



Condensed Consolidated Interim Financial Statements (unaudited)

For the Three and Six Months Ended June 30, 2022 and 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2022 and December 31, 2021

expressed in thousands of Canadian dollars

	Notes	June 30 2022	December 31 2021
ASSETS			
Current Assets			
Cash		\$47,702	\$33,308
Marketable securities		59	81
Trade and other receivables	3	10,131	8,887
Inventory	4	32,280	27,616
Prepaid expenses and deposits		6,243	3,603
		96,415	73,495
Mineral Properties	5	1,089,689	1,064,720
Other Assets	6	34,993	38,087
Deferred Income Tax Assets		10,217	10,039
		\$1,231,314	\$1,186,341
LIABILITIES			
Current Liabilities			
Trade and other payables		\$61,943	\$59,673
Provision for rehabilitation costs		353	486
Short term debt	7	94,500	29,500
Current portion of leases	8	2,425	2,896
		159,221	92,555
Non-Current Leases	8	2,167	2,579
Future Site Reclamation Provisions	9	128,341	147,622
Deferred Income Tax Liabilities		173,687	180,489
		463,416	423,245
EQUITY			
Share Capital	10	420,376	379,570
Contributed Surplus		41,475	41,385
Currency Translation Adjustment		7,710	7,604
Retained Earnings		298,337	334,537
		767,898	763,096
		\$1,231,314	\$1,186,341
Commitments and Pledges	17		
Contingent Liabilities	18		

See accompanying notes to these condensed consolidated financial statements.

Approved by the Board and authorized for issue on August 8, 2022

/s/ Larry G. Moeller

Director

/s/ J. Brian Kynoch

Director

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Three and Six Months Ended June 30, 2022 and 2021

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

		Three Months Ended June 30		Six Months Ended June 30	
		2022	2021	2022	2021
	Notes				
Revenue		\$36,383	\$34,215	\$69,509	\$67,265
Cost of Sales	11	(36,296)	(32,718)	(67,405)	(67,714)
Income (Loss) from Mine Operations		87	1,497	2,104	(449)
General and Administration		(1,028)	(1,001)	(2,142)	(2,122)
Restart Costs		(30,243)	-	(52,670)	-
Gain on Disposal of Mineral Properties		570	-	16,802	-
Idle Mine Costs		(1,650)	(6,328)	(3,152)	(11,726)
Interest Expense		(1,679)	(459)	(2,513)	(719)
Other Finance Loss	12	(734)	(704)	(1,580)	(1,347)
Other Income		-	11	-	11
Loss before Taxes		(34,677)	(6,984)	(43,151)	(16,352)
Income and Mining Tax Recovery		5,402	1,909	6,951	8,735
Net Loss		(29,275)	(5,075)	(36,200)	(7,617)
Other Comprehensive (Loss) Income:					
Currency translation adjustment		198	(13)	106	(92)
Total Comprehensive Loss		\$(29,077)	\$(5,088)	\$(36,094)	\$(7,709)
Loss Per Share					
Basic		\$(0.21)	\$(0.04)	\$(0.26)	\$(0.06)
Diluted		\$(0.21)	\$(0.04)	\$(0.26)	\$(0.06)
Weighted Average Number of Common Shares Outstanding					
Basic		142,432,510	129,379,167	141,915,950	128,952,119
Diluted		142,432,510	129,379,167	141,915,950	128,952,119

See accompanying notes to these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2022 and 2021

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

	Share Capital		Contributed Surplus	Currency Translation Adjustment	Retained Earnings	Total
	Number of Shares	Amount				
Balance December 31, 2020	128,490,174	\$319,216	\$41,028	\$7,632	\$360,607	\$728,483
Rights offering	12,853,267	60,237	-	-	-	60,237
Exercised options	48,750	146	(48)	-	-	98
Share based compensation expense	-	-	200	-	-	200
Total comprehensive loss	-	-	-	(171)	(7,617)	(7,788)
Balance June 30, 2021	141,392,191	\$379,599	\$41,180	\$7,461	\$352,990	\$781,230
Balance December 31, 2021	141,392,191	\$379,570	\$41,385	\$7,604	\$334,537	\$763,096
Rights offering	13,475,400	40,795	-	-	-	40,795
Exercised options	3,750	11	(4)	-	-	7
Share based compensation expense	-	-	94	-	-	94
Total comprehensive loss	-	-	-	106	(36,200)	(36,094)
Balance June 30, 2022	154,871,341	\$420,376	\$41,475	\$7,710	\$298,337	\$767,898

