



Condensed Consolidated Interim Financial Statements (unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2023 and December 31, 2022

expressed in thousands of Canadian dollars

	Notes	June 30 2023	December 31 2022
ASSETS			
Current Assets			
Cash		\$57,519	\$27,541
Trade and other receivables	3	18,210	30,030
Inventory	4	41,387	51,575
Prepaid expenses and deposits		5,451	5,143
		<u>122,567</u>	<u>114,289</u>
Mineral Properties	5	1,197,608	1,146,320
Other Assets	6	33,383	34,040
Deferred Income Tax Assets		3,996	5,053
		<u>\$1,357,554</u>	<u>\$1,299,702</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		\$73,263	\$70,782
Income tax payable		435	-
Short term debt	7	113,395	101,000
Current portion of debt	8	38,496	7,598
		<u>225,589</u>	<u>179,380</u>
Non-Current Debt	8	125,111	89,190
Future Site Reclamation Provisions	9	140,032	130,021
Deferred Income Tax Liabilities		154,423	165,380
		<u>645,155</u>	<u>563,971</u>
EQUITY			
Share Capital	10	420,376	420,376
Contributed Surplus		48,873	48,749
Currency Translation Adjustment		7,890	8,044
Retained Earnings		235,260	258,562
		<u>712,399</u>	<u>735,731</u>
		<u>\$1,357,554</u>	<u>\$1,299,702</u>
Commitments and Pledges	17		
Contingent Liabilities	18		

See accompanying notes to these condensed consolidated interim financial statements.

Approved by the Board and authorized for issue on August 9, 2023

/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, 2023 and 2022

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Notes				
Revenue	\$85,761	\$36,383	\$178,425	\$69,509
Cost of Sales	(96,249)	(36,296)	(190,554)	(67,405)
Income (Loss) from Mine Operations	(10,488)	87	(12,129)	2,104
General and Administration	(475)	(1,028)	(1,557)	(2,142)
Restart Costs	-	(30,243)	-	(52,670)
Gain on Disposal of Mineral Properties	6	570	6	16,802
Idle Mine Costs	(1,784)	(1,650)	(3,897)	(3,152)
Interest Expense	(7,434)	(1,679)	(13,389)	(2,513)
Other Finance Loss	(909)	(734)	(1,801)	(1,580)
Loss before Taxes	(21,084)	(34,677)	(32,767)	(43,151)
Income and Mining Tax Recovery	5,035	5,402	9,465	6,951
Net Loss	(16,049)	(29,275)	(23,302)	(36,200)
Other Comprehensive (Loss) Income:				
Currency translation adjustment	(149)	198	(154)	106
Total Comprehensive Loss	(16,198)	\$(29,077)	\$(23,456)	\$(36,094)
Loss Per Share				
Basic	\$(0.10)	\$(0.21)	\$(0.15)	\$(0.26)
Diluted	\$(0.10)	\$(0.21)	\$(0.15)	\$(0.26)
Weighted Average Number of Common Shares Outstanding				
Basic	154,871,341	142,432,510	154,871,341	141,915,950
Diluted	154,871,341	142,432,510	154,871,341	141,915,950

See accompanying notes to these condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three and Six Months Ended June 30, 2023 and 2022

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, 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
Balance December 31, 2022	154,871,341	\$420,376	\$48,749	\$8,044	\$258,562	\$735,731
Share based compensation expense	-	-	124	-	-	124
Total comprehensive loss	-	-	-	(154)	(23,302)	(23,456)
Balance June 30, 2023	154,871,341	\$420,376	\$48,873	\$7,890	\$235,260	\$712,399

See accompanying notes to these condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Six Months Ended June 30, 2023 and 2022

