

# Imperial Reports 2020 Financial Results

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VANCOUVER, March 17, 2021 - [Imperial Metals Corp.](#) (the "Company") (TSX:III) reports financial results for its fiscal year ended December 31, 2020.

Select Annual Financial Information	Years Ended December 31		
expressed in thousands, except share and per share amounts	2020	2019 <sup>(3)</sup>	2018
<b>Continuing Operations:</b>			
Total revenues	\$ 148,097	\$ 71,823	\$ 104,437
Net loss	\$ (4,892 )	\$ (41,224 )	\$ (109,464 )
Net loss per share	\$ (0.04 )	\$ (0.32 )	\$ (0.92 )
Diluted loss per share	\$ (0.04 )	\$ (0.32 )	\$ (0.92 )
Adjusted net loss <sup>(1)</sup>	\$ (5,421 )	\$ (50,310 )	\$ (68,622 )
Adjusted net loss per share <sup>(1)</sup>	\$ (0.04 )	\$ (0.40 )	\$ (0.58 )
Adjusted EBITDA <sup>(1)</sup>	\$ 36,034	\$ (4,261 )	\$ (3,334 )
Cash flow <sup>(1)(2)</sup>	\$ 37,261	\$ (3,611 )	\$ 106,468
Cash flow per share <sup>(1)(2)</sup>	\$ 0.29	\$ (0.03 )	\$ 0.90
<b>Discontinued Operations:</b>			
Total revenues	\$ -	\$ 166,067	\$ 255,736
Net income (loss)	\$ -	\$ 360,671	\$ (16,131 )
Net income (loss) per share	\$ -	\$ 2.83	\$ (0.14 )
Diluted income (loss) per share	\$ -	\$ 2.83	\$ (0.14 )
Adjusted net income (loss) <sup>(1)</sup>	\$ -	\$ 39,143	\$ (16,141 )
Adjusted net income (loss) per share <sup>(1)</sup>	\$ -	\$ 0.31	\$ (0.13 )
Adjusted EBITDA <sup>(1)</sup>	\$ -	\$ 140,574	\$ 36,602
Cash flow <sup>(1)(2)</sup>	\$ -	\$ 21,503	\$ 36,981
Cash flow per share <sup>(1)(2)</sup>	\$ -	\$ 0.17	\$ 0.31
Working capital (deficiency) deficiency	\$ 9,292	\$ 53,661	\$ (789,470 )
Total assets	\$ 1,091,321	\$ 1,103,488	\$ 1,573,903
Total debt (including current portion)	\$ 2,422	\$ 3,816	\$ 871,268

<sup>(1)</sup> Refer to table in section *Non-IFRS Financial Measures* of the December 31, 2020 Management's Discussion & Analysis for further details.

<sup>(2)</sup> 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.

<sup>(3)</sup> Year ended 2019 has been restated to incorporate the finalization of fair values relating to the sale of Red Chris in August 2019.

Select Items Affecting Net Loss (presented on an after-tax basis)	Years Ended December 31	
expressed in thousands	2020	2019 <sup>(1)</sup>
Net loss before undernoted items from continuing operations	\$ (3,559 )	\$ (15,325 )
Interest expense	(1,358 )	(46,273 )
BC Mineral tax recovery	-	11,288
Foreign exchange gain on debt	25	10,375
Loss on early repayment of debt	-	(1,289 )

Net Loss from Continuing Operations	\$ (4,892 )	\$ (41,224 )
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(1) Year ended 2019 has been restated to incorporate the finalization of fair values relating to the sale of Red Chris in August 2019.

Revenue from continuing operations increased to \$148.1 million in 2020 compared to \$71.8 million in 2019, an increase of \$76.3 million or 106%.

Revenue from the Red Chris mine in 2020 was \$146.3 million compared to \$35.9 million in 2019. The revenue from the period January 1, 2019 to August 14, 2019 from Red Chris was classified as discontinued operations. There were 18.3 concentrate shipments in 2020 from the Red Chris mine (2019-13.2 concentrate shipments).

