



Condensed Consolidated Interim Financial Statements (unaudited)

For the Three and Nine Months Ended September 30, 2020 and 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As September 30, 2020 and December 31, 2019

expressed in thousands of Canadian dollars

		September 30 2020	December 31 2019 (Note 4(b))
	Notes		
ASSETS			
Current Assets			
Cash		\$61,088	\$89,953
Marketable securities		121	39
Trade and other receivables		6,777	5,759
Inventory	5	14,989	13,080
Prepaid expenses and deposits		1,781	2,968
		84,756	111,799
Mineral Properties	6	953,623	936,161
Other Assets	7	45,738	44,451
Deferred Income Tax Assets		8,017	9,115
		<u>\$1,092,134</u>	<u>\$1,101,526</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		\$53,708	\$51,011
Taxes payable		1,372	809
Provision for rehabilitation costs		853	1,146
Current portion of debt	9	1,026	1,300
Current portion of other obligations		715	3,933
		57,674	58,199
Provision for Rehabilitation Costs		469	938
Non-Current Debt	9	1,821	2,516
Deferred Trade Payables		-	4,686
Future Site Reclamation Provisions	10	109,056	115,187
Deferred Income Tax Liabilities		191,693	189,244
		<u>360,713</u>	<u>370,770</u>
EQUITY			
Share Capital	11	319,216	319,216
Contributed Surplus		40,765	40,302
Currency Translation Adjustment		7,940	7,762
Retained Earnings		363,500	363,476
		<u>731,421</u>	<u>730,756</u>
		<u>\$1,092,134</u>	<u>\$1,101,526</u>
Commitments and Pledges	19		
Contingent Liabilities	20		

See accompanying notes to these condensed consolidated financial statements.

Approved by the Board and authorized for issue on November 10, 2020.

/s/ Larry G. Moeller

Director

/s/ J. Brian Kynoch

Director

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

For the Three and Nine Months Ended September 30, 2020 and 2019

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

		Three Months Ended September 30		Nine Months Ended September 30	
		2020	2019	2020	2019
	Notes	(Note 4(b))		(Note 4(b))	
Revenue		\$38,161	\$6,991	\$111,182	\$42,467
Cost of Sales	12	(25,366)	(9,219)	(88,849)	(49,377)
Income (Loss) from Mine Operations		12,795	(2,228)	22,333	(6,910)
General and Administration		(134)	(56)	(1,730)	(2,843)
Idle Mine Costs		(4,965)	(5,666)	(16,134)	(9,873)
Interest Expense	13	(322)	(9,444)	(1,085)	(45,932)
Other Finance (Loss) Income	14	(1,568)	(10,145)	(1,441)	7,810
Other Income		19	123	25	244
Income (Loss) before Taxes		5,825	(27,416)	1,968	(57,504)
Income and Mining Tax Recovery (Expense)		1,238	9,515	(1,944)	27,589
Net Income (Loss) from continuing operations		7,063	(17,901)	24	(29,915)
Net Income from discontinued operations	3	-	360,906	-	363,202
Net Income		7,063	343,005	24	333,287
Other Comprehensive (Loss) Income					
Currency translation adjustment		(147)	79	178	(203)
Total Comprehensive Income		\$6,916	\$343,084	\$202	\$333,084
Income (Loss) from Continuing Operations Per Share					
Basic		\$0.05	\$(0.14)	\$ -	\$(0.24)
Diluted		\$0.05	\$(0.14)	\$ -	\$(0.24)
Income from Discontinued Operations Per Share					
Basic		\$ -	\$2.81	\$ -	\$2.86
Diluted		\$ -	\$2.81	\$ -	\$2.86
Income Per Share					
Basic		\$0.05	\$2.70	\$ -	\$2.63
Diluted		\$0.05	\$2.70	\$ -	\$2.63
Weighted Average Number of Common Shares Outstanding					
Basic		128,490,174	128,370,201	128,490,174	126,868,285
Diluted		128,913,417	128,370,201	128,667,744	126,868,285

See accompanying notes to these consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2020 and 2019

