



Condensed Consolidated Interim Financial Statements (unaudited)

For the Three and Six Months Ended June 30, 2021 and 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2021 and December 31, 2020

expressed in thousands of Canadian dollars

	Notes	June 30 2021	December 31 2020
ASSETS			
Current Assets			
Cash		\$66,288	\$34,019
Marketable securities		119	130
Trade and other receivables		7,602	5,968
Inventory	4	13,744	12,420
Prepaid expenses and deposits		2,623	2,840
		<u>90,376</u>	<u>55,377</u>
Mineral Properties	5	977,278	979,484
Other Assets	6	47,690	45,230
Deferred Income Tax Assets		11,061	11,230
		<u>\$1,126,405</u>	<u>\$1,091,321</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		\$48,505	\$44,170
Taxes payable		89	313
Provision for rehabilitation costs		764	762
Current portion of finance lease	8	1,785	840
		<u>51,143</u>	<u>46,085</u>
Provision for Rehabilitation Costs		154	308
Non-Current Finance Lease	8	3,467	1,582
Future Site Reclamation Provisions	9	112,737	127,828
Deferred Income Tax Liabilities		177,674	187,035
		<u>345,175</u>	<u>362,838</u>
EQUITY			
Share Capital	10	379,599	319,216
Contributed Surplus		41,180	41,028
Currency Translation Adjustment		7,461	7,632
Retained Earnings		352,990	360,607
		<u>781,230</u>	<u>728,483</u>
		<u>\$1,126,405</u>	<u>\$1,091,321</u>
Commitments and Pledges	17		
Contingent Liabilities	18		

See accompanying notes to these condensed consolidated financial statements.

Approved by the Board and authorized for issue on August 10, 2021

*/s/ Larry G. Moeller**/s/ J. Brian Kynoch*

Director

Director

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Three and Six Months Ended June 30, 2021 and 2020

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

		Three Months Ended June 30		Six Months Ended June 30	
		2021	2020	2021	2020
	Notes		(Note 3)		(Note 3)
Revenue		\$34,215	\$45,056	\$67,265	\$73,021
Cost of Sales	11	(32,718)	(34,425)	(67,714)	(63,483)
Income (Loss) from Mine Operations		1,497	10,631	(449)	9,538
General and Administration		(966)	(566)	(2,160)	(1,596)
Idle Mine Costs		(6,328)	(5,845)	(11,726)	(11,169)
Interest Expense		(459)	(366)	(719)	(763)
Other Finance (Loss) Income	12	(739)	(1,468)	(1,309)	127
Other Income		11	6	11	6
(Loss) Income before Taxes		(6,984)	2,392	(16,352)	(3,857)
Income and Mining Tax Recovery (Expense)		1,909	(2,574)	8,735	(3,182)
Net Loss		(5,075)	(182)	(7,617)	(7,039)
Other Comprehensive (Loss) Income:					
Currency translation adjustment		(13)	(284)	(92)	325
Total Comprehensive Loss		(5,088)	\$(466)	(7,709)	\$(6,714)
Loss Per Share					
Basic		\$(0.04)	\$0.00	\$(0.06)	\$(0.05)
Diluted		\$(0.04)	\$0.00	\$(0.06)	\$(0.05)
Weighted Average Number of Common Shares Outstanding					
Basic		129,379,167	128,490,174	128,952,119	128,490,174
Diluted		129,379,167	128,490,174	128,952,119	128,490,174

See accompanying notes to these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended June 30, 2021 and 2020

