Imperial Metals

Third Quarter Report 2019

Management's Discussion & Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation ("Imperial", the "Company", "we", "us" or "our") should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2019 including the notes thereto ("the Interim Financial Statements"), as well as the audited Consolidated Financial Statements and Management's Discussion & Analysis for the year ended December 31, 2018. This MD&A contains statements that may be considered forward-looking information, and therefore investors are directed to review the "Forward-Looking Statements & Risks Notice" within this MD&A.

The Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard 34, Interim Financial Reporting.

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 the Red Chris, Mount Polley and Huckleberry copper mines in British Columbia. Imperial also 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 The Company was incorporated under the British Columbia *Company Act*, which was superseded by the British Columbia *Business Corporations Act*, on December 6, 2001 under the name IMI Imperial Metals Inc. Imperial changed its name to Imperial Metals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 November 14, 2019, the Company had 128,490,174 common shares outstanding, and on a diluted basis 130,770,174 common shares outstanding.

Additional Company disclosure can be obtained from *imperialmetals.com* or *sedar.com*.

SIGNIFICANT EVENTS AND LIQUIDITY

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

On 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.

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's significant accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2018.

In January 2016, the International Accounting Standards Board issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. All other leases within the scope of IFRS 16 are required to be brought on-balance sheet by lessees – recognizing a *right-of-use* asset and the related lease liability at commencement of the lease, with subsequent accounting generally similar to finance lease model under IAS 17.

The Company adopted IFRS 16 on January 1, 2019, using the modified retrospective approach, in accordance with the transitional provisions in IFRS 16. The Company identified and collected data relating to existing agreements that extended beyond January 1, 2019, that contained right-of-use assets. These include service contracts that may contain embedded leases for property, plant and equipment. Additionally, the Company has adopted the exemption for leases with a lease term of 12 months or less and for leases that are low value. Given that the Company's existing operating leases were trivial, no adjustment to equity has been recognized upon IFRS 16 adoption on January 1, 2019.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

QUARTER HIGHLIGHTS

FINANCIAL

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 quarter 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% ownership in the joint venture. Unless otherwise stated this MD&A will report the total of continuing and discontinued operations as one total for ease of comparison with the prior comparative period.

The majority of the proceeds received were used to repay most of the outstanding debt and eliminating interest expense on the debt on August 15, 2019.

Total revenue decreased to $46.9 million in the September 2019 quarter compared to $70.5 million in the 2018 comparative quarter, a decrease of $23.6 million or 33.0%.

Revenue from the Red Chris mine in the September 2019 quarter was $46.5 million compared to $52.7 million in the 2018 comparative quarter. This decrease was attributable to the Company's ownership decreasing to 30% from 100% on August 15, 2019 compared to picking up 100% share throughout the entire prior year comparative quarter.

Revenue from the Mount Polley mine in the September 2019 quarter was ($0.3) million compared to $17.8 million in the 2018 comparative quarter. The decrease was attributable to the mine being on care and maintenance during the 2019 quarter.

In the September 2019 quarter there were 3.3 concentrate shipments from the Red Chris mine (2018-2.7 concentrate shipments). There were no concentrate shipments from the Mount Polley mine (2018-0.5 concentrate shipment) due to the closure of the mine in May 2019. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The London Metals Exchange cash settlement copper price per pound averaged US$2.64 in the September 2019 quarter compared to US$2.77 in the 2018 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,474 in the September 2019 quarter compared to US$1,213 in the 2018 comparative quarter. The average CDN/US Dollar exchange rate was 1.321 in the September 2019 quarter, 1.0% higher than the exchange rate of 1.307 in the September 2018 quarter. In CDN Dollar terms the average copper price in the September 2019 quarter was CDN$3.49 per pound compared to CDN$3.62 per pound in the 2018 comparative quarter, and the average gold price in the September 2019 quarter was CDN$1,947 per ounce compared to CDN$1,585 per ounce in the 2018 comparative quarter.

Revenue in the September 2019 quarter decreased by $4.6 million due to a negative revenue revaluation as compared to a $5.1 million negative revenue revaluation in the 2018 comparative quarter. 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 metal as a result of final assays.

Net loss from continuing operations for the September 2019 quarter was $16.0 million ($0.12 per share) compared to net loss of $12.7 million ($0.11 per share) in the 2018 comparative quarter. The increase in net loss of $3.3 million was primarily due to the following factors:

- Loss from mine operations went from $13.4 million in September 2018 to income of $0.4 million in September 2019, a decrease in net loss of $13.8 million.
- Interest expense went from $18.7 million in September 2018 to $9.4 million in September 2019, a decrease in net loss of $9.3 million. Lower interest expense was due to the majority of the debt being repaid on August 15, 2019.
- Foreign exchange gains/losses went from a gain of $6.9 million in September 2018 to a loss of $10.1 million in September 2019, an increase in net loss of $17.0 million. The average CDN/US Dollar exchange rate in the September 2019 quarter was 1.321 compared to an average of 1.307 in the 2018 comparative quarter.
- Tax recovery went from $13.5 million in September 2018 to $8.8 in the September 2019, an increase in net loss of $4.7 million.