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

	Share Capital		Contributed Surplus	Currency Translation Adjustment	Retained Earnings	Total
	Number of Shares	Amount				
Balance December 31, 2018	120,782,585	\$304,364	\$45,411	\$8,094	\$45,363	\$403,232
Issued for payment of interest on debt	7,707,589	14,852	-	-	-	14,852
Loss on early repayment of interest for debt	-	-	(4,628)	-	-	(4,628)
Share based compensation expense	-	-	146	-	-	146
Total comprehensive income (loss) (as restated, Note 4(b))	-	-	-	(203)	333,287	333,084
Balance September 30, 2019	128,490,174	\$319,216	\$40,929	\$7,891	\$378,650	\$746,686
Balance December 31, 2019 (as restated, Note 4(b))	128,490,174	\$319,216	\$40,302	\$7,762	\$363,476	\$730,756
Share based compensation expense	-	-	463	-	-	463
Total comprehensive income	-	-	-	178	24	202
Balance September 30, 2020	128,490,174	\$319,216	\$40,765	\$7,940	\$363,500	\$731,421

See accompanying notes to these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Nine Months Ended September 30, 2020 and 2019

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

		Three Months Ended September 30		Nine Months Ended September 30	
		2020	2019	2020	2019
	Notes		(Note 4(b))		(Note 4(b))
OPERATING ACTIVITIES					
Income (loss) before taxes		\$5,825	\$(27,416)	\$1,968	\$(57,504)
Items not affecting cash flows					
Depletion and depreciation		9,110	5,786	30,374	12,886
Share based compensation		278	(26)	463	153
Accretion of future site reclamation provisions		695	698	2,198	1,993
Unrealized foreign exchange losses (gains)		1,501	7,971	544	(9,948)
Fair value adjustment for debt settled in common shares		-	(28)	-	3,328
Loss on repayment of convertible debentures		-	1,766	-	1,766
Interest expense		322	9,444	1,085	45,932
Other		(76)	(18)	(83)	63
		17,655	(1,823)	36,549	(1,331)
Net change in non-cash operating working capital balances	15	4,462	3,532	(3,447)	(128)
Income and mining taxes (paid) refunded, net		-	49	(301)	8,175
Interest paid		(233)	(27,775)	(997)	(53,259)
Operating cash flows provided by (used in) continuing operations		21,884	(26,017)	31,804	(46,543)
Operating cash flows provided by discontinued operations		-	17,605	-	25,958
Cash provided by (used in) operating activities		21,884	(8,412)	31,804	(20,585)
FINANCING ACTIVITIES					
Proceeds of short term debt		-	4,241	-	50,381
Repayment of short term debt		-	(163,130)	-	(172,394)
Proceeds of non-current debt, net of deferred financing costs		-	-	-	130,704
Repayment of non-current debt		(63)	(731,514)	(373)	(864,052)
Lease payments		(267)	(180)	(802)	(206)
Cash used in financing activities in continuing operations		(330)	(890,583)	(1,175)	(855,567)
Cash used in financing activities in discontinued operations		-	(1,107)	-	(5,362)
Cash used in financing activities		(330)	(891,690)	(1,175)	(860,929)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Nine Months Ended September 30, 2020 and 2019

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

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		Three Months Ended September 30		Nine Months Ended September 30	
		2020	2019	2020	2019
	Notes	(Note 4(b))		(Note 4(b))	
INVESTING ACTIVITIES					
Acquisition and development of mineral properties	6	(25,392)	(8,242)	(56,264)	(9,798)
Net change in non-cash investing working capital balances		-	(3,849)	-	(3,547)
Payments of other obligations		(1,073)	(11,135)	(3,218)	(11,135)
Proceeds on sale of mineral properties		-	-	432	36
Proceeds on sale of marketable securities		-	633	-	1,234
Other investing items		-	5	(6)	5
Investing cash flows used in continuing operations		(26,465)	(22,588)	(59,056)	(23,205)
Investing cash flows provided by discontinued operations		-	1,007,707	-	988,780
Cash (used in) provided by investing activities		(26,465)	985,119	(59,056)	965,575
EFFECT OF FOREIGN EXCHANGE ON CASH		(1,548)	159	(438)	52
(DECREASE) INCREASE IN CASH		(6,459)	85,176	(28,865)	84,113
CASH, BEGINNING OF PERIOD		67,547	17,511	89,953	18,574
CASH, END OF PERIOD		\$61,088	\$102,687	\$61,088	\$102,687

See accompanying notes to these consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2020 and 2019

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

1. NATURE OF OPERATIONS

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

The Company’s key projects are:

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

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 the Company’s operations and expansionary plans.

