MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation ("Imperial", the "Company", "we", "us" or "our") should be read in conjunction with the audited Consolidated Financial Statements and related notes for the year ended December 31, 2019. The Consolidated Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The reporting currency of the Company is the Canadian ("CDN") Dollar.

Imperial is a Canadian mining company active in the acquisition, exploration, development, mining and production of base and precious metals. The Company, through its subsidiaries, owns a 30% interest in the Red Chris mine, and 100% of the Mount Polley and Huckleberry copper mines in British Columbia. Imperial also holds a 45.3% interest in the Ruddock Creek lead/zinc property in British Columbia. Imperial has interests in various other early stage exploration properties, however exploration is currently focused at existing mining operations. The Company also continues to evaluate potential acquisitions.

Imperial's principal business registered and records office address is Suite 200, 580 Hornby Street, Vancouver, British Columbia V6C 3B6 Canada. The Company was incorporated under the British Columbia *Company Act*, which was superseded by the British Columbia *Business Corporations Act*, on December 6, 2001 under the name IMI Imperial Metals Inc. Imperial changed its name to Imperial Metals Corporation on April 10, 2002.

The Company is listed on The Toronto Stock Exchange and its shares trade under symbol III. As at March 24, 2020, the Company had 128,490,174 common shares outstanding, and on a diluted basis 130,486,174 common shares outstanding. Additional Company disclosure can be obtained from *imperialmetals.com* or *sedar.com*.

FORWARD-LOOKING STATEMENTS & RISKS NOTICE

This MD&A is a review of the Company's operations and financial position as at and for the year ended December 31, 2019, and plans for the future based on facts and circumstances as of March 24, 2020. Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking information which are prospective in nature and reflect the current views and/or expectations of Imperial. Often, but not always, forward-looking information can be identified by the use of statements such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this MD&A includes, without limitation, statements regarding: expectations regarding the care, maintenance and rehabilitation activities at Mount Polley; expectations regarding current and future exploration and drilling programs; production and marketing; capital expenditures; adequacy of funds for projects and liabilities; outcome and impact of litigation; cash flow; working capital requirements; the requirement for additional capital; results of operations, production, revenue, margins and earnings; future prices of copper and gold; future foreign currency exchange rates and impact; future accounting changes; and future prices for marketable securities.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including, but not limited to, assumptions that: the Company will have access to capital as required and will be able to fulfill its funding obligations as the Red Chris minority joint venture partner; risks related to holding non-majority investment interests in the Red Chris Mine and the Ruddock Creek Joint Venture Project; the Company will be able to advance and complete remaining planned rehabilitation activities within expected timeframes; there will be no significant delay or other material impact on the expected timeframes or costs for completion of rehabilitation of the Mount Polley mine and implementation of Mount Polley's long term water management plan; the Company's initial rehabilitation activities at Mount Polley will be successful in the long term; all required permits, approvals and arrangements to proceed with planned rehabilitation and Mount Polley's long term water management plan will be obtained in a timely manner; there will be no material operational delays at the Red Chris mine; equipment will operate as expected; there will not be significant power outages; there will be no material adverse change in the market price of commodities and exchange rates; the Red Chris mine will achieve expected production outcomes (including with respect to mined grades and mill recoveries and access to water as needed). Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. We can give no assurance that the forward-looking information will prove to be accurate.

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

Important risks that could cause Imperial's actual results, revenues, performance or achievements to differ materially from Imperial's expectations include, among other things: the risk that the Company's beneficial interest of the Red Chris mine may be diluted over time should it not have access to capital as required and will not be able to meet its funding obligations as the Red Chris minority joint venture partner; that additional financing that may be required may not be available to Imperial on terms acceptable to Imperial or at all; uncertainty regarding the outcome of sample testing and analysis being conducted on the area affected by the Mount Polley Breach; risks relating to the timely receipt of necessary approvals and consents to proceed with the rehabilitation plan and Mount Polley's long term water management plan; risks relating to the remaining costs and liabilities and any unforeseen longer-term environmental consequences arising from the Mount Polley Breach; uncertainty as to actual timing of completion of rehabilitation activities and the implementation of Mount Polley's long term water management plan; risks relating to the impact of the Mount Polley Breach on Imperial's reputation; the quantum of claims, fines and penalties that may become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risks of protesting activity and other civil disobedience restricting access to the Company's properties; failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation, unavailability of materials and equipment, labour unrest, power outages, and natural phenomena such as weather conditions and water shortages negatively impacting the operation of the Red Chris mine; changes in commodity and power prices; changes in market demand for our concentrate; risks that a global pandemic may adversely affect copper prices, impact our ability to transport or market our concentrate, cause disruptions in our supply chains and create volatility in commodity prices and demand; inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources); and other hazards and risks disclosed within this MD&A for the year ended December 31, 2019 and other public filings which are available on Imperial's profile at *sedar.com*. For the reasons set forth above, investors should not place undue reliance on forward-looking information. Imperial does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

SIGNIFICANT EVENTS AND LIQUIDITY

The Company's audited 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 realize its assets and discharge its liabilities in the normal course as they come due.

On January 17, 2019, the Company issued 3,542,814 common shares in payment of $4.3 million of interest due on the Convertible Debentures.

On February 15, 2019, the Company issued 2,785,080 common shares in payment of $3.8 million of interest due on September 30, 2018 and December 31, 2018 for the Junior Credit Facility.

In mid-February and early March the Company also extended the maturity dates on a number of its credit facilities to mature on March 15, 2019.

On March 10, 2019, the Company entered into an agreement to sell a 70% interest in the Red Chris mine to Newcrest Mining Limited ("Newcrest") for US$804.4 million, while retaining a 30% interest in the mine.

On March 14, 2019, the Company extended the maturity dates on the following credit facilities:

- the Senior Credit Facility extended from March 15, 2019 to September 5, 2019
- the Second Lien Credit Facility extended from March 15, 2019 to September 9, 2019
- the Junior Credit Facility from March 15, 2019 to September 12, 2019
- the Bridge Loan extended from March 15, 2019 to September 11, 2019

On March 15, 2019, the Company refinanced US$98.4 million of its US$325.0 million Senior Unsecured Notes due March 15, 2019 (the "Senior Notes"). Edco Capital Corporation ("Edco"), a company controlled by a significant shareholder of the Company, subscribed for US$98.4 million of additional Senior Notes on the same terms and conditions as the existing Senior Notes. Such funding enabled the Company to repay an equal dollar amount of the principal of the Senior Notes that were payable in full on March 15, 2019, being US$98.4 million. The remaining existing holders of Senior Notes in the principal amount of US$226.6 million agreed, as did Edco in respect to the additional Senior Notes, to extend the maturity date of the Senior Notes until September 15, 2019.

On May 30, 2019, Mount Polley mine was placed on care and maintenance status. The mine will remain on care and maintenance until the economics of mining improve.

On July 9, 2019, the Company issued 1,379,695 common shares in payment of $3.4 million of interest due on the 2014 Convertible Debentures.

On August 15, 2019, the Company completed the sale of a 70% interest in its Red Chris copper and gold mine to Newcrest for a final purchase price of US$804.4 million subject to debt and working capital adjustments. The Company and Newcrest have formed a joint venture for the operation of Red Chris with Newcrest acting as operator. The Company retains a 30% joint venture interest in the Red Chris mine. The Company also repaid the following debt representing substantially all of its debt:

- Senior secured revolving credit facility of $200.0 million
- Second lien secured revolving credit facility of $50.0 million
- Secured bridge loan of $26.0 million
- Unsecured junior credit facility of $75.0 million
- Unsecured convertible debentures (2014) of $115.0 million
- Unsecured convertible debentures (2015) of $30.0 million
- Unsecured line of credit of $10.0 million
- Certain equipment loans of about $1.7 million
- Senior unsecured notes of US$325.0 million

The Company's remaining obligations are related to letters of credit which are supported by a new $50.0 million credit facility for future reclamation liabilities and a 30% share of Red Chris joint venture equipment loans and obligations related to the Northwest Transmission Line.

OVERVIEW

Select Annual Financial Information

expressed in thousands, except share and per share amounts	2019	Years Ended December 31 2018	2017
Continuing Operations:			
Total revenues	$71,823	$104,437	$164,021
Net income (loss)	$(40,266)	$(109,464)	$42,891
Net income (loss) per share	$(0.32)	$(0.92)	$0.45
Diluted income (loss) per share	$(0.32)	$(0.92)	$0.45
Adjusted net loss [1]	$(49,269)	$(68,622)	$(96,213)
Adjusted net loss per share [1]	$(0.39)	$(0.58)	$(1.02)
Adjusted EBITDA[1]	$(4,490)	$(3,334)	$(2,944)
Cash flow [1][2]	$(3,611)	$106,468	$707
Cash flow per share [1][2]	$(0.03)	$0.90	$0.01
Discontinued Operations:			
Total revenues	$164,993	$255,736	$289,092
Net income (loss)	$362,002	$(16,131)	$34,222
Net income (loss) per share	$2.85	$(0.14)	$0.36
Diluted income (loss) per share	$2.85	$(0.14)	$0.36
Adjusted net income (loss) [1]	$40,284	$(16,141)	$33,588
Adjusted net income (loss) per share [1]	$0.32	$(0.13)	$0.66
Adjusted EBITDA[1]	$142,858	$36,602	$91,401
Cash flow [1][2]	$23,822	$36,981	$87,674
Cash flow per share [1][2]	$0.19	$0.31	$0.93
Working capital (deficiency)	$55,252	$(789,470)	$(238,269)
Total assets	$1,058,502	$1,573,903	$1,723,768
Total debt (including current portion)	$3,816	$871,268	$852,378

[1] Refer to table under heading *Non-IFRS Financial Measures* for further details.

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

Select Items Affecting Net Income (Loss) (presented on an after-tax basis)

expressed in thousands	Years Ended December 31 2019	2018
Net loss before undernoted items from continuing operations	$(14,284)	$(16,593)
Interest expense	(46,273)	(52,183)
Recovery of BC Mineral taxes including interest	11,288	-
Gain on sale of Sterling	-	296
Impairment of mineral properties	-	(79,719)
Foreign exchange gain (loss) on debt	10,292	(36,214)
Loss on early repayment of debt	(1,289)	-
Settlement and insurance recoveries	-	74,949
Net Loss from continuing operations	$(40,266)	$(109,464)

On March 10, 2019, the Company entered into an agreement to sell a 70% interest in the Red Chris mine to Newcrest. The Company completed the sale to Newcrest on August 15, 2019 for a final purchase price of US$804.4 million subject to debt and working capital adjustments. In accordance with IFRS, the Company has classified Red Chris mine as a discontinued operation effective January 1, 2019 up to closing of the transaction with Newcrest on August 14, 2019, and the prior year comparative annual consolidated statement of income (loss) has been restated accordingly. Effective August 15, 2019 onwards, the results from the Red Chris Mine are presented on a proportional basis relative to Imperial's 30% beneficial interest in the joint venture. Unless otherwise stated this MD&A will report the total of continuing and discontinued operations as one total (e.g. net income) for ease of comparison with the prior comparative period.

Revenues decreased to $236.8 million in 2019 compared to $360.2 million in 2018, a decrease of $123.4 million or 34%.

Revenue from the Red Chris mine in 2019 was $200.9 million compared to $255.7 million in 2018. This decrease was attributable to the Company's ownership decreasing to 30% from 100% on August 15, 2019 compared to its 100% share in 2018. There were 13.2 concentrate shipments in 2019 from the Red Chris mine (2018-12.0 concentrate shipments).

Revenue from the Mount Polley mine in 2019 was $34.9 million compared to $104.4 million in 2018. The decrease was attributable to the mine being on care and maintenance from May 2019 onwards. Mount Polley mine had only 1.0 concentrate shipment in 2019 (2018-3.0 concentrate shipments).

Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where metal prices will settle at a future date.

The London Metals Exchange cash settlement copper price per pound averaged US$2.72 in 2019 compared to US$2.96 in 2018. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,392 in 2019 compared to US$1,269 in 2018. The average US$ strengthened by 2.0% compared to the CDN$ in 2019 over 2018. In 2019 the average copper price was CDN$3.61 per pound and the average gold price was CDN$1,847 per ounce compared to 2018 when the average copper price was CDN$3.84 per pound and the average gold price was CDN$1,645 per ounce.

Revenue in 2019 decreased by a $3.3 million negative revenue revaluation compared to a negative revenue revaluation of $19.0 million in 2018. Revenue revaluations are the result of the metal prices on the settlement date and/or the current period balance sheet date being higher or lower than when the revenue was initially recorded or the metal prices at the last balance sheet date and finalization of contained metals as a result of final assays.

Net loss from continuing operations in 2019 was $40.3 million ($0.32 per share) compared to net loss of $109.5 million ($0.92 per share) in 2018. The majority of decrease in net loss of $69.2 million was primarily due to the following factors:

- Loss from mine operations decreased from a loss of $21.1 million in 2018 to a loss of $6.6 million in 2019, a decrease in net loss of $14.5 million.
- Interest expense decreased from $73.4 million in 2018 to $46.3 million in 2019, a decrease to net loss of $27.1 million.
- Foreign exchange gains/losses went from a loss of $37.4 million in 2018 to a gain of $10.1 million in 2019, a decrease in net loss of $47.5 million.
- Impairment on mineral properties decreased from $109.2 million in 2018 to $nil in 2019, a decrease in net loss of $109.2 million.
- Rehabilitation costs of $nil in 2019 compared to $0.2 million in 2018, a decrease in net loss of $0.2 million.
- Other income totalled $0.3 million in 2019 compared to income of $108.1 million in 2018, largely due to the settlement of $106.2 million net of costs, pertaining to the August 4, 2014 tailings dam breach at the Mount Polley Mine ("Mount Polley Breach"), an increase in net loss of $107.8 million.
- An income and mining tax recovery of $28.0 million in 2019 compared to a recovery of $35.8 million in 2018, an increase in net loss of $7.8 million.