See accompanying notes to these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Six Months Ended June 30, 2022 and 2021

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

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
	Notes			
OPERATING ACTIVITIES				
Net Loss	\$(29,275)	\$(5,075)	\$(36,200)	\$(7,617)
Items not affecting cash flows				
Deferred mining and income tax recovery	(5,472)	(2,165)	(6,918)	(9,127)
Depletion and depreciation	9,642	13,976	19,121	24,845
Gain on disposal of mineral properties	(759)	-	(16,991)	-
Write down of exploration cost	189	-	189	-
Share based compensation	42	98	94	200
Accretion of future site reclamation provisions	1,018	801	1,832	1,517
Unrealized foreign exchange losses (gains)	(218)	4	(123)	85
Interest expense	1,679	459	2,513	719
Other	24	4	22	6
	<u>(23,130)</u>	<u>8,102</u>	<u>(36,461)</u>	<u>10,628</u>
Net change in non-cash operating working capital balances	13 15,461	3,207	(4,536)	(2,727)
Income and mining taxes paid	(79)	(300)	(259)	(715)
Interest paid	<u>(2,003)</u>	<u>(386)</u>	<u>(2,719)</u>	<u>(608)</u>
Cash (used in) provided by operating activities	<u>(9,751)</u>	<u>10,623</u>	<u>(43,975)</u>	<u>6,578</u>
FINANCING ACTIVITIES				
Proceeds from short term debt	69,000	12,471	99,000	18,452
Proceeds from non-current debt	-	-	-	10,000
Repayment of short term debt	(31,000)	(18,500)	(34,000)	(18,500)
Repayment of non-current debt	(13)	(10,012)	(25)	(10,024)
Lease payments	(966)	(437)	(1,822)	(724)
Share capital issued for exercised options	-	25	7	98
Share capital issued for rights offering net of issue costs	<u>40,732</u>	<u>60,172</u>	<u>40,732</u>	<u>60,172</u>
Cash provided by financing activities	<u>77,753</u>	<u>43,719</u>	<u>103,892</u>	<u>59,474</u>
INVESTING ACTIVITIES				
Acquisition and development of mineral properties	(38,482)	(22,460)	(69,744)	(36,999)
Net change in non-cash investing working capital balances	2,059	4,320	1,449	3,355
Proceeds on sale of minerals properties	<u>758</u>	<u>6</u>	<u>22,651</u>	<u>6</u>
Cash used in investing activities	<u>(35,665)</u>	<u>(18,134)</u>	<u>(45,644)</u>	<u>(33,638)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH	193	(41)	121	(145)
INCREASE IN CASH	<u>32,530</u>	<u>36,167</u>	<u>14,394</u>	<u>32,269</u>
CASH, BEGINNING OF PERIOD	<u>15,172</u>	<u>30,121</u>	<u>33,308</u>	<u>34,019</u>
CASH, END OF PERIOD	<u>\$47,702</u>	<u>\$66,288</u>	<u>\$47,702</u>	<u>\$66,288</u>

See accompanying notes to these condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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; and
- Mount Polley copper-gold mine in 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 its operations and expansionary plans.

The Company has financed its operating cash requirements primarily through revenues generated by its 30% share of Red Chris mine, debt facility and equity raises. The Company’s ability to realize the carrying value of its assets and to continue as a going concern is based upon the continued support of our shareholders, senior lender and the successful restart of Mount Polley mine. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan which is to see increased cash generation from its operating mines. These additional funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. Subsequent to June 30, 2022, the Company announced its intention to secure additional financing by way of a non-brokered private placement of \$45,000 convertible debenture (Note 19). The Company has in place a robust planning, budgeting, and forecasting process to determine the funds required to support its operations and expansionary plans.

As a result, after considering all relevant information, management has concluded that there are no material uncertainties related to the events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern for at least the next year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

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, 2021.