COVID-19

COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global markets. While the full impact of COVID-19 on the global economy is uncertain, the wide spread of COVID-19 may have an adverse effect on the Company’s operating and financing capabilities. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. Although it is not possible to reliably estimate these developments, should the length or severity of the pandemic be prolonged for an extended period, this could have a significant adverse impact on the Company’s financial position and results of operations for future periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2020 and 2019

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

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, 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 December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Company has not 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 condensed consolidated financial statements of the Company.

3. DISCONTINUED OPERATIONS

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2020 and 2019

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4. RED CHRIS MINE JOINT OPERATIONS

On August 15, 2019 the Company and Newcrest entered into an unincorporated arrangement for the operation of the Red Chris mine with Newcrest acting as operator. The beneficial interests in the Red Chris mine are owned 70% by Newcrest and 30% by the Company. Under the Red Chris Joint Venture, the Company has rights to its share of assets and liabilities of the arrangement rather than a right to a net return. The Company has recognized its interests in assets and liabilities, revenue, comprised of its share of the output by the unincorporated arrangement, and associated expenses. All such amounts have been measured in proportion to the Company's 30% interest in the arrangement. These amounts have been recorded in the Company's condensed consolidated financial statements and are classified according to their nature.

In accordance with IFRS the acquisition of the 30% interest in the Red Chris Joint Venture is accounted for as a business combination.

a) Finalized Fair Values

During the third quarter of 2020 the provisional fair values were finalized taking into consideration updated information obtained during the measurement period. Details of the fair value of the aggregate consideration transferred and adjusted fair values of the identifiable assets and liabilities acquired at the date of the acquisition were as follows:

	August 15 2019 (Provisional)	Adjustment	August 15 2019 (Final)
Assets and Liabilities acquired			
Inventory	\$8,868	\$(62)	\$8,806
Prepaid expenses and deposits	422	-	422
Mineral properties	514,411	34,217	548,628
Other assets	8,811	(841)	7,970
Total Assets	532,512	33,314	565,826
Trade and other payables	(17,171)	186	(16,985)
Lease obligations	(4,000)	-	(4,000)
Other obligations	(16,144)	8	(16,136)
Future site reclamation costs	(5,293)	(2,762)	(8,055)
Deferred Income Tax Liabilities	(50,132)	(31,556)	(81,688)
Total Liabilities	(92,740)	(34,124)	(126,864)
Total identifiable net assets at fair value	\$439,772	\$(810)	\$438,962

The Company used a discounted cash flow model to estimate the expected future cash flows of the open pit and underground mines, based on the life-of-mine plans. Expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-mine plan as at the acquisition date.

Additional resources which were not included in the life-of-mine plan were separately valued using a market approach, evaluating recent comparable transactions.

A replacement-cost approach was used to determine the fair value of other property, plant and equipment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2020 and 2019

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

b) Revised Comparative Consolidated Information Due to Finalized Fair Values

The comparative information on the statement of consolidated financial position as at December 31, 2019 was revised to reflect the adjustments to the provisional amounts (Note 4(a)):

	December 31, 2019		
	As Previously Reported	Adjustment	As Adjusted
ASSETS			
Mineral Properties	\$890,334	\$45,827	\$936,161
Other Assets	47,254	(2,803)	44,451
	937,588	43,024	980,612
LIABILITIES			
Current Liabilities			
Trade and other payables	\$49,300	\$1,711	\$51,011
Taxes payable	868	(59)	809
Future Site Reclamation Provisions	99,503	15,684	115,187
Deferred Income Tax Liabilities	159,244	30,000	189,244
	308,915	47,336	356,251
EQUITY			
Retained Earnings	\$367,788	\$(4,312)	\$363,476

The comparative information on the statement of consolidated income and comprehensive income for three and nine months ended September 30, 2019 was revised to reflect the adjustments to the provisional amounts:

	Three Months Ended September 30 2019		
	As Previously Reported	Adjustment	As Adjusted
Cost of sales	\$(6,614)	\$(2,605)	\$(9,219)
Income (Loss) from Mine Operations	\$377	\$(2,605)	\$(2,228)
Other Finance Expense	\$(10,095)	\$(50)	\$(10,145)
Loss before Taxes from continuing operations	\$(24,761)	\$(2,655)	\$(27,416)
Income and Mining Tax Recovery	\$8,798	\$717	\$9,515
Net Loss from Continuing Operations	\$(15,963)	\$(1,938)	\$(17,901)
Net Income from Discontinued Operations ⁽¹⁾	\$329,189	\$31,717	\$360,906
Net Income	\$313,226	\$29,779	\$343,005
Total Comprehensive Income	\$313,305	\$29,779	\$343,084

