



**Management's Discussion & Analysis**

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation ("Imperial", the "Company", "we", "us" or "our") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 including the notes thereto (the "Interim Financial Statements"), as well as the audited consolidated financial statements and Management's Discussion & Analysis for the year ended December 31, 2021. The reporting currency of the Company is the Canadian ("CDN") Dollar.

This MD&A contains statements that may be considered forward-looking information, and therefore investors are directed to review the *Forward-Looking Statements & Risks Notice* within this MD&A.

Imperial is a Vancouver based mining company active in the acquisition, exploration, development, mining and production of base and precious metals. The Company owns the Mount Polley and Huckleberry copper mines and holds a 30% interest in the Red Chris copper/gold mine. Imperial also maintains a large portfolio of greenfield exploration properties. Management continues to evaluate various opportunities to advance many of these properties.

Imperial's principal business registered and records office address is Suite 200, 580 Hornby Street, Vancouver, British Columbia V6C 3B6 Canada. The Company is incorporated under the British Columbia *Company Act*.

The Company is listed on The Toronto Stock Exchange, and its shares trade as symbol III. At November 8, 2022, the Company had 154,871,341 common shares outstanding, and on a diluted basis 154,871,341 common shares outstanding.

Additional Company disclosure can be obtained from [imperialmetals.com](http://imperialmetals.com) or [sedar.com](http://sedar.com).

## SIGNIFICANT EVENTS AND LIQUIDITY

The Company's Interim Financial Statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course as they come due.

On March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus 2019-nCoV ("COVID-19") outbreak as a global pandemic. The Company has been closely monitoring developments of the COVID-19 outbreak and has implemented preventive measures to ensure the safety of our workforce and local communities. Throughout the COVID-19 pandemic, mining operations at Red Chris, the Company's various exploration activities, the care and maintenance of Mount Polley and subsequent restart and care and maintenance at Huckleberry have been conducted under strict guidance and directives of federal, provincial and regional health authorities. To date, there have been no significant disruptions to production, to the shipment of concentrate or to the supply chain. Changes have been implemented to our business and how we operate in order to minimize the risks to our employees, communities and other stakeholders.

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

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

The Company holds a 30% interest in the Red Chris mine through our wholly owned subsidiary. Newcrest Mining Limited ("Newcrest") holds a 70% interest through its wholly owned subsidiary and is the project operator. The Company understands Newcrest has implemented the below precautionary measures at Red Chris. These measures continue to be refined in accordance with the Provincial Health Officer orders for work camps which in turn continue to be refined as BC moves through its stages of the restart plan.

The order requirements have been broadened to all communicable diseases rather than just COVID-19. These include:

- requiring for a communicable disease prevention plan, which replaces the requirement for a COVID-19 infection prevention and control protocol;
- appointing a communicable disease prevention and control co-ordinator (new term of the current infection prevention and control coordinator) who is responsible for oversight of the communicable disease prevention plan and liaison with the health authority;
- maintaining high standards of camp hygiene;
- ensuring workers have an opportunity to consult a health professional and arrange for symptomatic worker testing when recommended by the Medical Health Officer (“MHO”) or medical professional;
- establishing a plan for ready access to, the medical, nursing and allied professional support necessary to support the management by public health of cases, clusters and outbreaks of communicable diseases among workers;
- developing procedures for the isolation of a worker exposed to, or with a confirmed or suspected case of communicable disease, and ensuring that a worker in isolation has the supplies, support and services the worker needs;
- reporting of cases, clusters or outbreaks of communicable diseases and related information to the MHO and working with the MHO to deal with the situation; and
- facilitating access to a vaccination program.

Until the progressive lifting of COVID-19 restrictions by the relevant local and provincial health authorities starting March 2022, Red Chris had complied with the above requirements since early 2020 by taking the following precautions:

- conducting rapid antigen and PCR screening and health checks for all employees, contractors, and visitors entering site and whilst on site;
- minimizing visitor numbers with no ‘ad-hoc’ entry;
- providing the opportunity for all employees, contractors and visitors to be vaccinated with an approved vaccine through the work camp vaccination program;
- providing paid pandemic leave for applicable cases;
- maintaining hygienic practices: mask wearing, social distancing and hand washing to minimize spread of infection;
- employing additional trained medical personnel on-site and providing enhanced medical service on site and supporting local Tahltan communities;
- providing regular written and verbal communication updates to employees on all sites, particularly on personal hygiene practices and what to do if they present symptoms;
- providing medical supplies and provisions to local Tahltan communities;
- working with Tahltan Central Government Emergency Management Committee (“EMC”) to facilitate testing COVID-19 management within the three neighbouring Tahltan communities;
- supporting the weekly EMC meeting which brings together representatives from the neighbouring Tahltan communities and other Northern British Columbia mining and exploration companies to share COVID-19 management experiences;
- preparing business continuity plans and contingencies in the event of a significant number of operational employees and contractors being exposed or contracting the virus to minimize disruptions to operations; and
- establishing and maintaining an emergency management team of key management at site level.

The Company also understands that the Tahltan Central Government and Tahltan Bands are supportive of Newcrest’s implementation of this package of measures which proactively protects and supports communities and enables Tahltan members to support their families and communities, while helping Red Chris to continue to operate during the COVID-19 pandemic.

As Newcrest is the operator of the Red Chris mine, the preventative measures implemented with respect to the project lie outside the direct control of the Company. Any violations to acts and regulations may have an adverse impact on the Company.

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

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

On January 19, 2022, 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 \$24.0 million that covers all prior investments in the Giant Copper claim area.

On February 28, 2022, the Company increased its existing credit facility from \$75.0 million to \$100.0 million. This additional increase of \$25.0 million in the facility was guaranteed by a related party.

On March 31, 2022, the Company increased its existing credit facility from \$100.0 million to \$125.0 million. This additional increase of \$25.0 million in the facility was guaranteed by a related party.

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 \$41.0 million.

On August 31, 2022, the Company completed a non-brokered private placement of \$47.0 million aggregate principal amount of convertible debentures (the "Convertible Debentures"). The Convertible Debentures have a term of 5 years with an annual interest rate of 8%, paid semi-annually with the first payment payable on February 28, 2023. Each \$3.20 of principal amount 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 Convertible Debentures will mature on August 30, 2027.

On October 7, 2022, the Company extended its credit facility, which had a maturity date of October 9, 2022, to November 9, 2022. On November 4, 2022, the Company extended its credit facility to December 9, 2022.

## ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's significant accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2021.

### New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2021. The Company has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## QUARTER HIGHLIGHTS

### FINANCIAL

Total revenue increased to \$41.7 million in the September 2022 quarter compared to \$37.1 million in the 2021 comparative quarter, an increase of \$4.6 million.