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
	Notes			
OPERATING ACTIVITIES				
Net Loss	\$(16,049)	\$(29,275)	\$(23,302)	\$(36,200)
Items not affecting cash flows				
Deferred mining and income tax recovery	(5,151)	(5,472)	(9,900)	(6,918)
Depletion and depreciation	13,341	9,642	23,607	19,121
Gain on disposal of mineral properties	(6)	(759)	(6)	(16,991)
Write down of exploration cost		189	-	189
Share based compensation	93	42	124	94
Accretion of future site reclamation provisions	1,170	1,018	2,345	1,832
Unrealized foreign exchange losses (gains)	438	(218)	417	(123)
Interest expense	7,434	1,679	13,389	2,513
Other	-	24	-	22
	<u>1,270</u>	<u>(23,130)</u>	<u>6,674</u>	<u>(36,461)</u>
Net change in non-cash operating working capital balances	13 14,954	15,461	20,855	(4,536)
Income and mining taxes paid	-	(79)	-	(259)
Interest paid	<u>(6,600)</u>	<u>(2,003)</u>	<u>(11,346)</u>	<u>(2,719)</u>
Cash provided by (used in) operating activities	<u>9,624</u>	<u>(9,751)</u>	<u>16,183</u>	<u>(43,975)</u>
FINANCING ACTIVITIES				
Proceeds from short term debt	11,380	69,000	12,380	99,000
Repayment of short term debt	-	(31,000)	-	(34,000)
Repayment of non-current debt	(229)	(13)	(411)	(25)
Issue of debentures	34,470	-	63,595	-
Lease payments	(1,025)	(966)	(1,955)	(1,822)
Share capital issued for exercised options	-	-	-	7
Share capital issued for rights offering net of issue costs	-	40,732	-	40,732
Cash provided by financing activities	<u>44,596</u>	<u>77,753</u>	<u>73,609</u>	<u>103,892</u>
INVESTING ACTIVITIES				
Acquisition and development of mineral properties	(38,213)	(38,482)	(61,888)	(69,744)
Net change in non-cash investing working capital balances	7,104	2,059	2,487	1,449
Proceeds on sale of minerals properties	6	758	6	22,651
Cash used in investing activities	<u>(31,103)</u>	<u>(35,665)</u>	<u>(59,395)</u>	<u>(45,644)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH	<u>(439)</u>	<u>193</u>	<u>(419)</u>	<u>121</u>
INCREASE IN CASH	22,678	32,530	29,978	14,394
CASH, BEGINNING OF PERIOD	34,841	15,172	27,541	33,308
CASH, END OF PERIOD	<u>\$57,519</u>	<u>\$47,702</u>	<u>\$57,519</u>	<u>\$47,702</u>

See accompanying notes to these condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

The Company has financed its operating cash requirements primarily through revenues generated by its 30% share of Red Chris mine, Mount Polley mine, debt facility, convertible debentures 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 operational success at our operating mines. 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.

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.

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, 2022.

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, 2022, except for the adoption of new standards effective as of January 1, 2023. The Company has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

3. TRADE AND OTHER RECEIVABLES

	June 30 2023	December 31 2022
Trade receivables	\$5,379	\$19,205
Tax credit receivable	12,831	10,825
	<u>\$18,210</u>	<u>\$30,030</u>

4. INVENTORY

	June 30 2023	December 31 2022
Stockpile ore	\$12,859	\$12,410
Concentrate	8,997	22,612
Supplies	38,522	36,201
Total inventories	60,378	71,223
Less non-current inventories included in other assets (Note 6)	(18,991)	(19,648)
Total current inventories	<u>\$41,387</u>	<u>\$51,575</u>

During the six months period ended June 30, 2023 inventory of \$183,437 was recognized in cost of sales (June 30, 2022-\$59,777) and a net impairment reversal of \$2,444 (June 30, 2022-\$2,949 of net impairment charge) on stockpile ore, concentrate and supplies inventory was included in cost of sales.

