



## **Third Quarter Report 2019**

**Condensed Consolidated Interim Financial Statements** (unaudited)

For the Three and Nine Months Ended September 30, 2019 and 2018

---

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

For the Nine Months Ended September 30, 2019 and 2018

expressed in thousands of Canadian dollars

	Notes	September 30 2019	December 31 2018
<b>ASSETS</b>			
Current Assets			
Cash	30	\$102,687	\$18,574
Marketable securities		37	1,325
Trade and other receivables	5	3,024	7,084
Inventory	6	24,566	49,282
Prepaid expenses and deposits		2,759	6,666
		<u>133,073</u>	<u>82,931</u>
Mineral Properties	7	844,496	1,432,783
Other Assets	8	37,351	51,752
Deferred Income Tax Assets		9,162	6,437
		<u>\$1,024,082</u>	<u>\$1,573,903</u>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	9	\$47,432	\$104,621
Taxes payable		784	773
Short term debt	12	-	121,773
Provision for rehabilitation costs	20	1,822	2,265
Current portion of debt	13	1,329	603,648
Current portion of other obligations	11	4,290	39,321
		<u>55,657</u>	<u>872,401</u>
Provision for Rehabilitation costs	20	355	1,067
Non-Current Debt	13	2,885	145,847
Deferred Trade Payables	10	4,580	4,428
Other Obligations	11	715	13,108
Future Site Reclamation Provisions	14	103,702	97,668
Deferred Income Tax Liabilities		139,281	36,152
		<u>307,175</u>	<u>1,170,671</u>
<b>EQUITY</b>			
Share Capital	15	319,216	304,364
Share Option Reserve	15	19,334	19,188
Warrant Reserve		689	689
Equity Component of Convertible Debentures		20,906	25,534
Currency Translation Adjustment		7,891	8,094
Retained Earnings		348,871	45,363
		<u>716,907</u>	<u>403,232</u>
		<u>\$1,024,082</u>	<u>\$1,573,903</u>

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on November 14, 2019

/s/ Larry G. Moeller

/s/ J. Brian Kynoch

Director

Director

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the Nine Months Ended September 30, 2019 and 2018

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

	Notes	Three Months Ended September 30		Nine Months Ended September 30	
		2019	2018 Restated (Note 3)	2019	2018 Restated (Note 3)
<b>Continuing operations</b>					
Revenue		\$6,991	\$17,829	\$42,467	\$76,647
Cost of Sales	16	(6,614)	(31,202)	(46,772)	(90,979)
Income (Loss) from Mine Operations		377	(13,373)	(4,305)	(14,332)
General and Administration	17	(56)	(765)	(2,843)	(3,966)
Idle Mine Costs		(5,666)	(1,305)	(9,873)	(4,288)
Interest Expense	18	(9,444)	(18,678)	(45,932)	(54,772)
Other Finance (Loss) Income	19	(10,095)	6,868	7,860	(14,090)
Other Income (Expense)		123	1,011	244	(175)
Loss before Taxes from continuing operations		(24,761)	(26,242)	(54,849)	(91,623)
Income and Mining Tax Recovery	21	8,798	13,526	26,872	25,439
Net Loss from continuing operations		(15,963)	(12,716)	(27,977)	(66,184)
<b>Net Income (Loss) from discontinued operations including gain on sale and revaluation of interest in Red Chris, net of tax</b>					
	3	329,189	(15,893)	331,485	(15,146)
Net Income (Loss)		313,226	(28,609)	303,508	(81,330)
<b>Other Comprehensive Income (Loss)</b>					
Currency translation adjustment		79	(112)	(203)	203
Total Comprehensive Income (Loss)		\$313,305	\$(28,721)	\$303,305	\$(81,127)
<b>Income (Loss) from Continuing Operations Per Share</b>					
Basic	22	\$(0.12)	\$(0.11)	\$(0.22)	\$(0.57)
Diluted	22	\$(0.12)	\$(0.11)	\$(0.22)	\$(0.57)
<b>Income (Loss) from Discontinued Operations Per Share</b>					
Basic	22	\$2.56	\$(0.13)	\$2.61	\$(0.12)
Diluted	22	\$2.56	\$(0.13)	\$2.61	\$(0.12)
<b>Income (Loss) Per Share</b>					
Basic	22	\$2.44	\$(0.24)	\$2.39	\$(0.69)
Diluted	22	\$2.44	\$(0.24)	\$2.39	\$(0.69)
<b>Weighted Average Number of Common Shares Outstanding</b>					
Basic	22	128,370,201	120,512,374	126,868,285	118,318,692
Diluted	22	128,370,201	120,512,374	126,868,285	118,318,692

See accompanying notes to these consolidated financial statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2019 and 2018

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

	Share Capital		Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Currency Translation Adjustment	Retained Earnings	Total
	Number of Shares	Amount						
Balance December 31, 2017	114,505,472	\$290,201	\$18,582	\$689	\$25,534	\$7,537	\$170,958	\$513,501
Issued for payment of interest for debt	6,277,113	14,163	-	-	-	-	-	14,163
Share based compensation expense	-	-	639	-	-	-	-	639
Total comprehensive income (loss)	-	-	-	-	-	203	(81,330)	(81,127)
Balance September 30, 2018	120,782,585	\$304,364	\$19,221	\$689	\$25,534	\$7,740	\$89,628	\$447,176
Balance December 31, 2018	120,782,585	\$304,364	\$19,188	\$689	\$25,534	\$8,094	\$45,363	\$403,232
Issued for payment of interest for debt	7,707,589	14,852	-	-	-	-	-	14,852
Loss on early repayment of convertible debentures, net of tax	-	-	-	-	(4,628)	-	-	(4,628)
Share based compensation expense	-	-	146	-	-	-	-	146
Total comprehensive income (loss)	-	-	-	-	-	(203)	303,508	303,305
Balance September 30, 2019	128,490,174	\$319,216	\$19,334	\$689	\$20,906	\$7,891	\$348,871	\$716,907

See accompanying notes to these consolidated financial statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2019 and 2018

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

	Notes	Three Months Ended Sept 30		Nine Months Ended Sept 30	
		2019	2018	2019	2018
		Restated (Note 3)		Restated (Note 3)	
<b>OPERATING ACTIVITIES</b>					
Loss before taxes from continuing operations		\$(24,761)	\$(26,242)	\$(54,849)	\$(91,623)
Items not affecting cash flows					
Depletion and depreciation		3,181	6,033	10,281	19,414
Share based compensation		(26)	186	153	552
Accretion of future site reclamation provisions		648	685	1,943	2,060
Foreign exchange (gains) losses		7,971	(7,374)	(9,948)	13,123
Fair value adjustment for debt settled in common shares	19	(28)	-	3,328	-
Loss on repayment of convertible debentures		1,766	-	1,766	-
Gain on sale of Sterling		-	(121)	-	(296)
Interest expense	18	9,444	18,678	45,932	54,772
Other		(18)	(42)	63	(679)
		(1,823)	(8,197)	(1,331)	(2,677)
Net change in non-cash operating working capital balances	23	3,532	12,604	(128)	4,867
Income and mining taxes refunded (paid), net		49	(12)	8,175	(144)
Interest paid		(27,775)	(20,120)	(53,259)	(42,806)
Operating cash flows used in continuing operations		(26,017)	(15,725)	(46,543)	(40,760)
Operating cash flows provided by discontinued operations	3	17,605	83	25,958	29,801
Cash used in operating activities		(8,412)	(15,642)	(20,585)	(10,959)
<b>FINANCING ACTIVITIES</b>					
Proceeds of short term debt	12	4,241	147,435	50,381	235,353
Repayment of short term debt	12	(163,130)	(37,083)	(172,394)	(118,612)
Proceeds of non-current debt, net of deferred financing costs	13	-	20,293	130,704	70,203
Repayment of non-current debt	13	(731,514)	(132,294)	(864,052)	(201,628)
Lease payments		(180)	(39)	(206)	(39)
Cash used in financing activities in continuing operations		(890,583)	(1,688)	(855,567)	(14,723)
Cash (used in) provided by financing activities in discontinued operations	3	(1,107)	1,700	(5,362)	642
Cash (used in) provided by financing activities		(891,690)	12	(860,929)	(14,081)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2019 and 2018

