



Condensed Consolidated Interim Financial Statements (unaudited)

For the Three and Nine Months Ended September 30, 2022 and 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2022 and December 31, 2021

expressed in thousands of Canadian dollars

	Notes	September 30 2022	December 31 2021
ASSETS			
Current Assets			
Cash		\$43,215	\$33,308
Marketable securities		59	81
Trade and other receivables	3	9,757	8,887
Inventory	4	46,935	27,616
Prepaid expenses and deposits		4,232	3,603
		104,198	73,495
Mineral Properties	5	1,126,512	1,064,720
Other Assets	6	34,532	38,087
Deferred Income Tax Assets		6,477	10,039
		\$1,271,719	\$1,186,341
LIABILITIES			
Current Liabilities			
Trade and other payables		\$72,842	\$59,673
Provision for rehabilitation costs		186	486
Short term debt	7	99,500	29,500
Current portion of debt	8	2,058	2,896
		174,586	92,555
Non-Current Debt	8	43,569	2,579
Future Site Reclamation Provisions	9	136,237	147,622
Deferred Income Tax Liabilities		173,123	180,489
		527,515	423,245
EQUITY			
Share Capital	10	420,376	379,570
Contributed Surplus		45,307	41,385
Currency Translation Adjustment		8,127	7,604
Retained Earnings		270,394	334,537
		744,204	763,096
		\$1,271,719	\$1,186,341
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 November 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 Nine Months Ended September 30, 2022 and 2021

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

		Three Months Ended September 30		Nine Months Ended September 30	
		2022	2021	2022	2021
	Notes				
Revenue		\$41,688	\$37,064	\$111,197	\$104,329
Cost of Sales	11	(50,893)	(32,201)	(118,298)	(99,915)
(Loss) Income from Mine Operations		(9,205)	4,863	(7,101)	4,414
General and Administration		(1,065)	(1,304)	(3,207)	(3,426)
Restart Costs		(12,252)	(1,613)	(64,922)	(1,613)
Gain on Disposal of Mineral Properties		55	2	16,857	13
Idle Mine Costs		(1,387)	(6,203)	(4,539)	(17,929)
Interest Expense		(2,353)	(190)	(4,866)	(909)
Other Finance Income (Loss)	12	125	(556)	(1,455)	(1,903)
Loss before Taxes		(26,082)	(5,001)	(69,233)	(21,353)
Income and Mining Tax (Expense) Recovery		(1,861)	1,229	5,090	9,964
Net Loss		(27,943)	(3,772)	(64,143)	(11,389)
Other Comprehensive Income:					
Currency translation adjustment		417	96	523	4
Total Comprehensive Loss		(27,526)	\$(3,676)	(63,620)	\$(11,385)
Loss Per Share					
Basic		\$(0.18)	\$(0.03)	\$(0.44)	\$(0.09)
Diluted		\$(0.18)	\$(0.03)	\$(0.44)	\$(0.09)
Weighted Average Number of Common Shares Outstanding					
Basic		154,871,341	141,392,191	146,281,869	133,144,378
Diluted		154,871,341	141,392,191	146,281,869	133,144,378

See accompanying notes to these condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 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	60,208	-	-	-	60,208
Exercised options	48,750	146	(48)	-	-	98
Share based compensation expense	-	-	303	-	-	303
Total comprehensive loss	-	-	-	4	(11,389)	(11,385)
Balance September 30, 2021	141,392,191	\$379,570	\$41,283	\$7,636	\$349,218	\$777,707
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
Convertible debentures issued	-	-	3,785	-	-	3,785
Exercised options	3,750	11	(4)	-	-	7
Share based compensation expense	-	-	141	-	-	141
Total comprehensive loss	-	-	-	523	(64,143)	(63,620)
Balance September 30, 2022	154,871,341	\$420,376	\$45,307	\$8,127	\$270,394	\$744,204

See accompanying notes to these condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Nine Months Ended September 30, 2022 and 2021