As at June 30, 2023, the Company had \$37,525 (December 31, 2022-\$44,593) of inventory pledged as security for debt.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

5. MINERAL PROPERTIES

Cost	Mineral Properties being Depleted	Mineral Properties not being Depleted			Total
		Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2021	\$730,096	\$49,857	\$178,389	\$656,726	\$1,615,068
Additions	24,533	40,759	532	84,209	150,033
Change in estimates of future site reclamation provisions	(21,657)	-	13	-	(21,644)
Disposals and write down	-	-	(5,850)	(2,963)	(8,813)
Foreign exchange movement	-	-	441	(12)	429
Balance December 31, 2022	\$732,972	\$90,616	\$173,525	\$737,960	\$1,735,073
Additions	7,462	764	13,996	44,658	66,807
Change in estimates of future site reclamation provisions	7,666	-	-	-	7,666
Write down of stripping cost	(24,660)	-	-	-	(24,660)
Foreign exchange movement	-	-	(155)	-	(155)
Balance June 30, 2023	\$723,440	\$91,380	\$187,366	\$782,545	\$1,784,731

Accumulated depletion & depreciation & impairment losses	Mineral Properties being Depleted	Mineral Properties not being Depleted			Total
		Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2021	\$303,199	\$ -	\$1,637	\$245,512	\$550,348
Depletion and depreciation	17,299	-	-	24,081	41,380
Disposals and write down	-	-	-	(2,963)	(2,963)
Foreign exchange movement	-	-	-	(12)	(12)
Balance December 31, 2022	\$320,498	\$ -	\$1,637	\$266,618	\$588,753
Depletion and depreciation	6,135	-	-	16,895	23,030
Write down of stripping cost	(24,660)	-	-	-	(24,660)
Balance June 30, 2023	\$301,973	\$ -	\$1,637	\$283,513	\$587,123
Carrying Amount					
Balance December 31, 2021	\$426,897	\$49,857	\$176,752	\$411,214	\$1,064,720
Balance December 31, 2022	\$412,474	\$90,616	\$171,888	\$471,342	\$1,146,320
Balance June 30, 2023	\$421,467	\$91,380	\$185,729	\$499,032	\$1,197,608

At June 30, 2023, the net carrying value of the deferred stripping costs was \$38,702 (December 31, 2022-\$34,774) and is included in mineral properties being depleted.

At June 30, 2023, leased mobile equipment at cost of \$16,118 (December 31, 2022-\$12,504) and accumulated depreciation of \$7,372 (December 31, 2022-\$5,977) was included with plant and equipment.

At June 30, 2023, the Company had provided \$28,370 (December 31, 2022-\$28,370) of security for reclamation bonding obligations by securing certain plant and equipment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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 now comprised of the Red Chris Main claim group (51 tenures / 17,149 hectares), the Red Chris South group (29 tenures / 7,068 hectares), the GJ group (87 tenures / 39,432 hectares) and the Hawkeye group (McBride, Railway and Todogin claims / 37 tenures / 8,225 hectares) consisting of 204 mineral tenures (71,875 hectares). Five of the Red Chris Main tenures are mining leases (5,141 hectares). Net smelter royalties of 2.0% are payable on the current tenures which are being mined from the Red Chris mine.

Mount Polley Mine

The Mount Polley copper/gold mine in south-central British Columbia is owned 100% by Mount Polley Mining Corporation, a wholly owned subsidiary of the Company. The property encompasses 24,096 hectares (including claims under option) consisting of seven mining leases (2,007 hectares) and 52 mineral claims (22,089 hectares). A production royalty is payable on ore mined from Mining Lease 933970. In October 2019, Mount Polley Mining Corporation optioned seven adjacent mineral tenures (3,331 hectares). The option was exercised on December 30, 2022 and these claims will be subject to a production royalty payable on ore mined from the claims and milled in the Mount Polley processing plant. There is no production royalty payable on the current tenures which are being mined.

Huckleberry Mine

The Huckleberry copper mine in west-central British Columbia is 100% 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 improve.