⁽¹⁾ The adjustment relates to the correction of deferred income tax on revaluation of interest in Red Chris mine and finalization of transaction cost during the provisional period. The adjustment resulted in an increase of \$0.28 and \$0.25 to basic and diluted earnings per share in discontinued operations for the three and nine months ended September 30, 2019 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2020 and 2019

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

	Nine Months Ended September 30, 2019		
	As Previously Reported	Adjustment	As Adjusted
Cost of Sales	\$(46,772)	\$(2,605)	\$(49,377)
Loss from Mine Operations	\$(4,305)	\$(2,605)	\$(6,910)
Other Finance Income (Expense)	\$7,860	\$(50)	\$7,810
Loss before Taxes	\$(54,849)	\$(2,655)	\$(57,504)
Income and Mining Tax Recovery	\$26,872	\$717	\$27,589
Net Loss from Continuing Operations	\$(27,977)	\$(1,938)	\$(29,915)
Net Income from Discontinued Operations ⁽¹⁾	\$331,485	\$31,717	\$363,202
Net Income	\$303,508	\$29,779	\$333,287
Total Comprehensive Income	\$303,305	\$29,779	\$333,084

⁽¹⁾ The adjustment relates to the correction of deferred income tax on revaluation of interest in Red Chris mine and finalization of transaction cost during the provisional period. The adjustment resulted in an increase of \$0.28 and \$0.25 to basic and diluted earnings per share in discontinued operations for the three and nine months ended September 30, 2019 respectively.

The comparative information on the consolidated statement of cash flows for the three and nine months ended September 30, 2019 was revised to reflect the adjustments to the provisional amounts:

	Three Months Ended September 30, 2019		
	As Previously Reported	Adjustment	As Adjusted
Loss before Taxes from continuing operations	\$(24,761)	\$(2,655)	\$(27,416)
Depletion and depreciation	\$3,181	\$2,605	\$5,786
Accretion of future site reclamation provisions	\$648	\$50	\$698

	Nine Months Ended September 30, 2019		
	As Previously Reported	Adjustment	As Adjusted
Loss before Taxes from continuing operations	\$(54,849)	\$(2,655)	\$(57,504)
Depletion and depreciation	\$10,281	\$2,605	\$12,886
Accretion of future site reclamation provisions	\$1,943	\$50	\$1,993

5. INVENTORY

	September 30 2020	December 31 2019
Stockpile ore	\$10,412	\$12,041
Concentrate	4,045	2,968
Supplies	31,894	30,931
Total inventories	46,351	45,940
Less non-current inventories included in other assets (Note 7)	(31,362)	(32,860)
Total current inventories	\$14,989	\$13,080

During the nine month period ended September 30, 2020, inventory of \$82,566 was recognized in cost of sales (September 30, 2019-\$46,405) and an impairment charge of \$359 (September 30, 2019-\$3,423) on stockpile ore, concentrate and supplies inventory was included in cost of sales.

At September 30, 2020, the Company had \$23,841 (December 31, 2019-\$24,446) of inventory pledged as security for credit facility.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2020 and 2019

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

6. MINERAL PROPERTIES

<i>Cost</i>	Mineral Properties not being Depleted				Total
	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2018	\$473,917	\$43,667	\$103,464	\$1,442,334	\$2,063,382
Additions from continuing operations	23,087	2,568	1,484	13,751	40,890
Additions from discontinued operations	3,163	53	-	29,371	32,587
Reclassification	407	77	-	(484)	-
Write down	-	-	-	(53)	(53)
Foreign exchange movement	-	-	(332)	(42)	(374)
Disposition of assets held for sale	(107,330)	(43,797)	-	(1,128,139)	(1,279,266)
Acquisition of 30% of beneficial interest in Red Chris (Note 4 (a))	274,201	-	68,972	205,455	548,628
Balance December 31, 2019	667,445	2,568	173,588	562,193	1,405,794
Additions	9,647	10,272	(1,349)	29,404	47,974
Disposals	-	-	-	(1,255)	(1,255)
Foreign exchange movement	-	-	180	22	202
Balance September 30, 2020	\$677,092	\$12,840	\$172,419	\$590,364	\$1,452,715

