



Condensed Consolidated Interim Financial Statements (unaudited)
For the Three Months Ended March 31, 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31, 2024 and December 31, 2023

expressed in thousands of Canadian dollars

| | Notes | March 31 2024 | December 31 2023 |
|------------------------------------|-------|--------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$31,573 | \$24,936 |
| Trade and other receivables | 3 | 21,631 | 32,047 |
| Inventory | 4 | 62,692 | 57,274 |
| Prepaid expenses and deposits | | 5,032 | 5,688 |
| | | <u>120,928</u> | <u>119,945</u> |
| Mineral properties | 5 | 1,257,482 | 1,246,952 |
| Other assets | 4, 6 | 40,728 | 36,939 |
| Deferred income tax assets | | 7,656 | 8,154 |
| | | <u>\$1,426,794</u> | <u>\$1,411,990</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | \$80,067 | \$80,157 |
| Taxes payable | | 422 | 741 |
| Short term debt | 7 | 158,486 | 132,630 |
| Current portion of long term debt | 8 | 41,085 | 74,014 |
| | | <u>280,060</u> | <u>287,542</u> |
| Long term debt | 8 | 159,980 | 113,143 |
| Non-current trade payables | | 3,494 | 3,419 |
| Future site reclamation provisions | 9 | 140,800 | 149,335 |
| Deferred income tax liabilities | | 135,077 | 142,320 |
| | | <u>719,411</u> | <u>695,759</u> |
| EQUITY | | | |
| Share capital | 10 | 437,043 | 437,043 |
| Contributed surplus | | 49,611 | 49,458 |
| Currency translation adjustment | | 8,047 | 7,883 |
| Retained earnings | | 212,682 | 221,847 |
| | | <u>707,383</u> | <u>716,231</u> |
| | | <u>\$1,426,794</u> | <u>\$1,411,990</u> |
| Commitments and pledges | 18 | | |
| Contingent liabilities | 19 | | |

See accompanying notes to these condensed consolidated interim financial statements.

Approved by the Board and authorized for issue on May 13, 2024

/s/ Larry G. Moeller

Director

/s/ J. Brian Kynoch

Director

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Three Months Ended March 31, 2024 and 2023

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

| | Notes | Three Months Ended March 31 | |
|--|-------|-----------------------------|------------------|
| | | 2024 | 2023 |
| Revenue | | \$84,568 | \$92,664 |
| Cost of Sales | 11 | (86,107) | (94,305) |
| Loss from Mine Operations | | (1,539) | (1,641) |
| General and Administration | | (1,395) | (1,082) |
| Idle Mine Costs | | (1,946) | (2,113) |
| Interest Expense | 12 | (10,535) | (5,955) |
| Other Loss | 13 | (355) | (892) |
| Loss before Taxes | | (15,770) | (11,683) |
| Income and Mining Tax Recovery | | 6,605 | 4,430 |
| Net Loss | | (9,165) | (7,253) |
| Other Comprehensive Loss | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Currency translation adjustment | | 164 | (5) |
| Total Comprehensive Loss | | <u>\$(9,001)</u> | <u>\$(7,258)</u> |
| Loss Per Share | | | |
| Basic | | \$(0.06) | \$(0.05) |
| Diluted | | \$(0.06) | \$(0.05) |
| Weighted Average Number of Common Shares Outstanding | | | |
| Basic | | 161,871,341 | 154,871,341 |
| Diluted | | 161,871,341 | 154,871,341 |

See accompanying notes to these condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2024 and 2023

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, 2022 | 154,871,341 | \$420,376 | \$48,749 | \$8,044 | \$258,562 | \$735,731 |
| Share based compensation expense | - | - | 31 | - | - | 31 |
| Total comprehensive loss | - | - | - | (5) | (7,253) | (7,258) |
| Balance March 31, 2023 | 154,871,341 | \$420,376 | \$48,780 | \$8,039 | \$251,309 | \$728,504 |
| Balance December 31, 2023 | 161,871,341 | \$437,043 | \$49,458 | \$7,883 | \$221,847 | \$716,231 |
| Share based compensation expense | - | - | 153 | - | - | 153 |
| Total comprehensive loss | - | - | - | 164 | (9,165) | (9,001) |
| Balance March 31, 2024 | 161,871,341 | \$437,043 | \$49,611 | \$8,047 | \$212,682 | \$707,383 |