The average US$/CDN$ exchange rate in the 2019 was 1.327 compared to an average of 1.296 in 2018.

Cash flow from continuing operations was negative $3.6 million in 2019 compared to positive cash flow of $106.5 million in 2018. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS. The Company believes Cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures attributed to continuing operations were $20.0 million in 2019, up from $14.5 million in 2018. The increase was due to the inclusion of Red Chris expenditures from August 15, 2019 onwards representing Imperial's 30% proportionate share compared to the prior year where these expenditures were classified as discontinued operations.

At December 31, 2019 the Company had $90.0 million in cash compared to $18.6 million at December 31, 2018.

NON-IFRS FINANCIAL MEASURES

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

Adjusted net income, adjusted EBITDA, and cash flow are not generally accepted earnings measures and should not be considered as an alternative to net income (loss) and cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, these measures may not be directly comparable to similarly titled measures used by other companies. Reconciliations are provided below.

Adjusted Net Loss and Adjusted Net Loss per Share

Adjusted net loss from continuing operations in 2019 was $49.3 million ($0.39 per share) compared to an adjusted net loss of $68.6 million ($0.58 per share) in 2018. Adjusted net income or loss shows the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net income or loss is calculated by removing the gains or loss, resulting from acquisition and disposal of property, mark to market revaluation of derivative instruments not related to the current period, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax, as further detailed in the following table.

Calculation of Adjusted Net Loss

	Years Ended December 31	
expressed in thousands, except share and per share amounts	2019	2018
Net loss reported from continuing operations	$(40,266)	$(109,464)
Unrealized foreign exchange (gain) loss on non-current debt, net of tax [(a)]	(10,292)	36,358
Impairment of mineral properties, net of tax	-	79,719
Settlement and insurance recoveries, net of tax[(c)]	-	(74,939)
Loss on early repayment of debt	1,289	-
Gain on sale of Sterling[(b)]	-	(296)
Adjusted net loss from continuing operations	$(49,269)	$(68,622)
Adjusted net income (loss) from discontinued operations	40,284	(16,141)
Total Adjusted Net Income (Loss) Reported	$(8,985)	$(84,763)
Basic weighted average number of common shares outstanding	127,277,090	118,939,728
Adjusted net loss per share from continuing operations	$(0.39)	$(0.58)
Adjusted net income (loss) per share from discontinued operations	$0.32	$(0.13)
Total Adjusted Net Loss Per Share	$(0.07)	$(0.71)

(a) Non-current debt is recorded on the Company's Statement of Financial Position at the foreign exchange rate in effect on that date, with changes in foreign exchange rates, net of taxes, flowing through net income. The amounts of non-current debt ultimately payable may be materially different than reflected in the financial statements due to foreign currency movements. Tax recoveries on unrealized capital losses are recorded only to the extent that they are expected to be realized by offset against available capital gains.

(b) There are no tax effects related to this transaction.

(c) Settlement and insurance recoveries related to Mount Polley, net of tax.

Adjusted EBITDA

Adjusted EBITDA from continuing operations in 2019 was a loss of $4.5 million compared to a loss of $3.3 million in 2018. We define Adjusted EBITDA as net income (loss) before interest expense, taxes, depletion and depreciation, and as adjusted for certain other items described in the reconciliation table below.

Adjusted EBITDA is not necessarily comparable to similarly titled measures used by other companies. We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about certain non-cash or unusual items that we do not expect to continue at the same level in the future, or other items that we do not believe to be reflective of our ongoing operating performance. We further believe that our presentation of this non-IFRS financial measure provides information that is useful to investors because it is an important indicator of our operations and the performance of our core business.

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

A reconciliation of net income (loss) to Adjusted EBITDA is as follows:

	Years Ended December 31	
expressed in thousands	2019	2018
Net loss from continuing operations	$(40,266)	$(109,464)
Adjustments:		
Income and mining tax recovery	(28,039)	(35,765)
Interest expense	46,273	73,357
Depletion and depreciation	19,930	26,109
Impairment of mineral properties	-	109,204
Accretion of future site reclamation provisions	2,598	2,762
Share based compensation	215	713
Foreign exchange (gain) loss	(10,053)	37,654
Revaluation (gain) loss on marketable securities	(253)	16
Loss on early repayment of debt	1,766	-
Fair value adjustment for debt settled in common shares	3,328	-
Gain on sale of Sterling	-	(296)
Settlement and insurance recoveries	-	(107,676)
Other	11	52
Adjusted EBITDA from continuing operations	(4,490)	(3,334)
Adjusted EBITDA from discontinued operations	142,858	36,602
Total Adjusted EBITDA	$138,368	$33,268

Cash Flow and Cash Flow Per Share

Cash flow from continuing operations in 2019 was negative $3.6 million compared to positive $106.5 million in 2018. Cash flow per share was $0.00 in 2019 compared to $0.90 in 2018.

Cash flow and cash flow per share are measures used by the Company to evaluate its performance however they are not terms recognized under IFRS. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances, income and mining taxes, and interest paid and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the year.

	Years Ended December 31	
expressed in thousands, except per share and per share amounts	2019	2018
Loss before taxes from continuing operations	$(68,305)	$(145,229)
Items not affecting cash flows:		
Depletion and depreciation	19,930	26,109
Impairment of mineral properties	-	109,204
Share based compensation	215	713
Accretion of future site reclamation provisions	2,598	2,762
Fair value adjustment for debt settled in common shares	3,328	-
Unrealized foreign exchange gains	(9,548)	35,556
Interest expense	46,273	73,357
Loss on early repayment of debt	1,766	-
Gain on sale of Sterling	-	(296)
Other	132	4,292
Cash flow from continuing operations	(3,611)	106,468
Cash flow from discontinued operations	23,822	36,981
Total Cash Flow	$20,211	$143,449
Basic weighted average number of common shares outstanding	127,277,090	118,939,728
Cash flow per share from continuing operations	$(0.03)	$0.90
Cash flow per share from discontinued operations	$0.19	$0.31
Total Cash Flow Per Share	$0.16	$1.21

Cash Cost Per Pound of Copper Produced

The cash cost per pound of copper produced is a non-IFRS financial measure that does not have a standardized meaning under IFRS, and as a result may not be comparable to similar measures presented by other companies. Management uses this non-IFRS financial measure to monitor operating costs and profitability. The Company is primarily a copper producer and therefore calculates this non-IFRS financial measure individually for its three copper mines, Red Chris (30% share effective August 15, 2019), Mount Polley and Huckleberry, and on a composite basis for these mines.

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

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

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

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

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

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

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

The following tables reconcile cost of sales as shown on the consolidated statement of comprehensive income to the cash cost per pound of copper produced in US$ for the three months ended December 31, 2019 and 2018.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Three Months Ended December 31, 2019		
	*Red Chris	**Mount Polley	*Composite
	A	B	C=A+B
Cost of sales	$31,463	$332	$31,795
Less:			-
Depletion and depreciation	(8,172)	-	(8,172)
Share based compensation	-	-	-
Cash costs before adjustment to production basis	23,291	332	23,623
Adjust for inventory change	(1,228)	-	(1,228)
Adjust transportation and offsite costs	4,234	(15)	4,219
Treatment, refining and royalty costs	7,161	-	7,161
By-product and other revenues	(6,977)	-	(6,977)
Cash cost of copper produced in CDN$	$26,481	$317	$26,798
US$ to CDN$ exchange rate	1.3200	1.3170	1.3200
Cash cost of copper produced in US$	$20,061	241	$20,302
Copper produced – pounds	6,502	-	6,502
Cash cost per lb copper produced in US$	$3.09	$ -	$3.12

	Three Months Ended December 31, 2018		
	*Red Chris	**Mount Polley	Composite
	A	B	C=A+B
Cost of sales	$63,495	$34,532	$98,027
Less:			
Depletion and depreciation	(12,016)	(6,442)	(18,458)
Share based compensation	194	(23)	171
Cash costs before adjustment to production basis	51,673	28,067	79,740
Adjust for inventory change	5,664	(2,906)	2,758
Adjust transportation and offsite costs	198	(1,515)	(1,317)
Treatment, refining and royalty costs	5,691	959	6,650
By-product and other revenues	(19,058)	(12,784)	(31,842)
Cash cost of copper produced in CDN$	$44,168	$11,821	$55,989
US$ to CDN$ exchange rate	1.3210	1.3210	1.3210
Cash cost of copper produced in US$	$33,435	$8,949	$42,384
Copper produced – pounds	15,568	3,184	18,752
Cash cost per lb copper produced in US$	$2.15	$2.81	$2.26

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019 and prior periods have been restated. Effective August 15, 2019 onwards, the results from Red Chris are presented in continuing operations on a proportional basis relative to Imperial's 30% beneficial interest in the joint venture.

** The Mount Polley Mine is a continuing operation. The mine was placed on care and maintenance on May 26, 2019.

The following tables reconcile cost of sales as shown on the consolidated statement of comprehensive income to the cash cost per pound of copper produced in US$ for the years ended December 31, 2019 and 2018.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Year Ended December 31, 2019		
	*Red Chris	**Mount Polley	Financial Statements
	A	B	C=A+B
Cost of sales	$187,830	$40,509	$228,339
Less:			
Depletion and depreciation	(19,087)	(6,144)	(25,231)
Share based compensation	7	-	7
Cash costs before adjustment to production basis	168,750	34,365	203,115
Adjust for inventory change	6,228	-	6,228
Adjust transportation and offsite costs	5,374	(369)	5,005
Treatment, refining and royalty costs	27,055	1,598	28,653
By-product and other revenues	(43,723)	(18,469)	(62,192)
Cash cost of copper produced in CDN$	$163,684	$17,125	$180,809
US$ to CDN$ exchange rate	1.3268	1.3268	1.3268
Cash cost of copper produced in US$	$123,368	$12,907	$136,275
Copper produced – pounds	50,334	3,825	54,159
Cash cost per lb copper produced in US$	$2.45	$3.37	$2.52

	Year Ended December 31, 2018		
	*Red Chris	**Mount Polley	Financial Statements
	A	B	C=A+B
Cost of sales	$267,665	$125,511	$393,176
Less:			
Depletion and depreciation	(48,931)	(24,845)	(73,776)
Share based compensation	107	(109)	(2)
Cash costs before adjustment to production basis	218,841	100,557	319,398
Adjust for inventory change	8,003	(5,598)	2,405
Adjust transportation and offsite costs	(272)	(1,506)	(1,778)
Treatment, refining and royalty costs	21,776	4,317	26,093
By-product and other revenues	(65,323)	(60,144)	(125,467)
Cash cost of copper produced in CDN$	$183,025	$37,626	$220,651
US$ to CDN$ exchange rate	1.2960	1.2960	1.2960
Cash cost of copper produced in US$	$141,223	$29,032	$170,255
Copper produced – pounds	60,349	14,974	75,323
Cash cost per lb copper produced in US$	$2.34	$1.94	$2.26

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019 and prior periods have been restated. Effective August 15, 2019 onwards, the results from Red Chris are presented in continuing operations on a proportional basis relative to Imperial's 30% beneficial interest in the joint venture.

** The Mount Polley Mine is a continuing operation. The mine was placed on care and maintenance on May 26, 2019.

DEVELOPMENTS DURING 2019

Red Chris Mine

On August 15, 2019, Imperial completed the sale of a 70% interest in the Red Chris copper and gold mine to Newcrest. The Company and Newcrest formed a joint venture for the operation of Red Chris with Newcrest acting as operator. The Company retains a 30% joint venture interest in the Red Chris mine.

During 2019, a production plan was developed following an in-depth review of historic data, with key assumptions being identified and validated against past performance. The plan reflects a lower mining rate as compared to 2018 (105,000 tonnes per day vs. 130,000 tonnes per day). The metal production for 2019 was estimated by a similar application of historic data for incorporation of mill availability, throughput (tonnes per operating hour) and recovery.

Mine teams followed the plan with the intent of targeting higher grades using an internal Geo Met process which focused on daily reviews by the onsite teams relating to geological and metallurgical performance. The maintenance teams focused on both scheduled and unscheduled downtimes in the plant which included formal measures as part of the business KPI system. These initiatives were successful, with the mill achieving 90% availability.

In the mill, 'donut' launders were installed on the first two rougher cells during December 2019, and four more are expected to be installed during the 2020 first quarter. The new launders are expected to increase the mass pull in the rougher circuit and lead to increased recovery of copper and gold.

Red Chris mine 2019 metals production was 71.9 million pounds copper, 36,471 ounces gold, and 133,879 ounces silver, of which Imperial's portion of the production, representing 100% for the period January 1 through August 14, 2019 and 30% of production for the period August 15 through December 31, 2019 was 50.3 million pounds copper, 25,177 ounces gold, and 90,577 ounces silver.

Red Chris metals production guidance (100%), provided by Newcrest in August 2019 for the period August 15, 2019 to June 30, 2020 (to conform to their annual year end of June 30, 2020), is in the range of 63-79 million pounds copper and 36,000-50,000 ounces gold.

Annual Production for the Year Ended December 31	2019(1)	2018(1)
Ore milled - *tonnes*	10,430,762	10,668,313
Ore milled per calendar day - *tonnes*	28,577	29,228
Grade % - copper	0.412	0.339
Grade g/t - gold	0.244	0.259
Recovery % - copper	76.0	75.6
Recovery % - gold	44.5	47.1
Copper – *000's pounds*	71,880	60,349
Gold – *ounces*	36,471	41,935
Silver – *ounces*	133,879	103,634

(1) production stated at 100%

Exploration in 2019 included over 17,500 metres of drilling completed in the Gully/Far West area, in search for additional zones of higher grade mineralization within the Red Chris porphyry corridor, and in the East zone, designed to obtain geological, geotechnical and metallurgical data to support future studies for underground block cave mining. Initial results were released on January 29, 2020. Drilling in the Gully zone discovered additional mineralization, including 304 metres grading 0.2% copper and 0.44 g/t gold in hole RC-19-603.