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

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
Notes	Restated (Note 3)		Restated (Note 3)	
<b>INVESTING ACTIVITIES</b>				
Acquisition and development of mineral properties	(8,242)	(5,203)	(9,798)	(12,947)
Deferred royalty proceeds	-	22,156	-	22,156
Net change in non-cash investing working capital balances	(3,849)	4,764	(3,547)	4,847
Payment of other obligations	(11,135)	-	(11,135)	-
Proceeds on sale of mineral properties	-	-	36	13
Proceeds on sale of marketable securities	633	-	1,234	-
Other	5	-	5	-
Investing cash flows (used in) provided by continuing operations	(22,588)	21,717	(23,205)	14,069
Investing cash flows provided by (used in) discontinued operations	3 1,007,707	(16,797)	988,780	(36,231)
Cash provided by (used in) investing activities	985,119	4,920	965,575	(22,162)
EFFECT OF FOREIGN EXCHANGE ON CASH	159	(80)	52	57
INCREASE (DECREASE) IN CASH	85,176	(10,790)	84,113	(47,145)
CASH, BEGINNING OF PERIOD	17,511	15,540	18,574	51,895
CASH, END OF PERIOD	\$102,687	\$4,750	\$102,687	\$4,750

See accompanying notes to these consolidated financial statements.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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;
- Mount Polley copper-gold mine in central British Columbia; and
- Huckleberry copper mine in west central British Columbia.

On August 15, 2019, the Company completed the sale of a 70% interest in its Red Chris copper and gold mine to Newcrest Mining Limited (Newcrest). The Company and Newcrest have formed a joint venture for the operation of Red Chris, with Newcrest acting as operator (Note 3). The Company retains a 30% beneficial interest in the Red Chris mine.

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 (Note 3).

Proceeds from the sale of Red Chris were utilized to repay substantially all of the debt of the Company (Note 12 and Note 13). Furthermore, during the nine months ended September 30, 2019, \$3,422 of interest for certain debt facilities was paid in common shares of the Company.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

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

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, 2018.

#### Summary of Significant Accounting Policies

All significant accounting policies are consistent with those reported in the Company’s annual consolidated financial statements for the year ended December 31, 2018.

The following significant accounting policy has been implemented to account for the Company’s 30% beneficial interest retained in the Newcrest Red Chris Joint Venture.

#### *Joint operations without sharing control*

The Company participates in an unincorporated arrangement and has rights to its share of the undivided assets, liabilities, revenues and expenses of the property, subject to the arrangement, rather than a right to a net return, and does not share joint control. All such amounts are measured in accordance with the terms of the arrangement, which is based on the Company’s proportionate interest in the asset, liabilities, revenues and expenditures of the property and recorded in the financial statements in the appropriate line items according to their nature. The Company’s proportionate share includes certain adjustments to ensure consistency of accounting policies with those of the Company.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019 and the accounting policy for unincorporated arrangements noted above. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases (IAS 17), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 on January 1, 2019, using the modified retrospective approach, in accordance with the transitional provisions in IFRS 16. The Company identified and collected data relating to existing agreements that extended beyond January 1, 2019, that contained right-of-use assets. These include service contracts that may contain embedded leases for property, plant and equipment. The Company has elected to measure its right-of-use assets at amounts equal to the associated lease liabilities as at the adoption date. The adoption of IFRS 16 did not have an impact to the consolidated financial statements as all leases under IFRS 16 had been previously capitalized under IAS 17. As a result, no increase to asset and liabilities was recorded and therefore there was no adjustment to retained earnings.

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

- *Right-of-use assets.* The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.
- *Lease liabilities.* At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.
- *Short-term leases and leases of low-value assets.* The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.
- *Significant judgement in determining the lease term of contracts with renewal options.* The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- how an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Company applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Company considered the existence of uncertain tax positions where the accounting would be impacted by the provisions of IFRIC 23. Based on the assessment performed, the interpretation did not have an impact on the consolidated financial statements of the Company.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 3. DISCONTINUED OPERATIONS

#### (a) Operations to August 14, 2019

On February 20, 2019, the Company initiated a process for the sale of the Red Chris mine. On March 10, 2019, the Company entered into a binding agreement to sell a 70% interest in the Red Chris mine to Newcrest, while retaining a 30% beneficial interest in the mine. The disposal was completed on August 15, 2019, on which date control has passed to Newcrest.

As a result of the loss of control in Red Chris and conversion of the controlling interest into 30% beneficial interest, the Company determined that the Red Chris mine met the criteria as a discontinued operations under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations effective February 20, 2019.

For the period from January 1 to August 14, 2019 and for the nine months ended September 30, 2018, the net income (loss) from the Red Chris mine is reported as income (loss) from discontinued operations. From August 15, 2019 onwards, the results from the Red Chris mine are reported in the financial statements in the appropriate line items according to their nature and the Company's proportionate interest in the asset, liabilities, revenues and expenditures of the property.

The discontinued operations presented in the income statement of income (loss) and statement of cash flows in the comparative period are restated in respect of all operations that have been classified as discontinued by the balance sheet date of the most recent period presented.

The net income (loss) from Red Chris mine before gain on sale for the period January 1 to August 14, 2019, and the gain on sale and revaluation of interest in Red Chris and the comparative period of the nine months ended September 30, 2018 are as follows:

	Period July 1 to August 14 2019	Three Months Ended September 30 2018	Period January 1 to August 14 2019	Nine Months Ended September 30 2018
Revenue	\$39,872	\$52,652	\$164,695	\$191,812
Cost of Sales <sup>(1)</sup>	(29,116)	(68,107)	(149,772)	(204,170)
Income (Loss) from Mine Operations	10,756	(15,455)	14,923	(12,358)
General and Administration	(189)	(52)	(27)	(133)
Interest Expense	(565)	(1,270)	(2,770)	(3,439)
Other Finance (Loss) Income	(257)	(9)	99	(461)
Other Expense	(95)	-	(95)	-
Income (loss) before Taxes and Undernoted Items	9,650	(16,786)	12,130	(16,391)
Gain on Sale and Revaluation of Interest in Red Chris (Note 3(b))	440,775	-	440,775	-
Income (Loss) before Taxes	450,425	(16,786)	452,905	(16,391)
Income and Mining Tax Recovery (Expense)	(121,236)	893	(121,420)	1,245
Net Income (Loss) from Discontinued Operations	\$329,189	\$(15,893)	\$331,485	\$(15,146)

<sup>(1)</sup> The Company stopped depreciation and depletion of the Red Chris mine assets effective February 20, 2019 when the assets held-for-sale criteria was met.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

The following table provides details of the cash flows from operations, investing and financing activities of the discontinued operations related to the Red Chris mine for the period of January 1 to August 14, 2019 and the nine months ended September 30, 2018:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>				
Income (loss) before taxes from discontinued operations	\$450,425	\$(16,786)	\$452,905	\$(16,391)
Items not affecting cash flows				
Depletion and depreciation	64	11,873	9,287	36,915
Share based compensation	51	51	(7)	87
Unrealized foreign exchange gain	(208)	(78)	(761)	(78)
Gain on sale and revaluation of interest in Red Chris	(440,775)	-	(440,775)	-
Accretion of future site reclamation provisions	57	101	280	304
Interest expense	565	1,270	2,770	3,439
	<u>10,179</u>	<u>(3,569)</u>	<u>23,699</u>	<u>24,276</u>
Net change in non-cash operating working capital balances	7,592	4,255	3,419	7,019
Income and mining taxes paid	(148)	(603)	(535)	(917)
Interest paid	(18)	-	(625)	(577)
Operating cash flows provided by discontinued operations	<u>\$17,605</u>	<u>\$83</u>	<u>\$25,958</u>	<u>\$29,801</u>
<b>FINANCING ACTIVITIES</b>				
Proceeds from non-current debt	\$ -	\$2,800	\$ -	\$2,800
Repayment of non-current debt	(831)	(562)	(3,410)	(1,620)
Lease payments	(276)	(538)	(1,952)	(538)
Financing cash flows (used in) provided by discontinued operations	<u>\$(1,107)</u>	<u>\$1,700</u>	<u>\$(5,362)</u>	<u>\$642</u>
<b>INVESTING ACTIVITIES</b>				
Acquisition and development of mineral properties	\$(8,096)	\$(16,948)	\$(29,094)	\$(34,019)
Proceeds on sale of 70% interest in Red Chris, net of transaction costs	1,010,844	-	1,010,844	-
Net change in non-cash investing working capital balances	<u>4,959</u>	<u>151</u>	<u>7,030</u>	<u>(2,212)</u>
Investing cash flows provided by (used in) discontinued operations	<u>\$1,007,707</u>	<u>\$(16,797)</u>	<u>\$988,780</u>	<u>\$(36,231)</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### (b) Gain on sale and revaluation of interest in Red Chris

On August 15, 2019, the Company completed the sale of a 70% interest in the Red Chris mine to Newcrest.