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

	Share Capital		Currency			Total
	Number of Shares	Amount	Contributed Surplus	Translation Adjustment	Retained Earnings	
Balance December 31, 2019 (as restated, Note 3)	128,490,174	\$319,216	\$40,302	\$7,762	\$365,499	\$732,779
Share based compensation expense	-	-	185	-	-	185
Total comprehensive loss (as restated, Note 3)	-	-	-	325	(5,503)	(5,178)
Balance June 30, 2020 (as restated, Note 3)	128,490,174	\$319,216	\$40,487	\$8,087	\$359,996	\$727,786
Balance December 31, 2020	128,490,174	\$319,216	\$41,028	\$7,632	\$360,607	\$728,483
Rights offering	12,853,267	60,237	-	-	-	60,237
Exercised options	48,750	146	(48)	-	-	98
Share based compensation expense	-	-	200	-	-	200
Total comprehensive loss	-	-	-	(171)	(7,617)	(7,788)
Balance June 30, 2021	141,392,191	\$379,599	\$41,180	\$7,461	\$352,990	\$781,230

See accompanying notes to these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Six Months Ended June 30, 2021 and 2020

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Notes		(Note 3)		(Note 3)
OPERATING ACTIVITIES				
Net Loss	\$(5,075)	\$(182)	\$(7,617)	\$(7,039)
Items not affecting cash flows				
Deferred mining and income tax (recovery) expense	(2,165)	2,257	(9,127)	2,813
Depletion and depreciation	13,976	11,721	24,845	21,264
Share based compensation	98	136	200	185
Accretion of future site reclamation provisions	801	736	1,517	1,503
Unrealized foreign exchange losses (gains)	4	1,082	85	(957)
Interest expense	459	366	719	763
Other	4	(16)	6	(7)
	8,102	16,100	10,628	18,525
Net change in non-cash operating working capital balances	13 3,207	(9,067)	(2,727)	(7,540)
Income and mining taxes paid	(300)	-	(715)	(301)
Interest paid	(386)	(410)	(608)	(764)
Cash provided by operating activities	10,623	6,623	6,578	9,920
FINANCING ACTIVITIES				
Proceeds from short term debt	12,471	-	18,452	-
Proceeds from non-current debt	-	-	10,000	-
Repayment of short term debt	(18,500)	-	(18,500)	-
Repayment of non-current debt	(10,012)	(199)	(10,024)	(310)
Lease payments	(437)	(272)	(724)	(535)
Share capital issued for exercised options	25	-	98	-
Share capital issued for rights offering net of issue costs	60,172	-	60,172	-
Cash provided by (used in) financing activities	43,719	(471)	59,474	(845)
INVESTING ACTIVITIES				
Acquisition and development of mineral properties	(22,460)	(19,272)	(36,999)	(30,872)
Net change in non-cash investing working capital balances	4,320	30	3,355	-
Payments of other obligations	-	(1,072)	-	(2,145)
Proceeds on sale of minerals properties	6	432	6	432
Other investing items	-	(9)	-	(6)
Cash used in investing activities	(18,134)	(19,891)	(33,638)	(32,591)
EFFECT OF FOREIGN EXCHANGE ON CASH	(41)	(1,209)	(145)	1,110
INCREASE (DECREASE) IN CASH	36,167	(14,948)	32,269	(22,406)
CASH, BEGINNING OF PERIOD	30,121	82,495	34,019	89,953
CASH, END OF PERIOD	\$66,288	\$67,547	\$66,288	\$67,547

See accompanying notes to these condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

1. NATURE OF OPERATIONS

Imperial Metals Corporation (the “Company”) is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration, development, and production of base and precious metals from its mineral properties. The head office, principal address and registered and records office of the Company are located at 580 Hornby Street, Suite 200, Vancouver, British Columbia, Canada V6C 3B6. The Company’s shares are listed as symbol “IIM” on the Toronto Stock Exchange.

The Company’s key projects are:

- 30% interest in the Red Chris copper-gold mine in northwest British Columbia;
- Mount Polley copper-gold mine in central British Columbia; and
- Huckleberry copper mine in west central British Columbia.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2020.

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021. The Company has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

3. REVISED COMPARATIVE CONSOLIDATED INFORMATION

In accordance with IFRS the acquisition of the 30% interest in the Red Chris Joint Venture is accounted for as a business combination. During the third quarter of 2020 the provisional fair values were finalized taking into consideration updated information obtained during the measurement period.

