



First Quarter Report 2020

Management's Discussion & Analysis

For the Three Months Ended March 31, 2020 and 2019

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 months ended March 31, 2020 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 March 31, 2020. 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 a 30% interest in the Red Chris mine, and 100% of the Mount Polley and Huckleberry copper mines, all located 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 The Company was incorporated under the British Columbia *Company Act*, which was superseded by the British Columbia *Business Corporations Act*, on December 6, 2001 under the name IMI Imperial Metals Inc. Imperial changed its name to Imperial Metals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 May 12, 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.

SIGNIFICANT EVENTS AND LIQUIDITY

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

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

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

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

The Company holds a 30% interest in the Red Chris mine through our wholly owned subsidiary. Newcrest Mining Limited ("Newcrest") holds a 70% interest through its wholly owned subsidiary and is the project operator.

The Company understands that Newcrest is continuing to monitor the developments and escalating global concern around the COVID-19 pandemic and has implemented the following precautionary measures at Red Chris:

- conducting passenger screening and health checks for all fly-in-fly-out, contractors and visitors travelling to site;
- advising against international travel;
- applying self-quarantine to those who have travelled internationally for business or privately within 14 days, as well as any travellers who have been in contact with a person diagnosed with or suspected of having the virus;
- restricting Newcrest staff from attending conferences or similar events until further notice;
- providing regular communication updates through the Health and Safety Department and Newcrest All Site notifications to employees on all sites, particularly on sanitation practices and what to do if they feel symptomatic;
- updating local communities on Newcrest's current site practices in relation to COVID-19;
- issuing communications to all sites highlighting safe and hygienic practises to minimise spread of infection;
- preparing business continuity plans and contingencies in the event of a significant number of operational employees and contractors being exposed or contracting the virus to minimise disruptions to operations; and
- establishing an emergency management team of key management at site level.

As Newcrest is the operator of the Red Chris mine, the preventative measures implemented with respect to that project lie outside the direct control of the Company. If Newcrest manages the operations of the Red Chris mine in a manner that results in violation(s) of the guidance and directives of applicable health authorities, such violation(s) may have an adverse impact on the Company.

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

In particular, the global economic uncertainty and COVID-19 have had a significant negative effect on the price of copper in the latter part of the quarter. The extent and duration of impacts that the pandemic may have on demand and commodity prices, on our suppliers and employees and on global financial markets is not known at this time, but could be both material and protracted.

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

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, 2019.

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Definition of a Business

In October 2018, the IASB issued amendments in Definition of a Business (Amendments to IFRS 3) which:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Management determined that these amendments do not have an impact on the consolidated financial statements of the Company.

QUARTER HIGHLIGHTS

FINANCIAL

On February 20, 2019 the Company initiated a process for the sale of the Red Chris mine and in accordance with IFRS, the Company classified Red Chris mine as a discontinued operation effective January 1, 2019 up until the closing of the transaction with Newcrest on August 14, 2019. Effective August 15, 2019 the results from the Red Chris Mine are presented on a proportionate basis relative to Imperial's 30% ownership in the joint venture. Unless otherwise stated, this MD&A only compares the comparative quarter results from continuing operations and excludes discontinued operations even though the Red Chris mine is in both discontinued operations pre and post August 15, 2019.

Total revenue from continuing operations increased to \$28.0 million in the March 2020 quarter compared to \$13.8 million in the 2019 comparative quarter, an increase of \$14.2 million or 102.9%. The March 2019 amount only included revenue from the Mount Polley Mine as the revenues from the Red Chris mine was classified in discontinued operations. However, in the 2020 quarter, the Company included its portion of the 30% interest in the Red Chris mine. In March 2019, the revenue from discontinued operations was \$62.9 million.

In the March 2020 quarter, the Red Chris mine (100% basis) had 4.3 concentrate shipments (2019-2.6 concentrate shipments). Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The London Metals Exchange cash settlement copper price per pound averaged US\$2.56 in the March 2020 quarter compared to US\$2.82 in the 2019 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,583 in the March 2020 quarter compared to US\$1,304 in the 2019 comparative quarter. The average CDN/US Dollar exchange rate was 1.345 in the March 2020 quarter, 1.1% higher than the exchange rate of 1.329 in the March 2019 quarter. In CDN Dollar terms the average copper price in the March 2020 quarter was CDN\$3.44 per pound compared to CDN\$3.75 per pound in the 2019 comparative quarter, and the average gold price in the March 2020 quarter was CDN\$2,128 per ounce compared to CDN\$1,734 per ounce in the 2019 comparative quarter.