The identifiable assets and liabilities disposed of on the sale of the 70% interest in Red Chris are as follows:

	<u>August 15, 2019</u>
Proceeds, net of transaction costs	<u>\$1,010,844</u>
Assets	
Accounts receivable and prepaid expenses	991
Inventory	41,637
Mineral Properties	<u>762,905</u>
	<u>805,533</u>
Liabilities	
Trade and other payables	33,294
Deferred payables	5,618
Debt	9,331
Other obligations	37,650
Future site reclamation provisions	<u>12,350</u>
	<u>98,243</u>
Total net assets	<u>707,290</u>
Gain on disposal of 70% interest in Red Chris	303,554
Gain on revaluation of 30% interest in Red Chris to fair value	<u>137,221</u>
Gain on sale and revaluation of interest in Red Chris	<u><u>\$440,775</u></u>

### 4. RED CHRIS MINE JOINT OPERATIONS

The Company and Newcrest entered into an unincorporated arrangement for the operation of the Red Chris mine with Newcrest acting as operator. The beneficial interests in the Red Chris mine are owned 70% by Newcrest and 30% by the Company. The Company accounts for its proportionate share of the assets, liabilities, revenue and expenses of the Red Chris Joint Venture and those amounts are recorded in the Company's consolidated financial statements on the appropriate line

The Company has provisionally estimated the acquisition date fair values of the acquired assets and liabilities for its 30% share of the Red Chris Joint Venture by reference to their pre-acquisition carrying values, however due to complexity of the transaction and the inherently uncertain nature of the mining sector, particularly in valuing intangible exploration and evaluation assets, further work will be required to confirm the final fair values.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

The following table summarizes the Company's 30% share of the Red Chris Joint Venture including the provisional fair values of identified assets acquired and liabilities assumed at the acquisition date:

### Statement of Financial Position

	September 30 2019
<b>ASSETS</b>	
Current Assets	
Cash	\$12,663
Trade and other receivables	429
Inventory	13,645
Prepaid expenses and deposits	441
	<u>27,178</u>
Mineral Properties	467,427
Other Assets	9,177
	<u>\$503,782</u>
<b>LIABILITIES</b>	
Current liabilities	
Trade and other payables	\$12,739
Current portion of debt	987
Current portion of other obligations	3,933
	<u>17,659</u>
Future Site Reclamation Costs	5,710
Non-Current debt	2,749
Other Obligations	715
	<u>26,833</u>
Equity in Red Chris Joint Venture	476,949
	<u>\$503,782</u>

### Statement of Income

	August 15 to September 30 2019
Revenue	\$6,957
Cost of Sales	(6,587)
	<u>370</u>
Income from Mine Operations	370
General and Administration	(1)
Interest Expense	(69)
	<u>\$300</u>

Taxes are accounted for separately by each joint venturer and therefore are not included in the Statement of Income for the Red Chris Joint Venture.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### Statement of Cash Flows

	August 15 to September 30 2019
OPERATING ACTIVITIES	
Income before taxes	\$300
Items not affecting cash flows	
Depletion and depreciation	1,483
Unrealized foreign exchange gain	(31)
Accretion of future site reclamation provisions	18
	<u>1,770</u>
Net change in non-cash operating working capital balances	<u>(8,896)</u>
Cash flows used in operating activities	<u>(7,126)</u>
FINANCING ACTIVITIES	
Distributions to Joint Venture Partners	(7,142)
Contributions from Joint Venture Partners	43,446
Payment of long-term debt	(98)
Lease payments	(167)
Cash flows provided by financing activities	<u>36,039</u>
INVESTING ACTIVITIES	
Acquisition and development of mineral properties	(5,128)
Payment of other obligations	(11,135)
Cash flows used in investing activities	<u>(16,263)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH	13
INCREASE IN CASH	12,650
CASH, BEGINNING OF PERIOD	-
CASH, END OF PERIOD	<u>\$12,663</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 5. TRADE AND OTHER RECEIVABLES

	September 30 2019	December 31 2018
Trade receivables	\$2,380	\$6,846
Taxes receivable	644	238
	<u>\$3,024</u>	<u>\$7,084</u>

### 6. INVENTORY

	September 30 2019	December 31 2018
Stockpile ore	\$10,249	\$23,030
Concentrate	4,372	12,115
Supplies	32,894	51,260
Total inventories	47,515	86,405
Less non-current inventories included in other assets (Note 8)	(22,949)	(37,123)
Total current inventories	<u>\$24,566</u>	<u>\$49,282</u>

During the period ended September 30, 2019, inventory of \$45,140 was recognized in cost of sales (September 30, 2018-\$86,961 (as restated Note 3)) and an impairment charge of \$3,423 (September 30, 2018-\$539 (as restated Note 3)) on concentrate, stockpile and supplies inventory was included in cost of sales.

As at September 30, 2019, the Company had \$nil (December 31, 2018-\$86,405) of inventory pledged as security for debt.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 7. MINERAL PROPERTIES

<i>Cost</i>	Mineral Properties not being Depleted				Total
	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2017	\$463,431	\$56,881	\$102,165	\$1,368,778	\$1,991,255
Additions	(3,671)	943	742	75,920	73,934
Reclass to non-current inventory	-	-	-	(2,434)	(2,434)
Reclassification	14,157	(14,157)	-	-	-
Foreign exchange movement	-	-	557	70	627
Balance December 31, 2018	473,917	43,667	103,464	1,442,334	2,063,382
Additions from continuing operations	12,997	74	1,179	8,560	22,810
Additions from discontinued operations (Note 3)	3,163	53	-	29,041	32,257
Reclassification	407	77	-	(484)	-
Write down	-	-	-	(13)	(13)
Foreign exchange movement	-	-	(203)	(25)	(228)
Disposition of assets held for sale	(107,330)	(43,797)	-	(1,127,809)	(1,278,936)
Acquisition of 30% of beneficial interest in Red Chris	28,386	164,802	-	270,993	464,181
Balance September 30, 2019	\$411,540	\$164,876	\$104,440	\$622,597	\$1,303,453

<i>Accumulated depletion &amp; depreciation &amp; impairment losses</i>	Mineral Properties not being Depleted				Total
	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2017	\$161,853	\$ -	\$1,645	\$281,897	\$445,395
Depletion and depreciation	18,769	-	-	57,161	75,930
Impairment	101,356	-	-	7,848	109,204
Foreign exchange movement	-	-	-	70	70
Balance December 31, 2018	281,978	-	1,645	346,976	630,599
Depletion and depreciation from continuing operations	523	-	-	10,176	10,699
Depletion and depreciation from discontinued operations	742	-	-	6,021	6,763
Write down	-	-	-	(8)	(8)
Foreign exchange movement	-	-	-	(25)	(25)
Disposition of assets held for sale	(25,830)	-	-	(163,241)	(189,071)
Balance September 30, 2019	\$257,413	\$ -	\$1,645	\$199,899	\$458,957
<i>Carrying Amount</i>					
Balance December 31, 2017	\$301,578	\$56,881	\$100,520	\$1,086,881	\$1,545,860
Balance December 31, 2018	\$191,939	\$43,667	\$101,819	\$1,095,358	\$1,432,783
Balance September 30, 2019	\$154,127	\$164,876	\$102,795	\$422,698	\$844,496

Additions to Mineral Properties being Depleted for the nine months ended September 30, 2019 include an increase of \$16,160, which represents a net change in estimates of future site reclamation provisions (December 31, 2018-reduction of \$3,840).



## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the Nine Months Ended September 30, 2019 and 2018

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

At September 30, 2019, leased mobile equipment at a cost of \$4,954 (December 31, 2018-\$16,176) and accumulated depreciation of \$658 (December 31, 2018-\$227) was included with plant and equipment.

At September 30, 2019, the Company had provided \$28,370 (December 31, 2018-\$28,370) of security for reclamation bonding obligations by securing certain plant and equipment (Notes 28(a) and (b)).

### **Red Chris Mine**

After completion of the sale on August 15, 2019 of a 70% interest in the Red Chris copper and gold mine to Newcrest, the Company and Newcrest have formed a joint venture for the operation of Red Chris with Newcrest acting as operator. Red Chris Development Company Ltd, a subsidiary of the Company, owns a 30% beneficial interest in the Red Chris mine (Note 4).

Located in northwest British Columbia, the property is comprised of the Red Chris Main claim group and the Red Chris South group, consisting of 77 mineral tenures (23,142 hectares). Five of these tenures (5,141 hectares) are mining leases. Net smelter royalties between 1.0% to 2.0% are payable on production from the Red Chris mine.

### **Mount Polley Mine**

The Mount Polley copper/gold mine is owned by Mount Polley Mining Corporation, a subsidiary of the Company. Located in south-central British Columbia, the property encompasses 23,369 hectares consisting of seven mining leases (2,007 hectares) and 50 mineral claims (21,362 hectares). A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred on this tenure in 2018 or 2019.

Mount Polley mine operations were suspended in May 2019, and the mine is on care and maintenance until the economics of mining improve.

### **Huckleberry Mine**

The Huckleberry copper mine is owned by Huckleberry Mines Ltd., a subsidiary of the Company. Located in west-central British Columbia, the property encompasses 23,241 hectares consisting of two mining leases (2,422 hectares) and 44 mineral claims (20,819 hectares). Huckleberry mine operations were suspended in August 2016, and the mine remains on care and maintenance status until the economics of mining improve.

### **Other Exploration Properties**

The Company has interests in several early stage exploration properties located primarily in Canada. These properties were primarily acquired by acquisition or amalgamation, and the cost of maintaining ownership is not significant.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 8. OTHER ASSETS

	September 30 2019	December 31 2018
Future site reclamation deposits	\$14,319	\$14,324
Non-current inventory - ore stockpile	10,249	22,404
Non-current inventory - supplies	8,757	10,085
Non-current inventory - critical spare parts	3,943	4,634
Other	83	305
	<u>\$37,351</u>	<u>\$51,752</u>

### 9. TRADE AND OTHER PAYABLES

	September 30 2019	December 31 2018
Trade payables	\$13,533	\$37,422
Deferred payables due within one year (Note 10)	618	16,819
Accrued liabilities	33,281	50,380
	<u>\$47,432</u>	<u>\$104,621</u>

### 10. DEFERRED PAYABLES

	September 30 2019	December 31 2018
Deferred trade payables	\$5,198	\$21,247
Less deferred payables due within one year	(618)	(16,819)
	<u>\$4,580</u>	<u>\$4,428</u>

Deferred trade payables consist of amounts invoiced for electricity billings by British Columbia Hydro and Power Authority ("BC Hydro") that have been deferred pursuant to a tariff supplement. The tariff supplement allows for deferral of up to 75% of the monthly electricity billing (the "Payment Plan") depending on the average London Metals Exchange settlement copper price converted to CDN dollars at the Bank of Canada's daily average closing exchange rate. The period for calculating the copper price in CDN dollars is the 30 day period prior to the billing date on the 15th of each month.

Interest on the deferred amounts is charged and added to the deferred trade payables balance at Bank Prime Rate plus 5% except for Huckleberry which is at 12%.

The Payment Plan commenced in March 2016 and has a five year term with payment deferrals allowed only during the first two years. Repayments of deferred amounts are required at up to 75% of the monthly electricity billing when the copper price exceeds CDN\$3.40 per pound. At a copper price of CDN\$3.40 per pound there is no deferral or repayment. The maximum deferral of 75% is available at a copper price of CDN\$3.04 per pound or less and the maximum repayments are required at a copper price of CDN\$3.76 per pound or more.

Payment of any remaining balance under the Payment Plan is due at the end of the five year term in March 2021. The balances as at September 30, 2019 are related to the Huckleberry mine as the deferred payables for the Red Chris and Mount Polley mines were paid in August 2019.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 11. OTHER OBLIGATIONS

	September 30 2019	December 31 2018
Northwest Transmission Line payable	\$5,005	\$52,429
Less portion due within one year	(4,290)	(39,321)
	<u>\$715</u>	<u>\$13,108</u>

Pursuant to a tariff supplement the Company is obligated to reimburse BC Hydro for its portion of the costs related to BC Hydro's construction of the Northwest Transmission Line which provides power to the Red Chris mine. Repayments are due monthly of \$358 plus interest at 3.75% (December 31, 2018–4.05% per annum. The interest rate is subject to review monthly.

On August 15, 2019 the obligation was transferred to the Red Chris Joint Venture. The amounts shown at September 30, 2019 represent the Company's 30% share of the obligations of the Red Chris Joint Venture.

### 12. SHORT TERM DEBT

Amounts due for short term debt are:

	September 30 2019	December 31 2018
Senior secured revolving credit facility, net of issue costs	(a) \$ -	\$121,773
Line of credit	(b) -	-
	<u>\$ -</u>	<u>\$121,773</u>

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

	Nine Months Ended Sept 30 2019	Year Ended December 31 2018
Balance, beginning of period	\$121,773	\$ -
Amounts advanced	50,381	142,954
Proceeds from Senior Credit Facility, net of issuance costs (Note 12)	-	143,875
Senior credit facility reclassified from non-current debt	-	30,300
Amounts repaid	(172,257)	(143,545)
Payment of short term credit facilities	-	(52,613)
Accretion of finance fees	103	211
Foreign exchange loss	-	591
Balance, end of period	<u>\$ -</u>	<u>\$121,773</u>

#### (a) Senior Credit Facility

Senior secured revolving credit facility aggregating \$200,000 (December 31, 2018-\$200,000) due September 5, 2019. The facility was secured by trade and other receivables, inventory, shares of all material subsidiaries and a floating charge on certain assets of the Company. Of this facility \$Nil (December 31, 2018-\$47,156) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 28 (a)) and for other liabilities. This facility has been guaranteed by a related party (Note 24). This facility was fully repaid on August 15, 2019, prior to its maturity date.

#### (b) Line of Credit

Unsecured Line from a related party aggregating \$10,000 (December 31, 2018-\$Nil) with interest at 12% payable monthly due September 15, 2019. This facility was fully drawn prior to being repaid in full on August 15, 2019.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 13. NON-CURRENT DEBT

Amounts due for non-current debt are:

		September 30 2019	December 31 2018
Second lien secured revolving credit facility, net of issue costs	(a)	\$ -	\$49,969
Senior unsecured notes, net of issue costs	(b)	-	442,781
Junior credit facility	(c)	-	75,000
Convertible debentures – 2014	(d)	-	106,153
Convertible debentures – 2015	(e)	-	26,846
Bridge loan	(f)	-	26,000
Equipment loans	(g)	625	8,406
Equipment leases	(h)	3,589	14,340
		<u>4,214</u>	<u>749,495</u>
Less portion due within one year		<u>(1,329)</u>	<u>(603,648)</u>
		<u>\$2,885</u>	<u>\$145,847</u>

The movement of the amounts due for non-current debt are:

	Nine Months Ended			Year Ended
			September 30	December 31
	Loans	Leases	2019	2018
Balance, beginning of period	\$735,156	\$14,339	\$749,495	\$852,378
Continuing operations:				
Amounts advanced, net of issue costs	130,704	-	130,704	70,347
Portion of senior credit facility reclassified to short term debt (Note 11)	-	-	-	(30,300)
Foreign exchange (gains) losses	(10,292)	(18)	(10,310)	35,689
Accretion of debt issue costs	1,235	-	1,235	2,926
Accretion of interest on convertible debentures and leases	3,895	24	3,919	6,057
Loss on early repayment of convertible debentures	1,766	-	1,766	-
Loss on early repayment of convertible debentures allocated to equity component	6,340	-	6,340	-
Amounts repaid	(864,052)	(206)	(864,258)	(202,395)
Acquisition of 30% beneficial interest in Red Chris	307	3,692	3,999	-
	<u>(730,097)</u>	<u>(3,492)</u>	<u>(726,605)</u>	<u>(117,676)</u>
Discontinued operations:				
Amounts advanced, net of issue costs	-	-	-	18,168
Foreign exchange (gains) losses	-	(346)	(346)	668
Accretion of interest on leases	-	362	362	213
Amounts repaid	(3,410)	(1,952)	(5,362)	(4,256)
Disposition of liabilities held for sale	(1,024)	(12,306)	(13,330)	-
	<u>(4,434)</u>	<u>(14,242)</u>	<u>(18,676)</u>	<u>14,793</u>
Balance, end of period	625	3,589	4,214	749,495
Less portion due within one year	(412)	(917)	(1,329)	(603,648)
	<u>\$213</u>	<u>\$2,672</u>	<u>\$2,885</u>	<u>\$145,847</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

The Company has the following debt facilities:

(a) Second Lien Credit Facility

Second lien secured credit facility aggregating \$50,000 (December 31, 2018-\$50,000) due September 9, 2019 secured by trade and other receivables, inventory, shares of all material subsidiaries and a floating charge on certain assets of the Company, subject to the priority interests held on those assets by the senior credit facility (Note 12). This facility was guaranteed by a related party (Note 24).

The Second Lien Credit Facility was fully repaid on August 15, 2019 prior to its maturity date.

(b) Senior Unsecured Notes

Senior unsecured notes (the "Notes") due September 15, 2019 aggregating \$325,000 (December 31, 2019-US\$325,000) with interest at 7% per annum payable each March 15 and September 15.

The Notes, net of transaction costs, were accounted for at amortized cost using the effective interest method. The indenture governing the Notes placed certain transaction-based restrictions on the Company's ability to incur additional indebtedness; prepay, redeem or repurchase certain debt; pay dividends or make other distributions or repurchase or redeem shares; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; consolidate, merge or sell all or substantially all of the Company's assets, in each case subject to certain exceptions.

The Notes were fully repaid on August 15, 2019 prior to their maturity date.

(c) Junior Credit Facility

The junior credit facility is from a related party (Note 24) and due September 12, 2-10. It aggregates \$75,000 (December 31, 2018-\$75,000) and was is unsecured with interest payable semi-annually at 10% per annum. The facility must be repaid upon (i) receipt of proceeds from specific sources as described in the agreement, (ii) the debt ratio in the senior credit facility permitting repayment of the debt. Interest payments during the period October 31, 2017 to January 1, 2019 were payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

In February 2019 the Company issued 1,549,517 common shares at an ascribed value of \$1.22 per share for a total of \$1,890 in payment of the interest due on December 31, 2018 and issued 1,235,563 common shares at an ascribed value of \$1.53 per share for a total of \$1,890 in payment of the interest due on September 30, 2018 on the Junior Credit Facility.

The junior credit facility was fully repaid on August 15, 2019 prior to its maturity date.

(d) Convertible Debentures - 2014

The debentures with a face value of \$115,000 (December 31, 2018-\$115,000) mature on September 4, 2020 and bear interest at 6% per year with interest payable semi-annually on September 30 and December 31. As a result of the rights offering completed in December 2017 the conversion price was reduced from \$11.91 to \$11.69 per common share. The face value of the convertible debentures are convertible into common shares of the Company at the option of the holder upon at least 61 days advance notice at any time prior to maturity at a conversion price of \$11.69 per common share. The convertible debentures are not callable unless the closing price of the Company's common shares exceeds 125% of the conversion price for at least 30 consecutive days. At the option of the Company, subject to the separate approval of the Toronto Stock Exchange and compliance with all applicable securities laws, such interest may be paid through the issuance of additional convertible debentures or common shares of the Company. Interest payments during the period October 31, 2017 to January 1, 2019 were payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

In January 2019 the Company issued 2,851,111 common shares at an ascribed value of \$1.22 per share for a total of \$3,478 in payment of the interest due on December 31, 2018. In July 2019 the Company issued 1,379,695 common shares at an ascribed value of \$2.48 per share for the total of \$3,422 in payment of the interests due on June 30, 2019.

The debentures were fully repaid on August 15, 2019 prior to their maturity date. The Company recognized a loss of \$5,659 on early repayment of the convertible debentures with \$1,045 being allocated to the Statement of Income and \$4,614 being allocated to equity component in the Statement of Changes in Equity.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### (e) Convertible Debentures - 2015

The debentures with a face value of \$30,000 (December 31, 2018-\$30,000) mature on August 25, 2021 and bear interest at 6% per year with interest payable semi-annually. As a result of the rights offering completed in December 2017 the conversion price was reduced from \$12.00 to \$11.77 per common share. The face value of the convertible debentures are convertible into common shares of the Company at the option of the holder upon at least 61 days advance notice at any time prior to maturity at a conversion price of \$11.77 per common share. The convertible debentures are not callable unless the closing price of the Company's common shares exceeds 125% of the conversion price for at least 30 consecutive days. Interest payments on \$27,900 of the \$30,000 outstanding debentures during the period October 31, 2017 to January 1, 2019 were payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

In January 2019 the Company issued 691,703 common shares at an ascribed value of \$1.22 per share for a total of \$844 in payment of the interest due on December 31, 2018.

The debentures were fully repaid on August 15, 2019 prior to their maturity date. The Company recognized a loss of \$2,447 on early repayment of the convertible debentures with \$721 being allocated to the Statement of Income and \$1,726 being allocated to equity component in the Statement of Changes in Equity.

### (f) Bridge loan

Bridge loan of \$26,000 (December 31, 2018-\$26,000) maturing on September 11, 2019. The Bridge loan (50%) was provided by a related party and was secured by all assets of the Company and is subordinated to the Senior Credit Facility and Second Lien Credit Facility lenders. Interest on the Bridge loan was payable monthly at the rate of 8% per annum. The Bridge loan was fully repaid on August 15, 2019.

### (g) Equipment Loans

The outstanding amount of equipment loans is \$625 (December 31, 2018-\$8,406) at a weighted average interest rate of 5.45% with monthly payments of \$39. All equipment loans are secured by the financed equipment.

### (h) Equipment Leases

	Interest Rate	Monthly payment	September 30 2019	December 31 2018
Equipment Lease	6.25%	\$4	\$63	\$99
Equipment Lease	4.30%	\$83	\$3,526	\$14,241
			September 30 2019	December 31 2018
Contractual Lease Payments				
Due in less than one year			\$1,051	\$3,482
Due in one to five years			2,906	12,339
Total undiscounted lease liabilities, end of period			\$3,957	\$15,821

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 14. 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 fair value of these obligations is based on information currently available, including closure plans and applicable regulations. The amounts and timing of closure plans for the mineral properties will vary depending on a number of factors including exploration success and alternative mining plans. Significant closure activities include land rehabilitation, water treatment, demolition of facilities, monitoring and other costs.

Changes to the future site reclamation provisions are:

	Nine Months Ended Sept 30 2019	Year Ended December 31 2018
Balance, beginning of period	\$97,668	\$98,342
Continuing operations:		
Accretion	1,943	2,762
Change in estimates of future costs, discount rate and effect of translation of foreign currencies	12,998	(4,978)
Acquisition of 30% beneficial interest in Red Chris	5,293	-
Discontinued operations:		
Disposition of liabilities held for sale	(17,643)	-
Accretion (Note 3)	280	405
Change in estimates of future costs, discount rate and effect of translation of foreign currencies	3,163	1,137
	<u>\$103,702</u>	<u>\$97,668</u>

The total undiscounted amount of estimated future cash flows required to settle the obligations is \$159,669 (December 31, 2018-\$174,566). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2018-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 2.57% (December 31, 2018-3.15%) except for obligations related to Mount Polley and Huckleberry beyond 2048 that are discounted using a rate of 3.57% (December 31, 2018-4.15%). Obligations in amount of \$76,161 are expected to be settled in the years 2019 through 2048.