The comparative information on the statement of equity as at June 30, 2020 was revised to reflect the adjustments to the provisional amounts:

	June 30, 2020		
	As Previously Reported	Adjustment	As Adjusted
Total Assets	\$1,073,013	\$42,376	\$1,115,389
Total Liabilities	\$342,938	\$46,201	\$389,139
Retained Earnings	\$362,285	\$(3,825)	\$358,460
Total Equity	\$730,075	\$(3,825)	\$726,250

The comparative information on the statement of consolidated loss and comprehensive loss for three and six months ended June 30, 2020 was revised to reflect the adjustments to the provisional amounts:

	Three Months Ended June 30, 2020		
	As Previously Reported	Adjustment	As Adjusted
Cost of sales	\$(33,248)	\$(1,177)	\$(34,425)
Income from Mine Operations	\$11,808	\$(1,177)	\$10,631
Other Finance Expense	\$(1,376)	\$(92)	\$(1,468)
Income before Taxes	\$3,661	\$(1,269)	\$2,392
Income and Mining Tax Expense	\$(2,954)	\$380	\$(2,574)
Net Income (Loss)	\$707	\$(889)	\$(182)
Total Comprehensive Income (Loss)	\$423	\$(889)	\$(466)

	Six Months Ended June 30, 2020		
	As Previously Reported	Adjustment	As Adjusted
Cost of sales	\$(61,522)	\$(1,961)	\$(63,483)
Income from Mine Operations	\$11,499	\$(1,961)	\$9,538
Other Finance Income (Expense)	\$322	\$(195)	\$127
Loss before Taxes	\$(1,701)	\$(2,156)	\$(3,857)
Income and Mining Tax Recovery	\$(3,802)	\$620	\$(3,182)
Net Loss	\$(5,503)	\$(1,536)	\$(7,039)
Total Comprehensive Loss	\$(5,178)	\$(1,536)	\$(6,714)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

The comparative information on the consolidated statement of cash flows for the three and six months ended June 30, 2020 was revised to reflect the adjustments to the provisional amounts:

	Three Months Ended June 30, 2020		
	As Previously Reported	Adjustment	As Adjusted
Net Income (Loss)	\$707	\$(889)	\$(182)
Deferred mining and income tax (recovery)	\$2,637	\$(380)	\$2,257
Depletion and depreciation	\$10,544	\$1,177	\$11,721
Accretion of future site reclamation provisions	\$644	\$92	\$736

	Six Months Ended June 30, 2020		
	As Previously Reported	Adjustment	As Adjusted
Net Income (Loss)	\$(5,503)	\$(1,536)	\$(7,039)
Deferred mining and income tax (recovery)	\$3,433	\$(620)	\$2,813
Loss before Taxes	\$(1,701)	\$(2,156)	\$(3,857)
Depletion and depreciation	\$19,303	\$1,961	\$21,264
Accretion of future site reclamation provisions	\$1,308	\$195	\$1,503

4. INVENTORY

	June 30 2021	December 31 2020
Stockpile ore	\$12,337	\$9,873
Concentrate	3,703	1,725
Supplies	30,997	31,643
Total inventories	47,037	43,241
Less non-current inventories included in other assets (Note 6)	(33,293)	(30,821)
Total current inventories	\$13,744	\$12,420

During the six month period ended June 30, 2021 inventory of \$64,252 was recognized in cost of sales (June 30, 2020-\$57,286). As at June 30, 2021, the Company had \$23,954 (December 31, 2020-\$23,893) of inventory pledged as security for debt.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

5. MINERAL PROPERTIES

Cost	Mineral	Mineral Properties not being Depleted			Total
	Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2019	\$667,445	\$2,568	\$173,588	\$562,193	\$1,405,794
Additions and reclass	20,676	13,801	(1,428)	40,605	73,654
Change in estimates of future site reclamation provisions	9,946	-	(43)	-	9,903
Disposals	-	-	-	(1,255)	(1,255)
Foreign exchange movement	-	-	(130)	(16)	(146)
Balance December 31, 2020	698,067	16,369	171,987	601,527	1,487,950
Additions	4,740	13,789	401	21,650	40,580
Change in estimates of future site reclamation provisions	(16,608)	-	-	-	(16,608)
Foreign exchange movement	-	-	(172)	(22)	(194)
Balance June 30, 2021	\$686,199	\$30,158	\$172,216	\$623,155	\$1,511,728