Revenue in the March 2020 quarter decreased by \$4.6 million due to a negative revenue revaluation as compared to a \$2.5 million positive revenue revaluation in the 2019 comparative quarter. Revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher or lower than when the revenue was initially recorded or the copper price at the last balance sheet date and finalization of contained metal as a result of final assays.

Net loss from continuing operations for the March 2020 quarter was \$6.2 million (\$0.05 per share) compared to net loss of \$2.3 million (\$0.02 per share) in the 2019 comparative quarter. The increase in net loss of \$3.9 million was primarily due to the following factors:

- Loss from mine operations went from \$2.5 million in March 2019 to \$0.3 million in March 2020, a decrease in net loss of \$2.2 million.
- Interest expense went from \$18.4 million in March 2019 to \$0.4 million in March 2020, an increase in net income of \$18.0 million.
- Foreign exchange gains/losses went from a gain of \$8.9 million in March 2019 to a gain of \$2.0 million in March 2020, an increase in net loss of \$6.9 million.
- Tax recovery went from \$14.1 million in March 2019 to an expense of \$0.9 million in March 2020, an increase in net loss of \$15.0 million.

The average CDN/US Dollar exchange rate in the March 2020 quarter was 1.345 compared to an average of 1.329 in the 2019 comparative quarter.

Cash flow was \$2.5 million in the March 2020 quarter compared to \$nil in the 2019 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 were \$11.6 million in the March 2020 quarter, up from \$0.7 million in the 2019 comparative quarter.

At March 31, 2020, 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 ⁽¹⁾

Red Chris first quarter metal production was 22.5 million pounds copper and 17,427 ounces gold, up from 21.7 million pounds copper and 12,155 ounces gold in the fourth quarter of 2019. Imperial's 30% portion of the first quarter production was 6.7 million pounds copper and 5,228 ounces gold.

Gold production in the 2020 first quarter compared to 2019 fourth quarter increased by 43% as a result of a 56% increase in gold grade (0.32 g/t to 0.50 g/t) and a 21% improvement in gold recovery (44.5% to 55.7%), partially offset by a reduction in mill throughput. The higher grade in the quarter was enabled by mining of the lower benches of Phase 4. During the first quarter, the mill throughput was capped at a lower than normal rate as part of a water conservation plan implemented to conserve water during the winter. With Spring melt now occurring, the cap on throughput rate has been removed.

Mining has been declared an essential service in the province of British Columbia. Newcrest has implemented measures that meet or exceed Canadian and Provincial requirements in British Columbia. The Tahltan Central Government, Iskut First Nation and Tahltan Band have agreed with Newcrest's implementation of a package of further measures which proactively protect and support communities and enable Tahltan members to support their families and communities, while helping Red Chris to continue to operate during the COVID-19 pandemic. Changes include alteration of the employee work schedule during the COVID-19 pandemic to provide for longer on and off-site periods, to decrease the amount of travel required and enable First Nation employees increased time to self-isolate before returning to their local communities.

	Three Months Ended March 31*	
	2020	2019
Ore milled - <i>tonnes</i>	1,964,226	2,368,337
Ore milled per calendar day - <i>tonnes</i>	21,585	26,315
Grade % - copper	0.618	0.340
Grade g/t - gold	0.496	0.227
Recovery % - copper	83.9	73.84
Recovery % - gold	55.7	48.06
Copper - <i>000's pounds</i>	22,451	13,100
Gold - <i>ounces</i>	17,427	8,317
Silver - <i>ounces</i>	44,549	22,627

* 100% Red Chris mine production

Two drilling programs are underway at Red Chris. The East zone Resource Definition Programme is designed to obtain geological, geotechnical and metallurgical data to support future studies for underground block cave mining. The Brownfields Exploration Programme is focused on searching for additional zones of higher grade mineralization within the Red Chris porphyry corridor. A total of 14,641 metres of drilling was completed in the March 2020 quarter, contributing to a total of 29,383 metres of drilling completed since Newcrest acquired its 70% interest in Red Chris on August 15, 2020.