See accompanying notes to these condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2024 and 2023

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

| | | Three Months Ended March 31 | |
|---|-------|-----------------------------|-----------------|
| | Notes | 2024 | 2023 |
| OPERATING ACTIVITIES | | | |
| Net Loss | | \$(9,165) | \$(7,253) |
| Items not affecting cash flows | | | |
| Deferred mining and income tax | | (6,745) | (4,749) |
| Depletion and depreciation | | 14,601 | 10,266 |
| Share based compensation | | 153 | 31 |
| Accretion of future site reclamation provisions | | 1,247 | 1,175 |
| Unrealized foreign exchange losses | | (325) | (21) |
| Interest expense | | 10,535 | 5,955 |
| | | <u>10,301</u> | <u>5,404</u> |
| Net change in non-cash operating working capital balances | 14 | 2,571 | 5,901 |
| Income and mining taxes paid | | (400) | - |
| Interest paid | | (10,070) | (4,746) |
| Cash provided by operating activities | | <u>2,402</u> | <u>6,559</u> |
| FINANCING ACTIVITIES | | | |
| Proceeds from short term debt | | 28,356 | 1,000 |
| Proceeds from issue of debentures | 8 | 55,000 | 29,125 |
| Repayment of short term debt | | (2,500) | - |
| Repayment of debentures | 8 | (43,675) | - |
| Repayment of long term debt | | (699) | (182) |
| Lease payments | | (1,143) | (930) |
| Cash provided by financing activities | | <u>35,339</u> | <u>29,013</u> |
| INVESTING ACTIVITIES | | | |
| Acquisition and development of mineral properties | | (32,089) | (23,675) |
| Net change in non-cash investing working capital | | 684 | (4,617) |
| Reclamation bonds | | (24) | - |
| Cash used in investing activities | | <u>(31,429)</u> | <u>(28,292)</u> |
| EFFECT OF FOREIGN EXCHANGE ON CASH | | <u>325</u> | <u>20</u> |
| INCREASE IN CASH | | <u>6,637</u> | <u>7,300</u> |
| CASH, BEGINNING OF PERIOD | | <u>24,936</u> | <u>27,541</u> |
| CASH, END OF PERIOD | | <u>\$31,573</u> | <u>\$34,841</u> |

See accompanying notes to these condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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
- 100% interest in the Mount Polley copper-gold mine in central British Columbia.

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

The Company has financed its operating cash requirements primarily through revenues generated by its 30% share of Red Chris mine, its 100% interest in the Mount Polley mine, debt facility, convertible debentures and equity raises. The Company’s ability to realize the carrying value of its assets and to continue as a going concern is based upon the continued support of our shareholders, senior lender and the operational success at our operating mines. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan which is to see increased cash generation from its operating mines. These additional funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing.

The Company has in place a robust planning, budgeting, and forecasting process to determine the funds required to support its operations and expansionary plans. As a result, after considering all relevant information, management has concluded that there are no material uncertainties related to the events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern for at least the next year.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34).

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2023.

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, 2023, except for the adoption of new standards effective as of January 1, 2024. The Company has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1– Presentation of Financial Statements

Effective January 1, 2024, the amendments will require companies to clarify the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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

The amendments are applied to transactions that occur on or after the beginning of the earliest comparative period presented. We do not expect these amendments to have a material effect on our financial statements.

Comparative Information

Certain comparative amounts in Note 5 “Mineral Properties” have been reclassified to conform to current period presentation, and those reclassifications are not significant.

3. TRADE AND OTHER RECEIVABLES

| | March 31 2024 | December 31 2023 |
|-----------------------|------------------|---------------------|
| Trade receivables | \$9,043 | \$19,156 |
| Tax credit receivable | 12,588 | 12,891 |
| | <u>\$21,631</u> | <u>\$32,047</u> |

4. INVENTORY

| | March 31 2024 | December 31 2023 |
|--|------------------|---------------------|
| Stockpile ore | \$23,710 | \$19,802 |
| Concentrate | 21,264 | 18,641 |
| Supplies | 44,030 | 41,378 |
| Total inventories | 89,004 | 79,821 |
| Less non-current inventories included in other assets (Note 6) | (26,312) | (22,547) |
| Total current inventories | <u>\$62,692</u> | <u>\$57,274</u> |

During the three months period ended March 31, 2024, inventory of \$80,483 was recognized in cost of sales (March 31, 2023-\$91,978) and a net impairment charge of \$432 (March 31, 2023-\$1,814 of net impairment reversal) on stockpile ore, concentrate and supplies inventory was included in cost of sales.