Exploration, development and capital expenditures were $42.5 million in 2019 compared to $62.9 million in 2018 (100% to August 15, 2019, and 30% thereafter).

Mount Polley Mine

Mount Polley mine ceased operations May 26, 2019, and remains on care and maintenance. Metal production for the period January 1 to May 26, 2019 was 3.8 million pounds copper, 10,619 ounces gold, and 11,119 ounces silver.

Annual Production for the Year Ended December 31	2019[1]	2018
Ore milled - *tonnes*	2,231,119	6,195,760
Ore milled per calendar day - *tonnes*	14,776	16,975
Grade % - copper	0.229	0.207
Grade g/t - gold	0.283	0.277
Recovery % - copper	34.0	52.89
Recovery % - gold	52.3	67.25
Copper – *000's pounds*	3,825	14,974
Gold – *ounces*	10,619	37,120
Silver – *ounces*	11,119	33,458

(1) production stated for period January 1 to May 26, 2019

During 2019, the mine's contact water (water that comes in contact with the mine site) was discharged via a water treatment plant through a pipeline at depth into Quesnel Lake. Dredging operations continued in the Springer Pit into November. Through Summer 2019, the mine completed installation of 5 kilometres of rainbow trout habitat in Hazeltine Creek. The trout were allowed back into Hazeltine Creek in May 2018, where they have successfully spawned for the last two years. The BC Ministry of Environment ("ENV") had issued Pollution Abatement Order ("PAO") 107461 under Section 83 of the BC Environmental Management Act on August 5, 2014. The PAO directed MPMC to implement measures and submit documentation describing its response, and to communicate to the ENV regarding response progress. The PAO was cancelled on September 12, 2019 when ENV deemed that all PAO requirements had been complied with, including ENV's acceptance of the final remediation plan.

During late Fall 2019, a Mobile Metal Ion soil sampling program and a 3D Induced Polarization geophysical survey were conducted to explore new regions at Mount Polley. The program was completed over an area north-northwest of the mine. The soil sampling program consisted of 948 samples collected over 51 km of soil lines. The IP survey was completed over a total of 81.6 km of survey lines by SJ Geophysics. The data is under review for drill target prioritizing.

For the year ended December 31, 2019, the Mount Polley mine incurred idle mine costs comprised of $7.8 million in operating costs and $3.1 million in depreciation expense.

Exploration, development, and capital expenditures were $5.4 million in 2019 compared to $13.3 million in 2018.

Huckleberry Mine

Huckleberry remains on care and maintenance status since operations shut-down in August 2016. During this period of mine care and maintenance, activities at the mine site have been focused on water management, snow removal in the winter to maintain access, and maintenance to the site infrastructure and equipment. All environmental sampling and reporting is coordinated from the mine site as well.

A preliminary plan to restart the mine has been developed, for such time when the economics of mining improve. In the interim, the Company will develop exploration programs designed to expand the resource.

In 2019, a Mobile Metal Ion soil sampling program was conducted at Whiting Creek, consisting of 449 soil samples collected over portions of the Creek Zone, the Rusty Zone, and the Ridge Zone. The data is under review.

For the year ended December 31, 2019, the Huckleberry mine incurred idle mine costs comprised of $4.9 million in operating costs and $0.8 million in depreciation expense.

Ruddock Creek Joint Venture

The Ruddock Creek lead-zinc project is operated by way of a Joint Venture with Imperial, Mitsui Mining and Smelting Co. Ltd., Itochu Corporation, and Japan Oil, Gas and Metals National Corporation (JOGMEC). Imperial operates the project through its wholly owned subsidiary Ruddock Creek Mining Corporation.

JOGMEC funded the 2019 drill program and now has earned the assignable right to be vested in an approximate 7.96% Participating Interest in the joint venture. Imperial's interest has been reduced to approximately 45.29%, Mitsui's interest to 28.05% and Itochu's interest to 18.70%.

The 2019 diamond drill program consisted of 17 drill holes totaling 8,802.1 metres targeting the V Zone (11 drill holes; 6,955.5 metres) and the Q Zone (6 drill holes; 1,846.6 metres). Highlights include drill hole RD-19-V54 which intersected 40.9 metres (true thickness 36.8 metres) grading 16.83% zinc, 3.46% lead and 4.74 g/t silver, including 20.1 metres grading 18.93% zinc, 4.15% lead and 6.11 g/t silver. Drill hole RD-19-V54 was drilled targeting the deep V Zone (where 2018 drill hole RD-18-V41 intersected 21.7 metres (true thickness 21.5 metres) grading 16.99% zinc, 3.44% lead and 2.41 g/t silver, including 10.4 metres grading 25.70% zinc, 5.41% lead and 3.44 g/t silver located 52.0 metres below hole RD-19-54).

The V Zone drilling was designed to expand and increase the confidence in the resource in the deep portions of the zone. The V Zone has a steeper dip than all the other known zones at Ruddock Creek. The steeper dip should facilitate lower mining costs than the shallower dipping zones, and thus a larger resource of steeply dipping mineralization in the V Zone would improve the economics of the project. The wide high-grade intercept in RD-V19-54 will add to the resource, along with the other V Zone mineralized intercepts obtained this year.

Jim Miller-Tait, P.Geo., VP Exploration, is the designated Qualified Person as defined by National Instrument 43-101 for the exploration program. Ruddock Creek samples for the 2019 drilling reported were analysed at Bureau Veritas Mineral Laboratories in Vancouver. A full QA/QC program using blanks, standards and duplicates was completed for all diamond drilling samples submitted to the lab.

A comprehensive review will be completed in 2020 using the geophysical and geological information from the last two years of field work to recommend future exploration at Ruddock Creek. Plans for further exploration in the vicinity of the excellent results obtained in a portion of the V zone are being developed, and will be discussed with our joint venture partners.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. Joint control is considered to exist when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

Joint Operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Joint control is considered to exist when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint operations are accounted for by recognizing the Company's share of assets, liabilities, revenues and expenses incurred jointly.

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.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests ("NCI") in the acquiree. For each business combination, the Company elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Mineral reserves, resources and exploration potential that can be reliably measured are recognized separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognized separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognized in the statement of profit or loss and other comprehensive income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value, with changes in fair value recognized in profit or loss in the statement of profit or loss and other comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair value of the identifiable net assets acquired and liabilities assumed). If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

Inventory

Copper concentrates, inclusive of contained gold and silver, and costs associated with stockpile ore are valued on a first in first out basis at the lower of production cost to produce saleable metal and net realizable value. Net realizable value is calculated as described under "Revenue Recognition". Production costs include direct labour, operating materials and supplies, transportation costs and applicable overhead, and depletion and depreciation.

Stores and supplies inventories are valued at the lower of cost and net realizable value. Cost includes acquisition cost and any directly related costs, including freight.

The portion of the ore stockpile and supplies that are to be processed/used more than 12 months from the reporting date and critical spare items, which might impact production if unavailable, are classified as other assets.

Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock and a general allowance for obsolescence. A regular review is undertaken to determine the extent of any provision for obsolescence.

Mineral Properties

Mineral properties represent capitalized expenditures related to the development of mining properties, related plant and equipment, expenditures related to exploration activities and expenditures arising from property acquisitions. Capitalized costs include interest and financing costs for amounts borrowed to develop mining properties and construct facilities, and operating costs, net of revenues, incurred prior to the commencement of commercial production.

The costs associated with mineral properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value associated with resources and exploration potential is the value beyond proven and probable reserves assigned through acquisition. The value allocated to reserves is depleted on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as mineral properties being depleted in Note 7.

The resource value represents the property interests that are contained in the measured and indicated resources that are not within the proven and probable reserves. Exploration potential is (i) mineralization included in inferred resources; (ii) areas of potential mineralization not included in any resource category.

Resource value and exploration potential value is noted as mineral properties not being depleted in Note 6. At least annually or when otherwise appropriate and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category if resources or exploration potential have been converted into reserves.

Capitalized costs for mineral properties being depleted are depleted by property using the unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate.

Commencement of Commercial Production

On the commencement of commercial production, net costs are charged to operations using the unit-of-production method by property based upon estimated recoverable reserves. Management considers a number of factors related to the ability of a property to operate at its design capacity over a specified period of time in determining when a property has reached commercial production. These factors include production levels as intended by management, plant throughput quantities, recovery rates, and number of uninterrupted days of production.

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Capitalized costs include the fair value of consideration given to acquire or construct an asset, capitalized interest related to that asset and includes the direct charges associated with bringing the asset to the location and condition necessary for placing it into use along with the future cost of dismantling and removing the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The costs of major overhauls of parts of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in income or loss as incurred.

Milling equipment and related buildings, intangible assets used in production, and tailings facilities are depleted on a unit-of-production basis over the estimated recoverable proven and probable reserves at the mines to which they relate.

Mobile mine equipment and vehicles are depreciated over the estimated useful lives of the assets either on a unit-of-production basis or using the straight line method with useful lives of 4-12 years. Office, computer and communications equipment are depreciated using the straight line method with useful lives of 4-5 years. The estimated residual value and useful lives are reassessed at each year end and depreciation expense is adjusted on a prospective basis.

Stripping Costs

Costs associated with the removal of overburden and rock that are incurred in the production phase of mining operations are included in the cost of the inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve accessed by the stripping activity using the unit-of-production method as these reserves will directly benefit from the deferred stripping costs incurred.

Assessment of Impairment

Management reviews the carrying value of exploration and evaluation properties at the end of each reporting period for evidence of impairment. This review is generally made with reference to timing of exploration work, work programs proposed, and the exploration results achieved by the Company and by others in the related area of interest.

Post-feasibility exploration properties, producing mining properties and plant and equipment are reviewed at the end of each reporting period for evidence of impairment at the cash generating unit (CGU) level. A CGU is defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any such indication exists, the entity shall estimate the recoverable amount of the CGU to determine if it exceeds the CGU's carrying value.

The recoverable amount for a CGU is the greater of the fair value less cost of disposal (FVLCD) and the value in use. Fair value less cost of disposal is the amount that would be received by the Company to sell a CGU in a transaction between arms-length parties less any costs directly attributable to the disposal of the CGU. Value in use is the present value of future cash flows expected to be derived by the Company from the CGU, which is estimated using discounted cash flow techniques. When it is not possible to determine fair value less cost of disposal by quotes from an active market, a written offer to purchase the CGU, or a binding sales agreement to purchase the CGU, the Company estimates the fair value less cost of disposal using discounted cash flow techniques. Resources in the measured and indicated categories are valued using estimated fair values based on market transactions.

Discounted cash flow techniques are dependent on a number of factors, including future metal prices, the amount of reserves, resources and exploration potential, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and future site reclamation costs. Additionally, the reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts in assessing these factors.

Post-feasibility exploration properties, producing mining properties and plant and equipment that have been impaired in prior periods are tested for evidence of possible impairment reversal whenever events or significant changes in circumstances indicate that the impairment may have been reversed. Indicators of a potential reversal of an impairment loss mainly mirror the indicators present when the impairment was originally recorded

An impairment loss or reversal thereof is recognized in income or loss to the extent that the carrying amount exceeds or is below the recoverable amount.

Future Site Reclamation Costs

The Company's mining and exploration activities are subject to various statutory, contractual or legal obligations for protection of the environment. At the date the obligation is incurred, the Company records a liability, discounted to net present value, for the best estimate of future costs to retire an asset including costs for dismantling, remediation and ongoing treatment and monitoring of the site. The present value is determined using a pre-tax risk free interest rate. The liability is accreted over time to the estimated amount ultimately payable through periodic charges to income or loss. The estimated present value of the future site reclamation costs are reviewed for material changes at each reporting date and re-measured at least annually or when there are significant changes in the assumptions giving rise to the estimated cash flows.

Future site reclamation costs are capitalized as part of the carrying value of the related mineral property at its initial discounted value and amortized over the useful life of the mineral property using the unit-of-production method. Subsequent changes to future site reclamation costs are recorded with a corresponding change to the carrying amounts of related mineral property.

Income and Mining Taxes

The Company accounts for income and mining taxes using the liability method. Under this method, deferred tax assets and deferred tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of deferred tax assets, including unused tax losses and tax credits, are recognized to the extent that it is probable that taxable profit will be available against the deductible temporary difference and the tax loss and tax credits can be utilized. These deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized.

In a business combination, temporary differences arise as a result of differences in the fair values of identifiable assets and liabilities acquired and their respective tax bases. Deferred tax assets and liabilities are recognized for the tax effects of these differences. Deferred tax assets and liabilities are not recognized for temporary differences arising from goodwill or from the initial recognition of assets and liabilities acquired in a transaction other than a business combination which does not affect either accounting or taxable income or loss. Government assistance, including investment tax credits, is credited against the expenditure generating the assistance when it is probable that the government assistance will be realized.

Revenue Recognition

The revenue from sale of concentrate is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the concentrate to a customer. The Company established a five-step model to account for revenue arising from contracts with customers: to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. The Company exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of revenue recognition model to contracts with customers.

The revenue from the sale of concentrate is recognized at the point in time when control of the concentrate passes to the customer which occurs when title transfer to the customer and on the date of shipment.

Revenue is recorded in the statement of income and comprehensive income net of treatment and refining costs and royalties paid to counterparties under terms of the off take arrangements. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each reporting date to the metal prices at the date of settlement. The actual amounts will be reflected in revenue upon final settlement, which could be as long as four to five months after the date of shipment. These adjustments reflect changes in metal prices and changes in quantities arising from final weight and assay calculations. The adjustments are constrained and are only recognized to the extent that it is highly probable that a significant reversal of in the amount of cumulative revenue recognized will not occur.