A new high grade zone has been intersected by RC616 within the East zone, returning a partial intercept of 238 metres grading 1.5 g/t gold and 0.85% copper, including 104 metres grading 2.7 g/t gold and 1.4% copper, and 32 metres grading 6.2 g/t gold and 3% copper. This high grade zone has not been intersected by previous drilling and is located 300 metres west of the high grade zone previously intersected by RC611. This drilling confirms the potential of finding additional discrete high grade pods of mineralization within the East zone. Follow up drilling to define the extent of the RC616 high grade zone is being planned.

The final results from RC611 (partial results reported March 10, 2020) has confirmed that the hole has intersected a broad zone of higher grade mineralization, 628 metres grading 1.7 g/t gold and 0.91% copper that contains a discrete high grade zone averaging more than 5 g/t gold. This zone was previously intersected by Imperial in RC09-350 which returned an interval of 152.5 metres grading 4.12% copper and 8.83 g/t gold starting at a depth of 540 metres. Hole RC611 was the first angled hole intersection which has confirmed this high grade pod as being approximately 100 metres long, 100 metres wide and 200 metres in height. An additional 10 resource definition holes are planned to be drilled to further understand the full potential of this zone and search for additional high grade pods within the East zone.

Drilling continues to expand the footprint of mineralization in the Gully zone and Far West zone. Mineralization has been observed over a broad area 800 metres long, 800 metres wide and over 1,000 metres vertically. The best grades within this area, which are more than 0.5 g/t gold, are in at least five discrete zones open in multiple directions requiring additional follow-up drilling to determine their full extent. Results from RC609 demonstrate the potential of the porphyry corridor, the first test of the Far West by Newcrest and Imperial, intersecting mineralization some 200 metres below historical drilling and is the most westerly drill hole on the property. Significant intercepts were released on April 29, 2020.

The Company's share of exploration, development and capital expenditures were \$11.3 million in the March 2020 quarter compared to \$9.3 million in the 2019 comparative quarter.

Mount Polley Mine

Mount Polley mine operations were shut down in May 2019, and the mine is on care and maintenance status pending improvement of the economics of mining. Site personnel are maintaining access, fire watch, and managing the collection, treatment and discharge of site contact water.

Mount Polley has an option to earn a 100% interest in seven mineral claims (3,331 ha), adjacent to the mine. 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 optioned claims. Drill programs have been designed to test the targets outlined on the optioned claims and to expand the copper and gold resource near historic deposits, with a focus on gold rich zones.

For the quarter ending March 31, 2020, Mount Polley incurred idle mine costs comprised of \$2.8 million in operating costs and \$1.2 million in depreciation expense.

Huckleberry Mine

Huckleberry mine operations were shut down in August 2016, and the mine is on care and maintenance status, pending improvement of the economics of mining. Activities at the mine site have focused on water management, snow removal, maintenance of site infrastructure and equipment and environmental compliance monitoring. The tailings management facilities are actively monitored.

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 about 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 the deposit below the historic drilling.

For the quarter ending March 31, 2020, Huckleberry incurred idle mine costs comprised of \$1.2 million in operating costs and \$0.2 million in depreciation expense.

Operations Outlook

Plans are in progress 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.

Earlier, we described the current impact of COVID-19 on our business. The Company's plans for 2020 and beyond could be adversely impacted by the effects of the coronavirus global pandemic. In particular, the continued spread of the coronavirus and travel and other operating restrictions established to curb the spread of coronavirus, could materially and adversely impact the Company's current plans by causing a temporary closure of the Red Chris mine, suspending planned exploration work, causing an economic slowdown resulting in a decrease in the demand for copper and gold, negatively impacting copper and gold prices, impacting the Company's ability to transport or market the Company's concentrate or causing disruptions in the Company's supply chains.

EARNINGS AND CASH FLOW

The Company completed the sale of 70% interest in the Red Chris mine to Newcrest on August 15, 2019. As a result, this operation was classified as a discontinued operation effective January 1, 2019 to August 14, 2019.