Other Exploration Properties

Imperial has a portfolio of 20 greenfield exploration properties located 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, 2023, an impairment indicator of mineral properties exists and performed an impairment analysis (December 31, 2022-indicators of impairment identified). As the recoverable amounts exceeded the carrying values, no impairment was recorded.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

6. OTHER ASSETS

	June 30 2023	December 31 2022
Future site reclamation deposits	\$14,392	\$14,392
Non-current inventory – ore stockpile	9,291	8,834
Non-current inventory – supplies, including critical spare parts	9,700	10,814
	<u>\$33,383</u>	<u>\$34,040</u>

7. SHORT TERM DEBT

Amounts due for short term debt are:

	June 30 2023	December 31 2022
Banker's Acceptances	\$106,500	\$101,000
Advanced Development Loan	6,895	-
	<u>\$113,395</u>	<u>\$101,000</u>

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

	Six Months Ended June 30 2023	Year Ended December 31 2022
Balance, beginning of period	\$101,000	\$29,500
Amounts advanced	12,395	114,500
Amount repaid	-	(43,000)
Balance, end of period	<u>\$113,395</u>	<u>\$101,000</u>

Credit Facility

At June 30, 2023, a credit facility aggregating \$125,000 (December 31, 2022-\$125,000) is in effect until expiry on February 21, 2024. The facility is secured by shares of all material subsidiaries and a floating charge on certain assets of the Company. 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 3.75% under the base \$50,000 portion of the credit facility. As of June 30, 2023, the Company was in compliance with all covenants required by the credit facility.

As at June 30, 2023, a total of \$120,857 (December 31, 2022-\$118,355) has been utilized, that consists of banker's acceptances in amount of \$106,500 (December 31, 2022-\$101,000) and \$14,357 (December 31, 2022-\$17,355) for letters of credit pledged for settlement of future site reclamation provisions and other obligations.

Advanced Development Loan

In June 2023, the Company signed a loan agreement with Newcrest Red Chris Mining Limited to finance the Company's 30% interest in advanced development works on the Red Chris block cave decline and related activities. The aggregate planned expenditures in respect of 100% of Advanced Development Works is \$84,200. The Advanced Development loan is repayable on demand with certain restrictions and bears interest at prime rate plus 3.5% per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

8. NON-CURRENT DEBT

Amounts due for non-current debt are:

	June 30 2023	December 31 2022
Debentures	\$154,882	\$90,217
Equipment leases	5,799	4,064
Equipment loans	2,926	2,507
	<u>163,607</u>	<u>96,788</u>
Less portion due within one year	(38,496)	(7,598)
	<u>\$125,111</u>	<u>\$89,190</u>

Debentures

- (a) On August 31, 2022 the Company completed its non-brokered private placement of unsecured convertible debentures. The debentures with a face value of \$47,000 mature on August 30, 2027 and bear interest at 8% per year, with interest payable semi-annually in cash. Each \$3.20 of the principal amount of the convertible debenture is convertible into one common share of the Company. The convertible debentures are not callable unless the closing price of the Company's common shares exceeds 140% of the conversion price for at least 30 consecutive days. A maximum of 14,687,500 common shares will be issued if all of the convertible debentures are converted into common shares of the Company.
- (b) On December 23, 2022 the Company issued unsecured non-convertible debentures (the "A Debentures") with an aggregate principal amount of \$48,450 which have a maturity date of December 23, 2026, and which bear interest at a rate of 10% per annum, with interest payable semi-annually in cash. In connection with the issuance of the A Debentures, the Company issued 6,056,250 common share purchase warrants which are exercisable into common shares of the Company at a price of \$2.10 per share. The warrants expire on December 23, 2026. The Company also issued on December 23, 2022 unsecured non-convertible debentures (the "B Debentures") with an aggregate principal amount of \$4,550 which have a maturity date of December 23, 2023 and which bear interest at a rate of 12% per annum, with interest payable semi-annually in cash. No warrants were issued in connection with the B Debentures.
- (c) On March 1, 2023 the Company issued unsecured non-convertible debentures with an aggregate principal amount of \$29,125 on a non-brokered private placement basis. The Debentures have a maturity date of March 1, 2024 and bear interest at a rate of 12.0% per annum, with interest paid semi-annually in cash, with the first payment due September 1, 2023.
- (d) On June 21, 2023 the Company issued unsecured non-convertible debentures with an aggregate principal amount of \$34,470 on a non-brokered private placement basis. The Debentures have a maturity date of July 1, 2024 and bear interest at a rate of 12.0% per annum, with interest paid semi-annually in cash, with the first payment due January 1, 2024.