Cash flow from continuing operations was negative $1.8 million in the September 2019 quarter compared to negative $8.2 million in the 2018 comparative quarter. 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 was $8.2 million in the September 2019 quarter, up from $5.2 million in the 2018 comparative quarter. 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 quarter where these expenditures were classified as discontinued operations.

At September 30, 2019, the Company has not hedged any copper, gold or CDN/US Dollar exchange. Quarterly revenues will fluctuate depending on copper and gold prices, the CDN/US Dollar exchange rate, and the timing of concentrate sales, which is dependent on concentrate production and the availability and scheduling of transportation.

OPERATIONS

Red Chris Mine

On August 15, 2019, Imperial completed the sale of a 70% interest in the Red Chris mine to Newcrest Mining Limited. Imperial's portion of the third quarter production was 13.1 million pounds copper and 5,634 ounces gold representing 100% of production for the period July 1 through August 14, 2019, and 30% of production for the period August 15 through September 30, 2019.

Third quarter metal production from Red Chris was 19.5 million pounds copper and 8,419 ounces gold. These results represent 100% of production at Red Chris. Copper and gold production were up 11% in the third quarter compared to the second quarter of 2019. Mill throughput for the quarter averaged 30,568 tonnes per calendar day.

	Three Months Ended September 30*		Nine Months Ended September 30*	
	2019	2018	2019	2018
Ore milled - *tonnes*	2,812,236	2,810,076	7,874,663	7,930,517
Ore milled per calendar day – *tonnes*	30,568	30,544	28,845	29,050
Grade % - copper	0.421	0.292	0.385	0.343
Grade g/t - gold	0.226	0.212	0.219	0.253
Recovery % - copper	74.81	74.92	75.03	75.39
Recovery % - gold	41.15	45.65	43.76	45.82
Copper – *000's pounds*	19,505	13,546	50,206	44,781
Gold – *ounces*	8,419	8,741	24,316	29,569
Silver – *ounces*	35,318	22,780	88,371	77,050

* 100% Red Chris mine production

Exploration drilling commenced during the third quarter, and there are currently six drill rigs on site at Red Chris. Drilling to October 26, 2019 totalled 6,054 metres.

In the Gully zone, one 1,356.5 metre diamond drill hole is complete, and two holes in progress. All three holes are testing the extension of a high-grade copper-gold zone intersected in RC12-580. RC12-580 drilled in 2012 and intercepted 660.8 metres grading 0.41 g/t gold and 0.37% copper starting at 280 metres down the hole. This interval included a smaller 50 metre interval grading 1.1g/t gold and 0.90% copper.

In the Saddle zone, located between the Main and East zones, eight shallow holes up to 300 metres in depth are complete. This drilling was conducted in-fill a sparsely explored area between the main and east zones to provide information for the scheduling and design of the open pits.

At the East Zone, a deep in-fill resource definition drilling program is underway to provide additional geological, metallurgical and geotechnical data to support studies for future underground operations. Four rigs located in this zone are all drilling angle holes to cross the East Zone at depth and test the margins of the higher grade zones outlined by the historic vertical drilling.

Exploration, development and capital expenditures to the account of the Company were $13.2 million in the September 2019 quarter compared to $32.1 million in the comparative 2018 quarter.

Mount Polley Mine

The Mount Polley mine remains on care and maintenance since shut down of operations in May 2019.

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019*	2018
Ore milled - *tonnes*	-	1,393,368	1,002,352	4,588,798
Ore milled per calendar day – *tonnes*	-	15,145	16,432	16,809
Grade % - copper	-	0.220	0.238	0.199
Grade g/t - gold	-	0.266	0.298	0.284
Recovery % - copper	-	38.39	28.92	58.49
Recovery % - gold	-	65.06	46.60	69.66
Copper – *000's pounds*	-	2,599	1,520	11,790
Gold – *ounces*	-	7,748	4,472	29,138
Silver – *ounces*	-	7,684	4,609	24,181

*production stated for period January 1 to May 26, 2019

For the quarter ending September 30, 2019, Mount Polley incurred idle mine costs comprised of $3.0 million in operating costs and $1.3 million in depreciation expense.

Huckleberry Mine

Huckleberry remains on care and maintenance.

For the quarter ending September 30, 2019, Huckleberry incurred idle mine costs comprised of $1.1 million in operating costs and $0.2 million in depreciation expense.

EARNINGS AND CASH FLOW

The Company entered into an agreement for the sale of a 70% interest in the Red Chris mine to Newcrest Mining Limited on March 10, 2019 which closed on August 15, 2019. As a result, this operation was classified as a discontinued operation effective January 1, 2019 to August 14, 2019 and the comparative periods have been restated.