Select Quarter Financial Information

expressed in thousands, except share and per share amounts	Three Months Ended March 31	
	2020	2019
Continuing Operations:		
Total revenues	\$27,965	\$13,803
Net loss	\$(6,210)	\$(2,337)
Net loss per share	\$(0.05)	\$(0.02)
Diluted income (loss) per share	\$(0.05)	\$(0.02)
Adjusted net loss ⁽¹⁾	\$(5,926)	\$(11,389)
Adjusted net loss per share ⁽¹⁾	\$(0.05)	\$(0.09)
Adjusted EBITDA ⁽¹⁾	\$2,534	\$(3,566)
Cash flow ⁽¹⁾⁽²⁾	\$2,477	\$25
Cash flow per share ⁽¹⁾⁽²⁾	\$0.02	\$(0.00)
Discontinued Operations:		
Total revenues	\$ -	\$62,878
Net income	\$ -	\$69
Net income per share	\$ -	\$0.00
Diluted income (loss) per share	\$ -	\$0.00
Adjusted net loss ⁽¹⁾	\$ -	\$(225)
Adjusted net loss per share ⁽¹⁾	\$ -	\$(0.00)
Adjusted EBITDA ⁽¹⁾	\$ -	\$10,553
Cash flow ⁽¹⁾⁽²⁾	\$ -	\$10,260
Cash flow per share ⁽¹⁾⁽²⁾	\$ -	\$0.08
Working capital (deficiency)	\$42,311	\$(727,836)
Total assets	\$1,061,851	\$1,588,745
Total debt (including current portion)	\$3,762	\$874,329

⁽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	Three Months Ended March 31	
	2020	2019
Net loss from continuing operations before undernoted items	\$ (5,529)	\$ (9,254)
Interest expense	(397)	(13,423)
Recovery of BC Mineral taxes including interest	-	11,288
Foreign exchange gain (loss) on debt	(284)	9,052
Net Loss from continuing operations	\$(6,210)	\$(2,337)

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 the March 2020 quarter was \$5.9 million (\$0.05 per share) compared to an adjusted net loss of \$11.4 million (\$0.09 per share) in the 2019 comparative quarter. 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

expressed in thousands, except share and per share amounts	Three Months Ended March 31	
	2020	2019
Net loss reported from continuing operations	\$(6,210)	\$(2,337)
Unrealized foreign exchange (gain) loss on debt, net of tax ^(a)	284	(9,052)
Adjusted net loss from continuing operations	\$(5,926)	(11,389)
Adjusted net loss from discontinued operations	-	(225)
Total Adjusted Net Loss Reported	\$(5,926)	\$(11,614)
Basic weighted average number of common shares outstanding	128,490,174	125,088,105
Adjusted net loss per share from continuing operations	\$(0.05)	\$(0.09)
Adjusted net income (loss) per share from discontinued operations	\$0.00	\$(0.00)
Total Adjusted Net Loss Per Share	\$(0.05)	\$(0.09)

- (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.

Adjusted EBITDA

Adjusted EBITDA from continuing operations in the March 2020 quarter was \$2.5 million compared to a loss of \$3.6 million in the 2019 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 March 31	
	2020	2019
Net loss	\$(6,210)	\$(2,337)
Adjustments:		
Income and mining tax expense (recovery)	848	(14,075)
Interest expense	397	18,388
Depletion and depreciation	8,759	2,844
Accretion of future site reclamation provisions	664	657
Share based compensation	49	109
Foreign exchange gain	(1,982)	(9,280)
Revaluation loss on marketable securities	9	158
Other	-	30
Adjusted EBITDA from continuing operations	2,534	(3,566)
Adjusted EBITDA from discontinued operations	-	10,553
Total Adjusted EBITDA	\$2,534	\$6,987