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022. The Company has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. TRADE AND OTHER RECEIVABLES

	June 30 2022	December 31 2021
Trade receivables	\$4,496	\$4,244
Tax credit receivable	5,635	4,643
	<u>\$10,131</u>	<u>\$8,887</u>

4. INVENTORY

	June 30 2022	December 31 2021
Stockpile ore	\$14,165	\$12,609
Concentrate	4,915	7,410
Supplies	33,792	31,271
Total inventories	52,872	51,290
Less non-current inventories included in other assets (Note 6)	(20,592)	(23,674)
Total current inventories	<u>\$32,280</u>	<u>\$27,616</u>

During the six month period ended June 30, 2022 inventory of \$59,777 was recognized in cost of sales (June 30, 2021-\$64,252). As at June 30, 2022, the Company had \$29,501 (December 31, 2021-\$23,736) of inventory pledged as security for debt.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

5. MINERAL PROPERTIES

<i>Cost</i>	Mineral Properties being Depleted	Mineral Properties not being Depleted			Total
		Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2020	\$698,067	\$16,369	\$171,987	\$601,527	\$1,487,950
Additions	15,558	33,488	2,865	56,673	108,584
Change in estimates of future site reclamation provisions	16,471	-	(62)	-	16,409
Disposals and write down	-	-	(531)	(1,471)	(2,002)
Reversal of impairment on exploration cost	-	-	4,157	-	4,157
Foreign exchange movement	-	-	(27)	(3)	(30)
Balance December 31, 2021	\$730,096	\$49,857	\$178,389	\$656,726	\$1,615,068
Additions	15,699	20,087	358	35,138	71,282
Change in estimates of future site reclamation provisions	(21,113)	-	-	-	(21,113)
Disposals and write down	-	-	(5,850)	(2,670)	(8,520)
Foreign exchange movement	-	-	106	(12)	94
Balance June 30, 2022	\$724,682	\$69,944	\$173,003	\$689,182	\$1,656,811

<i>Accumulated depletion & depreciation & impairment losses</i>	Mineral Properties being Depleted	Mineral Properties not being Depleted			Total
		Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2020	\$280,769	\$ -	\$1,645	\$226,052	\$508,466
Depletion and depreciation	22,430	-	-	20,934	43,364
Disposals and write down	-	-	(8)	(1,471)	(1,479)
Foreign exchange movement	-	-	-	(3)	(3)
Balance December 31, 2021	\$303,199	\$ -	\$1,637	\$245,512	\$550,348
Depletion and depreciation	8,885	-	-	10,571	19,456
Disposals and write down	-	-	-	(2,670)	(2,670)
Foreign exchange movement	-	-	-	(12)	(12)
Balance June 30, 2022	\$312,084	\$ -	\$1,637	\$253,401	\$567,122
<i>Carrying Amount</i>					
Balance December 31, 2020	\$417,298	\$16,369	\$170,342	\$375,475	\$979,484
Balance December 31, 2021	\$426,897	\$49,857	\$176,752	\$411,214	\$1,064,720
Balance June 30, 2022	\$412,598	\$69,944	\$171,366	\$435,781	\$1,089,689

At June 30, 2022, the net carrying value of the deferred stripping costs was \$32,102 (December 31, 2021-\$22,806) and is included in mineral properties being depleted.

At June 30, 2022, leased mobile equipment at cost of \$11,409 (December 31, 2021-\$10,541) and accumulated depreciation of \$4,564 (December 31, 2021-\$2,992) was included with plant and equipment.

At June 30, 2022, the Company had provided \$28,370 (December 31, 2021-\$28,370) of security for reclamation bonding obligations by securing certain plant and equipment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

Red Chris Mine

Red Chris Development Company Ltd., a subsidiary of the Company, owns a 30% beneficial interest in the Red Chris copper/gold mine in northwest British Columbia. The Company and Newcrest formed a joint venture for the operation of Red Chris, with Newcrest Red Chris Mining Limited acting as operator. 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 are mining leases (5,141 hectares). Net smelter royalties between 1.0% to 2.0% are payable on production from the Red Chris mine.

Mount Polley Mine

The Mount Polley copper/gold mine in south-central British Columbia is owned by Mount Polley Mining Corporation, a wholly owned subsidiary of the Company. The property encompasses 23,369 hectares (including claims under option) 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 2021. 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. The mine restart plan prepared in 2021 is being updated to include revised pit designs, results of recent drilling and current metal prices. The Company is actively seeking to secure financing to fund the restart of the mine (Note 19).