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
	Notes			
OPERATING ACTIVITIES				
Net Loss	\$(27,943)	\$(3,772)	\$(64,143)	\$(11,389)
Items not affecting cash flows				
Deferred mining and income tax expense (recovery)	1,776	(1,536)	(5,142)	(10,663)
Depletion and depreciation	10,650	12,269	29,771	37,114
Gain on disposal of mineral properties	(55)	(2)	(16,857)	(13)
Share based compensation	47	103	141	303
Accretion of future site reclamation provisions	1,120	791	2,952	2,308
Unrealized foreign exchange gains	(479)	(299)	(602)	(214)
Interest expense	2,353	190	4,866	909
Other	-	36	22	53
	<u>(12,531)</u>	<u>7,780</u>	<u>(48,992)</u>	<u>18,408</u>
Net change in non-cash operating working capital balances	539	952	(3,997)	(1,775)
Income and mining taxes paid	(62)	(50)	(321)	(765)
Interest paid	(1,998)	(141)	(4,717)	(749)
Cash (used in) provided by operating activities	<u>(14,052)</u>	<u>8,541</u>	<u>(58,027)</u>	<u>15,119</u>
FINANCING ACTIVITIES				
Proceeds from short term debt	9,000	2,995	108,000	21,447
Proceeds from non-current debt	-	-	-	10,000
Proceeds from issuance of convertible debentures net of issue costs	46,768	-	46,768	-
Repayment of short term debt	(4,000)	(3,000)	(38,000)	(21,500)
Repayment of non-current debt	(4)	(12)	(29)	(10,036)
Lease payments	(898)	(474)	(2,720)	(1,198)
Share capital issued for exercised options	-	-	7	98
Share capital issued for rights offering net of issue costs	-	(40)	40,732	60,132
Cash provided by (used in) financing activities	<u>50,866</u>	<u>(531)</u>	<u>154,758</u>	<u>58,943</u>
INVESTING ACTIVITIES				
Acquisition and development of mineral properties	(40,742)	(33,550)	(110,486)	(70,549)
Net change in non-cash investing working capital balances	(1,167)	4,021	282	7,376
Proceeds on sale of minerals properties	75	17	22,726	23
Other investing items	-	(59)	-	(59)
Cash used in investing activities	<u>(41,834)</u>	<u>(29,571)</u>	<u>(87,478)</u>	<u>(63,209)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH	533	343	654	198
(DECREASE) INCREASE IN CASH	(4,487)	(21,218)	9,907	11,051
CASH, BEGINNING OF PERIOD	47,702	66,288	33,308	34,019
CASH, END OF PERIOD	<u>\$43,215</u>	<u>\$45,070</u>	<u>\$43,215</u>	<u>\$45,070</u>

See accompanying notes to these condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 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 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 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, 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. Subsequent to September 30, 2022, the Company extended its credit facility to December 9, 2022 (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 INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2022 and 2021

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2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

	September 30 2022	December 31 2021
Trade receivables	\$3,427	\$4,244
Tax credit receivable	6,330	4,643
	<u>\$9,757</u>	<u>\$8,887</u>

4. INVENTORY

	September 30 2022	December 31 2021
Stockpile ore	\$12,999	\$12,609
Concentrate	19,418	7,410
Supplies	34,656	31,271
Total inventories	<u>67,073</u>	<u>51,290</u>
Less non-current inventories included in other assets (Note 6)	<u>(20,138)</u>	<u>(23,674)</u>
Total current inventories	<u>\$46,935</u>	<u>\$27,616</u>

During the nine month period ended September 30, 2022 inventory of \$101,293 was recognized in cost of sales (September 30, 2021-\$93,980) and an impairment charge of \$9,721 (September 30, 2021 – an impairment reversal of \$130) on stockpile ore, concentrate and supplies inventory was included in cost of sales.

As at September 30, 2022, the Company had \$41,225 (December 31, 2021-\$23,736) of inventory pledged as security for debt.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2022 and 2021

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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	21,173	32,108	551	58,704	112,536
Change in estimates of future site reclamation provisions	(14,337)	-	-	-	(14,337)
Reclassification	106	(106)	-	-	-
Disposals and write down	-	-	(5,850)	(2,963)	(8,813)
Foreign exchange movement	-	-	523	(12)	511
Balance September 30, 2022	\$737,038	\$81,859	\$173,613	\$712,455	\$1,704,965

<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	14,086	-	-	16,994	31,080
Disposals and write down	-	-	-	(2,963)	(2,963)
Foreign exchange movement	-	-	-	(12)	(12)
Balance September 30, 2022	\$317,285	\$ -	\$1,637	\$259,531	\$578,453
<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 September 30, 2022	\$419,753	\$81,859	\$171,976	\$452,924	\$1,126,512

At September 30, 2022, the net carrying value of the deferred stripping costs was \$33,908 (December 31, 2021-\$22,806) and is included in mineral properties being depleted.