Cash Flow and Cash Flow Per Share

Cash flow from continuing operations in the March 2020 quarter was \$2.5 compared to \$nil in the 2019 comparative quarter. Cash flow per share was \$0.04 in the March 2020 quarter compared to \$nil in the 2019 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 March 31	
	2020	2019
Loss before taxes	\$(5,362)	\$(16,412)
Items not affecting cash flows:		
Depletion and depreciation	8,759	2,844
Share based compensation	49	109
Accretion of future site reclamation provisions	664	657
Fair value adjustment for debt settled in common shares	-	3,356
Unrealized foreign exchange gains	(2,039)	(9,012)
Interest expense	397	18,397
Other	9	86
Cash flow from continuing operations	2,477	25
Cash flow from discontinued operations	-	10,260
Total Cash Flow	\$2,477	\$10,285
Basic weighted average number of common shares outstanding	128,490,174	125,088,105
Cash flow per share from continuing operations	\$0.02	\$0.00
Cash flow per share from discontinued operations	\$0.00	\$0.08
Total Cash Flow Per Share	\$0.02	\$0.08

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), 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 March 31, 2020 and 2019.

Calculation of Cash Cost Per Pound of Copper Produced

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

	Three Months Ended March 31, 2020		
	Red Chris	**Mount Polley	Composite
	A	B	C=A+B
Cost of sales	\$28,274	\$ -	\$28,274
Less:			
Depletion and depreciation	(7,367)	-	(7,367)
Cash costs before adjustment to production basis	20,907	-	20,907
Adjust for inventory change	657	-	657
Adjust transportation and offsite costs	(28)	-	(28)
Treatment, refining and royalty costs	2,694	-	2,694
By-product and other revenues	(10,847)	-	(10,847)
Cash cost of copper produced in CDN\$	\$13,383	\$ -	\$13,383
US\$ to CDN\$ exchange rate	1.3445	-	1.3445
Cash cost of copper produced in US\$	\$9,954	\$ -	\$9,954
Copper produced – pounds	6,735	-	6,735
Cash cost per lb copper produced in US\$	\$1.48	\$ -	\$1.48

	Three Months Ended March 31, 2019		
	*Red Chris	**Mount Polley	Composite
	A	B	C=A+B
Cost of sales	\$61,769	\$16,330	\$78,099
Less:			
Depletion and depreciation	(9,090)	(2,623)	(11,713)
Share based compensation	72	(16)	56
Cash costs before adjustment to production basis	52,751	13,691	\$66,442
Adjust for inventory change	2,440	5,002	7,442
Adjust transportation and offsite costs	(179)	239	60
Treatment, refining and royalty costs	5,639	975	6,614
By-product and other revenues	(13,552)	(10,510)	(24,062)
Cash cost of copper produced in CDN\$	\$47,099	\$9,397	\$56,496
US\$ to CDN\$ exchange rate	1.3294	1.3294	1.3294
Cash cost of copper produced in US\$	\$35,429	\$7,069	\$42,497
Copper produced – pounds	13,100	2,305	15,405
Cash cost per lb copper produced in US\$	\$2.70	\$3.07	\$2.76

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. Effective August 15, 2019, 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 was placed on care and maintenance on May 26, 2019.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2020 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2019

Overview

Revenues from continuing operations increased to \$28.0 million in the March 2020 quarter compared to \$13.8 million in the 2019 comparative quarter, an increase of \$14.2 million or 102.9%. 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 for the March 2020 quarter was \$6.2 million (\$0.05 per share) compared to net loss of \$2.3 million (\$0.02 per share) in the 2019 comparative quarter. The increase in net loss of \$3.9 million was primarily due to the following factors:

- Loss from mine operations went from \$2.5 million in March 2019 to \$0.3 million in March 2020, a decrease in net loss of \$2.2 million.
- Interest expense went from \$18.4 million in March 2019 to \$0.4 million in March 2020, an increase in net income of \$18.0 million.
- Foreign exchange gains/losses went from a gain of \$8.9 million in March 2019 to a gain of \$2.0 million in March 2020, an increase in net loss of \$6.9 million.
- Tax recovery went from \$14.1 million in March 2019 to an expense of \$0.9 million in March 2020, an increase in net loss of \$15.0 million.

The average CDN/US Dollar exchange rate in the March 2020 quarter was 1.345 compared to an average of 1.329 in the 2019 comparative quarter.