Revenue from the Mount Polley mine in 2020 was \$0.4 million compared to \$35.2 million in 2019. The decrease was attributable to the mine being on care and maintenance from May 2019 onwards.

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

The London Metals Exchange cash settlement copper price per pound averaged US\$2.80 in 2020 compared to US\$2.72 in 2019. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,770 in 2020 compared to US\$1,392 in 2019. The average US\$/CDN\$ exchange rate in the 2020 was 1.341 compared to an average of 1.327 in 2019. The average US\$ strengthened by 1.1% compared to the CDN\$ in 2020 over 2019. In 2020 the average copper price was CDN\$3.76 per pound and the average gold price was CDN\$2,374 per ounce compared to 2019 when the average copper price was CDN\$3.61 per pound and the average gold price was CDN\$1,847 per ounce.

Revenue in 2020 increased by a \$7.3 million revenue revaluation compared to a negative revenue revaluation of \$3.3 million in 2019. Revenue revaluations are the result of the metal prices on the settlement date and/or the current period balance sheet date being higher or lower than when the revenue was initially recorded or the metal prices at the last balance sheet date and finalization of contained metals as a result of final assays.

Net loss from continuing operations in 2020 was \$4.9 million (\$0.04 per share) compared to net loss of \$41.2 million (\$0.32 per share) in 2019. The majority decrease in net loss of \$36.3 million was primarily due to the following factors:

- Loss from mine operations decreased from a loss of \$7.7 million in 2019 to an income of \$20.6 million in 2020, a decrease in net loss of \$28.3 million.
- Interest expense decreased from \$46.3 million in 2019 to \$1.4 million in 2020, a decrease in net loss of \$44.9 million.
- Foreign exchange gains/losses went from a gain of \$10.1 million in 2019 to a loss of \$0.6 million in 2020, an increase in net loss of \$10.7 million.
- An income and mining tax recovery of \$4.0 million in 2020 compared to a recovery of \$28.4 million in 2019, an increase in net loss of \$24.4 million.

Cash flow from continuing operations was \$37.3 million in 2020 compared to negative cash flow \$3.6 million in 2019. 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 is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures attributed to continuing operations were \$73.6 million in 2020, up from \$20.0 million in 2019. Red Chris expenditures before August 15, 2019 were classified as discontinued operations. The increase in 2020 was due to the inclusion of Imperial's 30% share in Red Chris since August 15, 2019.

At December 31, 2020, the Company had \$34.0 million in cash compared to \$90.0 million at December 31,

2019.

## 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.

### Adjusted Net Loss and Adjusted Net Loss Per Share

Adjusted net loss from continuing operations in 2020 was \$5.4 million (\$0.04 per share) compared to an adjusted net loss of \$50.3 million (\$0.40 per share) in 2019. 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.

### Adjusted EBITDA

Adjusted EBITDA from continuing operations in 2020 was \$36.0 million compared to a negative \$4.3 million in 2019. We define Adjusted EBITDA as net income (loss) before interest expense, taxes, depletion, and depreciation, and as adjusted for certain other items.

### Cash Flow and Cash Flow Per Share

Cash flow from continuing operations in 2020 was \$37.3 million compared to a negative \$3.6 million in 2019. Cash flow per share was \$0.29 in 2020 compared to \$(0.03) in 2019.

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.

### Cash Cost Per Pound of Copper Produced

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.

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.

*Calculation of Cash Cost Per Pound of Copper Produced*

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

Year Ended December 31, 2020

	Red Chris	** Mount Polley	Financial Statements
Cash cost of copper produced in US\$	\$ 37,770	\$ -	\$ 37,770
Copper produced - pounds	26,502	-	26,502
Cash cost per lb copper produced in US\$	\$ 1.43	\$ -	\$ 1.43

Year Ended December 31, 2019

	*Red Chris	** Mount Polley	Financial Statements
Cash cost of copper produced in US\$	\$ 125,286	\$ 12,907	\$ 138,193
Copper produced - pounds	50,334	3,825	54,159
Cash cost per lb copper produced in US\$	\$ 2.49	\$ 3.37	\$ 2.55

\* 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 Red Chris Joint Venture.