Accumulated depletion & depreciation & impairment losses	Mineral	Mineral Properties not being Depleted			Total
	Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2019	\$263,156	\$ -	\$1,645	\$204,832	\$469,633
Depletion and depreciation	17,613	-	-	22,065	39,678
Disposals	-	-	-	(829)	(829)
Foreign exchange movement	-	-	-	(16)	(16)
Balance December 31, 2020	280,769	-	1,645	226,052	508,466
Depletion and depreciation	14,973	-	-	11,033	26,006
Foreign exchange movement	-	-	-	(22)	(22)
Balance June 30, 2021	\$295,742	\$ -	\$1,645	\$237,063	\$534,450

Balance December 31, 2019	\$404,289	\$2,568	\$171,943	\$357,361	\$936,161
Balance December 31, 2020	\$417,298	\$16,369	\$170,342	\$375,475	\$979,484
Balance June 30, 2021	\$390,457	\$30,158	\$170,571	\$386,092	\$977,278

At June 30, 2021, the net carrying value of the deferred stripping costs was \$17,019 (December 31, 2020-\$21,001) and is included in mineral properties.

At June 30, 2021, leased mobile equipment at cost of \$8,715 (December 31, 2020-\$5,124) and accumulated depreciation of \$1,501 (December 31, 2020-\$1,062) were included with plant and equipment.

At June 30, 2021, the Company had provided \$28,370 (December 31, 2020-\$28,370) of security for reclamation bonding obligations by securing certain plant and equipment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

Red Chris Mine

Red Chris Development Company Ltd., a subsidiary of the Company, owns a 30% beneficial interest in the Red Chris copper/gold mine in northwest British Columbia. The Company and Newcrest formed a joint venture for the operation of Red Chris, with Newcrest Red Chris Mining Limited acting as operator. The property is comprised of the Red Chris Main claim group and the Red Chris South group, consisting of 77 mineral tenures (23,142 hectares). Five of these tenures are mining leases (5,141 hectares). Net smelter royalties between 1.0% to 2.0% are payable on production from the Red Chris mine.

On March 15, 2021 the Company acquired a 30% interest in the GJ Property for a payment of \$3,038 to Newcrest Red Chris Mining Limited.

Mount Polley Mine

The Mount Polley copper/gold mine in south-central British Columbia is owned by Mount Polley Mining Corporation, a subsidiary of the Company. The property encompasses 23,369 hectares (including claims under option) consisting of seven mining leases (2,007 hectares) and 50 mineral claims (21,362 hectares). A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred on this tenure in 2019 or 2020. In October 2019, Mount Polley Mining Corporation optioned seven adjacent mineral tenures (3,331 hectares). Upon the exercising of the option on or before December 31, 2022, these claims will be subject to a production royalty payable on ore mined from the claims and milled in the Mount Polley processing plant.

Mount Polley mine operations were suspended in May 2019. The mine remains on care and maintenance until the economics of mining and COVID-19 restrictions improve.

Huckleberry Mine

The Huckleberry copper mine in west-central British Columbia is owned by Huckleberry Mines Ltd., a subsidiary of the Company. The property encompasses 23,241 hectares, consisting of two mining leases (2,422 hectares) and 44 mineral claims (20,819 hectares).

Huckleberry mine operations were suspended in August 2016. The mine remains on care and maintenance status until the economics of mining and COVID-19 restrictions improve.

Other Exploration Properties

Imperial has a portfolio of 23 greenfield exploration properties in British Columbia. These properties have defined areas of mineralization and clear exploration potential.