Revenue

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31	
	2020	2019
Revenue from continuing operations before revaluation	\$32,597	\$13,417
Revenue revaluations from continuing operations	(4,632)	386
Revenue from continuing operations	27,965	13,803
Revenue from discontinued operations	-	60,791
Revenue revaluation from discontinued operations	-	2,087
Revenue from discontinued operations	-	62,878
Total Revenue	\$27,965	\$76,681

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31, 2020		
	Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	6,854	-	6,854
Gold – ounces	5,229	-	5,229
Silver – ounces	13,749	-	13,749
Revenue			
Copper	\$16,503	\$ -	\$16,503
Gold	10,733	-	10,733
Silver	155	-	155
	\$27,391	\$-	\$27,391
Corporate and Other			574
Total Revenue			\$27,965

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31, 2019		
	*Red Chris Mine	Mount Polley Mine	Total
Sales			
Copper – 000's pounds	13,940	1,503	15,443
Gold – ounces	9,148	4,373	13,521
Silver – ounces	24,006	4,671	28,677
Revenue			
Copper	\$47,589	\$7,953	\$55,542
Gold	15,035	5,726	20,761
Silver	254	123	377
	<u>\$62,878</u>	<u>\$13,802</u>	<u>\$76,680</u>
Corporate and Other			1
Total Revenue			<u>\$76,681</u>

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. Effective August 15, 2019, 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 the March 2020 quarter, the Company sold 6.9 million pounds copper and 5,229 ounces gold compared to 15.4 million pounds copper and 13,521 ounces gold in the 2019 comparative quarter.

In the March 2020 quarter, the Red Chris mine had 4.3 concentrate shipments (2019-2.6 concentrate shipments).

During the March 2020 quarter, the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris mine. Copper accounted for 59.0% and gold accounted for 38.3% of the Company's revenue.

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 March 31	
	2020	2019
Operating expenses	\$15,912	\$8,489
Salaries, wages and benefits	4,995	5,202
Depletion and depreciation	7,367	2,623
Share based compensation	-	16
	<u>\$28,274</u>	<u>\$16,330</u>

Cost of sales for the March 2020 quarter was \$28.3 million compared to \$16.3 million in the 2019 comparative quarter, due to the following major factors:

- operating expenses and salaries, wages and benefits for the March 2020 quarter were \$20.9 million compared to \$13.7 million in the March 2019 quarter;
- depletion and depreciation for the March 2020 quarter was \$7.4 million compared to \$2.6 million in the March 2019 quarter;
- included in cost of sales for the March 2020 quarter are inventory impairment charges in relation to stockpile ore, concentrate inventory and supplies inventory of \$nil million compared to \$3.4 million in the March 2019 quarter.

Interest Expense

expressed in thousands of dollars

	Three Months Ended March 31	
	2020	2019
Interest on non-current debt	\$42	\$15,075
Other interest	355	3,322
	<u>\$397</u>	<u>\$18,397</u>

Interest expense decreased to \$0.4 million in the March 2020 quarter from \$18.4 million in the 2019 comparative quarter, due to the Company repaying the majority of its debt on August 15, 2019.

Other Finance Income (Expense)

expressed in thousands of dollars

	Three Months Ended March 31	
	2020	2019
Accretion of future site reclamation provisions	\$(664)	\$(657)
Foreign exchange gain	1,982	8,870
Fair value adjustment for debt settled in common shares	-	(3,356)
Fair value adjustment to marketable securities	(9)	(158)
	<u>1,309</u>	<u>4,699</u>
Interest income	389	2,172
Other finance income	<u>\$1,698</u>	<u>\$6,871</u>

Other finance income totaled \$1.7 million in the March 2020 quarter compared to income of \$6.9 million in the 2019 comparative quarter with the expense resulting primarily from foreign exchange discussed below.

At March 31, 2020 the Company had US\$ denominated debt of US\$2.3 million compared to US\$334.5 million at December 31, 2019.

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 2019. The capital structure of the Company consists of current and non-current debt and equity comprised of share capital, contributed surplus, currency translation adjustment and retained earnings.

LIQUIDITY & CAPITAL RESOURCES AND FINANCING

Credit Risk

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

The Company sells to a limited number of traders. 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 March 31, 2020.