Select Quarter Financial Information

Expressed in thousands, except share and per share amounts	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Continuing operations:				
Total revenues	$6,991	$17,829	$42,467	$76,647
Net loss	$(15,963)	$(12,716)	$(27,977)	$(66,184)
Net loss per share	$(0.12)	$(0.11)	$(0.22)	$(0.57)
Diluted loss per share	$(0.12)	$(0.11)	$(0.22)	$(0.57)
Adjusted net loss [1]	$(6,940)	$(21,206)	$(36,981)	$(54,530)
Adjusted net loss per share [1]	$(0.05)	$(0.18)	$(0.28)	$(0.46)
Adjusted EBITDA[1]	$(1,668)	$(9,796)	$(1,885)	$(3,427)
Cash flow [1][2]	$(1,823)	$(8,197)	$(1,331)	$(2,677)
Cash flow per share [1][2]	$(0.01)	$(0.07)	$(0.01)	$(0.02)
Discontinued operations:				
Total revenues	$39,872	$52,652	$164,695	$ 191,812
Net income (loss)	$329,189	$(15,893)	$331,485	$(15,146)
Net income (loss per) share	$2.56	$(0.13)	$2.61	$ (0.12)
Diluted income (loss) per share	$2.56	$(0.13)	$2.61	$(0.12)
Adjusted net income (loss) [1]	$7,613	$(15,893)	$9,356	$(15,146)
Adjusted net income (loss) per share [1]	$0.06	$(0.13)	$0.07	$(0.13)
Adjusted EBITDA[1]	$129,410	$(3,491)	$143,469	$24,354
Cash flow [1][2]	$10,179	$(3,569)	$23,699	$24,276
Cash flow per share [1][2]	$0.08	$(0.03)	$0.19	$0.20
Working capital (deficiency)	$77,416	$(819,730)	$77,416	$(819,730)
Total assets	$1,024,082	$1,665,647	$1,024,082	$1,665,647
Total debt (including current portion)	$4,214	$873,789	$4,214	$873,789

[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 Loss (presented on an after-tax basis)

expressed in thousands	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Net income (loss) before undernoted items from continuing operations	$79	$(6,540)	$(14,642)	$(12,129)
Interest expense	(7,383)	(13,822)	(33,990)	(40,531)
Recovery of BC Mineral taxes including interest	-	-	11,288	-
Gain on sale of Sterling	-	121	-	296
Foreign exchange gain (loss) on debt	(7,370)	7,525	10,656	(13,820)
Loss on early repayment of debt	(1,289)	-	(1,289)	-
Net loss from continuing operations	$(15,963)	$(12,716)	$(27,977)	$(66,184)

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, they may not be directly comparable to similarly titled measures used by other companies. Reconciliations are provided below.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share

Adjusted net loss from continuing operations in the September 2019 quarter was $6.9 million ($0.05 per share) compared to an adjusted net loss of $21.2 million ($0.18 per share) in the 2018 comparative quarter. Adjusted net loss reflects the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net loss is calculated by removing the gains or losses, resulting from mark to market revaluation of derivative instruments, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax and other adjustments as further detailed in the following table.

Calculation of Adjusted Net Income (Loss)

expressed in thousands, except share and per share amounts	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Net loss reported from continuing operations	$(15,963)	$(12,716)	$(27,977)	$(66,184)
Unrealized foreign exchange (gain) loss on debt, net of tax[1]	7,734	(7,313)	(10,293)	13,006
Insurance recovery, net of tax	-	(1,056)	-	(1,056)
Loss on early repayment of debt	1,289	-	1,289	-
Gain on sale of Sterling	-	(121)	-	(296)
Adjusted net loss from continuing operations	(6,940)	(21,206)	(36,981)	(54,530)
Adjusted net income (loss) from discontinued operations	7,613	(15,893)	9,356	(15,146)
Total adjusted net income (loss) reported	$673	$(37,099)	$(27,625)	$(69,676)
Basic weighted average number of common shares outstanding	128,370,201	120,512,374	128,868,285	118,318,692
Adjusted net loss per share from continuing operations	$(0.05)	$(0.18)	$(0.28)	$(0.46)
Adjusted net income (loss) per share from discontinued operations	$0.06	$(0.13)	$0.07	$(0.13)
Total adjusted net loss per share	$0.01	$(0.31)	$(0.21)	$(0.59)

(1) 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.

Adjusted EBITDA

Adjusted EBITDA from continuing operations in the September 2019 quarter was a loss of $1.7 million compared to a loss of $9.8 million in the 2018 comparative quarter. 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 following reconciliation table.

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:

expressed in thousands	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Net loss from continuing operations	$(15,963)	$(12,716)	$(27,977)	$(66,184)
Adjustments:				
Income and mining tax recovery	(8,798)	(13,526)	(26,872)	(25,439)
Interest expense	9,444	18,678	45,932	54,772
Depletion and depreciation	3,181	6,033	10,281	19,414
Accretion of future site reclamation provisions	648	685	1,943	2,060
Share based compensation	(40)	186	153	552
Foreign exchange (gain) loss	8,071	(7,525)	(10,656)	13,820
Revaluation (gain) loss on marketable securities	51	(44)	253	(667)
Gain on early repayment of debt	1,766	-	1,766	-
Fair value adjustment for debt settled in common shares	(28)	-	3,328	-
Gain on sale of Sterling	-	(121)	-	(296)
Other	-	(1,446)	(36)	(1,459)
Adjusted EBITDA from continuing operations	(1,668)	(9,796)	(1,885)	(3,427)
Adjusted EBITDA from discontinued operations	129,410	(3,491)	143,469	24,354
Total adjusted EBITDA	$127,742	$(13,287)	$141,584	$20,927

Cash Flow and Cash Flow Per Share

Cash flow in the September 2019 quarter from continuing operations was negative $1.8 million compared to negative $8.2 million in the 2018 comparative quarter. Cash flow per share was $(0.01) in the September 2019 quarter compared to $(0.07) in the 2018 comparative quarter.