Impairment Analysis of Mineral Properties

In accordance with its accounting policies and processes, each asset or cash-generating unit ("CGU") is evaluated to determine whether there are any indications of impairment or impairment reversal. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

Based on the Company's assessment with respect to possible indicators of either impairment or reversal of previous impairments to its mineral properties, including the impact of COVID-19 on the operations and the prevailing market metals prices, the Company concluded that as of June 30, 2021 no impairment or impairment reversal indicators were identified.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

6. OTHER ASSETS

	June 30 2021	December 31 2020
Future site reclamation deposits	\$14,359	\$14,359
Non-current inventory – ore stockpile	12,337	9,873
Non-current inventory – supplies, including critical spare parts	20,956	20,948
Other	38	50
	<u>\$47,690</u>	<u>\$45,230</u>

7. DEBT

The Company has the following debt facilities:

a) Promissory Note

On March 10, 2021 the Company entered into an unsecured \$10,000 promissory note financing (“Note”) with an affiliate of its major shareholder. The Note matures on April 1, 2022 and bears interest of 8.0% per annum.

The Note was fully repaid on June 28, 2021 prior to its maturity date.

b) Credit Facility

At June 30, 2021, a credit facility aggregating \$50,000 (December 31, 2020-\$50,000) is in effect until expiry on October 9, 2021. The facility is secured by shares of all material subsidiaries and a floating charge on certain assets of the Company. A total of \$39,019 (December 31, 2020-\$38,478) has been utilized for letters of credit pledged for settlement of future site reclamation provisions and for other liabilities.

8. FINANCE LEASES AND EQUIPMENT LOANS

Amounts due for non-current debt are:

	June 30 2021	December 31 2020
Equipment loans	(a) \$54	\$78
Equipment leases	(b) 5,198	2,344
	5,252	2,422
Less portion due within one year	(1,785)	(840)
	<u>\$3,467</u>	<u>\$1,582</u>

The Company has the following non-current debt facilities:

(a) Equipment Loans

The outstanding amount of equipment loans is \$54 (December 31, 2020-\$78) at a weighted average interest rate of 4.30% with monthly payments of \$4. All equipment loans are secured by the financed equipment.

(b) Equipment Leases

The outstanding amount of equipment leases is \$5,198 (December 31, 2020-\$2,344) at weighted average interest rate of 3.43% with monthly payments of \$157.

Contractual Lease Payments	June 30 2021	December 31 2020
Due in less than one year	\$1,882	\$960
Due in one to three years	3,595	1,520
Total undiscounted lease liabilities, end of period	<u>\$5,477</u>	<u>\$2,480</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

9. FUTURE SITE RECLAMATION PROVISIONS

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

The total undiscounted amount of estimated future cash flows required to settle the obligations is \$234,080 (December 31, 2020-\$234,531). The estimated future cash flows were then adjusted using a 1% (December 31, 2020-1%) rate of inflation. The estimated future cash flows have been discounted using a rate of 2.84% (December 31, 2020-2.24%) except for obligations related to Mount Polley and Huckleberry beyond 2050 that are discounted using a rate of 3.84% (December 31, 2020-3.24%). Obligations in the amount of \$112,992 are expected to be settled in the years 2022 through 2050.

	Six Months Ended June 30 2021	Year Ended December 31 2020
Balance, beginning of period	\$127,828	\$115,187
Accretion	1,517	2,764
Change in estimates of future costs and discount rate	(16,608)	9,903
Dilution in Ruddock Creek JV interest	-	(26)
Balance, end of period	\$112,737	\$127,828

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

10. SHARE CAPITAL

(i) Share Capital

Authorized

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

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

An unlimited number of Common Shares without par value

On June 25, 2021 the Company completed a rights offering transaction and issued 12,853,267 common shares at \$4.70 per share for gross proceeds of \$60,410 and incurred transaction cost of \$238.

(ii) Share Option Plans

Under the Share Option Plans, options not exceeding 10% of the issued common shares of the Company, may be granted to its directors, officers and employees. As at June 30, 2021, a total of 11,874,469 common share options had remained available for grant under the plans. Under the plans, the exercise price of each option cannot be greater than the market price of the Company's shares on the date of grant and an option's maximum term is 10 years. Options are granted from time to time by the Board of Directors and vest over a three or five year period.