Huckleberry Mine

The Huckleberry copper mine in west-central British Columbia is owned by Huckleberry Mines Ltd., a wholly owned subsidiary of the Company. The property encompasses 25,767 hectares, consisting of two mining leases (2,422 hectares) and 49 mineral claims (23,345 hectares).

Huckleberry mine operations were suspended in August 2016. The mine remains on care and maintenance status until the economics of mining and COVID-19 restrictions improve.

Other Exploration Properties

The Company reached an agreement with the Province of British Columbia for the surrender of Giant Copper mineral claims located 37km east of Hope, BC, Canada and received a cash consideration of \$24,000 that covers all prior investments in the Giant Copper claim area.

Imperial has a portfolio of 20 greenfield exploration properties consisting largely in British Columbia. These properties have defined areas of mineralization and clear exploration potential.

Impairment Analysis of Mineral Properties

In accordance with its accounting policies and processes, each asset or cash-generating unit ("CGU") is evaluated to determine whether there are any indications of impairment or impairment reversal. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

Based on the Company's assessment with respect to possible indicators of either impairment or reversal of previous impairments to its mineral properties, including the impact of COVID-19 on the operations and the prevailing market metals prices, the Company concluded that as of June 30, 2022, an impairment indicator of mineral properties exists and performed an impairment analysis (December 31, 2021-indicators of impairment identified). As the recoverable amounts exceeded the carrying values, no impairment was recorded.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

6. OTHER ASSETS

	June 30 2022	December 31 2021
Future site reclamation deposits	\$14,388	\$14,388
Non-current inventory – ore stockpile	9,516	12,609
Non-current inventory – supplies, including critical spare parts	11,076	11,065
Other	13	25
	<u>\$34,993</u>	<u>\$38,087</u>

7. CREDIT FACILITY

At June 30, 2022, a credit facility aggregating \$125,000 (December 31, 2021-\$75,000) is in effect until expiry on October 9, 2022. The facility is secured by shares of all material subsidiaries and a floating charge on certain assets of the Company.

The increase in the credit facility during the six months ended June 30, 2022 in the amount of \$50,000 is guaranteed by a related party and the Company paid an arrangement fee of \$250 in relation to the increase. In total, \$75,000 of the \$125,000 of credit facility is guaranteed by a related party. The standby fee on the guarantee is payable monthly at a rate of 2.0% per annum. By virtue of the \$75,000 guarantee, any funds borrowed under this portion of the credit facility bears a lower interest rate of CDOR plus 2.0%, compared to a rate of CDOR plus 3.5% under the base \$50,000 portion of the credit facility.

A total of \$111,817 (December 31, 2021-\$68,546) has been utilized, that consists of banker's acceptances in amount of \$94,500 (December 31, 2021-\$29,500) and \$17,317 (December 31, 2021-\$39,046) for letters of credit pledged for settlement of future site reclamation provisions and other obligations.

8. LEASES AND EQUIPMENT LOANS

Amounts due for non-current debt are:

	June 30 2022	December 31 2021
Equipment loans	\$4	\$29
Equipment leases	4,588	5,446
	<u>4,592</u>	<u>5,475</u>
Less portion due within one year	(2,425)	(2,896)
	<u>\$2,167</u>	<u>\$2,579</u>

The outstanding amount of equipment leases is \$4,588 (December 31, 2021-\$5,446) at weighted average interest rate of 3.28% with monthly payments of \$292.

Contractual Lease Payments

	June 30 2022	December 31 2021
Due in less than one year	\$2,529	\$2,925
Due in one to three years	2,226	2,722
Total undiscounted lease liabilities, end of period	<u>\$4,755</u>	<u>\$5,647</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

9. 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 provision of these obligations is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, water treatment, demolition of facilities, monitoring and other costs.

The total undiscounted amount of estimated cash flows required to settle the Company's estimated future closure and decommissioning costs is \$244,239 (December 31, 2021 - \$240,524). The estimated future cash flows were then inflated using inflation rates 2.0% (December 31, 2021 - 1.5% to 2.0%). The total provision for closure and decommissioning costs is calculated using discount rates between 3.21% to 5.21% (December 31, 2021 - 1.76% to 3.76%). Obligations in the amount of \$125,278 are expected to be settled in the years 2022 through 2051.