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.

expressed in thousands, except per share and per share amounts	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Income (loss) before taxes from continuing operations	$(24,761)	$(26,242)	$(54,849)	$(91,623)
Items not affecting cash flows:				
Depletion and depreciation	3,181	6,033	10,281	19,414
Share based compensation	(26)	186	153	552
Accretion of future site reclamation provisions	648	685	1,943	2,060
Fair value adjustment for debt settled in common shares	(28)	-	3,328	-
Unrealized foreign exchange (gain) loss	7,971	(7,374)	(9,948)	13,123
Interest expense	9,444	18,678	45,932	54,772
Loss on early repayment of debt	1,766	-	1,766	-
Gain on sale of Sterling	-	(121)	-	(296)
Other	(18)	(42)	63	(679)
Cash flow from continuing operations	(1,823)	(8,197)	(1,331)	(2,677)
Cash flow from discontinued operations	10,179	(3,569)	23,699	24,276
Total cash flow	$8,356	$(11,766)	$22,368	$21,599
Basic weighted average number of common shares outstanding	128,370,201	120,512,374	126,868,285	118,318,692
Cash flow per share from continuing operations	$(0.01)	$(0.07)	$(0.01)	$(0.02)
Cash flow per share from discontinued operations	$0.08	$(0.03)	$0.19	$0.20
Total cash flow per share	$0.07	$(0.10)	$0.18	$0.18

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 September 30, 2019 and 2018.

Cash Cost Per Pound of Copper Produced

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

	Three Months Ended September 30, 2019			
	Red Chris*	Mount Polley**	Total per Financial Statements**	Composite
	A	B		C=A+B
Cost of sales	$35,711	$19	$35,730	$35,730
Less:				
Depletion and depreciation	(1,693)	-	(1,693)	(1,693)
Share based compensation	(50)	(9)	(59)	(59)
Cash costs before adjustment to production basis	33,968	10	$33,978	33,978
Adjust for inventory change	2,406	-		2,406
Adjust transportation and offsite costs	3,914	(10)		3,904
Treatment, refining and royalty costs	6,992	-		6,992
By-product and other revenues	(10,459)	-		(10,459)
Cash cost of copper produced in CDN$	$36,821	-		$36,821
US$ to CDN$ exchange rate	*1.3241*	*1.3241*		*1.3241*
Cash cost of copper produced in US$	$27,808	$ -		$27,808
Copper produced – pounds	*13,132*	-		*13,132*
Cash cost per lb copper produced in US$	$2.12	$ -		$2.12

	Three Months Ended September 30, 2018			
	Red Chris*	Mount Polley**	Total per Financial Statements**	Composite
	A	B		C=A+B
Cost of sales	$68,106	$31,203	$99,309	$99,309
Less:				
Depletion and depreciation	(11,873)	(5,746)	(17,619)	(17,619)
Share based compensation	(51)	(29)	(80)	(80)
Cash costs before adjustment to production basis	56,182	25,428	$81,610	81,610
Adjust for inventory change	(440)	(4,062)		(4,502)
Adjust transportation and offsite costs	(91)	178		87
Treatment, refining and royalty costs	4,893	783		5,676
By-product and other revenues	(13,165)	(12,111)		(25,276)
Cash cost of copper produced in CDN$	$47,379	$10,216		$57,595
US$ to CDN$ exchange rate	*1.3070*	*1.3070*		*1.3070*
Cash cost of copper produced in US$	$36,250	$7,816		$44,066
Copper produced – pounds	*13,546*	*2,599*		*16,145*
Cash cost per lb copper produced in US$	$2.68	$3.01		$2.73

* 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 Imperials 30% ownership 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 nine months ended September 30, 2019 and 2018.

Cash Cost Per Pound of Copper Produced

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

Nine Months Ended September 30, 2019	Red Chris*	Mount Polley**	Total per Financial Statements**	Composite
	A	B		C=A+B
Cost of sales	$156,367	$40,177	$196,544	$196,544
Less:				
Depletion and depreciation	(10,915)	(6,144)	(17,059)	(17,059)
Share based compensation	7	-	7	7
Cash costs before adjustment to production basis	145,459	34,033	$179,492	179,492
Adjust for inventory change	7,456	-		7,456
Adjust transportation and offsite costs	7,346	(579)		6,767
Treatment, refining and royalty costs	19,894	1,598		21,492
By-product and other revenues	(36,746)	(18,469)		(55,215)
Cash cost of copper produced in CDN$	$143,409	$16,583		$159,992
US$ to CDN$ exchange rate	*1.3292*	*1.3292*		*1.3292*
Cash cost of copper produced in US$	$107,891	$12,476		$120,367
Copper produced – pounds	*43,832*	*3,825*		*47,657*
Cash cost per lb copper produced in US$	$2.46	$ 3.26		$2.53