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 March 31, 2020, the Company had a working capital balance of \$42.3 million, including a cash balance of \$82.5 million which compares to a working capital of \$55.3 million and cash balance of \$90.0 million at December 31, 2019. 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 on August 15, 2019.

The Company has a \$50.0 million revolving credit facility of which \$38.6 million was utilized primarily 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 March 31, 2020:

expressed in thousands of dollars

	Within					
	1 Year	2 Years	3 Years	4 Years	5 years	Total
Trade and other payables	\$54,287	\$ -	\$ -	\$ -	\$ -	\$54,287
Other obligations	2,860	-	-	-	-	2,860
Current portion of non-current debt	1,301	-	-	-	-	1,301
Non-current debt	-	1,060	1,047	354	-	2,461
Total	\$58,448	\$1,060	\$1,047	\$354	\$ -	\$60,909

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 March 31, 2020 would have been higher/lower by \$1.8 million.

Cash Flow

Cash flow was \$2.5 million in the March 2020 quarter compared to \$nil in the 2019 comparative 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 March 31, 2020, the Company had cash of \$82.5 million and a working capital of \$42.3 million, which includes \$1.3 million of current debt, compared to a working capital of \$55.3 million at December 31, 2019, which included \$1.3 million of current debt.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties from continuing operations totaled \$11.6 million in the March 2020 quarter compared to \$0.7 million in the March 2019 quarter.

expressed in thousands of dollars

	Three Months Ended March 31	
	2020	2019
Capital and Development Expenditures		
Red Chris*	\$9,077	\$ -
Mount Polley	9	678
	<u>9,086</u>	<u>678</u>
Exploration Expenditures		
Red Chris*	2,231	-
Mount Polley	117	-
Other	166	61
	<u>2,514</u>	<u>61</u>
	<u>\$11,600</u>	<u>\$739</u>

Acquisition and development expenditures relating to discontinued operations in the comparative 2019 quarter totalled \$9.3 million.

*The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 to August 14, 2019. Effective August 15, 2019, 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 March 31, 2020, the Company had a provision of \$2.0 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 March 2020 quarter a claim from a contractor in the amount of \$8.5 million was filed against the Company and is at the early stages of a stepped resolution process. The claim is based on a contractor's self assessment of additional compensation owed for work previously carried out. The Company has denied that any further amounts are owed and has engaged independent legal counsel to advise on this matter.

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 March 31, 2020. 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 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 March 31, 2020 or at the date of this document, other than those embedded in revenue contracts for provisional pricing.

DEBT AND OTHER OBLIGATIONS

At March 31, 2020 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 10 of the Interim Financial Statements.

Interest Rate Risk

From time to time the Company is exposed to interest rate risk on its outstanding borrowings. At March 31, 2020 and December 31, 2019, the Company did not have any borrowings that 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 March 31, 2020 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 March 31, 2020 as follows:

expressed in thousands of dollars

	Level 1	Level 2	Total
Financial assets			
Cash	\$82,495	\$ -	\$82,495
Marketable securities	31	-	31
Provisionally priced receivables	-	1,524	1,524
Future site reclamation deposits	14,316	-	14,316
	96,842	1,524	98,366
Provisionally priced accounts payable	-	(3,273)	(3,273)
	\$96,842	\$(1,749)	\$95,093

SELECT QUARTERLY FINANCIAL INFORMATION

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

	Three Months Ended			
	March 31 2020	December 31 2019*	September 30 2019*	June 30 2019*
Total revenues	\$27,965	\$29,654	\$46,863	\$83,618
Net income (loss)	\$(6,210)	\$18,288	\$313,226	\$(7,450)
Basic income (loss) per share	\$(0.05)	\$0.14	\$2.47	\$(0.06)
Diluted income (loss) per share	\$(0.05)	\$0.14	\$2.47	\$(0.06)
Adjusted net income (loss) ⁽¹⁾	\$(5,926)	\$18,639	\$672	\$(16,683)
Adjusted net income (loss) per share ⁽¹⁾	\$(0.05)	\$0.15	\$0.01	\$(0.13)
Adjusted EBITDA ⁽¹⁾	\$2,534	\$(3,216)	\$127,743	\$6,846
Cash flow ⁽¹⁾	\$2,477	\$(2,157)	\$8,616	\$3,467
Cash flow per share ⁽¹⁾	\$0.02	\$(0.01)	\$0.06	\$0.03
Average LME copper price/lb in US\$	\$2.56	\$2.67	\$2.64	\$2.77
Average LME gold price/troy oz in US\$	\$1,583	\$1,480	\$1,474	\$1,310
Average US\$/CDN\$ exchange rate	\$1.345	\$1.320	\$1.321	\$1.338
Period end US\$/CDN\$ exchange rate	\$1.419	\$1.298	\$1.324	\$1.329