As at March 31, 2024, the Company had \$53,551 (December 31, 2023-\$46,605) of inventory pledged as security for the credit facility (Note 7).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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

5. MINERAL PROPERTIES

| | Mineral Properties | Capitalized Stripping Costs | Exploration & Evaluation | Plant & Equipment | Total |
|---|-----------------------|--------------------------------|-----------------------------|----------------------|-------------|
| <i>Costs</i> | | | | | |
| Balance December 31, 2022 | \$552,345 | \$180,627 | \$264,141 | \$737,960 | \$1,735,073 |
| Additions | 9 | 12,558 | 44,854 | 79,835 | 137,256 |
| Change in estimates of future site reclamation provisions | 14,522 | - | 13 | - | 14,535 |
| Disposals and write down | (104) | (24,660) | (3) | (111) | (24,878) |
| Foreign exchange valuation | - | - | (162) | - | (162) |
| Balance December 31, 2023 | \$566,772 | \$168,525 | \$308,843 | \$817,684 | \$1,861,824 |
| Additions | - | 7,254 | 16,531 | 12,450 | 36,235 |
| Change in estimates of future site reclamation provisions | (9,782) | - | - | - | (9,782) |
| Foreign exchange valuation | - | - | 165 | - | 165 |
| Balance March 31, 2024 | \$556,990 | \$175,779 | \$325,539 | \$830,134 | \$1,888,442 |
| <i>Accumulated depletion & depreciation & impairment losses</i> | | | | | |
| Balance December 31, 2022 | \$174,645 | \$145,853 | \$1,637 | \$266,618 | \$588,753 |
| Depletion and depreciation | 5,757 | 8,455 | - | 36,621 | 50,833 |
| Disposals and write down | - | (24,660) | - | (54) | (24,714) |
| Balance December 31, 2023 | \$180,402 | \$129,648 | \$1,637 | \$303,185 | \$614,872 |
| Depletion and depreciation | 2,040 | 3,265 | - | 10,783 | 16,088 |
| Balance March 31, 2024 | \$182,442 | \$132,913 | \$1,637 | \$313,968 | \$630,960 |
| <i>Carrying Amount</i> | | | | | |
| Balance December 31, 2022 | \$377,700 | \$34,774 | \$262,504 | \$471,342 | \$1,146,320 |
| Balance December 31, 2023 | \$386,370 | \$38,877 | \$307,206 | \$514,499 | \$1,246,952 |
| Balance March 31, 2024 | \$374,548 | \$42,866 | \$323,902 | \$516,166 | \$1,257,482 |

At March 31, 2024, leased mobile equipment at cost of \$19,944 (December 31, 2023-\$16,118) and accumulated depreciation of \$10,006 (December 31, 2023-\$9,117) was included with plant and equipment.

At March 31, 2024, the Company had provided \$28,370 (December 31, 2023-\$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 Months Ended March 31, 2024 and 2023

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

Red Chris Mine

Red Chris Development Company Ltd., a wholly owned subsidiary of the Company, owns a 30% beneficial interest in the Red Chris copper/gold mine in northwest British Columbia. The Company and Newmont Corporation have a joint venture for the operation of Red Chris, with Newcrest Red Chris Mining Limited acting as operator. The property is comprised of the Red Chris Main claim group (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 the current tenures which are being mined from the Red Chris mine.

Mount Polley Mine

The Mount Polley copper/gold mine in south-central British Columbia is owned 100% by Mount Polley Mining Corporation, a wholly owned subsidiary of the Company. The property encompasses 24,096 hectares consisting of seven mining leases (2,007 hectares) and 52 mineral claims (22,089 hectares). A production royalty is payable on ore mined from Mining Lease 933970. In October 2019, Mount Polley Mining Corporation optioned seven adjacent mineral tenures (3,331 hectares) and the option was exercised on December 30, 2023. These claims are subject to a production royalty payable on ore mined from the claims and milled in the Mount Polley processing plant. There is currently no ore being mined on tenures subject to the production royalties.