Nine Months Ended September 30, 2018	Red Chris*	Mount Polley**	Total per Financial Statements**	Composite
	A	B		C=A+B
Cost of sales	$204,170	$90,979	$295,149	$295,149
Less:				
Depletion and depreciation	(36,915)	(18,403)	(55,318)	(55,318)
Share based compensation	(87)	(86)	(173)	(173)
Cash costs before adjustment to production basis	167,168	72,490	239,658	239,658
Adjust for inventory change	2,339	(2,692)		(353)
Adjust transportation and offsite costs	(470)	9		(461)
Treatment, refining and royalty costs	16,085	3,358		19,443
By-product and other revenues	(46,265)	(47,360)		(93,625)
Cash cost of copper produced in CDN$	$138,857	$25,805		$164,662
US$ to CDN$ exchange rate	*1.2880*	*1.2880*		*1.2880*
Cash cost of copper produced in US$	$107,808	$20,035		$127,843
Copper produced – pounds	*44,781*	*11,790*		*56,571*
Cash cost per lb copper produced in US$	$2.41	$1.70		$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 Imperials 30% ownership in the joint venture.

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2018 FROM CONTINUING OPERATIONS

Overview

Revenues decreased to $7.0 million in the September 2019 quarter compared to $17.8 million in the 2018 comparative quarter. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date. The Company recorded income from mine operations of $0.4 million in the September 2019 quarter compared to a loss of $13.4 million in the 2018 comparative quarter.

Net loss for the September 2019 quarter was $16.0 million ($0.12 per share) compared to a net loss of $12.7 million ($0.11 per share) in the 2018 comparative quarter.

Revenue

expressed in thousands of dollars, except quantity amounts

	Three Months Ended September 30	
	2019	2018
Revenue before revaluation from:		
Continuing operations	$7,640	$21,499
Discontinued operations	43,852	54,124
Revenue revaluation from:		
Continuing operations	(649)	(3,671)
Discontinued operations	(3,980)	(1,471)
	$46,863	$70,481

expressed in thousands of dollars, except quantity amounts

	Three Months Ended September 30, 2019		
	Red Chris Mine*	Mount Polley Mine	Total
Sales			
Copper – *000's pounds*	*13,018*	*11*	*13,029*
Gold – *ounces*	*6,012*	*12*	*6,024*
Silver – *ounces*	*23,915*	*22*	*23,937*
Revenue			
Copper	$36,206	$(448)	$35,758
Gold	10,544	(40)	10,504
Silver	60	11	71
	46,810	(477)	46,333
Corporate	-	-	530
Total Revenue	$46,810	$(477)	$46,863

expressed in thousands of dollars, except quantity amounts

	Three Months Ended September 30, 2018		
	Red Chris Mine*	Mount Polley Mine	Total
Sales			
Copper – *000's pounds*	*13,295*	*3,136*	*16,431*
Gold – *ounces*	*9,044*	*7,536*	*16,580*
Silver – *ounces*	*23,480*	*6,309*	*29,789*
Revenue			
Copper	$39,861	$8,602	$48,463
Gold	12,680	9,335	22,015
Silver	111	(123)	(12)
	52,652	17,814	70,466
Corporate	-	-	15
Total Revenue	$52,652	$17,814	$70,481

* 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 Imperials 30% ownership in the joint venture.

During the September 2019 quarter the Company sold 13.0 million pounds copper and 6,024 ounces gold compared to 16.4 million pounds copper and 16,580 ounces gold in the 2018 comparative quarter.

During the September 2019 quarter there were 3.3 concentrate shipments from Red Chris mine (2018–2.7 concentrate shipments). The Mount Polley mine was placed on care and maintenance status in May 2019, therefore there were no concentrate shipments from Mount Polley in the 2019 third quarter (2018-0.5 concentrate shipment).

During the September 2019 quarter the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris mine. Red Chris accounted for the majority of the Company's revenue in the September 2019 quarter. Copper accounted for 78.4% and gold accounted for 21.5% of the Company's revenue in the September 2019 quarter.

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	Three Months Ended September 30	
	2019	2018
Operating expenses	$4,108	$18,761
Salaries, wages and benefits	869	6,666
Depletion and depreciation	1,628	5,746
Share based compensation	9	29
	$6,614	$31,202

Cost of sales for the September 2019 quarter were $6.6 million compared to $31.2 million for the comparative quarter in 2018, due to the following major factors:

- operating expenses and salaries, wages and benefits for 2019 were $5.0 million compared to $24.4 million in the comparative 2018 quarter;
- depletion and depreciation for 2019 was $1.6 million compared to $5.7 million in the comparative 2018 quarter.

General and Administration Costs

expressed in thousands of dollars	Three Months Ended September 30	
	2019	2018
Administration	$4	$556
Share based compensation - corporate	(35)	157
Depreciation – corporate assets	7	33
Foreign exchange loss	80	19
	$56	$765

General and administration costs were $0.1 million in the September 2019 quarter compared to $0.8 million in the 2018 comparative quarter. Administration costs decreased due to the transaction costs from prior periods totaling $0.7 million being reclassified to gain on sale of Red Chris.