At September 30, 2022, leased mobile equipment at cost of \$11,585 (December 31, 2021-\$10,541) and accumulated depreciation of \$5,317 (December 31, 2021-\$2,992) was included with plant and equipment.

At September 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 INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 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 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 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 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 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.

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 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 September 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 INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2022 and 2021

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

6. OTHER ASSETS

	September 30 2022	December 31 2021
Future site reclamation deposits	\$14,388	\$14,388
Non-current inventory – ore stockpile (Note 4)	9,049	12,609
Non-current inventory – supplies, including critical spare parts (Note 4)	11,089	11,065
Other	6	25
	<u>\$34,532</u>	<u>\$38,087</u>

7. SHORT TERM DEBT

Amounts due for short term debt are:

	September 30, 2022	December 31 2021
Banker's Acceptances	<u>\$99,500</u>	<u>\$29,500</u>

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

	Nine Months Ended September 30 2022	Year Ended December 31 2021
Balance, beginning of period	\$29,500	\$ -
Amounts advanced	108,000	55,000
Amount repaid	(38,000)	(25,500)
Balance, end of period	<u>\$99,500</u>	<u>\$29,500</u>

Credit Facility

At September 30, 2022, a credit facility aggregating \$125,000 (December 31, 2021-\$75,000) is in effect until expiry on October 9, 2022. Subsequent to the reporting period, the Company extended its credit facility to December 9, 2022 (Note 19).

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 nine months ended September 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. As of September 30, 2022, the Company was in compliance with all covenants required by the credit facility.

As at September 30, 2022, a total of \$116,855 (December 31, 2021-\$68,546) has been utilized, that consists of banker's acceptances in amount of \$99,500 (December 31, 2021-\$29,500) and \$17,355 (December 31, 2021-\$39,046) for letters of credit pledged for settlement of future site reclamation provisions and other obligations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2022 and 2021

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

8. NON-CURRENT DEBT

Amounts due for non-current debt are:

	September 30 2022	December 31 2021
Convertible debentures	\$41,669	\$ -
Equipment leases	3,958	5,446
Equipment loans	-	29
	<u>45,627</u>	<u>5,475</u>
Less portion due within one year	(2,058)	(2,896)
	<u>\$43,569</u>	<u>\$2,579</u>

Convertible Debenture

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 with the first payment paid on February 28, 2023. 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.

The movement of the convertible debenture amounts are:

	Nine Months Ended September 30 2022	Year Ended December 31 2021
Balance, beginning of period	\$ -	\$ -
Issuance of convertible debenture with a face value	47,000	-
Equity component allocated to Contributed Surplus	(5,211)	-
Issuance cost allocated to debt component	(206)	-
Accretion of debt	86	-
Balance, end of period	<u>\$41,669</u>	<u>\$ -</u>

Equipment leases

The outstanding amount of equipment leases is \$3,958 (December 31, 2021-\$5,446) at weighted average interest rate of 3.36% with monthly payments of \$193.

Contractual Lease Payments

	September 30 2022	December 31 2021
Due in less than one year	\$2,157	\$2,925
Due in one to three years	1,950	2,722
Total undiscounted lease liabilities, end of period	<u>\$4,107</u>	<u>\$5,647</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 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 \$245,104 (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 2.97% to 4.97% (December 31, 2021 - 1.76% to 3.76%). Obligations in the amount of \$126,062 are expected to be settled in the years 2022 through 2051.

	Nine Months Ended September 30 2022	Year Ended December 31, 2021
Balance, beginning of period	\$147,622	\$127,828
Accretion	2,952	3,110
Change in estimates of future costs and discount rate	(14,337)	16,409
Increase in Ruddock Creek project	-	275
Balance, end of period	<u>\$136,237</u>	<u>\$147,622</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.