Huckleberry Mine

The Huckleberry copper mine in west-central British Columbia is 100% owned by Huckleberry Mines Ltd., a wholly owned subsidiary of the Company. The property encompasses 25,767 hectares, consisting of two mining leases (2,422 hectares) and 49 mineral claims (23,345 hectares).

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

Other Exploration Properties

Imperial has a portfolio of 23 greenfield exploration properties located mainly in British Columbia and holds royalty interests in another 13 properties. 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 current macroeconomic and geopolitical uncertainties on the operations and the prevailing market metals prices, the Company concluded that as of March 31, 2024, a possible impairment indicator of mineral properties existed and as such the Company performed an impairment analysis (December 31, 2023-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 Months Ended March 31, 2024 and 2023

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

6. OTHER ASSETS

| | March 31 2024 | December 31 2023 |
|---|------------------|---------------------|
| Future site reclamation deposits | \$14,416 | \$14,392 |
| Non-current inventory – ore stockpile (Note 4) | 17,611 | 13,446 |
| Non-current inventory – supplies, including critical spare parts (Note 4) | 8,701 | 9,101 |
| | <u>\$40,728</u> | <u>\$36,939</u> |

7. SHORT TERM DEBT

Amounts due for short term debt are:

| | March 31 2024 | December 31 2023 |
|---------------------------|------------------|---------------------|
| Banker's Acceptances | \$107,000 | \$103,500 |
| Advanced Development Loan | 51,486 | 29,130 |
| | <u>\$158,486</u> | <u>\$132,630</u> |

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

| | Three Months Ended March 31 2024 | Year Ended December 31 2023 |
|------------------------------|---|--------------------------------------|
| Balance, beginning of period | \$132,630 | \$101,000 |
| Amounts advanced | 28,356 | 63,130 |
| Amount repaid | (2,500) | (31,500) |
| Balance, end of period | <u>\$158,486</u> | <u>\$132,630</u> |

Credit Facility

At March 31, 2024, a credit facility aggregating \$125,000 (December 31, 2023-\$125,000) is in effect until expiry on February 21, 2025. The facility is secured by shares of all material subsidiaries and a floating charge on certain assets of the Company. The full amount of the \$125,000 of credit facility is guaranteed by a related party. The guarantee fee is payable monthly at a rate of 1.5% per annum. Any funds borrowed under the credit facility bear an interest rate of CORRA plus 2.0%.

As at March 31, 2024, a total of \$121,357 (December 31, 2023-\$117,857) has been utilized, that consists of banker's acceptances in amount of \$107,000 (December 31, 2023-\$103,500) and \$14,357 (December 31, 2023-\$14,357) for letters of credit pledged for settlement of future site reclamation provisions and other obligations.

Advanced Development Loan

In 2023, the Company signed a loan agreement with Newcrest Red Chris Mining Limited to finance the Company's 30% interest in advanced development works on the Red Chris block cave decline and related activities. The aggregate planned expenditures in respect of 100% of Advanced Development Works is \$251,200. The Advanced Development loan is repayable on demand and bears interest at prime rate plus 3.5% per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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

8. LONG TERM DEBT

Amounts due for non-current debt are:

| | March 31 2024 | December 31 2023 |
|--|------------------|---------------------|
| Convertible and non-convertible debentures | \$187,857 | \$175,983 |
| Equipment leases | 6,764 | 4,031 |
| Equipment loans | 6,444 | 7,143 |
| | 201,065 | 187,157 |
| Less portion due within one year | (41,085) | (74,014) |
| | <u>\$159,980</u> | <u>\$113,143</u> |