The amounts and timing of closure plans for the mineral properties will vary depending on a number of factors including exploration success and alternative mining plans. Refer to Notes 28(a) and (b) for assets pledged and legally restricted for the purposes of settling future site reclamation provisions and the obligation to increase reclamation bond funding.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 15. SHARE CAPITAL

#### (a) 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

#### (b) Share Option Plans

Under the Share Option Plans, the Company may grant options to its directors, officers and employees not to exceed 10% of the issued common shares of the Company. At September 30, 2019, a total of 10,563,017 common share options remain 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.

#### Movements in Share Options

The changes in share options were as follows:

	Nine Months Ended September 30, 2019		Year Ended December 31, 2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,594,000	\$9.16	3,601,900	\$8.13
Forfeited	(80,000)	\$8.00	(108,000)	\$8.00
Cancelled	(58,000)	\$8.00	-	\$0.00
Expired	(170,000)	\$8.21	(899,900)	\$5.19
Outstanding at end of period	2,286,000	\$9.30	2,594,000	\$9.16
Options exercisable at end of period	1,838,000	\$9.68	2,008,000	\$9.56

The following table summarizes information about the Company's share options outstanding at September 30, 2019:

Exercise Prices	Options Outstanding		Options Exercisable	
	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$5.75	65,000	8.26	13,000	8.26
\$5.93	156,000	0.25	156,000	0.25
\$8.00	1,095,000	5.63	699,000	5.32
\$11.55	970,000	1.02	970,000	1.02
	2,286,000	3.38	1,838,000	2.64

No share options were exercised during the nine months ended September 30, 2019.

#### (c) Warrants

In connection with a private placement concluded on October 27, 2017 the Company issued 909,091 warrants to related parties at an ascribed value of \$689. Each warrant is exercisable at \$3.25 and entitles the holder to purchase one common share of the Company. At September 30, 2019 all warrants remain outstanding. The warrants expired unexercised on October 27, 2019.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 16. COST OF SALES

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Operating expenses	\$4,108	\$18,761	\$25,048	\$52,300
Salaries, wages and benefits	869	6,666	13,952	20,190
Depletion and depreciation	1,628	5,746	7,772	18,403
Share based compensation	9	29	-	86
	<u>\$6,614</u>	<u>\$31,202</u>	<u>\$46,772</u>	<u>\$90,979</u>

Included in cost of sales for the nine months ended September 30, 2019 is \$3,423 (September 30, 2018-\$539) of impairment charges in relation to concentrate, stockpile and supplies inventory (Note 6).

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 (Note 3).

### 17. GENERAL AND ADMINISTRATION

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Administration costs	\$4	\$556	\$2,573	\$2,684
Share based compensation	(35)	157	153	466
Depreciation	7	33	22	97
Foreign exchange loss (gain)	80	19	95	719
	<u>\$56</u>	<u>\$765</u>	<u>\$2,843</u>	<u>\$3,966</u>

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 (Note 3).

### 18. INTEREST EXPENSE

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Interest on non-current debt	\$7,861	\$17,316	\$37,789	\$51,706
Other interest	1,583	1,362	8,143	3,066
	<u>\$9,444</u>	<u>\$18,678</u>	<u>\$45,932</u>	<u>\$54,772</u>

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 (Note 3).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 19. OTHER FINANCE INCOME (LOSS)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Accretion of future site reclamation provisions	\$(648)	\$(685)	\$(1,943)	\$(2,060)
Foreign exchange gain (loss) on non-current debt	(7,717)	7,454	10,310	(12,863)
Fair value adjustment for debt settled in common shares	28	-	(3,328)	-
Loss on early repayment of convertible debentures	(1,766)	-	(1,766)	-
Fair value adjustment to marketable securities	(105)	43	(307)	667
	(10,208)	6,812	2,966	(14,256)
Interest income	113	56	4,894	166
Other finance income (loss)	\$(10,095)	\$6,868	\$7,860	\$(14,090)

In accordance with the terms of certain debt agreements (Notes 13(c), 13(d) and 13(e)) the Company issued common shares pursuant to the formula set out in the agreements in payment of interest owed. The fair value of the common shares on the specific date of issuance was greater than or less than the book value of the interest owed and therefore in compliance with IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, the Company recorded a loss of \$3,328 in the statement of income for the corresponding fair value adjustment for the nine months ended September 30, 2019.

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 (Note 3).

### 20. PROVISION FOR REHABILITATION COSTS

On August 4, 2014, the tailings dam at the Mount Polley mine near Likely, British Columbia was breached. At that time, the Company charged to expense the estimated rehabilitation costs, and during the year ended December 31, 2018 the rehabilitation provision was increased by \$151 to reflect assumptions and estimates as of that date.

The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required. It is based on assumptions and estimates at September 30, 2019, and is subject to revision in the future as further information becomes available to the Company.

Changes in the provision for rehabilitation costs are as follows:

	Nine Months	Year Ended
	Ended Sept 30	December 31
	2019	2018
Balance, beginning of the period	\$3,332	\$5,335
Costs incurred in the period	(1,155)	(2,154)
Increase in provision	-	151
Balance, end of the period	2,177	3,332
Less portion expected to be incurred within one year	(1,822)	(2,265)
	\$355	\$1,067

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 21. INCOME AND MINING TAX RECOVERY

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Current income and mining taxes recovery (expense)	\$52	\$197	\$8,110	\$(68)
Deferred income and mining taxes	8,746	13,329	18,762	25,507
	<u>\$8,798</u>	<u>\$13,526</u>	<u>\$26,872</u>	<u>\$25,439</u>

During the three months ended March 31, 2019 the Company received a favorable judgment with respect to BC mineral tax paid in prior years and recognised a recovery of \$8,112.

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 (Note 3).

### 22. EARNINGS (LOSS) PER SHARE

Basic earnings per share is calculated by dividing the net income (loss) for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Net Income (Loss)	\$313,226	\$(28,609)	\$303,508	\$(81,330)
Weighted-average number of common shares outstanding	128,370,201	120,512,374	126,868,285	118,318,692
Basic and diluted earnings (loss) per common share	<u>\$2.44</u>	<u>\$(0.24)</u>	<u>\$2.39</u>	<u>\$(0.69)</u>
Net Loss from continuing operations	\$(15,963)	\$(12,716)	\$(27,977)	\$(66,184)
Weighted-average number of common shares outstanding	128,370,201	120,512,374	126,868,285	118,318,692
Basic and diluted earnings (loss) per common share	<u>\$(0.12)</u>	<u>\$(0.11)</u>	<u>\$(0.22)</u>	<u>\$(0.57)</u>
Net Income (loss) from discontinued operations	\$329,189	\$(15,893)	\$331,485	\$(15,146)
Weighted-average number of common shares outstanding	128,370,201	120,512,374	126,868,285	118,318,692
Basic and diluted earnings (loss) per common share	<u>\$2.56</u>	<u>\$(0.13)</u>	<u>\$2.61</u>	<u>\$(0.12)</u>

The following common shares that may be issued in relation to the following items have been excluded from the calculation of diluted loss per common share as the result would be anti-dilutive:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
Stock options	2,286,000	3,397,900	2,286,000	3,397,900
Warrants	909,091	909,091	909,091	909,091
Convertible debentures	-	12,386,321	-	12,386,321

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 23. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash operating working capital balances:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Trade and other receivables	\$(3,505)	\$367	\$1,189	\$7,224
Inventory	(2,415)	14,894	463	13,166
Prepaid expenses and deposits	1,115	645	938	809
Trade and other payables	9,791	(3,700)	878	(15,985)
Deferred trade payables (Note 10)	(962)	1,412	(2,441)	1,371
Provision for rehabilitation costs	(492)	(1,014)	(1,155)	(1,718)
	<u>\$3,532</u>	<u>\$12,604</u>	<u>\$(128)</u>	<u>\$4,867</u>

(b) Supplemental information on non-cash financing and investing activities:

During the nine months ended September 30, 2019, the Company issued 7,707,589 common share at an ascribed value of \$1.20 - \$2.48 per share for \$11,725 in payment of accrued interest on the Junior Credit Facility (Note 13 (c)), the 2014 Convertible Debentures (Note 13(d)) and a portion of the 2015 Convertible Debentures (Note 13(e)).

