	6,932	8,192	15,124
Silver – ounces	27,256	9,007	36,263
Revenue			
Copper	\$50,115	\$8,135	\$58,250
Gold	12,066	13,401	25,467
Silver	(236)	137	(99)
	\$61,945	\$21,673	\$83,618
Corporate and Other			-
Total Revenue			\$83,618

* The Red Chris mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. Effective August 15, 2019, the results from Red Chris are presented in continuing operations on a proportional basis relative to Imperial's 30% ownership in the joint venture.

During the June 2020 quarter, the Company sold 8.3 million pounds copper and 6,696 ounces gold compared to 19.9 million pounds copper and 15,124 ounces gold in the 2019 comparative quarter.

In the June 2020 quarter, the Red Chris mine had 5.5 concentrate shipments (2019-3.1 concentrate shipments).

During the June 2020 quarter, the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris mine. Copper accounted for 63.4% and gold accounted for 35.2% of the Company's revenue.

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 June 30	
	2020	2019
Operating expenses	\$17,672	\$12,451
Salaries, wages and benefits	6,355	7,881
Depletion and depreciation	9,221	3,521
Share based compensation	-	(25)
	<u>\$33,248</u>	<u>\$23,838</u>

Cost of sales for the June 2020 quarter was \$33.2 million compared to \$23.8 million in the 2019 comparative quarter, due to the following major factors:

- operating expenses and salaries, wages and benefits for the June 2020 quarter were \$24.0 million compared to \$20.3 million in the June 2019 quarter;
- depletion and depreciation for the June 2020 quarter was \$9.2 million compared to \$3.5 million in the June 2019 quarter;
- included in cost of sales for the June 2020 quarter are inventory impairment charges in relation to stockpile ore, concentrate inventory and supplies inventory of \$0.4 million compared to \$3.1 million in the June 2019 quarter.

Interest Expense

expressed in thousands of dollars

	Three Months Ended June 30	
	2020	2019
Interest on non-current debt	\$40	\$14,853
Other interest	326	3,238
	<u>\$366</u>	<u>\$18,091</u>

Interest expense decreased to \$0.4 million in the June 2020 quarter from \$18.1 million in the 2019 comparative quarter due to the Company repaying the majority of its debt on August 15, 2019.

Other Finance Income (Loss)

expressed in thousands of dollars

	Three Months Ended June 30	
	2020	2019
Accretion of future site reclamation provisions	\$(644)	\$(638)
Foreign exchange gain (loss)	(889)	8,975
Fair value adjustment to marketable securities	10	(44)
	(1,523)	8,293
Interest income	147	2,609
Other finance income (loss)	<u>\$(1,376)</u>	<u>\$10,902</u>

Other finance loss totalled \$1.4 million in the June 2020 quarter compared to income of \$10.9 million in the 2019 comparative quarter with the expense resulting primarily from foreign exchange discussed below.

At June 30, 2020, the Company held a significant portion of its cash in US\$ and also had US\$ denominated debt of US\$2.9 million compared to US\$334.5 million at December 31, 2019. The foreign exchange loss is primarily related to US\$ cash holdings.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2020 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2019

Overview

Revenues from continuing operations increased to \$73.0 million in the June 2020 period compared to \$35.5 million in the 2019 comparative period, an increase of \$37.5 million or 105.6%. 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.

Net loss from continuing operations for the June 2020 period was \$5.5 million (\$0.04 per share) compared to net loss of \$12.0 million (\$0.10 per share) in the 2019 comparative period. The decrease in net loss of \$6.5 million was primarily due to the following factors:

- Loss from mine operations went from \$4.7 million in June 2019 to an income of \$11.5 million in June 2020, a decrease in net loss of \$16.2 million.
- Interest expense went from \$36.5 million in June 2019 to \$0.8 million in June 2020, a decrease in net loss of \$35.7 million.
- Foreign exchange gain went from \$18.0 million in June 2019 to \$1.1 million in June 2020, an increase in net loss of \$16.9 million.
- Tax recovery went from \$18.1 million in June 2019 to an expense of \$3.8 million in June 2020, an increase in net loss of \$21.9 million.