The average CDN/US Dollar exchange rate for the September 2019 quarter was 1.321 compared to 1.307 in the 2018 comparative quarter. Foreign exchange gains are attributable to holding US Dollar denominated cash, accounts receivable, and accounts payable.

Interest Expense

expressed in thousands of dollars

	Three Months Ended September 30	
	2019	2018
Interest on non-current debt	$7,861	$17,316
Other interest	1,583	1,362
	$9,444	$18,678

Interest expense decreased to $9.4 million in the September 2019 quarter from $18.7 million in the 2018 comparative quarter. Decrease was due to the Company repaying the majority of its debt on August 15, 2019.

Other Finance Income (Loss)

expressed in thousands of dollars

	Three Months Ended September 30	
	2019	2018
Accretion of future site reclamation provisions	$(648)	$(685)
Foreign exchange gain (loss) on debt	(7,717)	7,454
Fair value adjustment for debt settled in common shares	28	-
Loss on early repayment of convertible debentures	(1,766)	-
Fair value adjustment to marketable securities	(105)	43
	(10,208)	6,812
Interest income	113	56
Other finance income (loss)	$(10,095)	$6,868

Other finance expense totaled $10.1 million in the September 2019 quarter compared to income of $6.9 million in the 2018 comparative quarter. The expense resulted primarily from items discussed below.

At September 30, 2019, the Company had US Dollar denominated debt of US$2.7 million compared to US$335.0 million at December 31, 2018. Foreign exchange gains and losses attributable to US denominated short and non-current debt reflect the foreign currency movement during the three months ended September 30, 2019 and resulted in a $7.7 million loss on the senior notes compared to a $7.5 million gain in the 2018 comparative quarter. The senior notes were repaid in full during the quarter.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2018 FROM CONTINUING OPERATIONS

Overview

Revenues decreased to $42.5 million in the September 2019 period compared to $76.6 million in the 2018 comparative period. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The Company recorded a loss from mine operations of $4.3 million in the September 2019 period compared to a loss of $14.3 million in the 2018 comparative period. Net loss for the September 2019 period was $28.0 million ($0.22 per share) compared to a net loss of $66.2 million ($0.57 per share) in the 2018 comparative period.

Revenue

expressed in thousands of dollars, except quantity amounts

	Nine Months Ended September 30	
	2019	2018
Revenue before revaluation from:		
Continuing operations	$44,649	$85,854
Discontinued operations	169,448	200,264
Revenue revaluation from:		
Continuing operations	(2,182)	(9,207)
Discontinued operations	(4,753)	(8,452)
	$207,162	$268,459

expressed in thousands of dollars, except quantity amounts

	Nine Months Ended September 30, 2019		
	Red Chris Mine*	Mount Polley Mine	Total
Sales			
Copper – *000's pounds*	*43,834*	*4,584*	*48,418*
Gold – *ounces*	*22,092*	*12,577*	*34,669*
Silver – *ounces*	*75,177*	*13,700*	*88,877*
Revenue			
Copper	$133,930	$ 15,623	$149,553
Gold	37,645	19,087	56,732
Silver	77	270	347
	171,652	34,980	206,632
Corporate	-	-	530
Total Revenue	$171,652	$34,980	$207,162

expressed in thousands of dollars, except quantity amounts

	Nine Months Ended September 30, 2018		
	Red Chris Mine*	Mount Polley Mine	Total
Sales			
Copper – *000's pounds*	*45,287*	*11,705*	*56,992*
Gold – *ounces*	*30,043*	*27,522*	*57,565*
Silver – *ounces*	*79,125*	*21,891*	*101,016*
Revenue			
Copper	$146,017	$36,299	$182,316
Gold	45,644	40,287	85,931
Silver	151	45	196
	191,812	76,631	268,443
Corporate	-	-	16
Total Revenue	$191,812	$76,631	$268,459

* 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 Imperials 30% ownership in the joint venture.

During the September 2019 period the Company sold 48.4 million pounds copper and 34,669 ounces gold compared to 57.0 million pounds copper and 57,565 ounces gold in the 2018 comparative period.

During the September 2019 period the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris mine. Red Chris accounted for 83.1% of the Company's revenue in the September 2019 period. Copper accounted for 72.4% and gold accounted for 27.4% of the Company's revenue in the September 2019 period.

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	Nine Months Ended September 30	
	2019	2018
Operating expenses	$25,048	$52,300
Salaries, wages and benefits	13,952	20,190
Depletion and depreciation	7,772	18,403
Share based compensation	-	86
	$46,772	$90,979

Cost of sales for the September 2019 period were $46.8 million compared to $100.0 million for the comparative period in 2018, due to the following major factors:

- operating expenses and salaries, wages and benefits for 2019 were $39.0 million compared to $72.5 million in the comparative 2018 period;
- depletion and depreciation for 2019 was $7.8 million compared to $18.4 million in the comparative 2018 period;
- included in cost of sales for 2019 are inventory impairment charges of $3.4 million compared to $0.5 million in the comparative 2018 period.