In the September 2022 quarter, the Red Chris mine (100% basis) had 4.4 concentrate shipments (2021 - 4.0 concentrate shipments), and Mount Polley mine had 0.3 concentrate shipments (2021 - nil concentrate shipments). Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The London Metals Exchange cash settlement copper price per pound averaged US\$3.51 in the September 2022 quarter compared to US\$4.25 in the 2021 comparative quarter. London Bullion Market Association, London gold price per troy ounce averaged US\$1,729 in the September 2022 quarter compared to US\$1,789 in the 2021 comparative quarter. The average US/CDN Dollar exchange rate was 1.306 in the September 2022 quarter, 3.6% higher than the exchange rate of 1.260 in the 2021 comparative quarter. In CDN Dollar terms the average copper price in the September 2022 quarter was CDN\$4.59 per pound compared to CDN\$5.36 per pound in the 2021 comparative quarter, and the average gold price in the September 2022 quarter was CDN\$2,258 per ounce compared to CDN\$2,254 per ounce in the 2021 comparative quarter.

A negative revenue revaluation in the September 2022 quarter was \$4.6 million as compared to a \$0.8 million negative revenue revaluation in the 2021 comparative quarter. Revenue revaluations are the result of the metal price on the settlement date and/or the current period balance sheet date being higher or lower than when the revenue was initially recorded or the metal price at the last balance sheet date and finalization of contained metal as a result of final assays.

Net loss for the September 2022 quarter was \$27.9 million (\$0.18 per share) compared to net loss of \$3.8 million (\$0.03 per share) in the 2021 comparative quarter. The increase in net loss of \$24.1 million was primarily due to the following factors:

- Mine operations went from an income of \$4.9 million in September 2021 to a loss of \$9.2 million in September 2022, increasing net loss by \$14.1 million.
- Mount Polley restart costs went from \$1.6 million in September 2021 to \$12.2 million in September 2022, increasing net loss by \$10.6 million.
- Idle mine costs went from \$6.2 million in September 2021 to \$1.4 million in September 2022, decreasing net loss by \$4.8 million.
- Interest expenses went from \$0.2 million in September 2021 to \$2.4 million in September 2022, increasing net loss by \$2.2 million.

Capital expenditures including finance leases were \$41.2 million in the September 2022 quarter, an increase from \$33.8 million in the 2021 comparative quarter. The September 2022 expenditures included \$12.2 million in exploration, \$15.0 million for tailings dam construction and \$14.0 million on stripping costs and other capital.

At September 30, 2022, the Company had not hedged any copper, gold or US/CDN Dollar exchange. Quarterly revenues will fluctuate depending on copper and gold prices, the US/CDN Dollar exchange rate, and the timing of concentrate sales, which is dependent on concentrate production and the availability and scheduling of transportation.

## OPERATIONS

The current impact of the COVID-19 pandemic on our business is described under Significant Events and Liquidity. The Company's plans for 2022 and beyond could be adversely impacted by the effects of the COVID-19 pandemic. The continuing impact of COVID-19 could materially and adversely impact the Company's current plans by causing a temporary closure of the Red Chris mine and/or Mount Polley mine, suspending planned exploration work, causing an economic slowdown resulting in a decrease in the demand for copper and gold, negatively impacting copper and gold prices, impacting the Company's ability to transport or market the Company's concentrate or causing disruptions in the Company's supply chains.

### Red Chris Mine

Red Chris metal production (100% basis) for the third quarter of 2022 was 19.2 million pounds copper and 17,512 ounces gold, down by 13% and 10% respectively from the 22.0 million pounds copper and 19,540 ounces gold produced during the second quarter of 2022.

Gold production for the third quarter of 2022 was lower than the second quarter of 2022 due to lower recovery and lower throughput. Recovery is expected to improve in the December 2022 quarter with various improvement initiatives nearing completion including the cleaner column expansion project. Gold head grade was consistent with the second quarter of 2022. Copper production was down by 13% on lower throughput and grade. Mined grades for copper and gold are expected to decrease with mining now complete in Phase 5.

Imperial's 30% portion of Red Chris mine third quarter production was 5.8 million pounds copper and 5,254 ounces gold.

	Three Months Ended September 30*		Nine Months Ended September 30*	
	2022	2021	2022	2021
Ore milled - tonnes	2,465,653	2,543,495	7,067,219	7,199,572
Ore milled per calendar day - tonnes	26,801	27,647	25,887	26,372
Grade % - copper	0.446	0.389	0.449	0.407
Grade g/t - gold	0.391	0.336	0.381	0.365
Recovery % - copper	79.1	79.0	77.9	78.5
Recovery % - gold	56.5	55.6	56.8	55.1
Copper - 000's pounds	19,181	17,244	54,497	50,704
Gold - ounces	17,512	15,249	49,140	46,550

\* 100% Red Chris mine production

During the third quarter of 2022, there were up to seven diamond drill rigs in operation. A further 20,926 metres of drilling has been completed from 27 drill holes, with all drill holes intersecting mineralization. Approximately 50,000 metres of drilling is planned for the second half of 2022 from eight drill rigs. Two of the rigs are drilling from underground stations along the exploration decline. Drilling from underground will reduce the meterage required to further test the East Ridge and the surface disturbance required to construct drill pads and roads.

Jim Miller-Tait, P.Geol. Vice President Exploration with Imperial Metals, is the designated Qualified Person as defined by National Instrument 43-101 for the Red Chris exploration program.

Imperial's 30% share of exploration, development, and capital expenditures were \$31.2 million in the September 2022 quarter compared to \$28.2 million in the 2021 comparative quarter.

#### Mount Polley Mine

Production at Mount Polley was 2.4 million pounds copper and 5,084 ounces gold for the third quarter of 2022. During this third quarter, 984,814 tonnes were milled. There has been a steady increase in throughput from 7,268 tonnes per day in July to 11,079 tonnes per day in August and 13,868 tonnes per day in September. Further increases in throughput were hampered by the trunnion machining that was required to repair Pebble Mill 3. This work is complete and Pebble Mill 3 was put into operation in early October. All eight mills in the grinding circuit are now operational, and we look forward to increasing the mill throughput.

Exploration, development, and capital expenditures in the September 2022 quarter were \$8.1 million compared to \$1.3 million in the 2021 comparative quarter.

#### Huckleberry Mine

Huckleberry operations ceased in August 2016 and the mine remains on care and maintenance status. The Company anticipates working towards the restart of Huckleberry following the start of operations at Mount Polley.

Site personnel continue to focus on maintaining site access, water management (treatment and release of mine contact water into Tahtsa Reach), maintenance of site infrastructure and equipment, mine permit compliance, environmental compliance monitoring and monitoring tailings management facilities.

Geotechnical programs conducted in 2021 have indicated that some work is required to upgrade the existing facility and provided information required to update the tailings facility design for future operations. A program of geotechnical and de-pressurization drilling has been completed and information collected is being assessed.

For the September 2022 quarter, Huckleberry incurred idle mine costs comprised of \$1.2 million in operating costs and \$0.2 million in depreciation expense.

Exploration, development, and capital expenditures in the September 2022 quarter were \$1.8 million compared to \$1.8 million in the 2021 comparative quarter.