(c) Net change in non-cash investing working capital balances:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Trade and other payables	<u>\$(3,849)</u>	<u>\$4,015</u>	<u>\$(3,547)</u>	<u>\$4,098</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 24. RELATED PARTY TRANSACTIONS

Related party transactions and balances with a significant shareholder, a company controlled by a significant shareholder, companies in which directors are owners, and with directors and officers are as follows:

#### Statement of Income

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
Loan guarantee fee for guarantee of second lien credit facility (Note 13(a))	\$139	\$450	\$697	\$1,411
Loan guarantee fee for guarantee of senior credit facility (Note 12)	\$555	\$210	\$2,786	\$210
Line of credit arrangement fee	\$ -	\$ -	\$100	\$ -
Junior Credit Facility Extension Fee	\$45	\$ -	\$45	\$ -
Interest expense	\$3,740	\$4,275	\$15,087	\$12,629
Royalty expense	\$ -	\$31	\$ -	\$31

#### Statement of Financial Position

	September 30	December 31
	2019	2018
Accrued interest on senior unsecured notes, convertible debentures, junior credit facility and bridge loan	\$ -	\$7,010
Junior credit facility	\$ -	\$75,000
Senior unsecured notes (September 30, 2019-US\$Nil, Dec 31, 2018-US\$53,320)	\$ -	\$72,739
Convertible debentures	\$ -	\$59,000
Bridge loan	\$ -	\$13,000

The Company incurred the above transactions and balances in the normal course of operations.

### 25. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel are as follows:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
Short term benefits <sup>(1)</sup>	\$864	\$347	\$1,673	\$1,064
Share based payments <sup>(2)</sup>	\$ -	\$ -	\$ -	\$ -

<sup>(1)</sup> Short term employee benefits include salaries, estimated bonuses payable within the year of the Statement of Financial Position date and other annual employee benefits. Directors and other key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended September 30, 2019 and 2018.

<sup>(2)</sup> Share based payments are the fair value of options granted in the period to directors and other key management personnel.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 26. 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 the Sterling mine totalling \$6,738 as at September 30, 2019 (December 31, 2018-\$8,215), which are located in the USA. The Company's reportable segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

#### Reportable Segments

	Three Months Ended September 30, 2019					
	Red Chris <sup>(1)</sup>	Mount Polley	Huckleberry	Sterling	Corporate	Total
Continuing operations:						
Reportable segmented revenues	\$6,955	\$151	\$484	\$ -	\$382	\$7,972
Less inter-segment revenues	-	(524)	(231)	-	(226)	(981)
Revenues from external sources	\$6,955	\$(373)	\$253	\$ -	\$156	6,991
Depletion and depreciation	\$1,500	\$1,392	\$281	\$ -	\$8	\$3,181
Interest (expense) and other finance income (expense)	\$(17,090)	\$(1,998)	\$(442)	\$(95)	\$86	\$(19,539)
Net income (loss) from continuing operations	\$(7,912)	\$(9,609)	\$218	73	\$1,267	\$(15,963)
Discontinued operations:						
Reportable segmented revenues	\$39,571	\$ -	\$ -	\$ -	\$ -	\$39,571
Inter-segment revenues	301	-	-	-	-	301
Revenues from external sources	\$39,872	\$ -	\$ -	\$ -	\$ -	\$39,872
Depletion and depreciation	\$65	\$ -	\$ -	\$ -	\$ -	\$65
Interest (expense) and other finance income (expense)	\$(917)	\$ -	\$ -	\$ -	\$ -	\$(917)
Gain on sale and revaluation of interest in Red Chris	\$440,775	\$ -	\$ -	\$ -	\$ -	\$440,775
Net income from discontinued operations	\$329,189	\$ -	\$ -	\$ -	\$ -	\$329,189
Net income (loss)	\$321,277	\$(9,609)	\$218	\$73	\$1,267	\$313,226
Capital expenditures (continuing and discontinued operations)	\$13,224	\$2,231	\$22	\$ -	\$861	\$16,338
Total assets	\$507,842	\$154,589	\$233,628	\$6,738	\$121,285	\$1,024,082
Total liabilities	\$168,821	\$60,711	\$68,767	\$10	\$8,866	\$307,175

<sup>(1)</sup> For the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018, the Red Chris mine was classified as a discontinued operation and accordingly income (loss) and cash flows items from continuing operations are presented excluding the Red Chris mine. Refer to Note 3 for further details.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### Reportable Segments

Three Months Ended September 30, 2018

Restated (Note 3)

	Red Chris <sup>(1)</sup>	Mount Polley	Huckleberry	Sterling	Corporate	Total
Continuing operations:						
Reportable segmented revenues	\$ -	\$18,107	\$430	\$ -	\$69	\$18,606
Less inter-segment revenues	-	(293)	(430)	-	(54)	(777)
Revenues from external sources	\$ -	\$17,814	\$ -	\$ -	\$15	\$17,829
Depletion and depreciation	\$ -	\$5,746	\$254	\$ -	\$33	\$6,033
Interest and other finance income (expense)	\$(7,365)	\$(4,057)	\$(2,037)	\$1,686	\$(37)	\$(11,810)
Net income (loss) from continuing operations	\$(2,493)	\$(13,434)	\$(1,254)	\$205	\$4,260	\$(12,716)
Discontinued operations:						
Reportable segmented revenues	\$52,683	\$ -	\$ -	\$ -	\$ -	\$52,683
Inter-segment revenues	(31)	-	-	-	-	(31)
Revenues from external sources	\$52,652	\$ -	\$ -	\$ -	\$ -	\$52,652
Depletion and depreciation	\$11,873	\$ -	\$ -	\$ -	\$ -	\$11,873
Interest and other finance income (expense)	\$(1,279)	\$ -	\$ -	\$ -	\$ -	\$(1,279)
Net income (loss) from discontinued operations	\$(15,893)	\$ -	\$ -	\$ -	\$ -	\$(15,893)
Net income (loss)	\$(18,386)	\$(13,434)	\$(1,254)	\$205	\$4,260	\$(28,609)
Capital expenditures (continuing and discontinued operations)	\$32,109	\$5,130	\$ -	\$ -	\$280	\$37,519
Total assets	\$1,108,640	\$288,629	\$225,203	\$9,762	\$33,413	\$1,665,647
Total liabilities	\$920,092	\$232,601	\$61,391	\$8	\$4,379	\$1,218,471

<sup>(1)</sup> For the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018, the Red Chris mine was classified as a discontinued operation and accordingly income (loss) and cash flows items from continuing operations are presented excluding the Red Chris mine. Refer to Note 3 for further details.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### Reportable Segments