During the three and six months ended June 30, 2021 the Company did not grant any stock options to its directors, officers or employees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

Movements in Share Options

The changes in share options were as follows:

	Six Months Ended June 30, 2021		Year Ended December 31, 2020	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,345,000	\$4.60	1,996,000	\$9.62
Granted	-	-	1,305,000	\$2.00
Exercised	(48,750)	\$2.00	-	\$-
Cancelled	(7,500)	\$2.00	(6,000)	\$8.00
Expired	(24,000)	\$8.00	(950,000)	\$11.55
Outstanding at end of period	<u>2,264,750</u>	<u>\$4.63</u>	<u>2,345,000</u>	<u>\$4.60</u>
Options exercisable at end of period	<u>1,267,500</u>	<u>\$4.36</u>	<u>1,014,000</u>	<u>\$7.91</u>

The following table summarizes information about the Company's share options outstanding as at June 30, 2021:

Exercise Prices	Options Outstanding		Options Exercisable	
	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$2.00	1,248,750	3.84	277,500	3.84
\$5.75	65,000	6.51	39,000	6.51
\$8.00	951,000	4.43	951,000	4.43
	<u>2,264,750</u>	<u>4.16</u>	<u>1,267,500</u>	<u>4.36</u>

11. COST OF SALES

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Operating expenses	\$19,588	\$24,027	\$44,654	\$44,934
Depletion and depreciation	13,130	10,398	23,060	18,549
	<u>\$32,718</u>	<u>\$34,425</u>	<u>\$67,714</u>	<u>\$63,483</u>

Included in cost of sales for the three and six months ended June 30, 2021 is \$223 of impairment recovery (three and six months ended June 30, 2020-\$359 impairment charge) in relation to stockpile and supplies inventory.

12. OTHER FINANCE (LOSS) INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Accretion of future site reclamation provisions	\$(801)	\$(736)	\$(1,517)	\$(1,503)
Foreign exchange gain (loss) on non-current debt	36	128	59	(156)
Other foreign exchange gain	-	(1,017)	-	1,249
Fair value adjustment to marketable securities	(10)	10	(12)	1
	<u>(775)</u>	<u>(1,615)</u>	<u>(1,470)</u>	<u>(409)</u>
Interest income	36	147	161	536
Other finance (loss) income	<u>\$(739)</u>	<u>\$(1,468)</u>	<u>\$(1,309)</u>	<u>\$127</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash operating working capital balances:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Trade and other receivables	\$(444)	\$(10,092)	\$(236)	\$(4,636)
Inventory	(2,383)	2,147	(2,631)	1,203
Prepaid expenses and deposits	727	406	217	367
Trade and other payables	5,155	(2,078)	(317)	(4,990)
Income and mining tax payable	256	317	392	369
Deferred trade payables	-	404	-	404
Provision for rehabilitation costs	(104)	(171)	(152)	(257)
	<u>\$3,207</u>	<u>\$(9,067)</u>	<u>\$(2,727)</u>	<u>\$(7,540)</u>

14. RELATED PARTY TRANSACTIONS AND COMPENSATION TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

(a) Related Party Transactions

Related party transactions with a significant shareholder, companies controlled by a significant shareholder, companies in which directors are owners, and with directors and officers are as follows: interest expense of \$193 and \$241 for the three and six months ended June 30, 2021; \$Nil balances outstanding at June 30, 2021 and December 31, 2020.

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

(b) Compensation of Directors and Key Management Personnel

The remuneration of the Company's directors and other key management personnel \$355 and \$710 for the three and six months ended June 30, 2021, respectively (three and six months ended June 30, 2020-\$848 and \$1,213).

15. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All the Company's assets are located in Canada, except for assets comprised primarily of Sterling totalling \$6,304 as June 30, 2021 (December 31, 2020-\$6,609) which are located in the USA. The Company's reportable segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

Reportable Segments

	Three Months Ended June 30, 2021				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Reportable segmented revenues	\$33,903	\$120	\$325	\$3	\$34,351
Less inter-segment revenues	-	(37)	(97)	(2)	(136)
Revenues from external sources	<u>\$33,903</u>	<u>\$83</u>	<u>\$228</u>	<u>\$1</u>	<u>\$34,215</u>
Depletion and depreciation	\$12,957	\$705	\$307	\$7	\$13,976
Interest expense and other finance expense	\$(430)	\$(388)	\$(345)	\$(35)	\$(1,198)
Net income (loss)	<u>\$866</u>	<u>\$(3,161)</u>	<u>\$(1,797)</u>	<u>\$(983)</u>	<u>\$(5,075)</u>
Capital expenditures	\$23,325	\$136	\$100	\$211	23,772
Total assets	<u>\$673,001</u>	<u>\$142,778</u>	<u>\$230,483</u>	<u>\$80,143</u>	<u>\$1,126,405</u>
Total liabilities	<u>\$224,966</u>	<u>\$50,019</u>	<u>\$68,746</u>	<u>\$1,444</u>	<u>\$345,175</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

	Three Months Ended June 30, 2020				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$44,685	\$ -	\$389	\$143	\$45,217
Less inter-segment revenues	-	-	(117)	(44)	(161)
Revenues from external sources	\$44,685	\$ -	\$272	\$99	\$45,056
Depletion and depreciation (as restated, Note 3)	\$10,193	\$1,227	\$293	\$8	\$11,721
Interest (expense) and other finance (expense) income (as restated, Note 3)	\$15	\$(382)	\$(436)	\$(1,031)	\$(1,834)
Net income (loss) (as restated, Note 3)	\$7,750	\$(3,498)	\$(2,999)	\$(1,435)	\$(182)
Capital expenditures	\$18,944	\$238	\$23	\$67	\$19,272
Total assets (as restated, Note 3)	\$627,108	\$154,290	\$244,170	\$89,821	\$1,115,389
Total liabilities (as restated, Note 3)	\$228,467	\$69,943	\$87,485	\$3,244	\$389,139

	Six Months Ended June 30, 2021				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$66,664	\$135	\$721	\$6	\$67,526
Less inter-segment revenues	-	(41)	(216)	(4)	(261)
Revenues from external sources	\$66,664	\$94	\$505	\$2	\$67,265
Depletion and depreciation	\$22,753	\$1,464	\$614	\$14	\$24,845
Interest expense and other finance expense	\$(577)	\$(729)	\$(669)	\$(53)	\$(2,028)
Net (loss) income	\$(110)	\$(5,707)	\$443	\$(2,243)	\$(7,617)
Capital expenditures	\$39,752	\$404	\$128	\$296	\$40,580
Total assets	\$673,001	\$142,778	\$230,483	\$80,143	\$1,126,405
Total liabilities	\$224,966	\$50,019	\$68,746	\$1,444	\$345,175

	Six Months Ended June 30, 2020				Total
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	
Reportable segmented revenues	\$72,076	\$264	\$797	\$298	\$73,435
Less inter-segment revenues	-	(79)	(239)	(96)	(414)
Revenues from external sources	\$72,076	\$185	\$558	\$202	\$73,021
Depletion and depreciation (as restated, Note 3)	\$18,165	\$2,494	\$591	\$14	\$21,264
Interest (expense) and other finance (expense) income (as restated, Note 3)	\$(768)	\$(777)	\$(870)	\$1,779	\$(636)
Net (loss) income (as restated, Note 3)	\$5,739	\$(6,505)	\$(5,880)	\$(393)	\$(7,039)
Capital expenditures	\$30,252	\$364	\$44	\$212	\$30,872
Total assets (as restated, Note 3)	\$627,108	\$154,290	\$244,170	\$89,821	\$1,115,389
Total liabilities (as restated, Note 3)	\$228,467	\$69,943	\$87,485	\$3,244	\$389,139