## EARNINGS AND CASH FLOW

### Select Quarter Financial Information

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2022	2021	2022	2021
Operations:				
Total revenues	\$41,688	\$37,064	\$111,197	\$104,329
Net loss	\$(27,943)	\$(3,772)	\$(64,143)	\$(11,389)
Net loss per share	\$(0.18)	\$(0.03)	\$(0.44)	\$(0.09)
Diluted loss per share	\$(0.18)	\$(0.03)	\$(0.44)	\$(0.09)
Adjusted net loss <sup>(1)</sup>	\$(27,990)	\$(3,489)	\$(76,450)	\$(11,165)
Adjusted net loss per share <sup>(1)</sup>	\$(0.18)	\$(0.02)	\$(0.52)	\$(0.08)
Adjusted EBITDA <sup>(1)</sup>	\$(13,035)	\$8,136	\$(49,365)	\$19,050
Cash earnings <sup>(1)(2)</sup>	\$(12,531)	\$7,780	\$(48,992)	\$18,408
Cash earnings per share <sup>(1)(2)</sup>	\$(0.08)	\$0.06	\$(0.33)	\$0.14
Working capital (deficiency)	\$(70,388)	\$21,950	\$(70,388)	\$21,950
Total assets	\$1,271,719	\$1,122,484	\$1,271,719	\$1,122,484
Total debt (including current portion) <sup>(3)</sup>	\$145,127	\$4,850	\$145,127	\$4,850

<sup>(1)</sup> Refer to *Non-IFRS Financial Measures* for further details.

<sup>(2)</sup> Cash earnings is defined as the cash flow from operations before the net change in non-cash working capital balances, income and mining taxes, and interest paid. Cash earnings per share is defined as cash earnings divided by the weighted average number of common shares outstanding during the year.

<sup>(3)</sup> Total debt consists of banker's acceptances, convertible debentures, and equipment leases.

### NON-IFRS FINANCIAL MEASURES

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

Adjusted net loss, adjusted EBITDA, cash earnings and cash cost per pound of copper are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Reconciliations are provided below.

#### Adjusted Net Loss and Adjusted Net Loss Per Share

Adjusted net loss is derived from operating net loss by removing the gains or loss, resulting from acquisition and disposal of property, mark to market revaluation of derivative instruments not related to the current period, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax and other non-recurring items. Adjusted net loss in the September 2022 quarter was \$28.0 million (\$0.18 per share) compared to an adjusted net loss of \$3.5 million (\$0.02 per share) in the 2021 comparative quarter. We believe that the presentation of adjusted net loss helps investors better understand the results of our normal operating activities and the ongoing cash generating potential of our business as further detailed below.

### Calculation of Adjusted Net Loss

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Net loss	\$(27,943)	\$(3,772)	\$(64,143)	\$(11,389)
Gain on disposal of mineral properties, net of tax	(41)	-	(12,306)	-
Foreign exchange (gain) loss on debt <sup>(1)</sup>	(6)	283	(1)	224
<b>Total Adjusted Net Loss</b>	<b>\$(27,990)</b>	<b>\$(3,489)</b>	<b>\$(76,450)</b>	<b>\$(11,165)</b>
Basic weighted average number of common shares outstanding	154,871,341	141,392,191	146,281,869	133,144,378
<b>Total Adjusted Net Loss Per Share</b>	<b>\$(0.18)</b>	<b>\$(0.02)</b>	<b>\$(0.52)</b>	<b>\$(0.08)</b>

<sup>(1)</sup> Non-current debt is recorded on the Company's Statement of Financial Position at the foreign exchange rate in effect on that date, with changes in foreign exchange rates, net of taxes, flowing through net loss. The amounts of non-current debt ultimately payable may be materially different than reflected in the financial statements due to foreign currency movements.

### Adjusted EBITDA

Adjusted EBITDA in the September 2022 quarter was negative \$13.0 million compared to positive \$8.1 million in the 2021 comparative quarter. We define adjusted EBITDA as net loss before interest expense, taxes, depletion, and depreciation, and as adjusted for certain other items described in the following reconciliation table.

We believe that the presentation of adjusted EBITDA is appropriate to provide additional information to investors about certain non-cash items and is useful to investors as an important indicator of our operations and the performance of our core business.

Adjusted EBITDA is not a measurement of operating performance or liquidity under IFRS and should not be considered as a substitute for earnings from operations, net loss or cash generated by operating activities computed in accordance with IFRS. Adjusted EBITDA has limitations as an analytical tool and therefore adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

A reconciliation of net loss to adjusted EBITDA is as follows:

expressed in thousands of dollars	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Net loss	\$(27,943)	\$(3,772)	\$(64,143)	\$(11,389)
Adjustments:				
Income and mining tax expense (recovery)	1,861	(1,229)	(5,090)	(9,964)
Interest expense	2,353	190	4,866	909
Depletion and depreciation	10,650	12,269	29,771	37,114
Accretion of future site reclamation provisions	1,120	791	2,952	2,308
Share based compensation	47	103	141	303
Foreign exchange gain	(1,068)	(250)	(1,027)	(271)
Gain on disposal of mineral properties	(55)	(2)	(16,857)	(13)
Other	-	36	22	53
<b>Total Adjusted EBITDA</b>	<b>\$(13,035)</b>	<b>\$8,136</b>	<b>\$(49,365)</b>	<b>\$19,050</b>



## Cash Earnings and Cash Earnings Per Share

Cash earnings in the September 2022 quarter was negative \$12.5 million compared to positive \$7.8 million in the 2021 comparative quarter. Cash earnings per share was negative \$0.08 in the September 2022 quarter compared to positive \$0.06 in the 2021 comparative quarter.

Cash earnings and cash earnings per share are measures used by the Company to evaluate its performance however they are not terms recognized under IFRS. We believe that the presentation of cash earnings and cash earnings per share is appropriate to provide additional information to investors about how well the Company can earn cash to pay its debts and manage its operating expenses and investment. Cash earnings is defined as cash flow from operations before the net change in non-cash working capital balances, income and mining taxes paid, and interest paid. Cash earnings per share is the same measure divided by the weighted average number of common shares outstanding during the year.

Expressed in thousands of dollars,  
except per share and per share amounts

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Net loss	\$(27,943)	\$(3,772)	\$(64,143)	\$(11,389)
Items not affecting cash earnings:				
Deferred mining and income tax expense (recovery)	1,776	(1,536)	(5,142)	(10,663)
Interest expense	2,353	190	4,866	909
Depletion and depreciation	10,650	12,269	29,771	37,114
Accretion of future site reclamation provisions	1,120	791	2,952	2,308
Share based compensation	47	103	141	303
Unrealized foreign exchange gain	(479)	(299)	(602)	(214)
Gain on disposal of mineral properties	(55)	(2)	(16,857)	(13)
Other	-	36	22	53
<b>Total Cash Earnings</b>	<b>\$(12,531)</b>	<b>\$7,780</b>	<b>\$(48,992)</b>	<b>\$18,408</b>
Basic weighted average number of common shares outstanding	154,871,341	141,392,191	146,281,869	133,144,378
<b>Total Cash Earnings Per Share</b>	<b>\$(0.08)</b>	<b>\$0.06</b>	<b>\$(0.33)</b>	<b>\$0.14</b>

## Cash Cost Per Pound of Copper Produced

Management uses this non-IFRS financial measure to monitor operating costs and profitability. The Company is primarily a copper producer and therefore calculates this non-IFRS financial measure individually for its three copper mines, Red Chris (30% share), Mount Polley and Huckleberry, and on a composite basis for these mines.