	Nine Months Ended September 30, 2019					
	Red Chris <sup>(1)</sup>	Mount Polley	Huckleberry	Sterling	Corporate	Total
Continuing operations:						
Reportable segmented revenues	\$6,955	\$37,100	\$1,216	\$ -	\$449	\$45,720
Less inter-segment revenues	-	(2,015)	(963)	-	(275)	(3,253)
Revenues from external sources	\$6,955	\$35,085	\$253	\$ -	\$174	\$42,467
Depletion and depreciation	\$1,500	\$8,048	\$710	\$ -	\$23	\$10,281
Interest (expense) and other finance income (expense)	\$(28,123)	\$(9,493)	\$3,120	\$(293)	\$(3,283)	\$(38,072)
Net income (loss) from continuing operations	\$(11,093)	\$(18,919)	\$7,014	\$(40)	\$(4,939)	\$(27,977)
Discontinued operations:						
Reportable segmented revenues	\$163,532	\$ -	\$ -	\$ -	\$ -	\$163,532
Less inter-segment revenues	1,163	-	-	-	-	1,163
Revenues from external sources	\$164,695	\$ -	\$ -	\$ -	\$ -	\$164,695
Depletion and depreciation	\$9,287	\$ -	\$ -	\$ -	\$ -	\$9,287
Interest (expense) and other finance income (expense)	\$(2,766)	\$ -	\$ -	\$ -	\$ -	\$(2,766)
Gain on sale and revaluation of interest in Red Chris	\$440,775	\$ -	\$ -	\$ -	\$ -	\$440,775
Net income from discontinued operations	\$331,485	\$ -	\$ -	\$ -	\$ -	\$331,485
Net income (loss)	\$320,392	\$(18,919)	\$7,014	\$(40)	\$(4,939)	\$303,508
Capital expenditures (continuing and discontinued operations)	\$34,222	\$3,498	\$25	-	\$1,147	\$38,892
Total assets	\$507,842	\$154,589	\$233,628	\$6,738	\$121,285	\$1,024,082
Total liabilities	\$168,821	\$60,711	\$68,767	\$10	\$8,866	\$307,175

<sup>(1)</sup> For the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018, the Red Chris mine was classified as a discontinued operation and accordingly income (loss) and cash flows items from continuing operations are presented excluding the Red Chris mine. Refer to Note 3 for further details.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### Reportable Segments

Nine Months Ended September 30, 2018  
Restated (Note 3)

	Red Chris <sup>(1)</sup>	Mount Polley	Huckleberry	Sterling	Corporate	Total
Continuing operations:						
Reportable segmented revenues	\$ -	\$77,521	\$1,192	\$ -	\$96	\$78,809
Less inter-segment revenues	-	(890)	(1,192)	-	(80)	(2,162)
Revenues from external sources	\$ -	\$76,631	\$ -	\$ -	\$16	\$76,647
Depletion and depreciation	\$ -	\$18,403	\$914	\$ -	\$97	\$19,414
Interest (expense) and other finance income (expense)	\$(55,945)	\$(12,299)	\$(1,349)	\$785	\$(54)	\$(68,862)
Net income (loss) from continuing operations	\$(42,733)	\$(21,719)	\$(4,663)	\$1,069	\$1,862	\$(66,184)
Discontinued operations:						
Reportable segmented revenues	\$191,906	\$ -	\$ -	\$ -	\$ -	\$191,906
Less inter-segment revenues	(94)	-	-	-	-	(94)
Revenues from external sources	\$191,812	\$ -	\$ -	\$ -	\$ -	\$191,812
Depletion and depreciation	\$36,915	\$ -	\$ -	\$ -	\$ -	\$36,915
Interest (expense) and other finance income (expense)	\$(3,900)	\$ -	\$ -	\$ -	\$ -	\$(3,900)
Net income from discontinued operations	\$(15,146)	\$ -	\$ -	\$ -	\$ -	\$(15,146)
Net income (loss)	\$(57,879)	\$(21,719)	\$(4,663)	\$1,069	\$1,862	\$(81,330)
Capital expenditures (continuing and discontinued operations)	\$49,180	\$12,860	\$2	\$ -	\$436	\$62,478
Total assets	\$1,108,640	\$288,629	\$225,203	\$9,762	\$33,413	\$1,665,647
Total liabilities	\$920,092	\$232,601	\$61,391	\$8	\$4,379	\$1,218,471

<sup>(1)</sup> For the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018, the Red Chris mine was classified as a discontinued operation and accordingly income (loss) and cash flows items from continuing operations are presented excluding the Red Chris mine. Refer to Note 3 for further details.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### Revenue by Geographic Area

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Switzerland	\$6,423	\$17,814	\$41,881	\$76,756
United States	-	-	-	(125)
Canada	568	15	586	16
	<u>\$6,991</u>	<u>\$17,829</u>	<u>\$42,467</u>	<u>\$76,647</u>

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 accordingly (Note 3).

Revenues are attributed to geographic area based on country of customer. In the period ended September 30, 2019, the Company had 3 principal customers from continuing operations accounting for 82%, 13% and 3% of revenues (September 30, 2018– 2 principal customers accounting for 85% and 15% 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. The Company sells all of its concentrate and gold production to third party traders.

### Revenue by Major Product and Service

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
	Restated (Note 3)		Restated (Note 3)	
Copper	\$4,924	\$8,602	\$20,996	\$36,299
Gold	1,486	9,334	20,613	40,286
Silver	68	(122)	327	46
Other	513	15	531	16
	<u>\$6,991</u>	<u>\$17,829</u>	<u>\$42,467</u>	<u>\$76,647</u>

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 (Note 3).

### 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 for continuing operations is comprised of the following:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019		2019	
	Provisional	Provisional	Provisional	Provisional
	lb/oz	Price	lb/oz	Price
	000's	per lb/oz	000's	per lb/oz
		US\$		US\$
Copper	1,714.5	2.58	8,028.1	2.89
Gold	0.6	1,456	4.8	1,292

Red Chris mine operations were classified as discontinued operations for the period of January 1 to August 14, 2019 and for the three and nine months ended September 30, 2018 (Note 3).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2019 and 2018

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

### 27. FINANCIAL INSTRUMENTS

#### Fair Value Estimation

The fair value of financial instruments traded in active markets (such as marketable securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Company is the current bid price. The fair value of derivative instrument assets and liabilities are determined by the counterparties using standard valuation techniques for these derivative instruments.

The carrying value less impairment provision, if necessary, of trade and other receivables and trade and other payables are assumed to approximate their fair values. Management believes that the carrying value of non-current debt approximates its fair value. The fair value of the Notes at December 31, 2018 of \$297,055 is based on a quote received from dealers that trade the Notes.

IFRS 13 *Fair Value Measurement* requires disclosures about the inputs to fair value measurement, including their classifications within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; and

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as September 30, 2019 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	\$102,687	\$ -	\$102,687
Marketable securities	37	-	37
Provisionally priced accounts receivables	-	774	774
Future site reclamation deposits	14,319	-	14,319
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(1,444)	(1,444)
	<u>\$117,043</u>	<u>\$(670)</u>	<u>\$116,373</u>

### 28. COMMITMENTS AND PLEDGES

(a) At September 30, 2019, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Note 8)	\$14,319
Mineral property, plant and equipment	28,370
Letters of credit (Note 30)	38,583
	<u>\$81,272</u>

(b) The Company has provided \$28,370 for reclamation bonding obligations by securing certain plant and equipment. This security may be required to be replaced with cash security.

(c) At September 30, 2019 the Company had commitments of \$4,686 for expenditures on mineral properties.

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the Nine Months Ended September 30, 2019 and 2018

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

### **29. CONTINGENT LIABILITIES**

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business. In the opinion of management, none of these matters will have a material effect on the Company's consolidated financial position or financial performance.

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, British Columbia was breached. At September 30, 2019 the Company has a provision of \$2,177 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 20). The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required and is subject to revision in the future as further information becomes available to the Company.

During the third quarter of 2014, a securities class action lawsuit was filed against the Company and certain of its directors, officers and others in the Ontario Superior Court of Justice in Toronto (the Claim). The Company has engaged independent legal counsel to advise it on this matter. At this time the Company cannot predict the outcome of the Claim or determine the amount of any potential losses and accordingly, no provision has been made as of September 30, 2019. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

### **30. SUBSEQUENT EVENT**

At September 30, 2019 cash of \$39,181 was held by the Company's bank as collateral for letters of credit issued by the Bank. Subsequent to September 30, 2019 the Company obtained a credit facility for \$50,000 from the Bank and the letters of credit were transferred to the credit facility resulting in the release of the cash held as collateral to the Company.



**Imperial Metals Corporation**

200-580 Hornby Street  
Vancouver, BC V6C 3B6

[imperialmetals.com](http://imperialmetals.com)

604.669.8959 | [inquiries@imperialmetals.com](mailto:inquiries@imperialmetals.com)

604.488.2657 | [investor@imperialmetals.com](mailto:investor@imperialmetals.com)