<i>Accumulated depletion & depreciation & impairment losses</i>	Mineral Properties not being Depleted				Total
	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2018	\$281,978	\$ -	\$1,645	\$346,976	\$630,599
Depletion and depreciation from continuing operations (Note 4(b))	6,266	-	-	15,165	21,431
Depletion and depreciation from discontinued operations	742	-	-	6,021	6,763
Write down	-	-	-	(47)	(47)
Foreign exchange movement	-	-	-	(42)	(42)
Disposition of assets held for sale	(25,830)	-	-	(163,241)	(189,071)
Balance December 31, 2019	263,156	-	1,645	204,832	469,633
Depletion and depreciation from continuing operations	13,063	-	-	17,202	30,265
Disposals	-	-	-	(829)	(829)
Foreign exchange movement	-	-	-	23	23
Balance September 30, 2020	\$276,219	\$ -	\$1,645	\$221,228	\$499,092
<i>Carrying Amount</i>					
Balance December 31, 2018	\$191,939	\$43,667	\$101,819	\$1,095,358	\$1,432,783
Balance December 31, 2019 (Note 4 (b))	\$404,289	\$2,568	\$171,943	\$357,361	\$936,161
Balance September 30, 2020	\$400,873	\$12,840	\$170,774	\$369,136	\$953,623

Additions to Mineral Properties being Depleted for the nine months ended September 30, 2020 were offset by a decrease of \$8,303, which represents a net change in estimates of future site reclamation provisions (twelve months ended December 31, 2019-increase of \$24,082).

At September 30, 2020, the net carrying value of the deferred stripping costs was \$19,675 (December 31, 2019-\$2,187) and is included in mineral properties.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2020 and 2019

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

At September 30, 2020, leased mobile equipment at cost of \$5,124 (December 31, 2019-\$5,124) and accumulated depreciation of \$875 (December 31, 2019-\$517) was included with plant and equipment.

At September 30, 2020, the Company had provided \$28,370 (December 31, 2019-\$28,370) of security for reclamation bonding obligations by securing certain plant and equipment.

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.

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, and the mine is on care and maintenance until the economics of mining 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, and the mine remains on care and maintenance status until the economics of mining improve.

Other Exploration Properties

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

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. The triggers for the impairment test are primarily due to changes to the mine plan and a decline in the copper price.

During the nine months ended September 30, 2020 the Company reassessed the estimates of the residual values and the useful life of its mineral properties, plant and equipment given the current economic conditions due to COVID-19. Management considered if there are any significant changes in the economic performance of its mines, which might require adjustment to the cost, long-term commodity price for copper and gold forecast, USD/CAD foreign exchange rates.

Based on the analysis performed, management concluded there are no indications of impairment of its mineral properties, plant and equipment as at September 30, 2020.

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7. OTHER ASSETS

	September 30 2020	December 31 2019
Future site reclamation deposits	\$14,320	\$14,319
Non-current inventory – ore stockpile	10,412	8,239
Non-current inventory – supplies, including critical spare parts	20,950	21,818
Other	56	75
	<u>\$45,738</u>	<u>\$44,451</u>

8. CREDIT FACILITY

As at September 30, 2020 a credit facility aggregating \$50,000 (December 31, 2019-\$50,000) was due on October 9, 2020. Subsequent to quarter end, the credit facility was extended till 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 \$38,416 (December 31, 2019-\$38,583) has been utilized for letters of credit pledged for settlement of future site reclamation provisions and for other liabilities.

9. NON-CURRENT DEBT

Amounts due for non-current debt are:

	September 30 2020	December 31 2019
Equipment loans	(a) \$ -	\$515
Equipment leases	(b) 2,847	3,301
	2,847	3,816
Less portion due within one year	(1,026)	(1,300)
	<u>\$1,821</u>	<u>\$2,516</u>

The Company has the following debt facilities:

(a) Equipment Loans

The outstanding amount of equipment loans is \$142 (December 31, 2019-\$515) at a weighted average interest rate of 5.03% with monthly payments of \$22. All equipment loans are secured by the financed equipment.