Financial Assets

Financial assets are initially measured at fair value and are subsequently measured at either amortized cost or fair value through profit or loss, depending on the classification of the financial assets.

The classification of assets is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics and the Company's business model for managing them. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of a year or less, are measured at the transaction price determined under IFRS 15 in accordance with revenue recognition accounting policy. For other financial assets, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs. The Company records the fair value of marketable securities at the reporting date using quoted market prices.

The Company has categorized its financial assets in accordance with International Financial Reporting Standard 9, Financial Instruments ("IFRS 9") into one of the following two categories:

Fair Value Through Profit or Loss

Includes equity investments, gold and copper price contract assets, gold and copper swap contracts, copper forward contracts, and other financial assets designated to this category under the fair value option. The Company has assessed the contractual cash flows of its provisionally priced contracts in accordance with IFRS 9 and has classified these receivables as fair value through profit or loss ("FVTPL").

Financial Assets at Amortized Cost

Includes cash, future site reclamation deposits and trade receivables at amortized cost.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Company is the last bid price of the day.

Financial assets measured at amortized cost are subject to an allowance for expected credit losses based on the historic experience realizing these assets and information available about the probability of future collection. The Company applies a simplified lifetime expected credit loss model to measure expected credit losses for trade and other receivables that are not measured at FVTPL.

Impairment losses are recognized in income or loss in the period they occur based on the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The Company recognizes an impairment gain or loss in profit or loss for its financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial Liabilities

Financial liabilities are accounted for at amortized cost except for those at FVTPL which includes liabilities designated as FVTPL and derivatives. Financial liabilities classified as FVTPL or those which are designated as FVTPL under the fair value option are measured at fair value with unrealized gains and losses recognized in net earnings. In cases where financial liabilities are designated as FVTPL, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of operations. Financial liabilities at amortized cost are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost.

The Company has classified its financial liabilities in accordance with IFRS 9 into one of the following two categories:

Fair Value Through Profit or Loss

Includes settlement payables related to copper price option contract liabilities.

Financial Liabilities at Amortized Cost

Includes trade and other payables and long-term debt.

Foreign Currency Translation

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into the functional currency using the actual rate prevailing at the date of transaction. Each reporting period foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of the entity are recognized in the statement of income and comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at the actual rate prevailing at the date of transaction. Equity is translated at historical cost. The resulting translation adjustments are included in currency translation adjustment in other comprehensive income. Additionally, foreign exchange gains and losses related to the settlement of certain intercompany loans are also included in equity as the settlement of these loans is neither planned nor likely to occur in the foreseeable future.

Foreign exchange gains and losses that relate to debt are presented in the statement of income and comprehensive income within "Finance Costs". All other foreign exchange gains and losses are presented in the statement of income and comprehensive income within "General and Administration".

Reportable Segment Information

The Company's operations are primarily directed towards the exploration, development and production from its mineral properties in Canada. The Company has five reportable segments, Red Chris, including related exploration and development activities, Mount Polley, including related exploration and development activities, Huckleberry, including related exploration and development activities, Sterling, including related exploration and development activities and Corporate, including all other properties and related exploration and development activities.

Share Based Payments

The Company has a share option plan that provides all option holders the right to receive common shares in exchange for the options exercised which is described in Note 14(b). The fair value of each option award that will ultimately vest is estimated on the date of grant using the Black-Scholes option-pricing model. Compensation expense is determined when stock options are granted and recognized in operations over the vesting period of the option. Consideration received on the exercise of stock options is recorded as share capital and the related share-based amounts of share option reserve are credited to share capital.

Borrowing Costs

The Company expenses borrowing costs when they are incurred, unless they are directly attributable to the acquisition of mineral properties or construction of property, plant and equipment extending over a period of more than twelve months.

Income (Loss) Per Common Share

Basic net income (loss) per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed in accordance with the treasury stock method and "if converted" method, as applicable, which uses the weighted average number of common shares outstanding during the period and also includes the dilutive effect of potentially issuable common shares from outstanding stock options, warrants and convertible debentures.

Critical Judgments

Revenue Recognition

Determination of performance obligations. The Company applied judgement to determine if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is the delivery of the concentrates. Shipping and insurance services arranged by the Company for its concentrate sales customers that occur after the transfer of control are also considered to be performance obligations.

Transfer of control. Judgement is required to determine when transfer of control occurs relating to the sale of the Company's concentrate to its customers. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether the physical possession of the goods, significant risks and rewards and legal title have been transferred to the customer.

Variable consideration. Variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company identified a variable component of its revenue for concentrate sales relating to adjustments to the final sales price based on differences between the original and final assay results relating to the quantity and quality of concentrate shipments. Based on the Company's proficiency in its assaying process, evidenced by the insignificant amount of historical adjustments from the initial to final assays, the Company concluded the variability in consideration caused by assaying results was negligible. Therefore, the Company does not expect a significant amount of reversal in revenue related to assaying differences.

Impairment of Mineral Properties and Goodwill

Both external and internal information is reviewed and considered by management in their assessment of whether there are indicators that mineral properties and goodwill are impaired. External sources of information include changes in the market, economic and legal environment, in which the Company operates, that are not within its control and affect the recoverable amount of its mineral properties, plant and equipment. The internal sources of information include the manner in which mineral properties, plant and equipment are being used or are expected to be used and indications of economic performance of assets. In determining the recoverable amounts of producing mineral properties and goodwill management estimates the discounted future pre-tax cash flows expected to be derived from the Company's producing mineral properties. Reductions in commodity prices, increases in estimated future production and capital costs, reductions in mineral reserves and exploration potential and adverse economic events can result in impairment charges. In determining the economic recoverability and probability of future economic benefit of non-producing mineral properties management also considers geological information, likelihood of conversion of resources to reserves, estimated market values of measured and indicated resources, scoping and feasibility studies, permitting, infrastructure, development costs, and life of mine plans.

Interests in Other Entities

As part of its process in determining the classification of its interests in other entities, the Company applies judgment in interpreting these interests such as

- the determination of the level of control or significant influence held by the Company;
- the accounting standard's applicability to the operations;
- the legal structure and contractual terms of the arrangement;
- concluding whether the Company has rights to assets and liabilities or to net assets of the arrangement; and
- when relevant, other facts and circumstances.

The Company has determined that Newcrest Red Chris Joint Venture represent joint operations without sharing control and Ruddock Creek Joint Venture is joint operations with shared control.

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Canadian dollar is the functional currency for all operations of the Company except for the Company's US subsidiary which uses the US dollar as its functional currency. Determination of the functional currency involves certain judgments to determine the primary economic environment of each entity. If events and conditions in this environment change then the Company may need to reconsider the functional currency of these entities.

Contingencies

Contingencies can be either possible assets or liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. Such contingencies include, but are not limited to, environmental obligations, litigation, regulatory proceedings, tax matters and losses results from other events and developments. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgement regarding the outcome of future events.

Critical Estimates

Reserve and Resource Estimates

The Company estimates its reserves and resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projec*ts. There are numerous uncertainties inherent in estimating reserves and resources, including many factors beyond the Company's control. Assumptions used in estimating reserves and resources include the forecast prices of commodities, exchange rates, production and capital costs, recovery rates and judgments used in engineering and geological interpretation of available data. Assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Estimated reserves are used in the calculation of depreciation and depletion, impairment assessment on mineral properties and goodwill, assessment of life of pit stripping ratios and for forecasting the timing of future site reclamation costs. Therefore, changes in the estimates and assumptions used to determine reserves could have a material effect in the future on the Company's financial position and results of operations.

Depletion and Depreciation of Mineral Properties

Depletion and depreciation of mineral properties is based on the estimated mineral reserves for each mineral property subject to depletion and estimated useful lives and depreciation rates for property, plant and equipment. Should asset life, depletion rates or depreciation rates differ from the initial estimate then this would impact the carrying value of the assets resulting in the adjustment being recognized in the consolidated statement of income.

Stripping Costs

The determination of costs associated with the removal of overburden and rock involve estimates related to whether or not these costs represent a betterment to the mineral property. Management uses several factors to determine whether to capitalize stripping costs including quantity and grade of materials being accessed, estimated future commodity prices, operating costs and life of mine plan. If any of these factors change then the determination of which materials are included in stripping costs may change resulting in higher mine operating costs in future periods.

Future Site Reclamation Provisions

Future site reclamation provisions represent management's estimate of the present value of future cash outflows required to settle estimated reclamation obligations at the end of a mine's life. The provision incorporates estimated future costs, inflation, and risks associated with the future cash outflows, discounted at the risk free rate for the future cash outflows. Changes in any of these factors can result in a change to future site reclamation provisions and the related accretion of future site reclamation provisions. Changes to future site reclamation provisions are charged or credited to mineral properties and may result in changes to future depletion expense.

Provision for Rehabilitation Costs

The provision for rehabilitation costs represents management's estimate of the future cash outflows required to settle the estimated rehabilitation costs related to the August 4, 2014 Mount Polley mine tailings dam breach. The provision incorporates the Company's estimate of costs for rehabilitation, including geotechnical investigations, environmental monitoring, community relations, communications and related corporate support costs. The provision is based on the scope and timing of work as determined by the Company in consultation with regulatory agencies and incorporates the risks associated with each activity. Changes in any of these factors can result in a change to the provision for rehabilitation costs.

Income Taxes

In determining tax assets and liabilities and related tax expense management makes estimates of future taxable income, tax rates, expected timing of reversals of existing temporary differences and the likelihood that tax returns as filed by the Company will be assessed by taxation authorities as filed. Recoveries of deferred tax assets require management to assess the likelihood that the Company will generate sufficient taxable income in future periods to recognize the deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets could be impacted.

Share Based Compensation

The Company used the Black-Scholes Option Pricing Model for valuation of share based compensation. This pricing model requires the input of subjective assumptions including expected price volatility, interest rate and estimated forfeiture rate. Changes in these assumptions can materially affect the fair value estimate of share based compensation and the related equity accounts of the Company.

RESULTS FROM CONTINUING OPERATIONS FOR 2019 COMPARED TO 2018

This review of the results of operations should be read in conjunction with the audited Consolidated Financial Statements of the Company for the years ended December 31, 2019 and December 31, 2018.

Overview

Revenues decreased to $71.8 million in 2019 compared to $104.4 million in 2018, a decrease of $32.6 million or 31.2%.

Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

Net loss from continuing operations in 2019 was $40.3 million ($0.32 per share) compared to net loss of $109.5 million ($0.92 per share) in 2018. The majority of decrease in net loss of $69.2 million was primarily due to the following factors:

- Loss from mine operations decreased from a loss of $21.1 million in 2018 to a loss of $6.6 million in 2019, a decrease in net loss of $14.5 million.
- Interest expense decreased from $73.4 million in 2018 to $46.3 million in 2019, a decrease to net loss of $27.1 million.
- Foreign exchange gains/losses went from a loss of $37.4 million in 2018 to a gain of $10.1 million in 2019, a decrease in net loss of $47.5 million.
- Impairment on mineral properties decreased from $109.2 million in 2018 to $nil in 2019, a decrease in net loss of $109.2 million.
- Rehabilitation costs of $nil in 2019 compared to $0.2 million in 2018, a decrease in net loss of $0.2 million.
- Other income totalled $0.3 million in 2019 compared to income of $108.1 million in 2018, largely due to the settlement of $106.2 million net of costs, pertaining to the August 4, 2014 tailings dam breach at the Mount Polley Mine ("Mount Polley Breach"), an increase in net loss of $107.8 million.
- An income and mining tax recovery of $28.0 million in 2019 compared to a recovery of $35.8 million in 2018, an increase in net loss of $7.8 million.

Revenue

expressed in thousands of dollars, except quantity amounts

	2019	2018
Revenue before revaluation from		
Continuing operations	$72,657	$113,031
Discontinued operations	167,490	266,150
Revenue revaluation from:		
Continuing operations	(834)	(8,594)
Discontinued operations	(2,497)	(10,414)
	$236,816	$360,173

expressed in thousands of dollars, except quantity amounts

	Year Ended December 31, 2019		
	*Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	50,283	4,584	54,867
Gold – ounces	25,510	12,577	38,087
Silver – ounces	88,365	13,700	102,065
Revenue			
Copper	$156,379	$15,710	$172,089
Gold	44,068	18,965	63,033
Silver	413	273	686
	200,860	34,948	235,808
Corporate and Other	-	-	1,008
Total Revenue	$200,860	$34,948	$236,816

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019 and prior periods have been restated. Effective August 15, 2019 onwards, the results from Red Chris are presented in continuing operations on a proportional basis relative to Imperial's 30% ownership in the joint venture.

expressed in thousands of dollars, except quantity amounts	Year Ended December 31, 2018		
	*Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	60,004	15,347	75,351
Gold – ounces	41,715	37,611	79,326
Silver – ounces	105,022	33,100	138,122
Revenue			
Copper	$190,829	$46,287	$237,116
Gold	64,728	57,775	122,503
Silver]	180	344	524
	255,737	104,406	360,143
Corporate and Other	-	-	30
Total Revenue	$255,737	$104,406	$360,173

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019 and prior periods have been restated. Effective August 15, 2019 onwards, the results from Red Chris are presented in continuing operations on a proportional basis relative to Imperial's 30% ownership in the joint venture.

During 2019, the Company sold 54.9 million pounds copper and 38,087 ounces gold compared to 75.4 million pounds copper and 79,326 ounces gold in 2018. Total revenue during 2019 was $236.8 million compared to $360.2 million during 2018.