The cash cost per pound of copper produced is derived from the sum of cash production costs, transportation and offsite costs, treatment and refining costs, royalties, net of by-product and other revenues, divided by the number of pounds of copper produced during the period.

Cash costs of production include direct labour, operating materials and supplies, equipment and mill costs, and applicable overhead. Off-site costs include transportation, warehousing, marketing, related insurance and treatment and refining costs for smelting and refining concentrate.

Treatment and refining costs applicable to the concentrate produced during the period are calculated in accordance with the contracts the Company has with its customers.

By-product and other revenues represent (i) revenue calculated based on average metal prices for by-products produced during the period based on contained metal in the concentrate; and (ii) other revenues as recorded during the period.

Cost of sales, as reported on the consolidated statement of comprehensive loss, includes depletion and depreciation, and share based compensation, non-cash items. The resulting cash costs are different than the cost of production because of changes in inventory levels and therefore inventory and related transportation and offsite costs are adjusted from a cost of sales basis to a production basis. The cash costs for copper produced are converted to US\$ using the average US\$ to CDN\$ exchange rate for the period divided by the pounds of copper produced to obtain the cash cost per pound of copper produced in US\$.

Variations from period to period in the cash cost per pound of copper produced are the result of many factors including: grade, metal recoveries, amount of stripping charged to operations, mine and mill operating conditions, labour and other cost inputs, transportation and warehousing costs, treatment and refining costs, the amount of by-product and other revenues, the US\$ to CDN\$ exchange rate and the amount of copper produced.

Idle mine and mine restart costs during the periods when the Huckleberry and Mount Polley mines are not in operation have been excluded from the cash cost per pound of copper produced.

The following tables reconcile cost of sales as shown on the consolidated statement of comprehensive loss to the cash cost per pound of copper produced in US\$ for the three months ended September 30, 2022 and 2021.

*Calculation of Cash Cost Per Pound of Copper Produced*

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

	Three Months Ended September 30, 2022		
	Red Chris	Mount Polley <sup>(1)</sup>	Composite
	A	B	C=A+B
Cost of sales	\$33,083	\$17,810	\$50,893
Less:			
Depletion and depreciation	(9,205)	(1,031)	(10,236)
Cash costs before adjustment to production basis	23,878	16,779	40,657
Adjust for inventory change	1,952	9,446	11,398
Adjust transportation and offsite costs	249	309	558
Adjust for other costs	-	534	534
Treatment, refining and royalty costs	2,340	597	2,937
By-product and other revenues	(11,643)	(11,307)	(22,950)
Cash cost of copper produced in CDN\$	\$16,776	\$16,358	\$33,133
US\$ to CDN\$ exchange rate	1.3058	1.3058	1.3058
Cash cost of copper produced in US\$	\$12,847	\$12,527	\$25,374
Copper produced – pounds	5,754	2,420	8,174
Cash cost per lb copper produced in US\$	\$2.23	\$5.18	\$3.10

	Three Months Ended September 30, 2021		
	Red Chris	Mount Polley <sup>(1)</sup>	Composite
	A	B	C=A+B
Cost of sales	\$32,201	\$ -	\$32,201
Less:			
Depletion and depreciation	(11,463)	-	(11,463)
Cash costs before adjustment to production basis	20,738	-	20,738
Adjust for inventory change	575	-	575
Adjust transportation and offsite costs	(88)	-	(88)
Adjust for other costs	(7)	-	(7)
Treatment, refining and royalty costs	1,583	-	1,583
By-product and other revenues	(10,192)	-	(10,192)
Cash cost of copper produced in CDN\$	\$12,609	\$ -	\$12,609
US\$ to CDN\$ exchange rate	1.2600	-	1.2600
Cash cost of copper produced in US\$	\$10,007	\$ -	\$10,007
Copper produced – pounds	5,173	-	5,173
Cash cost per lb copper produced in US\$	\$1.93	\$ -	\$1.93

<sup>(1)</sup> Mount Polley mine operations were suspended in May 2019, and the mine restarted operations in late June 2022.

The following tables reconcile cost of sales as shown on the consolidated statement of comprehensive loss to the cash cost per pound of copper produced in US\$ for the nine months ended September 30, 2022 and 2021.

*Calculation of Cash Cost Per Pound of Copper Produced*

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

	Nine Months Ended September 30, 2022		
	Red Chris	Mount Polley <sup>(1)</sup>	Composite
	A	B	C=A+B
Cost of sales	\$100,488	\$17,810	\$118,298
Less:			
Depletion and depreciation	(26,567)	(1,031)	(27,598)
Cash costs before adjustment to production basis	73,921	16,779	90,700
Adjust for inventory change	(3,324)	9,446	6,122
Adjust transportation and offsite costs	667	309	976
Adjust for other costs	(131)	534	403
Treatment, refining and royalty costs	6,003	597	6,600
By-product and other revenues	(33,979)	(11,307)	(45,286)
Cash cost of copper produced in CDN\$	\$43,157	\$16,358	\$59,514
US\$ to CDN\$ exchange rate	1.2830	1.3058	1.2830
Cash cost of copper produced in US\$	\$33,637	\$12,527	\$46,164
Copper produced – pounds	16,349	2,420	18,769
Cash cost per lb copper produced in US\$	\$2.06	\$5.18	\$2.46

	Nine Months Ended September 30, 2021		
	Red Chris	Mount Polley <sup>(1)</sup>	Composite
	A	B	C=A+B
Cost of sales	\$99,915	\$ -	\$99,915
Less:			
Depletion and depreciation	(34,523)	-	(34,523)
Cash costs before adjustment to production basis	65,392	-	65,392
Adjust for inventory change	3,850	-	3,850
Adjust transportation and offsite costs	(1)	-	(1)
Adjust for other costs	(387)	-	(387)
Treatment, refining and royalty costs	6,388	-	6,388
By-product and other revenues	(31,027)	-	(31,027)
Cash cost of copper produced in CDN\$	\$44,215	\$ -	\$44,215
US\$ to CDN\$ exchange rate	1.2514	-	1.2514
Cash cost of copper produced in US\$	\$35,332	\$ -	\$35,332
Copper produced – pounds	15,210	-	15,210
Cash cost per lb copper produced in US\$	\$2.32	\$ -	\$2.32

<sup>(1)</sup> Mount Polley mine operations were suspended in May 2019, and the mine restarted operations in late June 2022.

## RESULTS FROM OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2021

### Overview

Revenues increased to \$41.7 million in the September 2022 quarter compared to \$37.1 million in the 2021 comparative quarter, an increase of \$4.6 million or 12.4%. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

Net loss for the September 2022 quarter was \$27.9 million (\$0.18 per share) compared to net loss of \$3.8 million (\$0.03 per share) in the 2021 comparative quarter. The increase in net loss of \$24.1 million was primarily due to the following factors:

- Mine operations went from an income of \$4.9 million in September 2021 to a loss of \$9.2 million in September 2022, increasing net loss by \$14.1 million.
- Mount Polley restart costs went from \$1.6 million in September 2021 to \$12.2 million in September 2022, increasing net loss by \$10.6 million.
- Idle mine costs went from \$6.2 million in September 2021 to \$1.4 million in September 2022, decreasing net loss by \$4.8 million.
- Interest expenses went from \$0.2 million in September 2021 to \$2.4 million in September 2022, increasing net loss by \$2.2 million.