Debentures

- (a) On August 31, 2022 the Company completed its non-brokered private placement of unsecured convertible debentures. The debentures with a face value of \$47,000 mature on August 30, 2027 and bear interest at 8% per year, with interest payable semi-annually in cash. The first interest payment was 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.
- (b) On December 23, 2022 the Company issued unsecured non-convertible debentures (the "A Debentures") with an aggregate principal amount of \$48,450 which have a maturity date of December 23, 2026 and which bear interest at a rate of 10% per annum, with interest payable semi-annually in cash. The first interest payment was June 23, 2023. In connection with the issuance of the A Debentures, the Company issued 6,056,250 common share purchase warrants which are exercisable into common shares of the Company at a price of \$2.10 per share. The warrants expire on December 23, 2026.
- The Company also issued unsecured non-convertible debentures (the "B Debentures") with an aggregate principal amount of \$4,550 which had a maturity date of December 23, 2023, which was subsequently extended to March 1, 2024. The debentures bear interest at a rate of 12% per annum, with interest payable semi-annually in cash. No warrants were issued in connection with the B Debentures. The B Debentures were repaid on March 1, 2024.
- (c) On March 1, 2023 the Company issued on a non-brokered private placement basis unsecured non-convertible debentures with an aggregate principal amount of \$29,125 which had a maturity date of March 1, 2024. The Debentures bear interest at a rate of 12.0% per annum, with interest paid semi-annually in cash. These debentures were repaid on March 1, 2024.
- (d) On June 21, 2023 the Company issued on a non-brokered private placement basis unsecured non-convertible debentures with an aggregate principal amount of \$34,470. The debentures have a maturity date of July 1, 2024 and bear interest at a rate of 12.0% per annum, with interest paid semi-annually in cash. The first interest payment was due January 1, 2024.
- (e) On November 1, 2023 the Company issued on a non-brokered private placement basis unsecured non-convertible debentures with an aggregate principal amount of \$20,000. The debentures have a maturity date of July 1, 2025 and bear interest at a rate of 12.0% per annum, with interest paid semi-annually in cash. The first interest payment is due May 1, 2024.
- (f) On February 5, 2024, the Company issued on a non-brokered private placement basis unsecured non-convertible debentures with an aggregate principal amount of \$10,000 and a maturity date of March 1, 2024. The debentures bear interest at a rate of 12% per annum. These debentures were repaid on March 1, 2024

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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

- (g) On March 1, 2024 the Company issued on a non-brokered private placement basis unsecured non-convertible debentures with an aggregate principal amount of \$45,000. The Debentures have a maturity date of November 1, 2025 and bear interest at a rate of 12.0% per annum, with interest paid semi-annually in cash. The first interest payment is due September 1, 2024.

The movement of the debentures amounts are:

| | Three Months Ended March 31 2024 | Year Ended December 31 2023 |
|------------------------------|---|--------------------------------------|
| Balance, beginning of period | \$175,983 | \$90,217 |
| Issuance of new debentures | 55,000 | 83,595 |
| Repayment of debentures | (43,675) | - |
| Accretion | 549 | 2,171 |
| Balance, end of period | <u>\$187,857</u> | <u>\$175,983</u> |

Equipment leases

The outstanding amount of equipment leases is \$6,764 (December 31, 2023-\$4,031) at weighted average interest rate of 4.86% with monthly payments of \$402. The contractual lease payments are as follows:

| | March 31 2024 | December 31 2023 |
|---|------------------|---------------------|
| Due in less than one year | \$3,977 | \$3,166 |
| Due in one to three years | 3,144 | 1,029 |
| Total undiscounted lease liabilities, end of period | <u>\$7,121</u> | <u>\$4,195</u> |

9. FUTURE SITE RECLAMATION PROVISIONS

The Company has recognized provisions for future site reclamation at its Red Chris, Mount Polley, Huckleberry, Ruddock Creek and Catface properties. Although the ultimate amounts of the future site reclamation provisions are uncertain, the provision of these obligations is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, water treatment, demolition of facilities, monitoring and other costs.

The total undiscounted amount of estimated cash flows required to settle the Company's estimated future closure and decommissioning costs is \$261,255 (December 31, 2023-\$261,229). The estimated future cash flows were then inflated using inflation rates 2.0% (December 31, 2023-2.0%). The total provision for closure and decommissioning costs is calculated using discount rates between 3.35% to 5.35% (December 31, 2023-2.96% to 4.96%). Obligations in the amount of \$141,278 are expected to be settled in the years 2024 through 2053.

| | Three Months Ended March 31, 2024 | Year Ended December 31, 2023 |
|---|--|---------------------------------------|
| Balance, beginning of period | \$149,335 | \$130,021 |
| Accretion | 1,247 | 4,779 |
| Change in estimates of future costs and discount rate | (9,782) | 14,535 |
| Balance, end of period | <u>\$140,800</u> | <u>\$149,335</u> |