	Six Months Ended June 30, 2022	Year Ended December 31, 2021
Balance, beginning of period	\$147,622	\$127,828
Accretion	1,832	3,110
Change in estimates of future costs and discount rate	(21,113)	16,409
Increase in Ruddock Creek project	-	275
Balance, end of period	\$128,341	\$147,622

The amount and timing of closure plans for the mineral properties will vary depending on a number of factors, including exploration success and alternative mining plans.

10. 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

On June 24, 2022, the Company completed a rights offering transaction and issued 13,475,400 common shares at \$3.04 per share for gross proceeds of \$40,965 and incurred transaction cost of \$233 (on June 25, 2021, the Company completed a rights offering transaction and issued 12,853,267 common shares at \$4.70 per share for gross proceeds of \$60,410 and incurred transactions cost of \$238).

(ii) Share Option Plans

Under the Share Option Plans, options not exceeding 10% of the issued common shares of the Company, may be granted to its directors, officers and employees. As at June 30, 2022, a total of 13,258,634 common share options had remained 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 and six months ended June 30, 2022 the Company did not grant any stock options to its directors, officers or employees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

Movements in Share Options

The changes in share options were as follows:

	Six Months Ended June 30, 2022		Year Ended December 31, 2021	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,262,250	\$4.63	2,345,000	\$4.60
Exercised	(3,750)	\$2.00	(48,750)	\$2.00
Forfeited	(15,000)	\$2.00	(7,500)	\$2.00
Cancelled	-	-	(24,000)	\$8.00
Expired	(15,000)	\$8.00	(2,500)	\$2.00
Outstanding at end of period	2,228,500	\$4.63	2,262,250	\$4.63
Options exercisable at end of period	1,583,000	\$5.67	1,278,000	\$6.62

The following table summarizes information about the Company's share options outstanding as at June 30, 2022:

Exercise Prices	Options Outstanding		Options Exercisable	
	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$2.00	1,227,500	2.84	595,000	2.84
\$5.75	65,000	5.51	52,000	5.51
\$8.00	936,000	3.43	936,000	3.43
	2,228,500	3.17	1,583,000	3.28

11. COST OF SALES

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Operating expenses	\$27,476	\$19,588	\$50,043	\$44,654
Depletion and depreciation	8,820	13,130	17,362	23,060
	\$36,296	\$32,718	\$67,405	\$67,714

Included in cost of sales for the three and six months ended June 30, 2022 is \$2,949 of impairment charge (three and six months ended June 30, 2021 - \$223 of impairment recovery) in relation to stockpile and supplies inventory.

12. OTHER FINANCE LOSS

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Accretion of future site reclamation provisions	\$1,018	\$801	\$1,832	\$1,517
Foreign exchange (gain) loss	(108)	(71)	41	(21)
Fair value adjustment to marketable securities	24	10	22	12
	934	740	1,895	1,508
Interest income	(200)	(36)	(315)	(161)
Other finance loss	\$734	\$704	\$1,580	\$1,347

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash operating working capital balances:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Trade and other receivables	\$2,810	\$(444)	\$(252)	\$(236)
Inventory	901	(2,383)	(1,894)	(2,631)
Prepaid expenses and deposits	(1,413)	727	(2,640)	217
Trade and other payables	13,439	5,155	581	(317)
Income and mining tax payable	(198)	256	(198)	392
Provision for rehabilitation costs	(78)	(104)	(133)	(152)
	<u>\$15,461</u>	<u>\$3,207</u>	<u>\$(4,536)</u>	<u>\$(2,727)</u>

14. RELATED PARTY TRANSACTIONS AND COMPENSATION TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

(a) Related Party Transactions

Related party transactions with a joint venture, a significant shareholder, companies controlled by a significant shareholder, companies in which directors are owners, and with the Company's directors and officers are as follows:

Statements of Financial Position

	June 30 2022	December 31 2021
Equipment rental trade receivables from Red Chris Joint Venture	\$70	\$54

Statements of Loss and Comprehensive Loss

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Equipment rental and revenue from Red Chris Joint Venture	\$173	\$311	\$299	\$599
Credit facility arrangement guarantee and standby fee	\$374	\$ -	\$790	\$ -
Interest expense	\$ -	\$193	\$ -	\$241