The average US/CDN Dollar exchange rate in the September 2022 quarter was 1.306 compared to an average of 1.260 in the 2021 comparative quarter.

### Revenue

expressed in thousands of dollars

	Three Months Ended September 30	
	2022	2021
Revenue before revaluation	\$46,864	\$37,662
Revenue revaluation	(5,301)	(835)
Other revenue	125	237
	<u>\$41,688</u>	<u>\$37,064</u>

expressed in thousands of dollars, except quantity amounts

	Three Months Ended September 30, 2022		
	Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	5,912	1,229	7,141
Gold – ounces	5,335	2,473	7,808
Silver – ounces	17,147	3,104	20,251
Revenue			
Copper	\$20,501	\$4,880	\$25,381
Gold	10,538	5,210	15,748
Silver	362	72	434
	<u>\$31,401</u>	<u>\$10,162</u>	<u>\$41,563</u>
Corporate			125
Total Revenue			<u>\$41,688</u>

expressed in thousands of dollars, except quantity amounts

	Three Months Ended September 30, 2021		
	Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	5,501	-	5,501
Gold – ounces	4,851	-	4,851
Silver – ounces	15,339	-	15,339
Revenue			
Copper	\$26,167	\$ -	\$26,167
Gold	10,232	-	10,232
Silver	428	-	428
	<u>\$36,827</u>	<u>\$ -</u>	<u>\$36,827</u>
Corporate			237
Total Revenue			<u>\$37,064</u>

During the September 2022 quarter, the Company sold 7.1 million pounds copper and 7,808 ounces of gold compared to 5.5 million pounds copper and 4,851 ounces of gold in the 2021 comparative quarter.

In the September 2022 quarter, the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris and Mount Polley mine. The Red Chris mine accounted for 75.3% and Mount Polley mine accounted for 24.4% of the Company's revenue in the period. Copper accounted for 60.9% and gold accounted for 37.8% of the Company's revenue.

#### Cost of Sales

expressed in thousands of dollars

	Three Months Ended September 30	
	2022	2021
Operating expenses	\$40,657	\$20,738
Depletion and depreciation	10,236	11,463
	<u>\$50,893</u>	<u>\$32,201</u>

Cost of sales for the September 2022 quarter was \$50.9 million compared to \$32.2 million in the 2021 comparative quarter, due to the following major factors:

- operating expenses for the September 2022 quarter were \$40.7 million compared to \$20.7 million in the September 2021 quarter; and
- depletion and depreciation for the September 2022 quarter was \$10.2 million compared to \$11.5 million in the September 2021 quarter.

#### Interest Expense

expressed in thousands of dollars

	Three Months Ended September 30	
	2022	2021
Interest on non-current debt	\$441	\$42
Other interest and financing fees	1,912	148
	<u>\$2,353</u>	<u>\$190</u>

Interest expense increased to \$2.4 million in the September 2022 period from \$0.2 million in the 2021 comparative period. This increase was primarily due to the increase in our senior credit facility and subsequent draw down and corresponding arrangement and guarantee fee compared to 2021.

## Other Finance (Income) Loss

expressed in thousands of dollars

	Three Months Ended September 30	
	2022	2021
Accretion of future site reclamation provisions	\$1,120	\$791
Foreign exchange gain	(1,068)	(250)
Fair value adjustment to marketable securities	-	36
	52	577
Interest income	(177)	(21)
Other finance (income) loss	<u>\$(125)</u>	<u>\$556</u>

Other finance income totalled \$0.1 million in the September 2022 quarter compared to a loss of \$0.6 million in the 2021 comparative quarter.

## Mine Restart Costs

expressed in thousands of dollars

	Three Months Ended September 30	
	2022	2021
Mount Polley		
Mine restart cost	\$12,018	\$1,613
Mine restart depreciation	234	-
	<u>\$12,252</u>	<u>\$1,613</u>

Mount Polley mine restart costs totalled \$12.2 million in the September 2022 period compared to \$1.6 million in the 2021 comparative period. The increase was primarily due to ramp up activities at Mount Polley and transitioning back to operations from care and maintenance.

## RESULTS FROM OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2021

### Overview

Revenues increased to \$111.2 million in the September 2022 period compared to \$104.3 million in the 2021 comparative period, an increase of \$6.9 million or 6.6%. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

Net loss for the September 2022 period was \$64.1 million (\$0.44 per share) compared to net loss of \$11.4 million (\$0.09 per share) in the 2021 comparative period. The increase in net loss of \$52.7 million was primarily due to the following factors:

- Mine operations went from an income of \$4.4 million in September 2021 to a loss of \$7.1 million in September 2022, increasing net loss by \$11.5 million.
- Mount Polley restart costs went from \$1.6 million in September 2021 to \$64.9 million in September 2022, increasing net loss by \$63.3 million.
- Idle mine costs went from \$17.9 million in September 2021 to \$4.5 million in September 2022, decreasing net loss by \$13.4 million.
- Gain on disposal of mineral properties went from \$nil in September 2021 to \$16.9 million in September 2022, decreasing net loss by \$16.9 million.
- Interest expenses went from \$0.9 million in September 2021 to \$4.9 million in September 2022, increasing net loss by \$4.0 million.

The average US/CDN Dollar exchange rate in the September 2022 period was 1.283 compared to an average of 1.251 in the 2021 comparative period.

### Revenue

expressed in thousands of dollars

	Nine Months Ended September 30	
	2022	2021
Revenue before revaluation	\$122,219	\$102,658
Revenue revaluation	(11,446)	833
Other revenue	424	838
	<u>\$111,197</u>	<u>\$104,329</u>

expressed in thousands of dollars, except quantity amounts

	Nine Months Ended September 30, 2022		
	Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	16,628	1,229	17,857
Gold – ounces	14,852	2,473	17,325
Silver – ounces	47,689	3,104	50,793
Revenue			
Copper	\$68,303	\$4,880	\$73,183
Gold	31,165	5,210	36,375
Silver	1,143	72	1,215
	<u>\$100,611</u>	<u>\$10,162</u>	<u>\$110,773</u>
Corporate			424
Total Revenue			<u>\$111,197</u>

expressed in thousands of dollars, except quantity amounts

	Nine Months Ended September 30, 2021		
	Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	15,237	-	15,237
Gold – ounces	13,937	-	13,937
Silver – ounces	38,470	-	38,470
Revenue			
Copper	\$73,867	\$ -	\$73,867
Gold	28,344	-	28,344
Silver	1,280	-	1,280
	<u>\$103,491</u>	<u>\$ -</u>	<u>\$103,491</u>
Corporate			838
Total Revenue			<u>\$104,329</u>

During the September 2022 period, the Company sold 17.9 million pounds copper and 17,325 ounces of gold compared to 15.2 million pounds copper and 13,937 ounces gold in the 2021 comparative period.

In the September 2022 period, the Red Chris mine had 11.9 concentrate shipments (2021-11.5 concentrate shipments), and the Mount Polley mine had 0.3 concentrate shipments (2021-nil concentrate shipments).

The Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris and Mount Polley mine. The Red Chris mine accounted for 90.5% and Mount Polley mine accounted for 9.1% of the Company's revenue in the period. Copper accounted for 65.8% and gold accounted for 32.7% of the Company's revenue.

#### Cost of Sales

expressed in thousands of dollars

	Nine Months Ended September 30	
	2022	2021
Operating expenses	\$90,700	\$65,392
Depletion and depreciation	27,598	34,523
	<u>\$118,298</u>	<u>\$99,915</u>

Cost of sales for the September 2022 period was \$118.3 million compared to \$99.9 million in the 2021 comparative period, due to the following major factors:

- operating expenses for the September 2022 period were \$90.7 million compared to \$65.4 million in the September 2021 period; and
- depletion and depreciation for the September 2022 period was \$27.6 million compared to \$34.5 million in the September 2021 period.

#### Interest Expense

expressed in thousands of dollars

	Nine Months Ended September 30	
	2022	2021
Interest on non-current debt	\$530	\$349
Other interest and financing fees	4,336	560
	<u>\$4,866</u>	<u>\$909</u>

Interest expense increased to \$4.9 million in the September 2022 period from \$0.9 million in the 2021 comparative period. This increase was primarily due to the increase in our senior credit facility and subsequent draw down and corresponding arrangement and guarantee fee compared to 2021.



## Other Finance Loss

expressed in thousands of dollars

	Nine Months Ended September 30	
	2022	2021
Accretion of future site reclamation provisions	\$2,952	\$2,308
Foreign exchange gain	(1,027)	(271)
Fair value adjustment to marketable securities	22	48
	<u>1,947</u>	<u>2,085</u>
Interest income	(492)	(182)
Other finance loss	<u>\$1,455</u>	<u>\$1,903</u>

Other finance loss totalled \$1.5 million in the September 2022 period compared to \$1.9 million in the 2021 comparative period.

## Mine Restart Costs

expressed in thousands of dollars

	Nine Months Ended September 30	
	2022	2021
Mount Polley		
Mine restart cost	\$63,290	\$1,613
Mine restart depreciation	1,632	-
	<u>\$64,922</u>	<u>\$1,613</u>

Mount Polley mine restart costs totalled \$64.9 million in the September 2022 period compared to \$1.6 million in the 2021 comparative period. The increase was primarily due to ramp up activities at Mount Polley and transitioning back to operations from care and maintenance.

## CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2021. The capital structure of the Company consists of current and non-current debt and equity comprised of share capital, contributed surplus, currency translation adjustment and retained earnings.

## LIQUIDITY & CAPITAL RESOURCES AND FINANCING

### Credit Risk

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

The Company sells to a limited number of traders and smelters. These customers are large and well-capitalized, and credit risk is considered to be minimal. The balance of trade receivables owed to the Company in the ordinary course of business is significant and the Company utilizes short term debt facilities with customers to reduce the net credit exposure.

From time to time the Company enters into derivative instruments with a number of counterparties to limit the amount of credit risk associated with any one counterparty. The Company did not enter into any derivative instruments during the quarter ended September 30, 2022.

### Liquidity Risk

The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that in addition to cash balances there are sufficient committed credit facilities, including the advance payment facilities with its customers, to provide cash necessary to meet projected cash requirements.

At September 30, 2022, the Company had a working capital deficiency of \$70.4 million, including a cash balance of \$43.2 million which compares to a working capital deficiency of \$19.1 million and cash balance of \$33.3 million at December 31, 2021.

The Company had a \$75.0 million revolving credit facility on December 31, 2021, which was increased to \$125.0 million on March 31, 2022. At September 30, 2022, a total of \$116.9 million of the revolving credit facility has been utilized, including banker's acceptances of \$99.5 million and \$17.4 million for letters of credit pledged for settlement of future site reclamation provisions and other obligations. In addition, the Company has \$34.1 million in surety bonds.

On August 31, 2022, the Company completed a non-brokered private placement of unsecured Convertible Debentures with a face value of \$47.0 million. The Convertible Debentures will mature on August 30, 2027.

Cash balances on hand, the projected cash flow from the Company's 30% share of Red Chris mine, the projected cash flow from the restart of the Mount Polley mine and the available credit facility are expected to be sufficient to fund the Company's ongoing operating obligations as they come due. The Company will be required to raise additional funds for capital projects through such methods as additional equity, additional debt and the monetization of assets such as the sale of Giant Copper.

The Company holds mineral properties and marketable securities. While these may be convertible to cash, they are not considered when assessing the Company's liquidity as they are part of the risk management program of the Company, long-term strategic holdings, or are only convertible to cash over a longer time horizon if realizable values exceed management's assessment of fair value, respectively. Therefore, as part of the Company's planning, budgeting and liquidity analysis process, these items are not relied upon to provide operational liquidity.

Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company, although the Company considers this risk low as described in the *Credit Risk* section above.

The following is an aging of the Company's obligations as of September 30, 2022:

expressed in thousands of dollars	Within					Total
	1 Year	2 Years	3 Years	4 Years	5 years	
Trade and other payables	\$72,842	\$ -	\$ -	\$ -	\$ -	\$72,842
Short term debt	99,500	-	-	-	-	\$99,500
Current portion of leases	2,058	-	-	-	-	\$2,058
Non-current leases	-	1,210	690	-	-	\$1,900
Convertible debentures	-	-	-	-	41,669	\$41,669
<b>Total</b>	<b>\$174,400</b>	<b>\$1,210</b>	<b>\$690</b>	<b>\$ -</b>	<b>\$41,669</b>	<b>\$217,969</b>

### Currency Risk

Financial instruments that impact the Company's net loss and comprehensive 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 loss and comprehensive loss for the nine months ended September 30, 2022 would have been higher/lower by \$0.3 million.

### Cash Earnings

Cash earnings was negative \$12.5 million in the September 2022 quarter compared to positive \$7.8 million in the 2021 comparative quarter. Refer to *Cash Earnings and Cash Earnings Per Share* under *Non-IFRS Financial Measures* for further details.

### Working Capital

At September 30, 2022, the Company had cash of \$43.2 million and a working capital deficiency of \$70.4 million, which includes \$99.5 million of current debt, compared to cash of \$33.3 million and a working capital deficiency of \$19.1 million at December 31, 2021, which included \$32.4 million of current debt.

### Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totalled \$41.2 million in the September 2022 quarter compared to \$33.8 million in the September 2021 quarter.

expressed in thousands of dollars	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
<b>Capital and Development Expenditures</b>				
Red Chris	\$19,256	\$19,652	\$62,275	\$45,918
Mount Polley	8,128	1,247	15,553	1,361
Huckleberry	1,657	1,598	2,042	1,598
	<u>29,041</u>	<u>22,497</u>	<u>79,870</u>	<u>48,877</u>
<b>Exploration Expenditures</b>				
Red Chris	11,924	8,538	31,892	22,024
Mount Polley	10	79	62	369
Huckleberry	129	208	226	336
Other	150	2,443	486	2,739
	<u>12,213</u>	<u>11,268</u>	<u>32,666</u>	<u>25,468</u>
<b>Total additions <sup>(1)</sup></b>	<b>\$41,254</b>	<b>\$33,765</b>	<b>\$112,536</b>	<b>\$74,345</b>

<sup>(1)</sup> Amounts include equipment acquired for leases and other capitalized items.