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 September 30, 2022, a total of 13,278,634 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 nine months ended September 30, 2022 the Company did not grant any stock options to its directors, officers or employees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 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:

	Nine Months Ended September 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	(20,000)	\$2.00	(7,500)	\$2.00
Cancelled	-	-	(24,000)	\$8.00
Expired	(30,000)	\$5.00	(2,500)	\$2.00
Outstanding at end of period	2,208,500	\$4.65	2,262,250	\$4.63
Options exercisable at end of period	1,568,000	\$5.71	1,278,000	\$6.62

The following table summarizes information about the Company's share options outstanding as at September 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	1,207,500	2.58	580,000	2.58
\$5.75	65,000	5.25	52,000	5.25
\$8.00	936,000	3.18	936,000	3.18
	2,208,500	2.91	1,568,000	3.03

11. COST OF SALES

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Operating expenses	\$40,657	\$20,738	\$90,700	\$65,392
Depletion and depreciation	10,236	11,463	27,598	34,523
	\$50,893	\$32,201	\$118,298	\$99,915

Included in cost of sales for the three and nine months ended September 30, 2022 is \$6,772 and \$9,721 of impairment charge (three and nine months ended September 30, 2021 - \$93 of impairment charge and \$130 of impairment recovery accordingly) in relation to concentrate, stockpile and supplies inventory.

12. OTHER FINANCE (INCOME) LOSS

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Accretion of future site reclamation provisions	\$1,120	\$791	\$2,952	\$2,308
Foreign exchange gain	(1,068)	(250)	(1,027)	(271)
Fair value adjustment to marketable securities	-	36	22	48
	52	577	1,947	2,085
Interest income	(177)	(21)	(492)	(182)
Other finance (income) loss	\$(125)	\$556	\$1,455	\$1,903

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2022 and 2021

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13. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash operating working capital balances

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Trade and other receivables	\$8,471	\$1,581	\$8,219	\$1,345
Inventory	(13,555)	(598)	(15,449)	(3,229)
Prepaid expenses and deposits	2,010	684	(630)	901
Trade and other payables	3,758	(618)	4,339	(935)
Income and mining tax payable	23	257	(175)	649
Provision for rehabilitation costs	(168)	(354)	(301)	(506)
	\$539	\$952	\$(3,997)	\$(1,775)

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

	September 30 2022	December 31 2021
Convertible debentures	\$34,750	\$ -
Interest accrued	\$265	\$ -
Equipment rental trade receivables from Red Chris Joint Venture	\$93	\$54

Statements of Loss and Comprehensive Loss

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Equipment rental and other revenue from Red Chris Joint Venture	\$125	\$237	\$424	\$836
Credit facility arrangement guarantee fee	\$378	\$ -	\$1,168	\$ -
Interest expense	\$265	\$241	\$265	\$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 \$372 and \$1,131 for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021-\$612 and \$1,322).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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 \$6,966 as September 30, 2022 (December 31, 2021-\$6,448) 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 September 30, 2022				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$31,401	\$10,162	\$178	\$2	\$41,743
Less inter-segment revenues	-	-	(54)	(1)	(55)
Revenues from external sources	\$31,401	\$10,162	\$124	\$1	\$41,688
Depletion and depreciation	\$9,071	\$1,265	\$307	\$7	\$10,650
Interest expense and other finance expense	\$(948)	\$(902)	\$(469)	\$91	\$(2,228)
Net loss	\$(1,889)	(20,747)	(2,273)	(3,034)	(27,943)
Capital expenditures	\$31,180	\$8,138	\$1,786	\$150	\$41,254
Total assets	\$802,186	\$184,748	\$235,724	\$49,061	\$1,271,719
Total liabilities	\$235,832	\$77,636	\$71,913	\$142,134	\$527,515

	Three Months Ended September 30, 2021				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$36,827	\$121	\$190	\$27	\$37,165
Less inter-segment revenues	-	(36)	(57)	(8)	(101)
Revenues from external sources	\$36,827	85	133	19	37,064
Depletion and depreciation	\$11,290	\$664	\$308	\$7	\$12,269
Interest expense and other finance expense	\$(477)	\$(387)	\$(368)	\$(47)	\$(1,279)
Net income (loss)	\$3,372	\$(5,255)	\$(665)	\$(1,224)	\$(3,772)
Capital expenditures	\$28,190	\$1,326	\$1,806	\$2,443	\$33,765
Total assets	\$691,620	\$143,114	\$229,574	\$58,176	\$1,122,484
Total liabilities	\$226,088	\$50,972	\$66,961	\$756	\$344,777