(b) Equipment Leases

	Interest Rate	Monthly payment	September 30 2020	December 31 2019
Equipment Lease	6.25%	\$4	\$13	\$51
Equipment Lease	4.30%	\$84	\$2,692	\$3,250

Contractual Lease Payments

	September 30 2020	December 31 2019
Due in less than one year	\$1,019	\$1,032
Due in one to two years	1,844	2,530
Total undiscounted lease liabilities, end of period	<u>\$2,863</u>	<u>\$3,562</u>

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10. 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. The future site reclamation provision at Red Chris is provisional due to further valuation work needed on the fair values. 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 \$181,700 (December 31, 2019-\$181,271). The estimated future cash flows were then adjusted using a 1% (December 31, 2019 - 1.3-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 2.11% (December 31, 2019 - 2.67%) except for obligations related to Mount Polley and Huckleberry beyond 2048 that are discounted using a rate of 3.11% (December 31, 2019 - 3.67%). Obligations in the amount of \$99,655 are expected to be settled in the years 2020 through 2048.

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

11. 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

(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 September 30, 2020, a total of 9,548,017 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.

On May 26, 2020, the Company granted 1,305,000 stock options at an exercise price of \$2.00. The Black-Scholes option pricing model was used for weighted average assumptions: risk-free interest rate - 0.4%; expected dividend yield - \$Nil; expected stock price volatility - 71.8%; expected option life - 5 years; and, estimated forfeiture rate - 5%.

During the three months ended September 30, 2020 the Company did not grant any stock options to its directors, officers or employees.

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Movements in Share Options

The changes in share options were as follows:

	Nine Months Ended September 30, 2020		Year Ended December 31, 2019	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	1,996,000	\$9.62	2,594,000	\$9.16
Granted	1,305,000	\$2.00	-	\$ -
Forfeited	-	\$ -	(86,000)	\$8.00
Expired	-	\$ -	(512,000)	\$5.74
Outstanding at end of period	3,301,000	\$6.61	1,996,000	\$9.62
Options exercisable at end of period	1,762,000	\$9.88	1,762,000	\$9.88

The following table summarizes information about the Company's share options outstanding as at September 30, 2020:

	Options Outstanding		Options Exercisable	
Exercise Prices	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$2.00	1,305,000	4.58	-	-
\$5.75	65,000	7.25	26,000	7.25
\$8.00	981,000	5.18	786,000	5.18
\$11.55	950,000	0.04	950,000	0.04
	3,301,000	3.50	1,762,000	2.44

No share options were exercised during the nine months ended September 30, 2020.

12. COST OF SALES

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019 (Note 4(b))	2020	2019 (Note 4(b))
Operating expenses	\$12,539	\$4,108	\$46,123	\$25,048
Salaries, wages and benefits	4,977	878	16,327	13,952
Depletion and depreciation	7,850	4,233	26,399	10,377
	\$25,366	\$9,219	\$88,849	\$49,377

Included in cost of sales for the nine months ended September 30, 2020 is \$359 (September 30, 2019-\$3,423) of impairment charges in relation to concentrate and supplies inventory.

13. INTEREST EXPENSE

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Interest on non-current debt	\$32	\$7,861	\$114	\$37,789
Other interest	290	1,583	971	8,143
	\$322	\$9,444	\$1,085	\$45,932

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14. OTHER FINANCE (LOSS) INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
	(Note 4 (b))		(Note 4 (b))	
Accretion of future site reclamation provisions	\$(694)	\$(698)	\$(2,198)	\$(1,993)
Foreign exchange gain (loss) on non-current debt	48	(7,717)	(108)	10,310
Other foreign exchange (loss) gain	(1,161)	-	89	-
Fair value adjustment on debt settled in common shares	-	28	-	(3,328)
Loss on early repayment of convertible debentures	-	(1,766)	-	(1,766)
Fair value adjustment to marketable securities	80	(105)	81	(307)
	(1,727)	(10,258)	(2,136)	2,916
Interest income	159	113	695	4,894
Other finance (loss) income	\$(1,568)	\$(10,145)	\$(1,441)	\$7,810

15. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash operating working capital balances:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Trade and other receivables	\$3,670	\$(3,505)	\$(966)	\$1,189
Inventory	(4,519)	(2,415)	(3,316)	463
Prepaid expenses and deposits	820	1,115	1,187	938
Trade and other payables	10,729	9,791	5,739	878
Deferred trade payables	(5,732)	(962)	(5,328)	(2,441)
Provision for rehabilitation costs	(506)	(492)	(763)	(1,155)
	\$4,462	\$3,532	\$(3,447)	\$(128)

16. RELATED PARTY TRANSACTIONS AND COMPENSATION TO DIRECTORS AND KEY MANAGEMENT PERSONNEL**(a) Related Party Transactions**

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Loan guarantee fee for guarantee of second lien credit facility	\$ -	\$139	\$ -	\$697
Loan guarantee fee for guarantee of senior credit facility	\$ -	\$555	\$ -	\$2,786
Line of credit arrangement fee	\$ -	\$ -	\$ -	\$100
Junior Credit Facility Extension Fee	\$ -	\$45	\$ -	\$45
Interest expense	\$ -	\$3,740	\$ -	\$15,087

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 \$323 and \$1,536 for the three and nine months ended September 30, 2020, respectively (three and nine months ended September 30, 2019-\$864 and \$1,673).