## 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 \$2.0 million. 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.

## DERIVATIVE INSTRUMENTS

In the past, the Company has utilized a variety of derivative instruments including the purchase of puts, forward sales, currency swaps and the use of min/max zero cost collars. The Company's income or loss from derivative instruments may be very volatile from period to period as a result of changes in the copper and gold prices and US/CDN exchange rates compared to the copper and gold prices and US/CDN exchange rate at the time when these contracts were entered into, or the latest balance sheet date and the type and length of time to maturity of the contracts.

The Company had no derivative instruments for copper, gold, or foreign exchange at September 30, 2022 or at the date of this document, other than those embedded in revenue contracts for provisional pricing.

## DEBT AND OTHER OBLIGATIONS

At September 30, 2022, the Company's debt was comprised of \$99.5 million drawdown of banker's acceptances, \$41.7 million of convertible debentures, and \$3.9 million of equipment leases. Detailed disclosure on the Company's debt including amounts owed, interest rates and security can be found in Note 7 and 8 of the Interim Financial Statements.

### Interest Rate Risk

The Company is exposed to interest rate risk on its credit facilities. 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 \$0.6 million.

### Off-Balance Sheet Arrangements

At September 30, 2022, the Company did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### Other Price Risks

The Company is exposed to equity price risk arising from marketable securities. Marketable securities are classified as held for trading because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities.

## SELECT QUARTERLY FINANCIAL INFORMATION

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

	Three Months Ended			
	September 30 2022	June 30 2022	March 31 2022	December 31 2021
Total revenues	\$41,688	\$36,383	\$33,126	\$29,262
Net loss	\$(27,943)	\$(29,275)	\$(6,925)	\$(14,681)
Basic loss per share	\$(0.18)	\$(0.21)	\$(0.05)	\$(0.10)
Diluted loss per share	\$(0.18)	\$(0.21)	\$(0.05)	\$(0.10)
Adjusted net loss <sup>(1)</sup>	\$(27,990)	\$(29,706)	\$(18,754)	\$(12,016)
Adjusted net loss per share <sup>(1)</sup>	\$(0.18)	\$(0.21)	\$(0.13)	\$(0.08)
Adjusted EBITDA <sup>(1)</sup>	\$(13,035)	\$(22,950)	\$(13,380)	\$(7,497)
Cash earnings <sup>(1)</sup>	\$(12,531)	\$(23,130)	\$(13,331)	\$(7,374)
Cash earnings per share <sup>(1)</sup>	\$(0.08)	\$(0.16)	\$(0.09)	\$(0.05)
Average LME copper price/lb in US\$	\$3.51	\$4.32	\$4.53	\$4.40
Average LBMA gold price/troy oz in US\$	\$1,729	\$1,873	\$1,874	\$1,795
Average US\$/CDN\$ exchange rate	\$1.306	\$1.277	\$1.266	\$1.260
Period end US\$/CDN\$ exchange rate	\$1.371	\$1.289	\$1.250	\$1.268

	September 30	June 30	March 31	December 31
	2021	2021	2021	2020
Total revenues	\$37,064	\$34,215	\$33,050	\$36,915
Net loss	\$(3,772)	\$(5,075)	\$(2,542)	\$(4,916)
Basic loss per share	\$(0.03)	\$(0.04)	\$(0.02)	\$(0.04)
Diluted loss per share	\$(0.03)	\$(0.04)	\$(0.02)	\$(0.04)
Adjusted net loss <sup>(1)</sup>	\$(3,489)	\$(5,111)	\$(2,565)	\$(5,553)
Adjusted net loss per share <sup>(1)</sup>	\$(0.02)	\$(0.04)	\$(0.02)	\$(0.04)
Adjusted EBITDA <sup>(1)</sup>	\$8,136	\$8,283	\$2,631	\$33
Cash earnings <sup>(1)</sup>	\$7,780	\$8,102	\$2,662	\$712
Cash earnings per share <sup>(1)</sup>	\$0.06	\$0.06	\$0.02	\$0.01
Average LME copper price/lb in US\$	\$4.25	\$4.40	\$3.85	\$3.25
Average LBMA gold price/troy oz in US\$	\$1,789	\$1,816	\$1,798	\$1,873
Average US\$/CDN\$ exchange rate	\$1.260	\$1.228	\$1.267	\$1.303
Period end US\$/CDN\$ exchange rate	\$1.274	\$1.240	\$1.258	\$1.273

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

The financial information for each of the most recently completed eight quarters has been prepared in accordance with IFRS other than in respect of the non-IFRS financial measures described in more detail under *Non-IFRS Financial Measures*.

Variations in the quarterly results are impacted by two primary factors:

- Fluctuations in revenue are due to the timing of shipping schedules and quantities of copper and gold sold on each ship, production volumes at the mines, changes in the price of copper and gold, and the US/CDN exchange rate.
- Fluctuations in net income are due to the revenue changes described above and realized and unrealized gains/losses on derivative instruments based on movements in the reference item hedged, changes in foreign exchange rates on US\$ denominated debt, changes in production cost inputs and changes in tax rates.

In addition to the variations in quarterly results caused by the primary factors discussed above the following periods had non-recurring transactions that further impacted net income (loss):

- The primary reason for the decrease in net income in the December 2020 quarter compared to September 2020 quarter was due to higher operating expenses at Red Chris mine.

- (b) The primary reason for the decrease in net loss in the March 2021 quarter compared to December 2020 quarter was due to an increase in tax recovery compared to the prior quarter which was triggered by an increase in discount rate for future site reclamation provision. Compared to March 2020 quarter, net loss decreased due to an increase in tax recovery in the current year quarter compared to a tax expense in the prior year quarter.
- (c) The primary reason for the increase in net loss in the June 2021 quarter compared to March 2021 quarter was due to a decrease in tax recovery compared to the prior quarter. Compared to June 2020 quarter, net loss increased primarily due to lower metal grades at Red Chris mine which led to decreased revenue in the current year quarter.
- (d) The primary reason for the decrease in the net loss in the September 2021 quarter compared to June 2021 quarter was due to increased sale of copper and gold in the September 2021 quarter which led to increased revenue. However, compared to September 2020 quarter, net loss increased primarily due to higher operating expenses at Red Chris mine.
- (e) The primary reason for the increase in net loss in the December 2021 quarter compared to September 2021 quarter was due to increase in restart costs for Mount Polley in the December 2021 quarter. Compared to December 2020 quarter, net loss increased primarily due to reduced sale of copper and gold.
- (f) The primary reason for the decrease in net loss in March 2022 quarter compared to December 2021 quarter was due to the gain realized on the disposal of Giant Copper. Compared to March 2021 quarter, net loss increased primarily due to lower tax recovery in the current year quarter.
- (g) The primary reason for the increase in net loss in June 2022 quarter compared to March 2022 quarter was due to the gain realized on the disposal of Giant Copper in March 2022 quarter. Compared to June 2021 quarter, net loss increased primarily due to the restart costs for Mount Polley in the current year quarter.
- (h) The primary reason for the decrease in net loss in September 2022 quarter compared to June 2022 quarter was due to a decrease in restart costs for Mount Polley in the September 2022 quarter. Compared to September 2021 quarter, net loss increased primarily due to the restart costs for Mount Polley in the current year quarter.