During 2019, the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris and Mount Polley mines. The Red Chris mine accounted for 84.8% and Mount Polley mine 14.8% of the Company's revenue in 2019. Copper accounted for 72.7% and gold accounted for 26.6% of the Company's revenue in 2019.

The London Metals Exchange cash settlement copper price was about 8.1% lower in 2019, averaging US$2.72 per pound compared to US$2.96 per pound in 2018. The average US$ strengthened by 2.0% compared to the CDN$ in 2019 over 2018. Factoring in the average exchange rate, the price of copper averaged CDN$3.61 per pound compared to 2018 when the average copper price was CDN$3.84 per pound.

The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,392 in 2019 compared to US$1,269 in 2018. Factoring in the average exchange rate, the price of gold averaged CDN$1,847 per ounce in 2019 about 12.3% higher than the 2018 average of CDN$1,645 per ounce.

The following information only contains financial results from continuing operations. Prior year comparatives have been restated accordingly.

Cost of Sales

expressed in thousands of dollars	2019	2018
Operating expenses	$43,857	$71,407
Salaries, wages and benefits	18,591	29,150
Depletion and depreciation	15,944	24,845
Share based compensation	-	109
	$78,392	$125,511

Cost of sales for 2019 was $78.4 million compared to $125.5 million in 2018, due to the following major factors:

- operating expenses and salaries, wages and benefits for 2019 were $62.4 million compared to $100.6 million in 2018;
- depletion and depreciation for 2019 was $15.9 million in 2019 compared to $24.8 million in 2018;
- Included in cost of sales for 2019 are inventory impairment charges in relation to stockpile ore, concentrate inventory and supplies inventory of $4.5 million compared to $7.9 million in 2018.

General and Administration Costs

expressed in thousands of dollars	2019	2018
Administration	$4,240	$3,741
Share based compensation - corporate	215	604
Depreciation – corporate assets	30	129
Foreign exchange loss	247	1,058
	$4,732	$5,532

General and administration costs were $4.7 million in 2019 compared to $5.5 million in 2018. Administration costs increased largely due to the implementation of the new employer health tax; share based compensation costs decreased due to a lower number of options outstanding which still had vesting remaining on them; and there was a lower foreign exchange loss on operational items.

The average US$/CDN$ exchange rate for 2019 was 1.327 compared to 1.296 in 2018. Foreign exchange gains and losses are attributable to holding US Dollar denominated cash, accounts receivable, and accounts payable. These net US Dollar asset and liability balances are primarily the result of the activities at the Red Chris and Mount Polley mines.

Interest Expense

expressed in thousands of dollars	2019	2018
Interest on non-current debt	$37,569	$66,840
Other interest	8,704	6,517
	$46,273	$73,357

Interest expense is determined by a variety of factors including levels of non-current debt, levels of short-term debt on concentrate advances, the interest rate on the debt and foreign exchange rates on interest incurred on US denominated debt. Interest expense decreased to $46.3 million in 2019 from $73.4 million in 2018, due to the Company repaying the majority of its debt on August 15, 2019.

Other Finance Income (Expense)

expressed in thousands of dollars	2019	2018
Accretion of future site reclamation provisions	$2,598	$2,762
Foreign exchange loss (gain) on debt	(10,375)	36,214
Fair value adjustment for debt settled in common shares	3,328	-
Loss on early repayment of convertible debentures	1,766	-
Fair value adjustment to marketable securities	304	16
	(2,379)	38,992
Interest income	(3,161)	(223)
Other finance (income) loss	$(5,540)	$38,769

Other finance income totaled $5.5 million in 2019 compared to expense of $38.8 million in 2018 with the expense resulting primarily from foreign exchange discussed below.

At December 31, 2019 the Company had US$ denominated debt of US$2.5 million compared to US$335.0 million at December 31, 2018.

Foreign exchange gain attributable to US denominated short and non-current debt reflect the foreign currency movement during the year and resulted in a $10.3 million gain on the Senior Notes in 2019 (2018-$35.5 million loss) and $0.1 million gain on equipment loans in 2019 (2018-$0.7 million loss). The senior notes were repaid in full during the quarter.

Income and Mining Taxes Recovery

The reported income tax provision differs from the amounts computed by applying the Canadian federal and provincial statutory rates to the loss before income taxes due to the following reasons:

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Loss before taxes	$(68,305)	100.0	$(145,229)	100.0
Tax recovery thereon at statutory rates	(18,442)	(27.0)	(39,212)	(27.0)
Decrease (increase) resulting from:				
Non-deductible share based compensation	72	0.1	192	0.1
Non-taxable (non-deductible) portion of foreign exchange loss (gain)	(1,111)	(1.6)	4,194	2.9
Revisions to prior year estimates	3,442	5.0	3,721	2.6
Non-deductible fair value adjustment on debt settled in common shares	899	1.3		
B.C. mineral tax	(12,896)	(18.9)	(4,910)	(3.4)
Other	(3)	-	250	0.1
Income and mining tax recovery	$(28,039)	(41.1)	$(35,765)	(24.7)
Current income and mining tax (recovery) expense	(10,235)		$726	
Deferred income and mining tax recovery	(17,804)		(36,491)	
	$(28,039)		$(35,765)	

	December 31 2019	December 31 2018
Deferred income and mining tax assets	$9,115	$6,437
Deferred income and mining tax (liabilities)	(159,244)	(36,152)
Net deferred income and mining tax (liabilities)	$(150,129)	$(29,715)

	December 31 2019	December 31 2018
Deferred income and mining tax assets and (liabilities)		
Mineral properties	$(173,301)	$(184,408)
Mineral properties – mineral tax	(17,120)	(4,524)
Debt component of convertible debentures	-	(3,240)
Other	4,230	1,686
Net operating tax losses carried forward[1]	36,062	160,771
Net deferred income and mining tax liabilities	$(150,129)	$(29,715)

[1] The Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred income tax assets.

As at December 31, 2018, the Company had net operating tax loss carry forwards in Canada of $154,662 which can be applied to reduce future Canadian taxable income and will expire between 2026 and 2039. In addition, the Company had net operating tax loss carry forwards in the United States of US$20,637 which can be applied to reduce future US taxable income and will expire in 2030 to 2037.

The Company had the following tax effected temporary differences and tax effected unused tax losses at December 31, 2019 in respect of which no deferred tax asset has been recognized:

	Mineral Properties & Other	Tax Losses	Total
Expiry 2026 and beyond	$ -	$14,811	$14,811
No expiry date	34,023	-	34,023
	$34,023	$14,811	$48,834

CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2018. The capital structure of the Company consists of current and non-current debt and equity comprised of share capital, contributed surplus, equity component of convertible debentures, warrant reserve, currency translation adjustment and retained earnings.

LIQUIDITY & CAPITAL RESOURCES AND FINANCING

Credit Risk

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

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

From time to time the Company enters into derivative instruments with a number of counterparties to limit the amount of credit risk associated with any one counterparty. The Company did not enter into any derivative instruments during the quarter ended December 31, 2019.

Liquidity Risk

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

At December 31, 2019, the Company had a positive working capital balance of $55.3 million, including a cash balance of $90.0 million which compares to a working capital deficiency of $789.5 million and cash balance of $18.6 million at December 31, 2018. The strong working capital reflects the funds that were received from the sale of 70% interest in Red Chris and subsequent repayment of the majority of the Company's debt.

The Company entered into a new $50.0 million revolving credit facility of which $38.6 million was utilized for letters of credit to secure reclamation bonds.

Cash balances on hand, the projected cash flow from the Company's 30% share of Red Chris mine, as well as the available credit facility are expected to be sufficient to fund the Company's obligations as they come due.

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

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

The Company had the following contractual obligations with respect to financial instruments as of December 31, 2019:

expressed in thousands of dollars	Within 1 Year	2 Years	3 Years	4 Years	5 years	Total
Trade and other payables	$49,300	$ -	$ -	$ -	$ -	$49,300
Other obligations	3,933	-	-	-	-	3,933
Current portion of non-current debt	1,300	-	-	-	-	1,300
Non-current debt	-	1,300	1,216	-	-	2,516
Total	$54,533	$1,300	$1,216	$ -	$ -	$57,049

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US$ denominated cash, accounts receivable, derivative instrument assets, reclamation deposits, trade and other payables and debt. If the US$ had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the year ended December 31, 2019 would have been higher/lower by $2.7 million.

Cash Flow

Cash flow was negative $3.6 million in 2019 compared to positive cash flow of $106.5 million in 2018.

Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS and may not be comparable to similar measures used by other companies. Cash flow is defined as cash flow from operations before the net change in working capital balances, income and mining taxes, and interest paid. Refer to *Cash Flow and Cash Flow per share* under *Non-IFRS financial measures* for further details.

Working Capital

At December 31, 2019, the Company had cash of $90.0 million and a working capital of $55.3 million, which includes $1.3 million of current debt, compared to a working capital deficiency of $789.5 million at December 31, 2018, which included $725.4 million current portion of debt.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties on continuing and discontinued operations totaled $49.4 million in 2019 compared to $77.0 million in 2018.

expressed in thousands of dollars	2019	2018
Capital and Development Expenditures		
Red Chris*	$40,361	$62,457
Mount Polley	4,942	13,185
Other	6	17
	45,309	75,659
Exploration Expenditures		
Red Chris*	2,127	450
Mount Polley	489	137
Other	1,451	726
	4,067	1,313
	$49,376	$76,972

*The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. From August 15, 2019 onwards, amounts noted above pertain to the Company's 30% share of the Red Chris Mine.

DERIVATIVE INSTRUMENTS

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

The Company had no derivative instruments for copper, gold or foreign exchange at December 31, 2019 or at the date of this document, other than those embedded in revenue contracts for provisional pricing.

DEBT AND OTHER OBLIGATIONS

At December 31, 2019 the Company's debt was comprised of equipment loans and leases denominated in both US$/CDN$ with a balance of $3.8 million.

Detailed disclosure on the Company's debt including amounts owed, interest rates and security can be found in Note 13 of the Consolidated Financial Statements.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At December 31, 2019, the Company did not have any borrowings that were at floating interest rates compared to December 31, 2018 when about 22% of the Company's outstanding borrowings were at floating interest rates. 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.

Off-Balance Sheet Arrangements

At December 31, 2019 the Company did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Other Price Risks

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

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.

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 at December 31, 2019 as follows:

expressed in thousands of dollars	Level 1	Level 2	Total
Financial assets			
Cash	$89,953	$ -	$89,953
Marketable securities	39	-	39
Provisionally priced receivables	-	2,797	2,797
Future site reclamation deposits	14,319	-	14,319
	$104,311	$2,797	$107,108

SELECT QUARTERLY FINANCIAL INFORMATION (CONTINUING AND DISCONTINUED OPERATIONS)

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

	Three Months Ended			
	December 31 2019	September 30 2019	June 30 2019	March 31 2019
Total revenues	$29,654	$46,863	$83,618	$76,681
Net income(loss)	$18,288	$313,226	$(7,450)	$(2,268)
Basic loss per share	$0.14	$2.47	$(0.06)	$(0.02)
Diluted loss per share	$0.14	$2.47	$(0.06)	$(0.02)
Adjusted net income (loss) [1]	$18,639	$672	$(16,683)	$(11,614)
Adjusted net income (loss) per share [1]	$0.15	$0.01	$(0.13)	$(0.09)
Adjusted EBITDA [1]	$(3,216)	$127,743	$6,846	$6,996
Cash flow [1]	$(2,157)	$8,616	$3,467	$10,285
Cash flow per share [1]	($0.01)	$0.06	$0.03	$0.08
Average LME copper price/lb in US$	$2.67	$2.64	$2.77	$2.82
Average LME gold price/troy oz in US$	$1,480	$1,474	$1,310	$1,304
Average US$/CDN$ exchange rate	$1.320	$1.321	$1.338	$1.329
Period end US$/CDN$ exchange rate	$1.298	$1.324	$1.329	$1.337

	December 31 2018	September 30 2018	June 30 2018	March 31 2018
Total revenues	$91,714	$70,481	$80,066	$117,912
Net loss	$(44,265)	$(28,609)	$(36,555)	$(16,166)
Basic loss per share	$(0.37)	$(0.24)	$(0.31)	$(0.14)
Diluted loss per share	$(0.37)	$(0.24)	$(0.31)	$(0.14)
Adjusted net income (loss) [1]	$(15,087)	$(37,099)	$(27,823)	$(4,754)
Adjusted net income (loss) per share[1]	($0.13)	$(0.30)	$(0.24)	$(0.04)
Adjusted EBITDA [1]	$12,341	$(13,287)	$(2,180)	$36,394
Cash flow [1]	$121,850	$(11,766)	$(2,593)	$35,958
Cash flow per share [1]	$1.03	$(0.10)	$(0.02)	$0.30
Average LME copper price/lb in US$	$2.80	$2.77	$3.12	$3.16
Average LME gold price/troy oz in US$	$1,228	$1,213	$1,306	$1,329
Average US$/CDN$ exchange rate	$1.321	$1.307	$1.291	$1.265
Period end US$/CDN$ $ exchange rate	$1.364	$1.295	$1.278	$1.289

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

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

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

(a) Fluctuations in revenue are due to the timing of shipping schedules and quantities of copper and gold sold on each ship, production volumes at the mines, changes in the price of copper, gold and the US$/CDN$ exchange rate.

(b) Fluctuations in net income are due to the revenue changes described above and realized and unrealized gains/losses on derivative instruments based on movements in the reference item hedged, changes in foreign exchange rates on US$ denominated debt, changes in production cost inputs and changes in tax rates.

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

(a) The primary reasons for the increase in loss in the June 2018 quarter compared the March 2018 was due to lower revenues at both Red Chris and Mount Polley mines due to the mining and treatment of lower grade ore compared to the March 2018 quarter which led to a decrease in overall metal production.