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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

10. SHARE CAPITAL

(i) Share Capital

Authorized

50,000,000 First Preferred shares without par value with special rights and restrictions to be determined by the directors, of which 3,100,000 have been designated as "Series A First Preferred shares" (issued and outstanding – nil)

50,000,000 Second Preferred shares without par value with rights and restrictions to be determined by the directors (issued and outstanding – nil)

An unlimited number of Common Shares without par value

(ii) Share Option Plans

Under the Share Option Plans, options not exceeding 10% of the issued common shares of the Company, may be granted to its directors, officers and employees. As at March 31, 2024, a total of 12,542,384 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 months ended March 31, 2024 the Company granted 100,000 stock options (March 31, 2023-245,000) at a weighted average exercise price of \$2.40 (March 31, 2023-\$2.00). The weighted average fair value for the options granted during the three months ended March 31, 2024 was \$1.36 per option (March 31, 2023-\$0.99), which was estimated at the date of the grant using the Black-Scholes option pricing model using the following weighted average assumptions: risk-free interest rate - 3.50% (March 31, 2023-3.54%); expected dividend yield - \$nil (March 31, 2023-\$nil); expected stock price volatility - 67.47% (March 31, 2023-66.54%); expected option life - 5.8 years (March 31, 2023-4.2 years); and, estimated forfeiture rate - 5.00% (March 31, 2023-5.00%).

Movements in Share Options

The changes in share options were as follows:

| | Three Months Ended March 31, 2024 | | Year Ended December 31, 2023 | |
|--------------------------------------|--------------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| Outstanding at beginning of period | 3,544,750 | \$3.78 | 2,201,000 | \$4.66 |
| Issued | 100,000 | \$2.40 | 1,350,000 | \$2.33 |
| Exercised | - | \$ - | - | \$ - |
| Forfeited | - | \$ - | (3,750) | \$2.00 |
| Expired | - | \$ - | (2,500) | \$2.00 |
| Outstanding at end of period | 3,644,750 | \$3.74 | 3,544,750 | \$3.78 |
| Options exercisable at end of period | 2,532,250 | \$4.36 | 2,223,500 | \$4.69 |

The following table summarizes information about the Company's share options outstanding as at March 31, 2024:

| Exercise Prices | Options Outstanding | | Options Exercisable | |
|-----------------|------------------------|---|---|---|
| | Options Outstanding | Remaining Contractual Life in Years | Options Outstanding & Exercisable | Remaining Contractual Life in Years |
| \$2.00 | 1,438,750 | 1.43 | 1,255,000 | 1.17 |
| \$2.40 | 1,205,000 | 3.84 | 276,250 | 3.67 |
| \$5.75 | 65,000 | 3.75 | 65,000 | 3.75 |
| \$8.00 | 936,000 | 1.68 | 936,000 | 1.68 |
| | 3,644,750 | 2.33 | 2,532,250 | 1.70 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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

(iii) Warrants

In connection with the issuance of the A Debentures (Note 8 (b)), the Company issued 6,056,250 common share purchase warrants which are exercisable into common shares of the Company at a price of \$2.10 per share for a period of four years from the date of issuance. The warrants expire on December 23, 2026. The fair value of the warrants was estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 3.38%, expected dividend yield of nil, expected stock price volatility of 67.62% and expected life of 4 years. At March 31, 2024 all warrants remain outstanding.

11. COST OF SALES

| | Three Months Ended March 31 | |
|----------------------------|-----------------------------|-----------------|
| | 2024 | 2023 |
| Operating expenses | \$71,740 | \$84,299 |
| Stock-based compensation | 33 | - |
| Depletion and depreciation | 14,334 | 10,006 |
| | <u>\$86,107</u> | <u>\$94,305</u> |

Included in cost of sales for the three months ended March 31, 2024 is \$432 of net impairment charge (March 31, 2023-\$1,814 of net impairment reversal) in relation to concentrate, stockpile and supplies inventory.