The average US/CDN Dollar exchange rate in the June 2020 period was 1.365 compared to an average of 1.334 in the 2019 comparative period.

Revenue

expressed in thousands of dollars, except quantity amounts

	Six Months Ended June 30	
	2020	2019
Revenue from continuing operations before revaluation	\$71,884	\$37,009
Revenue revaluations from continuing operations	1,137	(1,533)
Revenue from continuing operations	73,021	35,476
Revenue from discontinued operations	-	125,596
Revenue revaluation from discontinued operations	-	(773)
Revenue from discontinued operations	-	124,823
Total Revenue	\$73,021	\$160,299

expressed in thousands of dollars, except quantity amounts

	Six Months Ended June 30, 2020		
	Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	15,118	-	15,118
Gold – ounces	11,925	-	11,925
Silver – ounces	29,485	-	29,485
Revenue			
Copper	\$45,096	\$ -	\$45,096
Gold	26,608	-	26,608
Silver	372	-	372
	\$72,076	\$ -	\$72,076
Corporate and Other			945
Total Revenue			\$73,021

expressed in thousands of dollars, except quantity amounts

	Six Months Ended June 30, 2019		
	*Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	30,816	4,573	35,389
Gold – ounces	16,080	12,565	28,645
Silver – ounces	51,262	13,678	64,940
Revenue			
Copper	\$97,704	\$16,072	\$113,776
Gold	27,102	19,127	46,229
Silver	17	259	276
	\$124,823	\$35,458	\$160,281
Corporate and Other			18
Total Revenue			\$160,299

* The Red Chris mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. Effective August 15, 2019, the results from Red Chris are presented in continuing operations on a proportional basis relative to Imperial's 30% ownership in the joint venture.

During the June 2020 period, the Company sold 15.1 million pounds copper and 11,925 ounces gold compared to 35.4 million pounds copper and 28,645 ounces gold in the 2019 comparative period.

In the June 2020 period, the Red Chris mine had 9.8 concentrate shipments (2019-5.7 concentrate shipments).

During the June 2020 period, the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris mine. Copper accounted for 61.8% and gold accounted for 36.4% of the Company's revenue.

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

	Six Months Ended June 30	
	2020	2019
Operating expenses	\$33,584	\$20,940
Salaries, wages and benefits	11,350	13,083
Depletion and depreciation	16,588	6,144
Share based compensation	-	(9)
	<u>\$61,522</u>	<u>\$40,158</u>

Cost of sales for the June 2020 period was \$61.5 million compared to \$40.2 million in the 2019 comparative period, due to the following major factors:

- operating expenses and salaries, wages and benefits for the June 2020 period were \$44.9 million compared to \$34.0 million in the June 2019 period;
- depletion and depreciation for the June 2020 period was \$16.6 million compared to \$6.1 million in the June 2019 period;
- included in cost of sales for the June 2020 period are inventory impairment charges in relation to stockpile ore, concentrate inventory and supplies inventory of \$0.4 million compared to \$3.1 million in the June 2019 period.

Interest Expense

expressed in thousands of dollars

	Six Months Ended June 30	
	2020	2019
Interest on non-current debt	\$82	\$29,928
Other interest	681	6,560
	<u>\$763</u>	<u>\$36,488</u>

Interest expense decreased to \$0.8 million in the June 2020 period from \$36.5 million in the 2019 comparative period due to the Company repaying the majority of its debt on August 15, 2019.

Other Finance Income

expressed in thousands of dollars

	Six Months Ended June 30	
	2020	2019
Accretion of future site reclamation provisions	\$(1,308)	\$(1,295)
Foreign exchange gain	1,093	18,027
Fair value adjustment for debt settled in common shares	-	(3,356)
Fair value adjustment to marketable securities	1	(202)
	<u>(214)</u>	<u>13,174</u>
Interest income	536	4,781
Other finance income	<u>\$322</u>	<u>\$17,955</u>

Other finance income totalled \$0.3 million in the June 2020 period compared to \$18.0 million in the 2019 comparative period with the expense resulting primarily from foreign exchange discussed below.