(b) The primary reasons for the increase in net loss in the September 2018 quarter compared to the September 2017 quarter was largely due to revenues being lower at both Red Chris and Mount Polley mines due to the mining and treatment of lower grade ore. However, compared to the June 2018 quarter, net loss in the September 2018 quarter was lower due to a foreign exchange gain of $7.3 million relating to the Company's US denominated debt compared to foreign exchange loss of $9.2 million in the June 2018 quarter.

(c) The primary reasons for the increase in net loss in the December 2018 quarter compared to the September 2018 quarter was largely due to an impairment charge of $109.2 million on the Mount Polley mine, higher foreign exchange losses on debt of $23.8 million, partially offset by a $108.0 million settlement that was received in relation to the Mount Polley Breach.

(d) The primary reasons for the decrease in net loss in the March 2019 quarter compared to March 2018 quarter was due to a $20.8 million reduction in foreign exchange losses on long term debt and an $8.1 million non-recurring recovery of BC mineral taxes. These factors were partially offset by lower revenues due to the mining and treatment of lower grade ore from stockpiles at Mount Polley and shortage of available free water at Red Chris due to freezing conditions that reduced production.

(e) The primary reasons for the decrease in net loss in the June 2019 quarter compared to June 2018 quarter was due to a foreign exchange gain of $9.3 million relating to the Company's US denominated debt compared to a foreign exchange loss of $8.9 million in the June 2018 quarter. However, compared to the March 2019 quarter, net loss increased in the June 2019 quarter due to a lower tax recovery.

(f) The primary reasons for the increase in net income in the September 2019 quarter compared to September 2018 quarter was due to a $440.1 million gain on sale and revaluation of interest in Red Chris and lower interest expense by approximately $9.2 million in the 2019 quarter as the Company repaid the majority of its debt during the period.

(g) The primary reasons for the decrease in net income in the December 2019 quarter compared to income in the September 2019 quarter was largely due to a $440.1 million gain on sale and revaluation of interest in Red Chris which was recognized in the September 2019 quarter. However, compared to the December 2018 quarter, net income increased in the December 2019 quarter largely due to lower interest expense.

FOURTH QUARTER RESULTS FROM CONTINUING OPERATIONS

Revenue in the fourth quarter of 2019 was $29.4 million compared to $27.8 million in 2018. Sales revenue is recorded when title for concentrate is transferred on ship loading. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date along with finalization of contained metals as a result of final assays.

The Company recorded a net loss of $12.3 million ($0.10 per share) in the fourth quarter of 2019 compared to net loss of $43.3 million ($0.36 per share) in the prior year quarter.

Expenditures for exploration and ongoing capital projects at Mount Polley, Red Chris and Huckleberry totaled $10.5 million during the three months ended December 31, 2019 compared to the expenditures for exploration and ongoing capital projects at Mount Polley and Huckleberry which totaled $0.8 million in the 2018 comparative quarter. Red Chris expenditures from August 15, 2019 onwards represented Imperial's 30% proportionate share compared to the prior year quarter where these expenditures were classified as discontinued operations.

RELATED PARTY TRANSACTIONS

Corporate

The Company incurred the transactions and balances noted below in the normal course of operations. Expenses have been measured at the fair value which is determined on a cost recovery basis. Related party transactions and balances with N. Murray Edwards, a significant shareholder, companies controlled by N. Murray Edwards including Edco, companies in which directors are owners, and with directors and officers are as follows:

Statement of Income

expressed in thousands of dollars		2019	2018
Loan guarantee fee for guarantee of Senior Credit Facility and Second Lien Secured Credit Facility	(a)	$3,483	$3,039
Interest expense and line of credit arrangement fee	(f)(h)(e)	$15,187	$17,253
Junior Credit Facility extension fee	(b)	$45	$ -

Statement of Financial Position

expressed in thousands of dollars		2019	2018
Accrued interest on Senior Notes and convertible debentures, Junior Credit Facility and Bridge Loan	(e)	$ -	$7,010
Junior Credit Facility	(b)	$ -	$75,000
Senior unsecured notes (US$53,300)	(c)	$ -	$72,739
Convertible Debentures	(d)(f)	$ -	$59,000
Bridge Loan	(h)	$ -	$13,000

(a) The loan guarantee fee is related to the guarantee by Edco on the second lien credit facility which provided additional liquidity in 2015 for the commissioning of the Red Chris mine and the new extended senior credit facility on September 14, 2018 to guarantee the facility to maturity on September 5, 2019. The facility was fully repaid prior to its maturity.

(b) The $75.0 million junior credit facility from N. Murray Edwards was used to fund any cost overruns at the Red Chris mine and for general working capital purposes. This facility was fully repaid prior to its maturity.

(c) At September 30, 2019, N. Murray Edwards, directors and officers hold US$151.7 million of the US$325.0 million senior unsecured notes offering which closed in March 2014 and provided part of the long term financing for the Red Chris mine. The notes were fully repaid prior to their maturity.

(d) N. Murray Edwards holds $40.0 million of the $115.0 million 2014 convertible debentures which provided funding for completing and commissioning the Red Chris mine, remediating the effects of the Mount Polley Breach, and for ongoing operations. The debentures were fully repaid prior to its maturity.

(e) Interest expense is related to the senior unsecured notes, the junior credit facility, convertible debentures and on factored accounts receivables and related financing transactions. This facility was fully repaid prior to its maturity.

(f) N. Murray Edwards and directors hold $19.0 million of the $30.0 million 2015 convertible debenture which closed on August 24, 2015. The debentures were fully repaid prior to its maturity.

(g) Bridge Loan of $13.0 million held by a company controlled by N. Murray Edwards. This loan was fully repaid prior to its maturity.

(h) Line of credit of $10.0 million held by a company controlled by N. Murray Edwards. This loan was fully repaid prior to its maturity.

The Company incurred the above transactions and balances in the normal course of operations. Expenses have been measured at the fair value which is determined on a cost recovery basis.

Additional details on related party transactions can be found in Note 25 to the audited Consolidated Financial Statements for the year ended December 31, 2019.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Internal Controls and Procedures

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

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

Audit procedures revealed errors, now corrected, in accounting for deferred income taxes. As a result of these errors the Chief Executive Officer and Chief Financial Officer determined that the Company's internal controls over financial reporting were not sufficiently effective to detect material misstatement in deferred income taxes, indicating a material weakness in the Company's internal controls.

The Company has properly reflected deferred income taxes at December 31, 2019.

The Company is reviewing its internal controls relating to deferred income taxes to prevent and detect errors in the future.

Following the sale of a 70% interest in the Red Chris mine to Newcrest on August 15, 2019, the Company's management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the Red Chris mine, in which the Company now holds a 30% beneficial interest and is proportionately consolidated in the Company's consolidated financial statements. As the minority partner in the Red Chris joint venture, the Company's management does not have the ability to dictate or modify controls at this entity and does not have the ability to assess, in practice, the controls at the entity. The Red Chris joint venture constitutes 65.8% of the Company's net assets, 52.8% of total assets, 49.9% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2019. The Red Chris Joint Venture is not a taxable entity as each joint venture participant calculates its own income taxes on their share of income from the joint venture. The Company's share of pretax loss of the Red Chris Joint Venture is 0.6% of pretax income of the Company for the year ended December 31, 2019.

Limitations

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

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 condensed consolidated interim financial position or financial performance.

At December 31, 2019 the Company had a provision of $2.1 million for future rehabilitation activities related to the Mount Polley Breach. 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 December 31, 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.

RISK FACTORS

The Company's business involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this MD&A and the audited Consolidated Financial Statements of the Company. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition, results of operations and cash flow would suffer. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See *Forward-Looking Statements & Risks Notice*.

There are material risks and uncertainties associated with rehabilitation activities resulting from the Mount Polley Breach which may adversely affect our business.

The Mount Polley Breach resulted in loss of production from the mine, the primary source of cash flow for the Company, for a significant period and necessitated extensive response and rehabilitation activities. The Company may not receive approvals and consents necessary to proceed with the remaining rehabilitation plans in a timely manner. The timing and amount of the remaining costs and the liabilities relating to the Mount Polley Breach are as yet unknown, as is the actual timing of completion of rehabilitation activities. Furthermore, there may be unforeseen or long term environmental consequences as a result of the Mount Polley Breach.

It is also unknown at this time whether the Company may become subject to regulatory charges or claims, fines and penalties or the potential quantum thereof. The Company may be unsuccessful in defending against any material legal claims that may arise from the Mount Polley Breach, and current sources of funds may be insufficient to fund liabilities arising from the aforementioned charges or claims. Any additional financing that may be required may not be available to the Company on terms acceptable to the Company or at all.

Mining is inherently dangerous and subject to conditions or events beyond our control, which could have a material adverse effect on our business.

The business of exploring for and producing minerals is inherently risky. Few properties that are explored are ultimately developed into producing mines. Mineral properties are often non-productive for reasons that cannot be anticipated in advance. Title claims can impact the exploration, development, operation and sale of any natural resource project. Availability of skilled people, equipment and infrastructure (including roads, ports and power supply) can constrain the timely development of a mineral deposit. Even after the commencement of mining operations, such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, metallurgical and other processing and performance problems, unusual or unexpected geological conditions, ground control problems, periodic interruptions due to inclement or hazardous weather conditions, including as a result of climate change and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks may not be available to the Company (including certain liabilities for environmental pollution or other hazards) or to other companies within the industry. In addition, the Company may elect not to insure against certain hazards where insurance coverage may not continue to be available at economically feasible premiums, or at all. These risks could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage to our properties or the properties of others, delays in mining, increased production costs, monetary losses and possible legal liability. Losses from these events may cause us to incur significant costs that would materially adversely affect our business, results of operations, financial condition and cash flows.

Changes in the price of base and precious metals in the world markets, which can fluctuate widely, could adversely affect our business, results of operations, financial condition and cash flows.

The results of the Company's operations are significantly affected by the market price of base and precious metals which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, expectations with respect to the rate of inflation, the relative strength of the US dollar and of certain other currencies, interest rates, speculative activities, global or regional political or economic crises and sales of gold and base metals by holders in response to such factors. If prices should decline below the Company's cash costs of production and remain at such levels for any sustained period, the Company could determine that it is not economically feasible to continue commercial production at any or all of its mines.

The objectives of any hedging programs that are in place are to reduce the risk of a decrease in a commodity's market price while optimizing upside participation, to maintain adequate cash flows and profitability to contribute to the long-term viability of the Company's business. There are, however, risks associated with hedging programs including (among other things), an increase in the world price of the commodity, an increase in gold lease rates (in the case of gold hedging), an increase in interest rates, rising operating costs, counterparty risks, liquidity issues with funding margin calls to cover mark to market losses and production interruption events.

In addition to adversely affecting our reserve estimates and our financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

General economic conditions or changes in consumption patterns may adversely affect our growth and profitability.

The copper market is volatile and cyclical, and consumption of copper is influenced by global economic growth, trends in industrial production, conditions in the housing and automotive industries and economic growth in China, which is the largest consumer of refined copper in the world. Should demand weaken and consumption patterns change (in particular, if consumers seek out cheaper substitute materials), the price of copper could be adversely affected, which could negatively affect our results of operations.

Many industries, including the copper mining industry, can be adversely impacted by market conditions. A downturn in the financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates could adversely affect our growth and profitability. Specifically:

- a reduction of the base-metal prices could impact the cost and availability of debt or equity financing and our overall liquidity and, further, the availability of financing on terms favourable to us;
- as China consumes a significant amount of global copper production, the overall state of the Chinese economy, including credit/lending levels, fluctuations in inflation and interest rates and fiscal policy, could have an impact on global demand for copper, thereby potentially affecting copper prices realized by the Company;
- the volatility of metal prices would impact our revenues, profits, losses and cash flows; and
- volatile energy prices, commodity and consumables prices and currency exchange rates would impact our production costs.

Any of these factors would adversely affect our business, results of operations, financial condition and cash flows.

A global pandemic may adversely affect the price of copper and commodities and cause disruption to our supply chains.

A global pandemic could cause temporary closure of businesses in regions that are significantly impacted by the health crises, or cause governments to take preventative measures such as the closure of points of entry, including ports and borders. These restrictive measures along with market uncertainty could cause an economic slowdown resulting in a decrease in the demand for copper and have a negative impact on base metal prices. The recent outbreak of the novel coronavirus (2019-nCoV) has had a negative impact on copper prices and governmental actions to contain the outbreak may impact our ability to transport or market our concentrate or cause disruptions in our supply chains. Additionally, the uncertainty and volatility in the demand for commodities and commodity prices resulting from the recent coronavirus outbreak has resulted in significant challenges for forecasting funds flow.

We may be adversely affected by the availability and cost of key inputs.

Our competitive position depends on our ability to control operating costs. The cost structure of each operation is based on the location, grade and nature of the mineral deposit, and the management skills at each site as well as the price of labour, electricity, fuel, steel, chemicals, blasting materials, transportation and shipping and other cost components. If such supplies become unavailable or their cost increases significantly, the profitability of our mines would be impacted and operations at our mines could be interrupted or halted resulting in a significant adverse impact on our financial condition. Our management prepares its cost and production guidance and other forecasts based on its review of current and estimated future costs, and management assumes that the materials and supplies required for operations will be available for purchase. Lack of supply or increased costs for any of these inputs would decrease productivity, reduce the profitability of our mines, and potentially result in us suspending operations at our mines.

Many of our costs are driven by supply and market demand. For example, the cost of local materials, like cement, explosives and electricity, will vary based on demand. Our main cost drivers include the cost of labour plus consumables such as electricity, fuel and steel. Wages can be affected by inflation and currency exchange rates and by the shortage of experienced human resources. The costs of fuel and steel are driven by global market supply and demand. In recent years, the mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labour, and these shortages may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

Concentrate treatment charges and transportation costs are also a significant component of operating costs. Concentrate treatment and refining charges have been volatile in recent years. We are dependent on third parties for rail, truck and maritime services to transport our products, and contract disputes, demurrage charges, rail and port capacity issues, availability of vessels, weather and climate and other factors can have a material adverse impact on our ability to transport our products according to schedules and contractual commitments.