## RELATED PARTY TRANSACTIONS

### Corporate

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.

## CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. At the end of the period covered by this MD&A, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this MD&A, the disclosure controls were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

### Internal Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting and disclosure controls and procedures. The Company's internal control system over financial reporting is designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's Interim Financial Statements.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting at September 30, 2022. In making this assessment, management used the criteria set forth in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of September 30, 2022, the Company's internal control over financial reporting were effective.

Following the sale of a 70% interest in the Red Chris mine to Newcrest on August 15, 2019, the Company's management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the Red Chris mine, in which the Company now holds a 30% beneficial interest and is proportionately consolidated in the Company's Interim Financial Statements. As the minority partner in the Red Chris Joint Venture, the Company's management does not have the ability to dictate or modify controls at this entity and does not have the ability to assess, in practice, the controls at the entity. The Red Chris Joint Venture constitutes 76.1% of the Company's net assets, 63.1% of total assets, 90.5% of revenues of the Interim Financial Statements amounts as of and for the period ended September 30, 2022. The Red Chris Joint Venture is not a taxable entity as each joint venture participant calculates its own income taxes on their share of income from the joint venture. The Company's share of the Red Chris Joint Venture's pre-tax loss totalled \$3.1 million for the period September 30, 2022.

### Limitations

The Company's management believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well designed and operated, can only provide reasonable and not absolute assurance that the objectives of the control system are met. Therefore, even those systems determined effective cannot provide absolute assurance that all control issues and instances of fraud within the Company, if any, have been prevented or detected.

## RISK FACTORS

The Company's business involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this MD&A and the Interim Financial Statements of the Company. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition, results of operations and cash flow would suffer.

## FORWARD-LOOKING STATEMENTS & RISKS NOTICE

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking information which is prospective in nature and reflect the current views and/or expectations of Imperial. Often, but not always, forward-looking information can be identified by the use of statements such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this MD&A includes, without limitation, statements regarding: future impacts of the COVID-19 pandemic; the ability to continue operations in lieu of the COVID-19 pandemic; changes to the Company's business and operations in order to minimize the risks to employees, communities and other stakeholders; the effectiveness of preventative actions put in place by the Company and Newcrest, including measures taken in accordance with Provincial Health Officer orders, to respond to the COVID-19 pandemic as well as to implement a prevention plan for all communicable diseases; potential impact of violations to acts and regulations with respect to the preventative measures; expectations regarding the care and maintenance activities at the Huckleberry mine; expectations and timing regarding current and future exploration and drilling programs; expectations regarding recovery, throughput and mined grades for copper and gold; capital expenditures; adequacy of funds for projects and liabilities; expectations regarding the Convertible Debentures including with respect to the interest payable, date of maturity and number of common shares to be issued; our belief in the merit of and expectations regarding the allegations of a securities class action claim; outcome and impact of litigation; cash flow; working capital requirements; the requirement for additional funding for capital projects; the ability for the Company to continue as a going concern, including sufficient funding of the Company's obligations as they come due; results of operations, production, revenue, margins and earnings; future prices of copper and gold; future foreign currency exchange rates, including its impact on derivative instruments; volatility of the Company's income or loss from derivative instruments; liquidation of marketable securities; and the use of non-IFRS financial measures including adjusted net loss, adjusted EBITDA, cash earnings and cash cost per pound of copper.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including, but not limited to, assumptions that: the scope and duration of the COVID-19 pandemic and its impact on our business will not be significant and the Company's operations will be able to return to normal as the COVID-19 pandemic subsides; the Company will have access to capital as required and will be able to fulfill its funding obligations as the Red Chris minority joint venture partner; there are risks related to holding non-majority investment interests in the Red Chris mine Joint Venture; the Company will be able to advance and complete remaining planned rehabilitation activities within expected timeframes; there will be no significant delay or other material impact on the expected timeframes or costs for completion of rehabilitation of the Mount Polley and Huckleberry mines; the Company's rehabilitation activities at Mount Polley and Huckleberry will be successful in the long term; all required permits, approvals and arrangements to proceed with planned rehabilitation at Huckleberry will be obtained in a timely manner; the Company's belief that the appeals with respect to decisions in favour of the Company are without merit; there will be no material operational delays at the Red Chris and Mount Polley mines; equipment will operate as expected; there will not be significant power outages; there will be no material adverse change in the market price of commodities and exchange rates; and the Red Chris and Mount Polley mines will achieve expected production outcomes (including with respect to mined grades and mill recoveries and access to water as needed). Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. We can give no assurance that the forward-looking information will prove to be accurate.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause Imperial's actual results, revenues, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements constituting forward-looking information.

Important risks that could cause Imperial's actual results, revenues, performance or achievements to differ materially from Imperial's expectations include, among other things: the risk that the Company's beneficial interest of the Red Chris mine may



be diluted over time should it not have access to capital as required and will not be able to meet its funding obligations as the Red Chris minority joint venture partner; additional financing that may be required may not be available to Imperial on terms acceptable to Imperial or at all; risks relating to the timely receipt of necessary approvals and consents to proceed with the rehabilitation plan at Huckleberry; risks relating to mining operations and mine restart timelines; uncertainty regarding general economic conditions; uncertainty regarding the short-term and long-term impact of the COVID-19 pandemic on the Company's operations and investments and on the global economy and metals prices generally; risks relating to the potential ineffectiveness of the measures taken in response to the COVID-19 pandemic; risks associated with competition within the mining industry; the Company's dependency on third party smelters; risks relating to trade barriers; the quantum of claims, fines and penalties that may become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risks of protesting activity and other civil disobedience restricting access to the Company's properties; failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation, unavailability of materials and equipment, labour unrest, power outages, and natural phenomena such as weather conditions and water shortages negatively impacting the operation of the Red Chris and Mount Polley mines; changes in commodity and power prices; changes in market demand for our concentrate; risks that the COVID-19 pandemic may adversely affect copper and gold prices, impact our ability to transport or market our concentrate, cause disruptions in our supply chains and create volatility in commodity prices and demand; inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources); uncertainty relating to mineral resource and mineral reserve estimates; uncertainty relating to production estimates; risks associated with mineral exploration and project development; fluctuations in exchange rates and interest rates; risks associated with permitting and government regulations; environmental and health and safety matters; risks relating to joint venture projects; risks relating to foreign operations; dependence on key management personnel; taxation risk; conflicts of interest; cyber threats; credit risk related to cash, trade and other receivables, and future site reclamation deposits; risks relating to the use of derivative contracts and other hazards and risks disclosed within this MD&A for the three and nine months ended September 30, 2022 and other public filings which are available on Imperial's profile at [sedar.com](https://www.sedar.com). For the reasons set forth above, investors should not place undue reliance on forward-looking information. Imperial does not undertake to update any forward-looking information, except in accordance with applicable securities laws.



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