12. INTEREST EXPENSE

| | Three Months Ended March 31 | |
|---|-----------------------------|----------------|
| | 2024 | 2023 |
| Interest and finance fees on debt: | | |
| Convertible debentures (Note 8 (a)) | \$1,214 | \$1,176 |
| Non-convertible debentures (Note 8 (b)-(g)) | 4,473 | 1,951 |
| Equipment loans and leases (Note 8) | 192 | 89 |
| | <u>5,879</u> | <u>3,216</u> |
| Other interest and finance fees | | |
| Credit facility (Note 7) | 2,685 | 2,212 |
| Advanced development loan (Note 7) | 1,220 | - |
| Other | 751 | 527 |
| | <u>4,656</u> | <u>2,739</u> |
| | <u>\$10,535</u> | <u>\$5,955</u> |

13. OTHER LOSS

| | Three Months Ended March 31 | |
|---|-----------------------------|--------------|
| | 2024 | 2023 |
| Accretion of future site reclamation provisions | \$1,247 | \$1,175 |
| Foreign exchange (income) loss | (487) | 179 |
| | <u>760</u> | <u>1,354</u> |
| Interest income | (405) | (462) |
| | <u>\$355</u> | <u>\$892</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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

14. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash operating working capital balances:

| | Three Months Ended March 31 | |
|---------------------------------|-----------------------------|----------------|
| | 2024 | 2023 |
| Trade and other receivables | \$10,277 | \$6,730 |
| Inventory | (8,019) | 5,493 |
| Prepaid expenses and deposits | 656 | 498 |
| Trade and other payables | (483) | (7,138) |
| Income and mining taxes payable | 140 | 318 |
| | <u>\$2,571</u> | <u>\$5,901</u> |

15. 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

| | March 31 | December 31 |
|--|-----------|-------------|
| | 2024 | 2023 |
| Debentures (Note 8) | \$139,380 | \$134,770 |
| Advanced Development Loan (Note 7) | \$51,486 | \$29,130 |
| Interest accrued | \$5,123 | \$4,571 |
| Equipment rental trade receivables from Red Chris Joint Venture | \$106 | \$40 |

Statements of Loss and Comprehensive Loss

| | Three Months Ended March 31 | |
|---|-----------------------------|---------|
| | 2024 | 2023 |
| Equipment rental and revenue from Red Chris Joint Venture | \$154 | \$189 |
| Credit facility arrangement guarantee fee | \$466 | \$370 |
| Interest expense | \$4,917 | \$1,956 |

The full amount of the \$125,000 of credit facility is guaranteed by a related party (Note 7). The guarantee fee is payable monthly at a rate of 1.5% per annum.

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 key management personnel is \$577 for the three months ended March 31, 2024 (three months ended March 31, 2023-\$411).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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16. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All of the Company's assets are located in Canada, except for assets comprised primarily of Sterling mine totalling \$6,892 as at March 31, 2024 (December 31, 2023-\$6,727) 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 March 31, 2024 | | | | |
|--|--------------------------------------|-----------------|-------------|----------------------------|-------------|
| | Red Chris | Mount Polley | Huckleberry | Corporate and Others | Total |
| Reportable segmented revenues | \$35,137 | \$49,277 | \$220 | \$ - | \$84,634 |
| Less inter-segment revenues | - | - | (66) | - | (66) |
| Revenues from external sources | \$35,137 | \$49,277 | \$154 | \$ - | \$84,568 |
| Depletion and depreciation | \$9,836 | \$4,361 | \$404 | \$ - | \$14,601 |
| Interest expense and other finance expense | \$(6,063) | \$(3,771) | \$(566) | \$(490) | \$(10,890) |
| Net (loss) income | \$(9,343) | \$2,220 | \$(254) | \$(1,788) | \$(9,165) |
| Capital expenditures | \$20,436 | \$15,750 | \$9 | \$40 | \$36,235 |
| Total assets | \$912,484 | \$246,037 | \$226,099 | \$42,174 | \$1,426,794 |
| Total liabilities | \$243,092 | \$111,340 | \$61,354 | \$303,625 | \$719,411 |