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17. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All of the Company's assets are located in Canada, except for assets comprised primarily of Sterling totalling \$6,926 as September 30, 2020 (December 31, 2019-\$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 September 30, 2020				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Reportable segmented revenues	\$37,608	\$228	\$396	\$72	\$38,304
Less inter-segment revenues	-	-	(119)	(24)	(143)
Revenues from external sources	\$37,608	\$228	\$277	\$48	\$38,161
Depletion and depreciation	\$7,743	\$1,072	\$288	\$7	\$9,110
Interest (expense) and other finance (expense) income	\$286	\$(349)	\$(416)	\$(1,411)	\$(1,890)
Net income (loss)	\$7,708	\$(1,771)	\$2,550	\$(1,424)	\$7,063
Capital expenditures	\$26,317	\$236	\$469	\$(1,630)	\$25,392
Total assets	\$658,095	\$147,959	\$270,666	\$15,414	\$1,092,134
Total liabilities	\$241,802	\$60,820	\$55,714	\$2,377	\$360,713

Reportable Segments

	Three Months Ended September 30, 2019 (Note 4(b))				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Continuing operations:					
Reportable segmented revenues	\$6,955	\$151	\$484	\$382	\$7,972
Less inter-segment revenues	-	(524)	(231)	(226)	(981)
Revenues from external sources	\$6,955	\$(373)	\$253	\$156	\$6,991
Depletion and depreciation	\$4,105	\$1,392	\$281	\$8	\$5,786
Interest (expense) and other finance income (expense)	\$(17,140)	\$(1,998)	\$(442)	\$(9)	\$(19,589)
Net (loss) income from continuing operations	\$(9,850)	\$(9,609)	\$218	\$1,340	\$(17,901)
Net income from discontinued operations	\$360,906	\$ -	\$ -	\$ -	\$360,906
Net income (loss)	\$351,056	\$(9,609)	\$218	\$1,340	\$343,005
Capital expenditures (continuing and discontinued operations)	\$13,224	\$2,231	\$22	\$861	\$16,338
Total assets	\$599,186	\$154,589	\$233,628	\$128,023	\$1,115,426
Total liabilities	\$230,385	\$60,711	\$68,767	\$8,876	\$368,739

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Reportable Segments

	Nine Months Ended September 30, 2020				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Reportable segmented revenues	\$109,684	\$492	\$1,193	\$370	\$111,739
Less inter-segment revenues	-	(79)	(358)	(120)	(557)
Revenues from external sources	\$109,684	\$413	\$835	\$250	\$111,182
Depletion and depreciation	\$25,908	\$3,566	\$879	\$21	\$30,374
Interest (expense) and other finance (expense) income	\$(482)	\$(1,126)	\$(1,286)	\$368	\$(2,526)
Net income (loss)	\$13,447	\$(8,276)	\$(3,330)	\$(1,817)	\$24
Capital expenditures	\$56,569	\$600	\$513	\$(1,418)	\$56,264
Total assets	\$658,095	\$147,959	\$270,666	\$15,414	\$1,092,134
Total liabilities	\$241,802	\$60,820	\$55,714	\$2,377	\$360,713

Reportable Segments

	Nine Months Ended September 30, 2019				
	Red Chris	Mount Polley	Huckleberry	Corporate and Others	Total
Continuing operations:					
Reportable segmented revenues	\$6,955	\$37,100	\$1,216	\$449	\$45,720
Less inter-segment revenues	-	(2,015)	(963)	(275)	(3,253)
Revenues from external sources	\$6,955	\$35,085	\$253	\$174	\$42,467
Depletion and depreciation	\$4,105	\$8,048	\$710	\$23	\$12,886
Interest (expense) and other finance income (expense)	\$(28,173)	\$(9,493)	\$3,120	\$(3,576)	\$(38,122)
Net (loss) income from continuing operations	\$(13,031)	\$(18,919)	\$7,014	\$(4,979)	\$(29,915)
Net income from discontinued operations	\$363,202	\$ -	\$ -	\$ -	\$363,202
Net income (loss)	\$350,171	\$(18,919)	\$7,014	\$(4,979)	\$333,287
Capital expenditures (continuing and discontinued operations)	\$34,222	\$3,498	\$25	\$1,147	\$38,892
Total assets	\$599,186	\$154,589	\$233,628	\$128,023	\$1,115,426
Total liabilities	\$230,385	\$60,711	\$68,767	\$8,876	\$368,739