The movement of the debentures amounts are:

	Six Months Ended June 30 2023	Year Ended December 31 2022
Balance, beginning of period	\$90,217	\$ -
Issuance of debentures with a face value	63,595	100,000
Equity component allocated to Contributed Surplus	-	(9,868)
Issuance cost	-	(322)
Issuance cost allocated to debt component	-	35
Accretion of debt	1,070	372
Balance, end of period	<u>\$154,882</u>	<u>\$90,217</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

Equipment leases

The outstanding amount of equipment leases is \$5,799 (December 31, 2022-\$4,064) at weighted average interest rate of 4.81% with monthly payments of \$385.

Contractual Lease Payments

	June 30 2023	December 31 2022
Due in less than one year	\$3,978	\$2,410
Due in one to three years	2,117	1,855
Total undiscounted lease liabilities, end of period	<u>\$6,095</u>	<u>\$4,265</u>

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 \$250,741 (December 31, 2022 - \$246,945). The estimated future cash flows were then inflated using inflation rates 2.0% (December 31, 2022 – 2.0%). The total provision for closure and decommissioning costs is calculated using discount rates between 3.11% to 5.11% (December 31, 2022 – 3.28% to 5.28%). Obligations in the amount of \$133,675 are expected to be settled in the years 2023 through 2052.

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Balance, beginning of period	\$130,021	\$147,622
Accretion	2,345	4,043
Change in estimates of future costs and discount rate	7,666	(21,644)
Balance, end of period	<u>\$140,032</u>	<u>\$130,021</u>

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

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

(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, 2023, a total of 13,043,634 common share options had remained available for grant under the plans. Under the plans, the exercise price of each option cannot be less 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.

On March 21, 2023 the Company granted 245,000 stock options (2022-nil) at a weighted average exercise price of \$2.00. The weighted average fair value for the options granted during the three months ended June 30, 2023 was \$0.99 per option (2022-\$nil), which was estimated at the date of the grant using the Black-Scholes option pricing model using the following weighted average assumptions: risk-free interest rate - 3.54% (2022-nil%); expected dividend yield - \$nil (2022-\$nil); expected stock price volatility - 66.54% (2022-nil%); expected option life - 4.2 years (2022-nil years); and, estimated forfeiture rate - 5.00% (2022-nil%).

Movements in Share Options

The changes in share options were as follows:

	Six Months Ended June 30, 2023		Year Ended December 31, 2022	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,201,000	\$4.66	2,262,250	\$4.63
Issued	245,000	\$2.00	-	\$ -
Exercised	-	\$ -	(3,750)	\$2.00
Forfeited	-	\$ -	(22,500)	\$1.78
Expired	(2,500)	\$2.00	(35,000)	\$4.29
Outstanding at end of period	2,443,500	\$4.40	2,201,000	\$4.66
Options exercisable at end of period	1,947,250	\$5.01	1,576,000	\$5.72

The following table summarizes information about the Company's share options outstanding as at June 30, 2023:

Exercise Prices	Options Outstanding		Options Exercisable	
	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$2.00	1,442,500	2.19	946,250	1.97
\$5.75	65,000	4.51	65,000	4.51
\$8.00	936,000	2.43	936,000	2.43
	2,443,500	2.35	1,947,250	2.28