	March 31 2019*	December 31 2018	September 30 2018	June 30 2018
Total revenues	\$76,681	\$91,714	\$70,481	\$80,066
Net loss	\$(2,268)	\$(44,265)	\$(28,609)	\$(36,555)
Basic loss per share	\$(0.02)	\$(0.37)	\$(0.24)	\$(0.31)
Diluted loss per share	\$(0.02)	\$(0.37)	\$(0.24)	\$(0.31)
Adjusted net loss ⁽¹⁾	\$(11,614)	\$(15,087)	\$(37,099)	\$(27,823)
Adjusted net loss per share ⁽¹⁾	\$(0.09)	\$(0.13)	\$(0.30)	\$(0.24)
Adjusted EBITDA ⁽¹⁾	\$6,996	\$12,341	\$(13,287)	\$(2,180)
Cash flow ⁽¹⁾	\$10,285	\$121,850	\$(11,766)	\$(2,593)
Cash flow per share ⁽¹⁾	\$0.08	\$1.03	\$(0.10)	\$(0.02)
Average LME copper price/lb in US\$	\$2.82	\$2.80	\$2.77	\$3.12
Average LME gold price/troy oz in US\$	\$1,304	\$1,228	\$1,213	\$1,306
Average US\$/CDN\$ exchange rate	\$1.329	\$1.321	\$1.307	\$1.291
Period end US\$/CDN\$ exchange rate	\$1.337	\$1.364	\$1.295	\$1.278

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

* 2019 quarterly results include combined totals for continued and discontinued operations.

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 2019 quarter which led to a decrease in overall metal production.
- (b) The primary reason for the decrease in loss in the September 2018 quarter compared to the June 2018 quarter was due to a lower 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 2020 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.
- (h) The primary reason for the increase in net loss in the March 2020 quarter compared to the March 2019 quarter was due to an increase in tax expense in the current year quarter compared to a tax recovery in the prior year quarter. However, compared to the December 2019 quarter, net loss increased due to lower revenues and tax recoveries.

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 Capital Corporation, 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 March 31	
	2020	2019
Loan guarantee fee for guarantee of Senior Credit Facility and Second Lien Secured Credit Facility	\$ -	\$1,387
Interest expense and line of credit arrangement fee	\$ -	\$4,661

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.

At December 31, 2019, the Company recognized a material weakness in the Company's internal controls associated with accounting for deferred income taxes. During the quarter ended March 31, 2020 the Company remediated this internal control weakness by consulting with an independent third party expert on calculating the deferred tax provision.

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 66.1% of the Company's net assets, 53.0% of total assets, 98.8% of revenues of the consolidated financial statement amounts as of and for the period ended March 31, 2020. The Red Chris Joint Venture is not a taxable entity as each joint venture participant calculates its own income taxes on their share of income from the joint venture. The Company's share of the Red Chris joint venture's pre-tax loss totalled \$0.5 million.

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 March 31, 2020, and plans for the future based on facts and circumstances as of May 12, 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: future impacts of the COVID-19 pandemic; the ability to continue operations in lieu of the pandemic; the effectiveness of preventative actions put in place by the Company to respond to the COVID-19 pandemic; expectations regarding the care, maintenance and rehabilitation activities at Mount Polley and Huckleberry Mine; 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 scope and duration of the COVID-19 pandemic and its impact on our business will not be significant and the Company's operations will be able to return to normal after the COVID-19 pandemic has subsided; 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; uncertainty regarding the short-term and long-term impact of Covid-19 on the Company's operations and investments and on the global economy and metals prices generally; 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 three months ended March 31, 2020 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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