Our operations, by their nature, use large amounts of electricity and energy. Energy prices can be affected by numerous factors beyond our control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in electricity and energy prices could negatively affect our business, financial condition, liquidity and results of operations.

Increases in these costs would have an adverse impact on our results of operations and would adversely affect our business, results of operations, financial condition and cash flows.

We may be unable to compete successfully with other mining companies.

The mining industry is competitive in all of its phases. We face strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, metals. Many of these companies have greater financial resources, operational experience and technical capabilities and a longer operating history than us. We may also encounter increasing competition from other mining companies in our efforts to hire experienced mining professionals. In addition, competition for exploration resources at all levels is very intense. Increased competition could adversely affect our ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable producing properties or prospects for mineral exploration in the future. At certain times when copper prices increase, such increase encourages increases in mining exploration, development and construction activities, which can result in increased demand for and cost of contract exploration, development and construction services and equipment.

Increased demand for and cost of services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increased potential for scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment. Any of these outcomes could materially increase project exploration, development or construction costs, result in project delays, or both. As a result of this competition, we may be unable to maintain or acquire attractive mining properties or attract better or more qualified employees, which would adversely affect our business, results of operations, financial condition and cash flows.

We are dependent upon third party smelters for processing our products.

The Company's project interests primarily produce concentrates. These must be processed into metal by independent smelters under concentrate sales agreements in order for the Company to be paid for its products. There can be no assurance or guarantee the Company will be able to enter into concentrate sales agreements on terms that are favourable to the Company or at all.

We may become unable to access our markets due to trade barriers.

Access to the Company's markets is subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries, and the actions of certain interest groups to restrict the import of certain commodities. Although there are currently no significant trade barriers existing or impending of which the Company is aware that do, or could, materially affect the Company's access to certain markets, there can be no assurance that the Company's access to these markets will not be restricted in the future.

Undue reliance should not be placed on estimates of reserves and resources, since these estimates are subject to numerous uncertainties and may be revised. Our actual reserves could be lower than such estimates, which could adversely affect our operating results, financial condition and cash flows.

Disclosed reserve estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations. The Company estimates its mineral reserves in accordance with the requirements of applicable Canadian securities regulatory authorities and established mining standards. Mineral resources are concentrations or occurrences of minerals that are judged to have reasonable prospects for economic extraction, but for which the economics of extraction cannot be assessed, whether because of insufficiency of geological information or lack of feasibility analysis, or for which economic extraction cannot be justified at the time of reporting. Consequently, mineral resources are of a higher risk and are less likely to be accurately estimated or recovered than mineral reserves. The Company's reserves and resources are estimated by persons who are employees of the respective operating company for each of our operations under the supervision of employees of the Company. These individuals are not "independent" for purposes of applicable securities legislation. The Company does not use outside sources to verify reserves or resources. The mineral reserve and mineral resource figures are estimates based on the interpretation of limited sampling and subjective judgments regarding the grade and existence of mineralization, as well as the application of economic assumptions, including assumptions as to operating costs, foreign exchange rates and future metal prices. The sampling, interpretations or assumptions underlying any reserve or resource figure may be incorrect, and the impact on mineral reserves or mineral resources may be material. In addition, short term operating factors relating to mineral reserves, such as the need for orderly development of mineral deposits or the processing of new or different ores, may cause mineral reserve estimates to be modified or operations to be unprofitable in any particular fiscal period. There can be no assurance that the indicated amount of minerals will be recovered or that they will be recovered at the prices assumed for purposes of estimating reserves.

The volume and grade of reserves we actually recover, and rates of production from our current mineral reserves, may be less than estimates of the reserves. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the deposits or the processing of new or different grades, may cause the mining operation to be unprofitable in any particular accounting period and may also prompt us to modify mineral reserves estimates. There can be no assurance that the indicated amount of reserve will be recovered or that it will be recovered at prices we have assumed in determining the mineral reserves. Fluctuations in the market price of copper, gold and other metals, changing exchange rates and operating and capital costs may make it uneconomical to mine certain mineral reserves in the future.

Reserve estimates can be uncertain because they are based on limited sampling. As we gain more knowledge and understanding of the deposit through on-going exploration and mining activity, the reserve estimate may change significantly, either positively or negatively.

Due to the uncertainty which are attached to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven and probable mineral reserves as a result of continued exploration.

Cautionary notice regarding mineral reserve and mineral resource estimates.

Disclosure of mineral reserve and mineral resource classification terms and certain mineral resource estimates that are made in accordance with Canadian National Instrument 43-101-Standards of Disclosure for Mineral Projects ("NI43-101"). NI43-101 is a rule developed by the Canadian Securities Administrators (CSA) that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates have been prepared in accordance with NI43-101. These standards differ significantly from the mineral reserve disclosure requirements of the Securities and Exchange Commission ("SEC") set out in Industry Guide 7. Consequently, the Company's mineral reserve and resource information is not comparable to similar information that would generally be disclosed by U.S. companies in accordance with the rules of the SEC.

Terms mineral resources, measured mineral resources, indicated mineral resources and inferred mineral resources comply with the reporting standards in Canada. Further, inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of an inferred resource exists. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of mineral resources, measured mineral resources, indicated mineral resources or inferred mineral resources will ever be upgraded to a higher category. Investors are cautioned not to assume that any part of the reported mineral resources, measured mineral resources, indicated mineral resources or inferred mineral resources is economically or legally mineable.

Production estimates may be materially different from actual production, which would adversely affect our business, results of operations, financial condition and cash flows.

Actual production could be different for a variety of reasons, including:

- short-term operating factors relating to the mineral reserves, such as the need for sequential development of mineral deposits and the processing of new or different grades;
- risks and hazards associated with mining, including geotechnical issues such as pit slope stability at open pit operations and structural issues at underground mines;
- the actual material mined could vary from estimates, with respect to grades and/or tonnage;
- mine failures;
- industrial accidents;
- natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes;
- unusual or unexpected geological conditions;
- changes in power costs and potential power shortages;
- shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants;
- plant and equipment failure;
- the inability to process certain types of ore;
- labour shortages or strikes;
- civil disobedience and protests; and
- restrictions or regulations imposed by government authorities or other changes in the regulatory environment applicable to the mining industry.

Furthermore, as Newcrest is the operator of the Red Chris Mine, we are reliant on the production guidance provided by Newcrest and there can be no assurance that we will achieve such production estimates.

We must continually replace and expand our mineral reserves and mineral resources and the depletion of our mineral reserves may not be offset by future discoveries or acquisitions of mineral reserves.

Mines have limited lives based on proven and probable mineral reserves. As a result, we must continually replace and expand our mineral reserves. This is done by expanding known mineral reserves or by locating or acquiring new mineral deposits. There is, however, a risk that depletion of reserves will not be offset by future discoveries of mineral reserves. The life-of-mine estimates for each of our operating mines are based on our best estimate given the information available to us. These estimates may not be correct. Our ability to maintain or increase our annual production of copper, gold and other metals depends in significant part on our ability to find and/or acquire new mineral reserves and bring new mines into production, and to expand mineral reserves at existing mines.

Exploration for minerals is highly speculative in nature and the projects involve many risks. Many projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves and to construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flow and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and availability of financing. In addition, assuming discovery of an economic mineral deposit, depending on the type of mining operation involved, many years may elapse from the initial phases of drilling until commercial operations are commenced. Accordingly, there can be no assurances that our current work programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves.

Our exploration and development of new and existing mines may be unsuccessful.

Because the life of a mine is limited by its mineral reserves, we continually look for opportunities to replace and expand our reserves by exploring existing properties and by looking for potential acquisitions of new properties or companies that own new properties.

Exploration and development of mineral properties involves significant financial and operational risk. There is no assurance that we will be successful in our efforts. Very few properties that are explored are later developed into an operating mine. Developing a property involves many risks and unknowns, such as establishing mineral reserves by drilling, completion of feasibility studies, obtaining and maintaining various permits and approvals from governmental authorities, constructing mining and processing facilities, securing required surface or other land rights, finding or generating suitable sources of power and water, confirming the availability and suitability of appropriate local area infrastructure and developing it if needed, and obtaining adequate financing. Substantial spending may be made on properties that are later abandoned due to a failure to satisfy any of such factors.

The capital expenditures and timeline needed to develop a new mine are considerable and the economics of a project can be affected by changes to them. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Actual costs may increase significantly and economic returns may differ materially from our estimates. Whether a mineral deposit will be commercially viable depends on a number of factors, including, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. We may be unable to satisfactorily resolve fiscal and tax issues, or fail to obtain permits and approvals necessary to operate a project so that the project may not proceed, either on the original timeline, or at all. New mining operations may experience unexpected problems during start-up, which can cause delays and require more capital than anticipated. The combination of these factors may cause us to expend significant resources (financial and otherwise) on a property without receiving a return on investment and could result in the Company being unsuccessful in developing new mines. This, in turn, would adversely affect our business, results of operations, financial condition and cash flows.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternatives may not allow us to meet our scheduled debt service obligations..

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations.

Fluctuations in exchange rates may adversely affect our operating and capital costs.

The Company's operating results and cash flow are affected by changes in the CDN$ exchange rate relative to the currencies of other countries, especially the US$. Exchange rate movements can have a significant impact on operating results as a significant portion of the Company's operating costs are incurred in CDN$ and most revenues are earned in US$. To reduce the exposure to currency fluctuations, the Company may enter into foreign exchange contracts from time to time, but such hedges do not eliminate the potential that such fluctuations may have an adverse effect on the Company. In addition, foreign exchange contracts expose the Company to the risk of default by the counterparties to such contracts, which could have a material adverse effect on the Company.

Changes in interest rates may adversely affect our operating and capital costs.

The Company's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage liquidity and capital requirements. The Company has incurred indebtedness that bears interest at fixed and floating rates, and may enter into interest rate swap agreements to manage interest rate risk associated with that debt. There can be no assurance that the Company will not be materially adversely affected by interest rate changes in the future, notwithstanding its possible use of interest rate swaps. In addition, the Company's possible use of interest rate swaps exposes it to the risk of default by the counterparties to such arrangements. Any such default could have a material adverse effect on the Company.

We may be adversely affected by loss of access to capital.

In general, mining is an extremely capital intensive business. Mining companies need significant amounts of ongoing capital to maintain and improve existing operations, invest in large scale capital projects with long lead times, and manage uncertain development and permitting timelines and the volatility associated with fluctuating metals and input prices. The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs. The Company may then be dependent upon debt and equity financing to carry out its exploration and development plans. Financial markets, including banking, debt and equity markets, can be extremely volatile and can prevent us from gaining access to the capital required to maintain and grow our business. Failure to obtain, or difficulty or delay in obtaining, requisite financing could result in delay of certain projects or postponement of further exploration, assessment or development of certain properties or projects, and would adversely affect our business, results of operations, financial condition and cash flows.

We are required to obtain government permits and comply with other government regulations to conduct operations.

Regulatory and permitting requirements have a significant impact on the Company's mining operations and can have a material and adverse effect on future cash flow, results of operations and financial condition. In order to conduct mineral exploration and mining activities the Company must obtain or renew exploration or mining permits and licenses in accordance with the relevant mining laws and regulations required by governmental authorities having jurisdiction over the mineral projects. There is no guarantee that the Company will be granted the necessary permits and licenses, that they will be renewed, or that the Company will be in a position to comply with all the conditions that are imposed. Mining is subject to potential risks and liabilities associated with pollution and the disposal of waste from mineral exploration and mine operations. Costs related to discovery, evaluation, planning, designing, developing, constructing, operating, closing and remediating mines and other facilities in compliance with these laws and regulations are significant. In addition to environmental protection, applicable laws and regulations govern employee health and safety. Not complying with these laws and regulations can result in enforcement actions that may include corrective measures requiring capital expenditures, installation of additional equipment, remedial action and changes to operating procedures resulting in additional costs and temporary or permanent shutdown of operations. The Company may also be required to compensate those parties suffering loss or damage and may face civil or criminal fines or penalties for violating certain laws or regulations. Changes to these laws and regulations in the future could have an adverse effect on the Company's cash flow, results of operations and financial condition.

We are subject to various risks related to environmental, health and safety and other forms of government regulation.

Our mining, processing, development and exploration activities are subject to extensive laws and regulations, which include laws and regulations governing, among other things: the environment, climate change, employee health and safety, mine development, mine operation, mine safety, mine closure and reclamation, exploration, prospecting, taxes, royalties, toxic substances, waste disposal, land use, water use, land claims of local people and other matters. We require permits and approvals from a variety of regulatory authorities for many aspects of mine development, operation, closure and reclamation. Additionally, permits and approvals may be invalidated or subject to challenges after the date of issuance. Such acts could have a material adverse impact on us, our operations or results.

The Company's historical operations have generated chemical and metals depositions in the form of tailing ponds, rock waste dumps, and heap leach pads. Our ability to obtain, maintain and renew permits and approvals and to successfully develop and operate mines may be adversely affected by real or perceived impacts associated with our activities or of other mining companies that affect the environment, human health and safety.

No assurance can be given that new laws and regulations will not be enacted or that existing laws and regulations will not be applied in a manner that could have an adverse effect on our financial position and results of operations. Any such amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, would have a material adverse impact on us, such as increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties, or could require abandonment or delays in the development of new mining properties.

Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against us, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. We are exposed to these potential liabilities through our current development projects and operations as well as operations that have been closed or sold. For example, we could be required to compensate others for losses or damages from our mining activities; and we could face civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such regulatory or judicial action could materially affect our operating costs and delay or curtail our operations. There can be no assurance that we have been or will be at all times in compliance with all laws, regulations and permits, that compliance will not be challenged or that the costs of complying with current and future environmental, health and safety laws, regulations and permits will not materially or adversely affect our business, operations or results.

Certain of our assets are not wholly owned or are owned through joint ventures, and any disagreement or failure of partners to meet obligations could have a material adverse effect on our results of operations and financial condition.

We hold a 30% interest in the Red Chris mine through our wholly owned subsidiary. Newcrest holds a 70% interest through its wholly owned subsidiary. Our interest in the Red Chris mine is subject to the risks normally associated with the conduct of a joint venture. While Newcrest is the operator of the project, we have approval rights for certain key decisions such as changes in share capital, merger, amalgamation, dissolution of the joint venture, dividends or earning distributions, capital expenditure and operating budgets, exploration budgets, financing and pledge of joint venture assets, suspension or cessation of operations, utilization of derivative instruments and changes in operator or the projects of the joint venture.

We hold a 45.3% interest in the Ruddock Creek property through our wholly owned subsidiaries. Mitsui Mining and Smelting Co. Ltd. and Itochu Corporation hold the remaining 30% and 20% interest, respectively, through their respective wholly owned subsidiaries, MK Mining Canada, Corporation and ICM Mining (Canada) Inc. Our interest in the Ruddock Creek property is subject to the risks normally associated with the conduct of a joint venture. While we are the operator of the project, MK Mining Canada, Corporation and ICM Mining (Canada) Inc. have approval rights for certain key decisions such as changes in share capital, merger, amalgamation, dissolution of the joint venture, dividends or earning distributions, capital expenditure and operating budgets, exploration budgets, financing and pledge of joint venture assets, suspension or cessation of operations, utilization of derivative instruments, related party transactions, changes in operator or the projects of the joint venture, and hiring of key personnel.

In addition, our co-investors or joint venture partners may have competing interests in our markets that could create conflict of interest issues, and otherwise may have economic or business interests or goals that are inconsistent with our interests or goals and may take actions contrary to our instructions, requests, policies or objectives.

Our co-investors or joint venture partners, such as the ones described above, may have the right to veto any of these decisions and this could therefore lead to a deadlock.

The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on our profitability or the viability of our interests in such assets, which could have a material adverse impact on our future cash flows, earnings, results of operations and financial condition: (i) disagreement with co-investors or joint venture partners on how to develop and operate mines efficiently; (ii) inability of our co-investors or joint venture partners to meet their obligations; (iii) litigation with our co-investors or joint venture partners regarding such assets or (iv) failure of our co-investors or joint venture partners to comply with applicable laws, rules or regulations.

We are not able to control the amounts of distributions the Red Chris Mine and Ruddock Joint Venture may make to us.

The ability of the Red Chris Mine and Ruddock Joint Venture to make distributions to us may be restricted by, among other things, the terms of each of their governing documents. Accordingly, we are not able to control if and when, and the amount of distributions that the Red Chris mine and Ruddock Joint Venture may make to us.

We face additional risks and uncertainties from past or future operations in foreign countries.

The Company operates from time to time in other foreign countries where there are added risks and uncertainties due to the different legal, economic, cultural and political environments. Some of these risks include nationalization and expropriation, social unrest and political instability, uncertainties in perfecting mineral titles, trade barriers and exchange controls and material changes in taxation. Further, developing country status or unfavourable political climate may make it difficult for the Company to obtain financing for projects in some countries.

We are, or may become, subject to regulatory investigations, claims, litigation and other proceedings, the outcome of which may affect our business, results of operations, financial condition and cash flows.

The nature of our business has and may continue to subject us from time to time to regulatory investigations, claims, lawsuits and other proceedings and the Company may be involved in disputes with other parties in the future, which may result in litigation. We cannot predict the outcome of any regulatory investigation, claims, litigation or other proceedings. Defence and settlement costs may be substantial, even with respect to claims that have no merit. If we cannot resolve these disputes favourably or successfully defend against any potential regulatory prosecution or other proceedings, our business, financial condition, results of operations and future prospects may be materially adversely affected.

Mineral rights or surface rights to our properties could be challenged, and, if successful, such challenges would adversely affect our business, results of operation, financial condition and cash flows.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed and title insurance is generally not available. There is no guarantee that title to any such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interest, including prior unregistered liens, agreements, transfers or claims, including indigenous land claims, and title may be affected by, among other things, undetected defects. As a result, we may be constrained in our ability to operate our properties or unable to enforce our rights with respect to our properties. An impairment to or defect in our title to our properties would adversely affect our business, results of operations, financial condition and cash flows.

We are dependent on transportation facilities, infrastructure and certain suppliers, a lack of which could impact our production and development of projects.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply affect capital and operating costs and the completion of the development of our projects. Unusual or infrequent weather phenomena, sabotage, community, government or other interference in the maintenance or provision of such infrastructure in any of the jurisdictions in which we operate could adversely affect our business, operations or results. Disruptions in the supply of products or services required for our activities in any of the jurisdictions in which we operate would also adversely affect our business, results of operations, financial condition and cash flows.

We depend on key management personnel and may not be able to attract and retain such persons in the future.

Our business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. Our success is, and will continue to be to a significant extent, dependent on the expertise and experience of our directors and senior management, and the loss of one or more of such persons could have a materially adverse effect on us. We do not maintain any key man insurance with respect to any of our officers or directors.

We are subject to taxation risk.

We have operations and conduct business in a number of jurisdictions and are subject to the taxation laws of these jurisdictions. These taxation laws are complicated and subject to changes and are subject to review and assessment in the ordinary course. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable by us which could adversely affect our profitability and cash flows.

Our ability to repatriate funds from foreign subsidiaries may be limited, or we may incur tax payments when doing so.

Should we generate cash flow and profits from foreign subsidiaries, we may need to repatriate funds from those subsidiaries to service our indebtedness or fulfil our business plans, in particular in relation to ongoing expenditures at our development assets. We may not be able to repatriate funds, or we may incur tax payments or other costs when doing so, as a result of a change in applicable law or tax requirements at local subsidiary levels or at the parent company level, which costs could be material.

Our directors may have interests that conflict with our interests.

Certain of our directors also serve as directors and/or officers of other companies involved in natural resource exploration and development or with other companies with which we transact and consequently there exists the possibility for such directors to be in a position of conflict. In all cases where directors have an interest in another resource company, such other companies may also compete with us for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of our directors and will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, we will establish a special committee of independent directors to review a matter in which directors, or management, may have a conflict.

Actual costs of reclamation are uncertain, and higher than expected costs could negatively impact our results of operations and financial position.

Our operations are subject to reclamation plans that establish our obligations to reclaim properties after minerals have been mined from a site. These obligations represent significant future costs for us. Reclamation bonds or other forms of financial assurance are often required to secure reclamation activities. Governing authorities require companies to periodically recalculate the amount of a reclamation bond and may require bond amounts to be increased. It may be necessary to revise the planned reclamation expenditures and the operating plan for the mine in order to fund an increase to a reclamation bond. Reclamation bonds represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine operation. The actual costs of reclamation set out in mine plans are estimates only and may not represent the actual amounts that will be required to complete all reclamation activity. If actual costs are significantly higher than our estimates, then our results from operations and financial position could be materially adversely affected.

Asset carrying values are evaluated quarterly and may be subject to write downs.

At each quarter end we undertake an evaluation of our portfolio of producing mines, development projects, exploration and other assets to determine whether indication of impairment exists. Where an indication of impairment exists for post feasibility exploration properties, producing properties and plant and equipment, the recoverability of the carrying values of our properties are assessed by comparing carrying values to estimated future net cash flows from each property.

Factors which may affect carrying values include, but are not limited to, copper and gold prices, foreign exchange rates, capital cost estimates, mining, processing and other operating costs, grade and metallurgical characteristics of ore, mine design and timing of production. In the event of a prolonged period of depressed copper prices or in the event of other factors reducing estimated future net cash flows from exploration and development properties, we may be required to take additional material write downs of our exploration and development properties.

The review by management for impairment of the Company's exploration and evaluation properties may be affected by the timing of exploration work, funding priorities, work programs proposed and the exploration results achieved by the Company and by others in the related area of interest.

The Company's critical operating systems may be compromised.

Cyber threats have evolved in severity, frequency and sophistication in recent years, and target entities are no longer primarily from the financial or retail sectors. Individuals engaging in cybercrime may target corruption of systems or data, or theft of sensitive data. The Company's mines and mills are automated and networked such that a cyber-incident involving the Company's information systems and related infrastructure could negatively impact its operations. A corruption of the Company's financial or operational data or an operational disruption of its production infrastructure could, among other potential impacts, result in: (i) loss of production or accidental discharge; (ii) expensive remediation efforts; (iii) distraction of management; (iv) damage to the Company's reputation or its relationship with suppliers and/or counterparties; or (v) in events of noncompliance, which events could lead to regulatory fines or penalties. Any of the foregoing could have a material adverse effect on the Company's business, results of operations and financial condition.

While the Company invests in robust security systems to detect and block inappropriate or illegal access to its key systems and works diligently to ensure data and system integrity, there can be no assurance that a critical system is not inadvertently or intentionally breached and compromised. This may result in business interruption losses, equipment damage, or loss of critical or sensitive information.

Our use of derivative contracts exposes us to risk of opportunity loss, mark to market accounting adjustments and exposure to counterparty credit risk.

From time to time, we may enter into price risk management contracts to protect against fluctuations in the price of our products, exchange rate movements, and changes in the price of fuel and other input costs. These contracts could include forward sales or purchase contracts, futures contracts, precious metals streams, purchased put and call options and other contracts. Any such use of forward or futures contracts can expose us to risk of an opportunity loss. The use of derivative contracts may also result in significant mark to market accounting adjustments, which may have a material adverse impact on our reported financial results. We are exposed to credit risk with contract counterparties, including, but not limited to, sales contracts and derivative contracts. In the event of non-performance by a customer in connection with a contract, we could be exposed to a loss of value for that contract.

OUTLOOK

Corporate and Operations

At December 31, 2019 the Company had not hedged any copper, gold or US$/CDN$ exchange. Quarterly revenues will fluctuate depending on copper and gold prices, the US$/CDN$ exchange rate, and the timing of concentrate sales, which is dependent on concentrate production and the availability and scheduling of transportation.

Newcrest provided metals production guidance (100%) for Red Chris mine, for the period August 15, 2019 to June 30, 2020 (to conform to their annual year end of June 30, 2020), in the range of 63-79 million pounds copper and 36,000-50,000 ounces gold.

Exploration

At Red Chris, over 17,500 metres were drilled in 2019. Newcrest's initial exploration program includes over 50,000 metres total. This initial program, which is ongoing, includes planned drilling in the Gully/Far West area, the East zone, the Main zone, and the Saddle area between the Main and East zones. The goals are to search for additional zones of higher grade mineralization within the Red Chris porphyry corridor, and to drill in the East zone to obtain geological, geotechnical and metallurgical data to support future studies for underground block cave mining.

At Mount Polley, an option to earn a 100% interest in seven mineral claims (3,331 ha), adjacent to the Mount Polley mine was entered into. Three target settings occur within the optioned claims and adjacent Mount Polley claims, including a potential northern projection of the high-grade Quarry zone beneath a post-mineral conglomerate unit, a partially tested glacial till covered area where regional magnetics suggests a faulted offset of the Mount Polley Intrusive complex, which hosts the Mount Polley orebodies, is present and a till covered prospective area immediately east of the Southeast zone. A deep looking IP survey, along with a soil sampling program, was completed over the first two target areas described above. Once the information IP survey and soil sampling has been compiled, a drill program to test the targets will be designed. Also, a drill program designed to expand the copper and gold resource in Springer and WX zones to depth, has been laid out.

The Huckleberry East zone pit has historically provided the highest grade mill feed, and the majority drilling in the zone was only to a depth of 300 metres, and often ended in above cut-off grade copper mineralization. A drill program to test the East zone at depth has been designed to test below the historic drilling.

At Ruddock Creek, a total of 17 holes were drilled in the V and Q zones located on the western edge of the Ruddock Creek massive sulphide horizon. Plans for further exploration in the vicinity of the excellent result obtained in hole RC-19-V54 (40.9 metres grading 16.83% zinc and 3.46% lead) are being developed and will be discussed with our joint venture partners.

Exploration planned for 2020 will depend on funding. Priority will be directed to Red Chris, then Mount Polley and Huckleberry and Ruddock Creek, and potentially some of the 23 exploration projects held by Imperial.

DEVELOPMENT

At Red Chris, following completion of the initial exploration drilling in the East zone, Newcrest plans to update the Red Chris resource model. However, prior to completion of drilling in the East zone, Newcrest have initiated a concept study investigating the potential for commercial production from a block cave. The block cave concept study includes studying potential decline portal locations and underground development layouts to maximize the value of the existing plant and infrastructure. The indications are that production from a block cave could start in about five years from the commencement of a decline to access the deep East zone. Newcrest hopes to begin a decline to access the deep east zone by the end of calendar year 2020.

For 2020, plans are being made to conduct exploration drilling at Mount Polley and Huckleberry. The restart of operations at the site, will be dependent on metal prices, however if the planned exploration proves successful, metal prices required for restart may be reduced.

However, the Company's plans for 2020 could be impacted, by the novel coronavirus (2019-nCoV) global pandemic, in a number of ways including but limited to, causing a temporary closure the Red Chris mine, or suspension exploration work planned, causing an economic slowdown resulting in a decrease in the demand and have a negative impact on for copper and gold prices, and impacting the Company's ability to transport or market the Company's concentrate or cause disruptions in the Company's supply chains.

Acquisitions

Management continues to evaluate potential acquisitions.