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2022 and 2021

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	Nine Months Ended September 30, 2022				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$100,611	\$10,162	\$585	\$22	\$111,380
Less inter-segment revenues	-	-	(176)	(7)	(183)
Revenues from external sources	\$100,611	\$10,162	\$409	\$15	\$111,197
Depletion and depreciation	\$26,166	\$2,663	\$921	\$21	\$29,771
Interest expense and other finance expense	\$(2,984)	\$(2,045)	\$(1,381)	\$89	\$(6,321)
Net income (loss)	\$693	\$(57,472)	\$(2,465)	\$(4,899)	\$(64,143)
Capital expenditures	\$94,167	\$15,615	\$2,268	\$486	\$112,536
Total assets	\$802,186	\$184,748	\$235,724	\$49,061	\$1,271,719
Total liabilities	\$235,832	\$77,636	\$71,913	\$142,134	\$527,515

	Nine Months Ended September 30, 2021				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$103,491	\$256	\$911	\$33	\$104,691
Less inter-segment revenues	-	(77)	(273)	(12)	(362)
Revenues from external sources	\$103,491	\$179	\$638	\$21	\$104,329
Depletion and depreciation	\$34,043	\$2,128	\$922	\$21	\$37,114
Interest expense and other finance expense	\$(1,054)	\$(1,116)	\$(1,037)	\$(100)	\$(3,307)
Net income (loss)	\$3,262	\$(10,962)	\$(222)	\$(3,467)	\$(11,389)
Capital expenditures	\$67,942	\$1,730	\$1,934	\$2,739	\$74,345
Total assets	\$691,620	\$143,114	\$229,574	\$58,176	\$1,122,484
Total liabilities	\$226,088	\$50,972	\$66,961	\$756	\$344,777

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2022 and 2021

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Revenue by Geographic Area

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Switzerland	\$19,074	\$17,845	\$49,889	\$44,133
China	14,295	9,510	43,105	27,846
Singapore	(104)	9,472	9,481	31,512
Philippines	8,298	-	8,298	-
Canada	125	237	424	838
	<u>\$41,688</u>	<u>\$37,064</u>	<u>\$111,197</u>	<u>\$104,329</u>

Revenues are attributed to geographic area based on country of customer. In the period ended September 30, 2022, the Company had 4 principal customers totaling 76% of revenues (September 30, 2021 - 3 principal customers totaling 72% of revenues). Each one of these principal customers individually account for more than 10% of the total revenue: 25%, 20%, 16% and 15% (September 30, 2021- 30%, 24% and 18%)

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 September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Copper	\$25,381	\$26,167	\$73,183	\$73,867
Gold	15,748	10,232	36,375	28,344
Silver	434	428	1,215	1,280
Other	125	237	424	838
	<u>\$41,688</u>	<u>\$37,064</u>	<u>\$111,197</u>	<u>\$104,329</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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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.

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 nine months ended September 30, 2022 would have been higher/lower by \$318.

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 nine months ended September 30, 2022 would have increased/decreased by \$571.

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:

	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	Provisional lb/oz	Provisional Price per lb/oz	Provisional lb/oz	Provisional Price per lb/oz
	000's	US\$	000's	US\$
Copper	8,740.2	\$3.40	2,440.5	\$4.09
Gold	5.6	\$1,672	0.3	\$1,764

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

	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021		
	Copper	Gold & Silver	Total	Copper	Gold & Silver	Total
Realized	\$(3,501)	\$(627)	\$(4,128)	\$2,480	\$(438)	\$2,042
Unrealized	(4,827)	(278)	(5,105)	(326)	(126)	(452)
Total	\$(8,328)	\$(905)	\$(9,233)	\$2,154	\$(564)	\$1,590

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17. COMMITMENTS AND PLEDGES

At September 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	<u>34,398</u>
	<u>\$77,156</u>

At the reporting date, the Company had contractual commitments of \$6,990 for expenditures on property, plant and equipment.

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

Subsequent to September 30, 2022 the Company extended its credit facility, which had a maturity date of October 9, 2022, to December 9, 2022.



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