| | Three Months Ended March 31, 2023 | | | | |
|--|--------------------------------------|-----------------|-------------|----------------------------|-------------|
| | Red Chris | Mount Polley | Huckleberry | Corporate and Others | Total |
| Reportable segmented revenues | \$23,904 | \$68,570 | \$270 | \$1 | \$92,745 |
| Less inter-segment revenues | - | - | (81) | - | (81) |
| Revenues from external sources | \$23,904 | \$68,570 | \$189 | \$1 | \$92,664 |
| Depletion and depreciation | \$6,102 | \$3,767 | \$397 | \$ - | \$10,266 |
| Interest expense and other finance expense | \$(3,579) | \$(2,412) | \$(355) | \$(501) | \$(6,847) |
| Net (loss) income | \$(10,684) | \$8,754 | \$(1,940) | \$(3,383) | \$(7,253) |
| Capital expenditures | \$19,395 | \$4,761 | \$79 | \$100 | \$24,335 |
| Total assets | \$828,145 | \$202,882 | \$233,657 | \$51,403 | \$1,316,087 |
| Total liabilities | \$204,184 | \$86,788 | \$68,703 | \$227,908 | \$587,583 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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

Customers by Geographic Area

| | Three Months Ended March 31 | |
|----------------|-----------------------------|-----------------|
| | 2024 | 2023 |
| United States | \$49,260 | \$17,809 |
| United Kingdom | 9,305 | - |
| Switzerland | 8,848 | 55,119 |
| Philippines | 8,604 | (126) |
| China | 8,380 | 19,672 |
| Canada | 171 | 190 |
| | <u>\$84,568</u> | <u>\$92,664</u> |

Revenues are attributed to geographic area based on country of customer. In the period ended March 31, 2024, the Company had 4 principal customers individually accounting for more than 10% each for a total 90% of revenues (March 31, 2023-3 principal customers individually accounting for more than 10% each for a total 85% of revenues).

The Company's principal product is copper concentrate (contains copper, gold, and silver) which is sold at prices quoted on the London Metals Exchange and LBMA. The Company sells all concentrate production to a limited number of traders and smelters.

Revenue by Major Product and Service

| | Three Months Ended March 31 | |
|--------|-----------------------------|-----------------|
| | 2024 | 2023 |
| Copper | \$54,182 | \$54,204 |
| Gold | 29,710 | 37,637 |
| Silver | 505 | 633 |
| Other | 171 | 190 |
| | <u>\$84,568</u> | <u>\$92,664</u> |

17. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

During the reporting period, the Company examined the various financial instrument risks to which it is exposed and assessed the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity comprised of share capital, contributed surplus, currency translation adjustment and retained earnings.

Credit Risk

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

Liquidity Risk

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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 three months ended March 31, 2024 would have been higher/lower by \$931.

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 three months ended March 31, 2024 would have increased/decreased by \$237.

Provisionally Priced Revenues

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

Provisionally priced revenues is comprised of the following:

| | Three Months Ended March 31, 2024 | | Three Months Ended March 31, 2023 | |
|--------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| | Provisional lb/oz | Provisional Price per lb/oz | Provisional lb/oz | Provisional Price per lb/oz |
| | 000's | US\$ | 000's | US\$ |
| Copper | 1,210.4 | \$3.99 | 10,862.1 | \$4.01 |
| Gold | 0.7 | \$2,227 | 14.1 | \$1,980 |

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

| | Three Months Ended March 31, 2024 | | | Three Months Ended March 31, 2023 | | |
|------------|--------------------------------------|---------------|--------|--------------------------------------|---------------|---------|
| | Copper | Gold & Silver | Total | Copper | Gold & Silver | Total |
| Realized | \$(183) | \$173 | \$(10) | \$2,846 | \$419 | \$3,265 |
| Unrealized | 465 | 207 | 672 | 120 | 2,560 | 2,680 |
| Total | \$282 | \$380 | \$662 | \$2,966 | \$2,979 | \$5,945 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

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18. COMMITMENTS AND PLEDGES

At March 31, 2024, the Company has pledged the following assets for settlement of future site reclamation provisions:

| | |
|--|------------------|
| Future site reclamation deposits included with other assets (Note 6) | \$14,416 |
| Mineral property, plant and equipment (Note 5) | 28,370 |
| Letters of credit and reclamation surety bonds | <u>70,988</u> |
| | <u>\$113,774</u> |

19. CONTINGENT LIABILITIES

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business. At the reporting date, none of such claims and legal proceedings are considered probable of resulting in a material loss or judgment against the Company.



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