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Revenue by Geographic Area

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Switzerland	\$19,913	\$6,423	\$63,947	\$41,881
China	1,357	-	14,950	-
Australia	363	-	7,723	-
Singapore	15,975	-	23,064	-
Canada	553	568	1,498	586
	<u>\$38,161</u>	<u>\$6,991</u>	<u>\$111,182</u>	<u>\$42,467</u>

Revenues are attributed to geographic area based on country of customer. In the period ended September 30, 2020, the Company had 4 principal customers individually accounting for more than 10% each of total 78% of revenues (September 30, 2019– 2 principal customers accounting for 95% of revenues).

The Company's principal product is copper concentrate (contains copper, gold, and silver) which is sold at prices quoted on the London Metals Exchange and LBMA. The Company sells all concentrate production to third party traders.

Revenue by Major Product and Service

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Copper	\$24,432	\$4,924	\$69,528	\$20,996
Gold	12,767	1,486	39,375	20,613
Silver	409	68	781	327
Other	553	513	1,498	531
	<u>\$38,161</u>	<u>\$6,991</u>	<u>\$111,182</u>	<u>\$42,467</u>

18. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

During the year, 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 stakeholders 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.

The Company's maximum exposure to credit risk is as follows:

	September 30 2020	December 31 2019
Cash	\$61,088	\$89,953
Marketable securities	121	39
Trade receivables	6,777	5,759
Future site reclamation deposits	14,320	14,319
	<u>\$82,306</u>	<u>\$110,070</u>

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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 nine months ended September 30, 2020 would have been higher/lower by \$2,098.

Interest Rate Risk

The Company does not have any significant exposure to interest rate risk.

Provisionally Priced Revenues

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

Provisionally priced revenues is comprised of the following:

	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	Provisional lb/oz	Provisional Price per lb/oz	Provisional lb/oz	Provisional Price per lb/oz
	000's	US\$	000's	US\$
Copper	4,605.5	\$3.03	8,021.1	\$2.89
Gold	0.3	\$1,883	4.8	\$1,292

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

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Copper	Gold & Silver	Total	Copper	Gold & Silver	Total
Realized	\$770	\$1,419	\$2,189	\$(3,835)	\$1,431	\$(2,404)
Unrealized	1,156	610	1,766	(2,378)	1,326	(1,052)
Total	\$1,926	\$2,029	\$3,955	\$(6,213)	\$2,757	\$(3,456)

Fair Value Estimation

The fair value of the Company's financial instruments has been classified within the fair value hierarchy at September 30, 2020 as follows:

Financial Assets	Level 1	Level 2	Total
Cash	\$61,088	\$ -	\$61,088
Marketable securities	121	-	121
Provisionally priced accounts receivables	-	4,983	4,983
Future site reclamation deposits	14,320	-	14,320
	\$75,529	\$4,983	\$80,512

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19. COMMITMENTS AND PLEDGES

At September 30, 2020, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Note 7)	\$14,320
Mineral property, plant and equipment	28,370
Letters of credit (Note 8)	38,416
	<u>\$81,106</u>

20. CONTINGENT LIABILITIES

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business as more specifically described in Note 30 to the audited financial statements of the Company for the year ended December 31, 2019.

In the opinion of management, none of these matters will have a material effect on the Company's condensed consolidated financial position or financial performance.

During the third quarter of 2014, a securities class action under section 138 of the Ontario Securities Act (the Claim) was filed against the Company and certain of its directors, officers and others. On September 23, 2020, the Ontario Superior Court denied leave to proceed with this Claim. The Plaintiff has appealed this decision. At this time the Company cannot predict the outcome of the Claim or determine the amount of any potential losses and has accordingly made no provision for the Claim. The Company is of the view that the allegations contained in the Claim are without merit and will continue to vigorously defend its position.

During the June 2020 period, a claim from a contractor in the amount of \$11,100 was filed against the Company and will likely be 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 has engaged independent legal counsel to advise on this matter.



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