General and Administration Costs

expressed in thousands of dollars	Nine Months Ended September 30	
	2019	2018
Administration	$2,573	$2,684
Share based compensation - corporate	153	466
Depreciation – corporate assets	22	97
Foreign exchange loss	95	719
	$2,843	$3,966

General and administration costs were $2.8 million in the September 2019 period compared to $4.0 million in the 2018 comparative period. Administration costs decreased due to lower staffing levels compared to the prior year comparative period. Share based compensation costs decreased due to a lower number of options outstanding which still had vesting remaining

The average CDN/US Dollar exchange rate for the September 2019 period was 1.3291 compared to 1.278 in the 2018 comparative period. Foreign exchange gains 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	Nine Months Ended September 30	
	2019	2018
Interest on non-current debt	$37,789	$51,706
Other interest	8,143	3,066
	$45,932	$54,772

Interest expense decreased to $45.9 million in the September 2019 period from $54.8 million in the 2018 comparative period. The interest expense decreased primarily as a result of the Company repaying the majority of its outstanding debt on August 15, 2019 compared to the prior year quarter where the debt was outstanding for the entire period.

Other Finance Income (Loss)

expressed in thousands of dollars

	Nine Months Ended September 30	
	2019	2018
Accretion of future site reclamation provisions	$(1,943)	$(2,060)
Foreign exchange gain (loss) on debt	10,310	(12,863)
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	(307)	667
	2,966	(14,256)
Interest income	4,894	166
Other finance income (loss)	$7,860	$(14,090)

Other finance income totaled $7.8 million in the September 2019 period compared to an expense of $14.1 million in the 2018 comparative period. The income resulted primarily from items discussed below.

At September 30, 2019, the Company had US Dollar denominated debt of US$2.6 million compared to US$335.0 million at December 31, 2018. Foreign exchange gains and losses attributable to US denominated short and non-current debt reflect the foreign currency movement during the nine months ended September 30, 2019 and resulted in a $10.3 million gain on the senior notes. Interest income increased due to higher cash balances on hand compared to the prior year period and interest from prior periods related to tax refund.

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, share option reserve, 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 September 30, 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 September 30, 2019, the Company had a positive working capital balance of $77.4 million, including a cash balance of $102.7 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.

Subsequent to September 30, 2019 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 previously.

The Company had the following contractual obligations with respect to financial instruments as of September 30, 2019:

expressed in thousands of dollars	Within 1 Year	2 Years	3 Years	4 Years	5 years	Total
Trade and other payables	$47,432	$ -	$ -	$ -	$ -	$47,432
Other obligations	4,290	5,295	-	-	-	9,585
Current portion of non-current debt	1,329	-	-	-	-	1,329
Non-current debt	-	1,087	982	816	-	2,885
Total	$53,051	$6,382	$982	$816	$ -	$61,231

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 quarter ended September 30, 2019 would have been higher/lower by $0.3 million.

Cash Flow

Cash flow was negative $1.8 million in the September 2019 quarter compared to a negative $8.2 million in the comparative 2018 quarter.

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 September 30, 2019, the Company had cash of $102.7 million and a working capital of $77.4 million, which includes $1.3 million of current debt.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties on continuing and discontinued operations totaled $16.3 million in the September 2019 quarter compared to $37.5 million in the comparative 2018 quarter.

expressed in thousands of dollars	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Capital and Development Expenditures				
Red Chris*	$13,147	$31,852	$34,114	$48,778
Mount Polley	2,226	5,123	3,481	12,687
Other	2	-	6	5
	15,375	36,975	37,601	61,470
Exploration Expenditures				
Red Chris*	77	257	108	402
Mount Polley	5	7	17	173
Other	881	280	1,166	433
	963	544	1,291	1,008
	$16,338	$37,519	$38,892	$62,478

* 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.

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 September 30, 2019, the Company had a provision of $2.2 million for future rehabilitation activities related to the August 4, 2014 tailings dam breach at the Mount Polley mine ("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 September 30, 2019. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

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 CDN/US exchange rates compared to the copper and gold prices and CDN/US exchange rate at the time when these contracts were entered into; or the latest balance sheet date and the type and length of time to maturity of the contracts.

The Company had no derivative instruments for copper, gold or foreign exchange at September 30, 2019 or at the date of this document.

DEBT AND OTHER OBLIGATIONS

At September 30, 2019 the Company's current and non-current debt was comprised of the following:

- Equipment loans and leases denominated in both CDN$/US$ with a balance of $4.2 million.