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

(iii) Warrants

In connection with the issuance of the A Debentures (Note 8 (b)), the Company issued 6,056,250 common share purchase warrants which are exercisable into common shares of the Company at a price of \$2.10 per share for a period of four years from the date of issuance. The warrants expire on December 23, 2026. The fair value of the warrants was estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 3.38%, expected dividend yield of nil, expected stock price volatility of 67.62% and expected life of 4 years. At June 30, 2023 all warrants remain outstanding.

11. COST OF SALES

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Operating expenses	\$83,168	\$27,476	\$167,467	\$50,043
Depletion and depreciation	13,081	8,820	23,087	17,362
	<u>\$96,249</u>	<u>\$36,296</u>	<u>\$190,554</u>	<u>\$67,405</u>

Included in cost of sales for the three months ended June 30, 2023 is \$630 of net impairment reversal (three months ended June 30, 2022-\$2,949 of impairment charge) in relation to concentrate, stockpile and supplies inventory.

Included in cost of sales for the six months ended June 30, 2023 is \$2,444 of net impairment reversal (six months ended June 30, 2022-\$2,942 of impairment charge) in relation to concentrate, stockpile and supplies inventory.

12. OTHER FINANCE LOSS

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Accretion of future site reclamation provisions	\$1,170	\$1,018	\$2,345	\$1,832
Foreign exchange (gain) loss	(21)	(108)	158	41
Fair value adjustment to marketable securities	-	24	-	22
	<u>1,149</u>	<u>934</u>	<u>2,503</u>	<u>1,895</u>
Interest income	(240)	(200)	(702)	(315)
Other finance loss	<u>\$909</u>	<u>\$734</u>	<u>\$1,801</u>	<u>\$1,580</u>

13. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash operating working capital balances:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Trade and other receivables	\$8,064	\$2,810	\$14,794	\$(252)
Inventory	4,282	901	9,775	(1,894)
Prepaid expenses and deposits	(806)	(1,413)	(308)	(2,640)
Trade and other payables	3,297	13,439	(3,841)	581
Income and mining tax payable	117	(198)	435	(198)
Provision for rehabilitation costs	-	(78)	-	(133)
	<u>\$14,954</u>	<u>\$15,461</u>	<u>\$20,855</u>	<u>\$(4,536)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

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 2023	December 31 2022
Debtentures (Note 8)	\$121,560	\$76,295
Advanced Development Loan (Note 7)	\$6,895	-
Interest accrued	\$2,005	\$1,055
Equipment rental trade receivables from Red Chris Joint Venture	\$90	\$109

Statements of Loss and Comprehensive Loss

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Equipment rental and revenue from Red Chris Joint Venture	\$235	\$173	\$424	\$299
Credit facility arrangement guarantee and standby fee	\$374	\$374	\$744	\$790
Interest expense	\$2,608	\$ -	\$4,564	\$ -

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 \$417 and \$828 for the three and six months ended June 30, 2023, respectively (three and six months ended June 30, 2022-\$379 and \$759).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

15. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All of the Company's assets are located in Canada, except for assets comprised net smelter royalties and net profits interest in certain mine operations of Sterling mine totalling \$6,729 as June 30, 2023 (December 31, 2022-\$6,889) which is 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, 2023				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$33,445	\$52,079	\$336	\$907	\$86,767
Less inter-segment revenues	-	-	(101)	(905)	(1,006)
Revenues from external sources	\$33,445	\$52,079	\$235	\$2	\$85,761
Depletion and depreciation	\$9,075	\$3,869	\$397	\$-	\$13,341
Interest expense and other finance expense	\$(4,367)	\$(2,848)	\$(353)	\$(775)	\$(8,343)
Net income (loss)	\$(11,012)	\$(1,040)	\$(1,203)	\$(2,794)	\$(16,049)
Capital expenditures	\$32,509	\$9,788	\$16	\$159	\$42,472
Total assets	\$850,998	\$207,466	\$231,549	\$67,541	\$1,357,554
Total liabilities	\$215,992	\$94,673	\$67,095	\$267,395	\$645,155