At June 30, 2020, the Company held a significant portion of its cash in US\$ and also had US\$ denominated debt of US\$2.9 million compared to US\$334.5 million at December 31, 2019. The foreign exchange loss is primarily related to US\$ cash holdings.

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 2019. The capital structure of the Company consists of current and non-current debt and equity comprised of share capital, contributed surplus, currency translation adjustment and retained earnings.

LIQUIDITY & CAPITAL RESOURCES AND FINANCING

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 and smelters. These customers are large and well-capitalized, 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 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 June 30, 2020.

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 June 30, 2020, the Company had a working capital balance of \$35.9 million, including a cash balance of \$67.5 million which compares to a working capital of \$55.3 million and cash balance of \$90.0 million at December 31, 2019. The working capital reflects the funds that were received from the sale of 70% interest in Red Chris and subsequent repayment of the majority of the Company's debt on August 15, 2019.

The Company has a \$50.0 million revolving credit facility of which \$38.4 million was utilized primarily for letters of credit to secure reclamation bonds.

Cash balances on hand, the projected cash flow from the Company's 30% share of Red Chris mine, as well as the available credit facility are expected to be sufficient to fund the Company's obligations as they come due.

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 above.

The Company had the following contractual obligations with respect to financial instruments as of June 30, 2020:

expressed in thousands of dollars

	Within					
	1 Year	2 Years	3 Years	4 Years	5 years	Total
Trade and other payables	\$51,569	\$ -	\$ -	\$ -	\$ -	\$51,569
Other obligations	1,787	-	-	-	-	1,787
Current portion of non-current debt	1,099	-	-	-	-	1,099
Non-current debt	-	1,008	1,005	85	-	2,098
Total	\$54,455	\$1,008	\$1,005	\$85	\$ -	\$56,553

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 June 30, 2020 would have been higher/lower by \$3.4 million.

Cash Flow

Cash flow was \$16.4 million in the June 2020 quarter compared to \$0.2 in the 2019 comparative 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 June 30, 2020, the Company had cash of \$67.5 million and a working capital of \$35.9 million, which includes \$1.1 million of current debt, compared to a working capital of \$55.3 million at December 31, 2019, which included \$1.3 million of current debt.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties from continuing and discontinued operations totalled \$19.3 million in the June 2020 quarter compared to \$12.5 million in the June 2019 quarter.

expressed in thousands of dollars

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Capital and Development Expenditures				
Red Chris*	\$16,563	\$11,697	\$25,649	\$20,967
Mount Polley	-	577	-	1,255
Other	-	4	-	4
	<u>16,563</u>	<u>12,278</u>	<u>25,649</u>	<u>22,226</u>
Exploration Expenditures				
Red Chris*	2,380	12	4,611	31
Mount Polley	247	12	364	12
Other	82	229	248	285
	<u>2,709</u>	<u>253</u>	<u>5,223</u>	<u>328</u>
	<u>\$19,272</u>	<u>\$12,531</u>	<u>\$30,872</u>	<u>\$22,554</u>

*The Red Chris mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. Effective August 15, 2019, amounts noted above pertain to the Company's 30% share of the Red Chris mine.

Contingent Liabilities

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business as more specifically described in Note 30 to the audited financial statements of the Company for the year ended December 31, 2019.

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.

During the June 2020 period, a claim from a contractor in the amount of \$11.1 million was filed against the Company and will likely be submitted to arbitration. 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.

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 US\$/CDN\$ exchange rates compared to the copper and gold prices and US\$/CDN\$ 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 June 30, 2020 or at the date of this document, other than those embedded in revenue contracts for provisional pricing.

DEBT AND OTHER OBLIGATIONS

At June 30, 2020, the Company's debt was comprised of equipment loans and leases denominated in both US\$/CDN\$ with a balance of \$3.2 million. Detailed disclosure on the Company's debt including amounts owed, interest rates and security can be found in Note 10 of the Interim Financial Statements.