Detailed disclosure on the Company's debt including amounts owed, interest rates and security can be found in Note 14 of the Interim Financial Statements.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At September 30, 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 September 30, 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 September 30, 2019 as follows for continuing operations:

expressed in thousands of dollars	Level 1	Level 2	Total
Financial assets			
Cash	$102,687	$ -	$102,687
Marketable securities	37	-	37
Provisionally priced receivables	-	774	774
Future site reclamation deposits	14,319	-	14,319
	117,043	774	117,817
Financial liabilities			
Amounts owing on provisionally priced receivables	-	(1,444)	(1,444)
	$117,043	$(670)	$116,373

SELECT QUARTERLY FINANCIAL INFORMATION FROM TOTAL OPERATIONS (CONTINUING AND DISCONTINUED OPERATIONS)

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

	Three Months Ended			
	September 30 2019	June 30 2019	March 31 2019	December 31 2018
Total revenues	$46,863	$83,618	$76,681	$91,714
Net income (loss)	$313,226	$(7,450)	$(2,268)	$(44,265)
Basic income (loss) per share [1]	$2.44	$(0.06)	$(0.02)	$(0.37)
Diluted loss per share [1]	$2.44	$(0.06)	$(0.02)	$(0.37)
Adjusted net income (loss) [2]	$673	$(16,683)	$(11,614)	$(15,087)
Adjusted net income (loss) per share[1] [2]	$0.01	$(0.13)	$(0.09)	$(0.13)
Adjusted EBITDA [2]	$127,742	$6,846	$6,996	$12,341
Cash flow [2]	$8,356	$3,467	$10,285	$121,850
Cash flow per share [1][2]	$0.07	$0.03	$0.08	$1.03
Average LME copper price/lb in US$	$2.64	$2.77	$2.82	$2.80
Average LME gold price/troy oz in US$	$1,474	$1,310	$1,304	$1,228
Average CDN/US$ exchange rate	$1.321	$1.338	$1.329	$1.321
Period end CDN/US$ exchange rate	$1.324	$1.329	$1.337	$1.364

	September 30 2018	June 30 2018	March 31 2018	December 31 2017
Total revenues	$70,481	$80,066	$117,912	$140,466
Net loss	$(28,609)	$(36,555)	$(16,166)	$(2,107)
Basic income loss per share [1]	$(0.24)	$(0.31)	$(0.14)	$(0.02)
Diluted income loss per share [1]	$(0.24)	$(0.31)	$(0.14)	$(0.02)
Adjusted net loss [2]	$(37,099)	$(27,823)	$(4,754)	$(492)
Adjusted net income (loss) per share[1] [2]	$(0.30)	$(0.24)	$(0.04)	$0.01
Adjusted EBITDA [2]	$(13,287)	$(2,130)	$36,394	$42,514
Cash flow [2]	$(11,766)	$(2,593)	$35,958	$43,009
Cash flow per share [1] [2]	$(0.10)	$(0.02)	$0.30	$0.46
Average LME copper price/lb in US$	$2.77	$3.12	$3.16	$3.09
Average LME gold price/troy oz in US$	$1,213	$1,306	$1,329	$1,275
Average CDN/US$ exchange rate	$1.307	$1.291	$1.265	$1.271
Period end CDN/US$ exchange rate	$1.295	$1.278	$1.289	$1.255

[1] The sum of the quarterly net income per share, adjusted net income per share and cash flow per share may not equal the annual total due to timing of share issuances during the year.

[2] 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 CDN$/US$ 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 decrease in net income in the March 2018 quarter compared to the December 2017 quarter was due to lower production at both Red Chris and Mount Polley which led to lower revenues of approximately $22.6 million.

(b) The primary reasons for the loss in the June 2018 quarter compared to income in the June 2017 quarter was largely due to the $109.8 million gain on bargain purchase that was recognized by the Company on the acquisition of the remaining 50% share of Huckleberry in 2017. Revenues were lower 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) The primary reasons for the increase in net income in the September 2019 quarter compared to September 2018 quarter was due to a $440.8 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.

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		Three Months Ended September 30 2019	Three Months Ended September 30 2018	Nine Months Ended September 30 2019	Nine Months Ended September 30 2018
Loan guarantee fee for guarantee of Senior Credit Facility and Second Lien Secured Credit Facility	(a)	$694	$660	$3,483	$1,621
Interest expense and line of credit arrangement fee	(f)(h)	$3,740	$4,275	15,087	$12,629
Junior Credit Facility extension fee	(b)	$45	$ -	$45	$ -
Royalty expense		$ -	$31	$ -	$31

Statement of Financial Position

expressed in thousands of dollars		September 30 2019	December 31 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	(c)	-	$72,739
Convertible Debentures	(d)(f)	-	$59,000
Bridge Loan	(g)	-	$13,000
Line of credit	(h)	-	$ -

(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 Interim Financial Statements for the nine months ended September 30, 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 control 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.

There have been no changes in the Company's internal controls over financial reporting and disclosure controls and procedures during the September 30, 2019 quarter ended that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

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 50.1% of the Company's net assets, 49.2% of total assets, 16.4% of revenues and 0.1% of net income of the consolidated financial statement amounts as of and for the nine months ended September 30, 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.

RISK FACTORS

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

FORWARD-LOOKING STATEMENTS & RISKS NOTICE

This MD&A is a review of the Company's operations and financial position as at and for the quarter ended September 30, 2019, and plans for the future based on facts and circumstances as of November 14, 2019. 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 and maintenance activities at Mount Polley; expectations regarding current 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; 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 ownership 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; 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 nine months ended September 30, 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.

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