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 \$379 and \$759 for the three and six months ended June 30, 2022, respectively (three and six months ended June 30, 2021-\$355 and \$710).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

15. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All the Company's assets are located in Canada, except for royalty interest in Sterling mine assets totalling \$6,549 as June 30, 2022 (December 31, 2021-\$6,443) which are located in the USA. The Company's reportable segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

Reportable Segments

	Three Months Ended June 30, 2022				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$36,210	\$ -	\$227	\$20	\$36,457
Less inter-segment revenues	-	-	(68)	(6)	(74)
Revenues from external sources	\$36,210	\$ -	\$159	\$14	\$36,383
Depletion and depreciation	\$8,688	\$640	\$306	\$8	\$9,642
Interest expense and other finance expense	\$(1,383)	\$(756)	\$(505)	\$231	\$(2,413)
Net income (loss)	\$268	\$(30,246)	\$1,465	\$(762)	\$(29,275)
Capital expenditures	\$33,900	\$5,215	\$257	\$189	\$39,561
Total assets	\$776,847	\$166,472	\$231,004	\$56,991	\$1,231,314
Total liabilities	\$229,450	\$70,737	\$67,179	\$96,050	\$463,416

	Three Months Ended June 30, 2021				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$33,903	\$120	\$325	\$3	\$34,351
Less inter-segment revenues	-	(37)	(97)	(2)	(136)
Revenues from external sources	\$33,903	\$83	\$228	\$1	\$34,215
Depletion and depreciation	\$12,957	\$705	\$307	\$7	\$13,976
Interest expense and other finance expense	\$(430)	\$(388)	\$(345)	\$(35)	\$(1,198)
Net income (loss)	\$866	\$(3,161)	\$(1,797)	\$(983)	\$(5,075)
Capital expenditures	\$23,325	\$136	\$100	\$211	\$23,772
Total assets	\$673,001	\$142,778	\$230,483	\$80,143	\$1,126,405
Total liabilities	\$224,966	\$50,019	\$68,746	\$1,444	\$345,175

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

	Six Months Ended June 30, 2022				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Reportable segmented revenues	\$69,210	\$ -	\$407	\$20	\$69,637
Less inter-segment revenues	-	-	(122)	(6)	(128)
Revenues from external sources	\$69,210	\$ -	\$285	\$14	\$69,509
Depletion and depreciation	\$17,095	\$1,398	\$614	\$14	\$19,121
Interest expense and other finance expense	\$(2,036)	\$(1,143)	\$(912)	\$(2)	\$(4,093)
Net income (loss)	\$2,582	\$(36,725)	\$(192)	\$(1,865)	\$(36,200)
Capital expenditures	\$62,987	\$7,477	\$482	\$336	\$71,282
Total assets	\$776,847	\$166,472	\$231,004	\$56,991	\$1,231,314
Total liabilities	\$229,450	\$70,737	\$67,179	\$96,050	\$463,416

	Six Months Ended June 30, 2021				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Reportable segmented revenues	\$66,664	\$135	\$721	\$6	\$67,526
Less inter-segment revenues	-	(41)	(216)	(4)	(261)
Revenues from external sources	\$66,664	\$94	\$505	\$2	\$67,265
Depletion and depreciation	\$22,753	\$1,464	\$614	\$14	\$24,845
Interest expense and other finance expense	\$(577)	\$(729)	\$(669)	\$(53)	\$(2,028)
Net (loss) income	\$(110)	\$(5,707)	\$443	\$(2,243)	\$(7,617)
Capital expenditures	\$39,752	\$404	\$128	\$296	\$40,580
Total assets	\$673,001	\$142,778	\$230,483	\$80,143	\$1,126,405
Total liabilities	\$224,966	\$50,019	\$68,746	\$1,444	\$345,175

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

Revenue by Geographic Area

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Switzerland	\$20,588	\$8,830	\$30,815	\$26,288
Singapore	(1,061)	15,729	9,585	22,040
China	16,683	9,344	28,810	18,336
Canada	173	312	299	601
	<u>\$36,383</u>	<u>\$34,215</u>	<u>\$69,509</u>	<u>\$67,265</u>

Revenues are attributed to geographic area based on country of customer. In the period ended June 30, 2021, the Company had 5 principal customers totalling 99% of revenues (June 30, 2021 - 5 principal customers totaling 97% of revenues). Each one of these principal customers individually account for more than 10% of the total revenue: 27%, 24%, 20%, 14% and 14% (June 30, 2021- 33%, 24%, 14%, 14% and 12%)

The Company's principal product is copper concentrate (contains copper, gold, and silver) which is sold at prices quoted on the London Metals Exchange and London Bullion Market Association, London gold price. All concentrate production is sold to third party traders and smelters.