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

Revenue by Geographic Area

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Switzerland	\$8,830	\$20,004	\$26,288	\$44,034
Singapore	15,729	3,728	22,040	7,089
China	9,344	13,593	18,336	13,593
Australia	-	7,360	-	7,360
Canada	312	371	601	945
	<u>\$34,215</u>	<u>\$45,056</u>	<u>\$67,265</u>	<u>\$73,021</u>

Revenues are attributed to geographic area based on country of customer. In the period ended June 30, 2021, the Company had 5 principal customers totalling 97% of revenues (June 30, 2020 - 5 principal customers totaling 80% of revenues). Each one of these principal customers individually account for more than 10% of the total revenue: 33%, 24%, 14%, 14% and 12% (June 30, 2020- 22%, 21%, 17%, 10% and 10%)

The Company's principal product is copper concentrate (contains copper, gold, and silver) which is sold at prices quoted on the London Metals Exchange and London Bullion Market Association, London gold price. All concentrate production is sold to third party traders and smelters.

Revenue by Major Product and Service

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Copper	\$24,711	\$28,593	\$47,700	\$45,096
Gold	8,728	15,875	18,112	26,608
Silver	464	217	852	372
Other	312	371	601	945
	<u>\$34,215</u>	<u>\$45,056</u>	<u>\$67,265</u>	<u>\$73,021</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

16. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

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

Capital Risk Management

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

Credit Risk

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

Liquidity Risk

Cash balances on hand, the projected cash flow from the Red Chris mine are expected to be sufficient to fund the Company's obligations as they come. However, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing.

Liquidity risk is also impacted by credit risk, although the Company considers this risk low.

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash, trade, and other accounts receivable, reclamation deposits, trade and other payables and debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net (loss) income and comprehensive (loss) income for the six months ended June 30, 2021 would have been higher/lower by \$1,050.

Provisionally Priced Revenues

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

Provisionally priced revenues is comprised of the following:

	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	Provisional lb/oz	Provisional Price per lb/oz	Provisional lb/oz	Provisional Price per lb/oz
	000's	US\$	000's	US\$
Copper	4,998.7	\$4.29	7,008.2	\$2.72
Gold	0.3	\$1,773	4.7	\$1,796

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

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Copper	Gold & Silver	Total	Copper	Gold & Silver	Total
Realized	\$2,667	\$(380)	\$2,287	\$(847)	\$638	\$(209)
Unrealized	175	(116)	59	430	614	1,044
Total	\$2,842	\$(496)	\$2,346	\$(417)	\$1,252	\$835

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

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

17. COMMITMENTS AND PLEDGES

At June 30, 2021, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Note 6)	\$14,359
Mineral property, plant and equipment	28,370
Letters of credit (Note 7)	34,364
	<u>\$77,093</u>

18. CONTINGENT LIABILITIES

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business.

During the third quarter of 2014, a securities class action under section 138 of the Ontario Securities Act was filed against the Company and certain of its directors, officers and others. On September 23, 2020, the Ontario Superior Court denied the Plaintiff leave to proceed with this claim. The Plaintiff has appealed this decision. The Company is of the view that the allegations contained in the claim are without merit and are unlikely to succeed.

During the June 2020 period, a claim from a contractor was filed against the Company and has been submitted to arbitration. 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 is of the view that the allegations contained in the claim are without merit and are unlikely to succeed. The Company has made a counter claim against the contractor for breach of contract and negligent misrepresentations.

The Company has commenced action against its insurance underwriters to recover business interruption losses incurred at the Mount Polley mine. The insurers have filed a statement of defense and a counterclaim. The Company is of the view that the counterclaim is without merit and unlikely to succeed.

19. SUBSEQUENT EVENTS

Subsequent to the reporting period, the Company increased its interest in the Ruddock Creek high grade zinc-lead project to 100% by purchasing the 54.72% interest held by its joint venture partners.



Imperial Metals Corporation

200-580 Hornby Street
Vancouver, BC V6C 3B6

imperialmetals.com

604.669.8959 | inquiries@imperialmetals.com

604.488.2657 | investor@imperialmetals.com