Interest Rate Risk

From time to time the Company is exposed to interest rate risk on its outstanding borrowings. At June 30, 2020 and December 31, 2019, the Company did not have any borrowings that 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 June 30, 2020, 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.

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 June 30, 2020 as follows:

expressed in thousands of dollars

	Level 1	Level 2	Total
Financial assets			
Cash	\$67,547	\$ -	\$67,547
Marketable securities	40	-	40
Provisionally priced receivables	-	7,767	7,767
Future site reclamation deposits	14,325	-	14,325
	81,912	7,767	89,679
Provisionally priced accounts payable	-	(5)	(5)
	\$81,912	\$7,762	\$89,674

SELECT QUARTERLY FINANCIAL INFORMATION

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

	Three Months Ended			
	June 30 2020	March 31 2020	December 31 2019*	September 30 2019*
Total revenues	\$45,056	\$27,965	\$29,654	\$46,863
Net income (loss)	\$707	\$(6,210)	\$18,288	\$313,226
Basic income (loss) per share	\$0.01	\$(0.05)	\$0.14	\$2.47
Diluted income (loss) per share	\$0.01	\$(0.05)	\$0.14	\$2.47
Adjusted net income (loss) ⁽¹⁾	\$579	\$(5,926)	\$18,639	\$672
Adjusted net income (loss) per share ⁽¹⁾	\$0.00	\$(0.05)	\$0.15	\$0.01
Adjusted EBITDA ⁽¹⁾	\$16,224	\$2,534	\$(3,216)	\$127,743
Cash flow ⁽¹⁾	\$16,417	\$2,477	\$(2,157)	\$8,616
Cash flow per share ⁽¹⁾	\$0.13	\$0.02	\$(0.01)	\$0.06
Average LME copper price/lb in US\$	\$2.42	\$2.56	\$2.67	\$2.64
Average LBMA gold price/troy oz in US\$	\$1,711	\$1,583	\$1,480	\$1,474
Average US\$/CDN\$ exchange rate	\$1.386	\$1.345	\$1.320	\$1.321
Period end US\$/CDN\$ exchange rate	\$1.363	\$1.419	\$1.298	\$1.324

	June 30	March 31	December 31	September 30
	2019*	2019*	2018	2018
Total revenues	\$83,618	\$76,681	\$91,714	\$70,481
Net loss	\$(7,450)	\$(2,268)	\$(44,265)	\$(28,609)
Basic loss per share	\$(0.06)	\$(0.02)	\$(0.37)	\$(0.24)
Diluted loss per share	\$(0.06)	\$(0.02)	\$(0.37)	\$(0.24)
Adjusted net loss ⁽¹⁾	\$(16,683)	\$(11,614)	\$(15,087)	\$(37,099)
Adjusted net loss per share ⁽¹⁾	\$(0.13)	\$(0.09)	\$(0.13)	\$(0.30)
Adjusted EBITDA ⁽¹⁾	\$6,846	\$6,996	\$12,341	\$(13,287)
Cash flow ⁽¹⁾	\$3,467	\$10,285	\$121,850	\$(11,766)
Cash flow per share ⁽¹⁾	\$0.03	\$0.08	\$1.03	\$(0.10)
Average LME copper price/lb in US\$	\$2.77	\$2.82	\$2.80	\$2.77
Average LBMA gold price/troy oz in US\$	\$1,310	\$1,304	\$1,228	\$1,213
Average US\$/CDN\$ exchange rate	\$1.338	\$1.329	\$1.321	\$1.307
Period end US\$/CDN\$ \$ exchange rate	\$1.329	\$1.337	\$1.364	\$1.295

(1) Refer to tables under heading *Non-IFRS Financial Measures* for details of the calculation of these amounts.

* 2019 quarterly results include combined totals for continued and discontinued operations.

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 US\$/CDN\$ 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.