	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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

	Six Months Ended June 30, 2023				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Reportable segmented revenues	\$57,349	\$120,649	\$606	\$908	\$179,512
Less inter-segment revenues	-	-	(182)	(905)	(1,087)
Revenues from external sources	\$57,349	\$120,649	\$424	\$3	\$178,425
Depletion and depreciation	\$15,177	\$7,636	\$794	\$-	\$23,607
Interest expense and other finance expense	\$(7,946)	\$(5,260)	\$(708)	\$(1,276)	\$(15,190)
Net income (loss)	\$(21,696)	\$7,714	\$(3,143)	\$(6,177)	\$(23,302)
Capital expenditures	\$51,904	\$14,549	\$95	\$259	\$66,807
Total assets	\$850,998	\$207,466	\$231,549	\$67,541	\$1,357,554
Total liabilities	\$215,992	\$94,673	\$67,095	\$267,395	\$645,155

	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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

Location of Customers by Geographic Area

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Switzerland	\$44,881	\$20,588	\$100,000	\$30,815
China	18,093	16,683	37,765	28,810
United States of America	22,550	-	40,359	-
Singapore	-	(1,061)	-	9,585
Philippines	-	-	(126)	-
Canada	237	173	427	299
	<u>\$85,761</u>	<u>\$36,383</u>	<u>\$178,425</u>	<u>\$69,509</u>

Revenues are attributed to geographic area based on country of customer. In the period ended June 30, 2023, the Company had 4 principal customers individually accounting for more than 10% each for a total 90% of revenues (June 30, 2022– 5 principal customers individually accounting for more than 10% each for a total 99% of revenues).

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 LBMA. The Company sells all concentrate production to a limited number of traders and smelters.

Revenue by Major Product and Service

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Copper	\$50,518	\$23,733	\$104,722	\$47,802
Gold	34,317	11,998	71,954	20,627
Silver	689	479	1,322	781
Other	237	173	427	299
	<u>\$85,761</u>	<u>\$36,383</u>	<u>\$178,425</u>	<u>\$69,509</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 stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity comprised of share capital, contributed surplus, currency translation adjustment and retained earnings.

Credit Risk

The Company's credit risk is limited to cash, trade and other receivables, and future site reclamation deposits in the ordinary course of business. The credit risk of cash and future site reclamation deposits is mitigated by placing funds in financial institutions with high credit quality.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

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.

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, 2023 would have been higher/lower by \$1,228.

Interest Rate Risk

The Company is exposed to interest rate risk on its credit facilities and advanced development loan (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 six months ended June 30, 2023 would have increased/decreased by \$512.

Provisionally Priced Revenues

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

Provisionally priced revenues is comprised of the following:

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	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	14,017.0	\$3.76	6,030.3	\$3.75
Gold	9.5	\$1,921	4.1	\$1,817

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

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	Copper	Gold & Silver	Total	Copper	Gold & Silver	Total
Realized	\$792	47	839	\$(2,466)	\$18	\$(2,448)
Unrealized	(2,513)	1,887	(626)	(2,785)	(125)	(2,910)
Total	\$(1,721)	1,934	213	\$(5,251)	\$(107)	\$(5,358)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2023 and 2022

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

17. COMMITMENTS AND PLEDGES

At June 30, 2023, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Note 6)	\$14,392
Mineral property, plant and equipment (Note 5)	28,370
Letters of credit and reclamation surety bonds	<u>52,568</u>
	<u>\$95,330</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. At the reporting date, none of such claims and legal proceedings are considered probable of resulting in a material loss or judgment against the Company.



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