Revenue by Major Product and Service

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Copper	\$23,733	\$24,711	\$47,802	\$47,700
Gold	11,998	8,728	20,627	18,112
Silver	479	464	781	852
Other	173	312	299	601
	<u>\$36,383</u>	<u>\$34,215</u>	<u>\$69,509</u>	<u>\$67,265</u>

16. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

During the reporting period, 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 shareholders 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.

Liquidity Risk

The Company has a planning and budgeting process in place 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.

The Company holds investments in mineral and exploration properties. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

Cash balances on hand, the projected cash flow and the available credit facility, are expected to be sufficient to fund the Company's obligations as they come due. 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 (loss) and comprehensive income (loss) 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 income (loss) and comprehensive income (loss) for the six months ended June 30, 2022 would have been higher/lower by \$678.

Interest Rate Risk

The Company is exposed to interest rate risk on its credit facilities (Note 7). 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. If interest rates had been 100 basis points higher/lower on the Company's floating rate debt and all other variables were held constant, the amount of interest expense during the six months ended June 30, 2022 would have increased/decreased by \$329.

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 may be 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:

	Six Months Ended June 30, 2022		Six Months Ended June 30, 2021	
	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	6,030.3	\$3.75	4,998.7	\$4.29
Gold	4.1	\$1,817	0.3	\$1,773

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

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	Copper	Gold & Silver	Total	Copper	Gold & Silver	Total
Realized	\$(2,466)	\$18	\$(2,448)	\$2,667	\$(380)	\$2,287
Unrealized	(2,785)	(125)	(2,910)	175	(116)	59
Total	\$(5,251)	\$(107)	\$(5,358)	\$2,842	\$(496)	\$2,346

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

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

17. COMMITMENTS AND PLEDGES

At June 30, 2022, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Note 6)	\$14,388
Mineral property, plant and equipment (Note 5)	28,370
Letters of credit and reclamation surety bonds	34,359
	<u>\$77,117</u>

18. CONTINGENT LIABILITIES

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business.

During the third quarter of 2014, a securities class action under section 138 of the Ontario Securities Act was filed against the Company and certain of its directors and officers. On September 23, 2020, the Ontario Superior Court denied leave to proceed with this claim. The Plaintiff's appeal of this decision was partially successful with the action being returned to the Ontario Superior Court for reconsideration of the leave application.

The Company is of the view that the allegations contained in the claim are without merit and are unlikely to succeed.

The Company prevailed at the arbitration of a claim filed by a contractor for additional compensation owed for work previously carried out. The arbitrator ruled that no further amounts are owed and that the contractor had overbilled the Company in an amount exceeding \$2,000. The contractor petitioned to appeal but was unable to meet the statutory requirements to obtain leave to appeal.

The Company was partially successful in its action against its insurance underwriters to recover business interruption losses incurred at the Mount Polley mine. The insurance company has filed an appeal.

19. SUBSEQUENT EVENTS

On August 5, 2022, the Company announced its intention to secure additional financing for the restart of the Mount Polley mine by way of a non-brokered private placement of \$45,000 aggregate principal amount of convertible debentures (the "Convertible Debentures"). The Convertible Debenture will have a term of 5 years with an annual interest rate of 8%, paid semi-annually and each \$3.20 of principal amount is convertible into one common share of the Company upon at least 61 days advance notice. N. Murray Edwards, the largest shareholder of the Company, has advised that he intends to purchase between \$30,000 and \$35,000 of the Convertible Debentures.



Imperial Metals Corporation
200-580 Hornby Street
Vancouver, BC V6C 3B6

imperialmetals.com

604.669.8959 | inquiries@imperialmetals.com
604.488.2657 | investor@imperialmetals.com