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 reason for the decrease in loss in the September 2018 quarter compared to the June 2018 quarter was due to a lower 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.
- (b) 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.
- (c) The primary reasons for the decrease in net loss in the March 2019 quarter compared to December 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.
- (d) The primary reasons for the increase in net loss in the June 2019 quarter compared to March 2019 quarter was due to higher operating expenses by approximately \$7.5 million in the June quarter.
- (e) The primary reasons for the increase in net income in the September 2019 quarter compared to September 2018 quarter was due to a \$440.1 million gain on sale and revaluation of interest in Red Chris and lower interest expense by approximately \$9.2 million in the 2019 quarter as the Company repaid the majority of its debt during the period.
- (f) The primary reasons for the decrease in net income in the December 2019 quarter compared to income in the September 2019 quarter was largely due to a \$440.1 million gain on sale and revaluation of interest in Red Chris which was recognized in the September 2019 quarter. However, compared to the December 2018 quarter, net income increased in the December 2019 quarter largely due to lower interest expense.
- (g) The primary reason for the increase in net loss in the March 2020 quarter compared to the March 2019 quarter was due to an increase in tax expense in the current year quarter compared to a tax recovery in the prior year quarter. However, compared to the December 2019 quarter, net loss increased due to lower revenues and tax recoveries.
- (h) The primary reasons for the increase in net income in the June 2020 quarter compared to March 2020 quarter was due to increased production at Red Chris and higher metal prices which led to increased revenues. The increase in net income compared to the June 2019 quarter was due to lower interest expense in the June 2020 comparative quarter.

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 Capital Corporation, companies in which directors are owners, and with directors and officers are as follows:

Statement of Income

expressed in thousands of dollars

	Three Months Ended June 30		Three Months Ended March 31	
	2020	2019	2020	2019
Loan guarantee fee for guarantee of Senior Credit Facility and Second Lien Secured Credit Facility	\$ -	\$1,402	\$ -	\$2,789
Interest expense and line of credit arrangement fee	\$ -	\$6,786	\$ -	\$11,447

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 controls 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.

At December 31, 2019, the Company recognized a material weakness in the Company's internal controls associated with accounting for deferred income taxes. During the first quarter ended March 31, 2020 the Company remediated this internal control weakness by consulting with an independent third party expert on calculating the deferred tax provision.

Following the sale of a 70% interest in the Red Chris mine to Newcrest on August 15, 2019, the Company's management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the Red Chris mine, in which the Company now holds a 30% beneficial interest and is proportionately consolidated in the Company's consolidated financial statements. As the minority partner in the Red Chris joint venture, the Company's management does not have the ability to dictate or modify controls at this entity and does not have the ability to assess, in practice, the controls at the entity. The Red Chris joint venture constitutes 66.1% of the Company's net assets, 53.8% of total assets, 99.1% of revenues of the consolidated financial statement amounts as of and for the period ended June 30, 2020. The Red Chris Joint Venture is not a taxable entity as each joint venture participant calculates

its own income taxes on their share of income from the joint venture. The Company's share of the Red Chris joint venture's pre-tax income totalled \$10.8 million.

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 June 30, 2020, and plans for the future based on facts and circumstances as of August 12, 2020. 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: future impacts of the COVID-19 pandemic; the ability to continue operations in lieu of the pandemic; the effectiveness of preventative actions put in place by the Company to respond to the COVID-19 pandemic; expectations regarding the care, maintenance and rehabilitation activities at Mount Polley mine and at Huckleberry mine; expectations regarding current and future exploration and drilling programs; production and marketing; capital expenditures; adequacy of funds for projects and liabilities; our belief in the merit of and expectations regarding ongoing legal claims; 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 scope and duration of the COVID-19 pandemic and its impact on our business will not be significant and the Company's operations will be able to return to normal after the COVID-19 pandemic has subsided; 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; risks related to holding non-majority investment interests in the Red Chris mine and the Ruddock Creek Joint Venture Project; 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 Company's beneficial interest 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; uncertainty regarding the short-term and long-term impact of Covid-19 on the Company's operations and investments and on the global economy and metals prices generally; 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; risks that a global pandemic may adversely affect copper prices, impact our ability to transport or market our concentrate, cause disruptions in our supply chains and create volatility in commodity prices and demand; 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 six months ended June 30, 2020 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.



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