\*\* The Mount Polley mine was placed on care and maintenance on May 26, 2019.

(1) Year ended 2019 has been restated to incorporate the finalization of fair values relating to the sale of Red Chris in August 2019.

## DEVELOPMENTS DURING 2020

## OPERATIONS

The Company's plans for 2021 and beyond could be adversely impacted by the effects of the COVID-19 pandemic. The continuing impact of COVID-19 to travel and other operating restrictions established to curb the spread of COVID-19, 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 concentrate or causing disruptions to supply chains.

## Red Chris Mine

Red Chris mine 2020 metals production was 88.3 million pounds copper, 73,787 ounces gold, and 176,376 ounces silver. All metal production in 2020 increased over 2019 totals. Gold production increased over 100% as a result of higher grades. Imperial's 30% portion of the production 26.5 million pounds copper, 22,136 ounces gold, and 52,913 ounces silver.

Annual Production for the Year Ended December 31	2020	2019
Ore milled - tonnes	9,381,881	10,430,762
Ore milled per calendar day - tonnes	25,634	28,577
Grade % - copper	0.529	0.412
Grade g/t - gold	0.451	0.244
Recovery % - copper	80.7	76.0
Recovery % - gold	54.2	44.5
Copper - 000's pounds	88,343	71,880
Gold - ounces	73,787	36,471
Silver - ounces	176,376	133,879

\* 100% Red Chris mine production

A pre-feasibility study has been initiated by Newcrest on the development of an underground block cave mining operation at Red Chris. The study is expected to be delivered to the Joint Venture this summer. Newcrest is also planning to complete a feasibility study following completion of the pre-feasibility study with completion anticipated for mid-2022.

As an initial step, an exploration decline will be constructed to provide access for underground drilling to provide more detailed geological and geotechnical information on the initial block cave.

With the exploration results to date outlining higher grade pods within the deep east zone mineralization, and the exploration decline passing near the high grade pods, the potential for underground mining by a method other than block caving (early mining) is being considered as part of the pre-feasibility study. This early mining of a high grade pod is a key opportunity which could accelerate the timeline for the first underground ore to the mill, and bring cashflow from the underground mine forward. Early mining plans will require more definition of the high grade pod being considered for early mining. Additional drilling will be completed at approximate 50 metre spacing from the center of the drill hole pierce points into the mineralization.

In the plant, additional cleaner flotation capacity is being installed to further increase metal recoveries.

Imperial's 30% share of exploration, development, and capital expenditures were \$73.2 million in 2020 compared to \$42.5 million in 2019 (from August 15, 2019 to December 31, 2019).

#### Mount Polley Mine

Mount Polley operations ceased in May 2019, and the mine remains on care and maintenance status. However, the mine restart plan prepared in 2019 is being updated to include revised pit designs, results of recent drilling, and current metal prices. The COVID-19 pandemic has had an impact on mine restart scenarios however, the vaccine distribution is anticipated to mitigate this risk. When the revised restart plan has been updated and the Province wide vaccine distribution is complete, the Company will seek to secure financing to fund restart of the mine.

Site personnel continue to maintain access, fire watch, manage collection, treatment and discharge of site contact water, and actively monitor the tailings storage facility.

During 2020, the Mount Polley mine incurred idle mine costs comprised of \$12.3 million in operating costs and \$4.3 million in depreciation expense.

Exploration, development, and capital expenditures were \$0.9 million in 2020 compared to \$5.4 million in 2019.

#### Huckleberry Mine

Huckleberry operations ceased in August 2016, and the mine remains on care and maintenance status. Activities at the mine site during its closure have focused on maintaining access, water management (treatment and release of mine contact water into Tahtsa Reach), snow removal, maintenance of site infrastructure and equipment, mine permit compliance, updating the life of mine plan, environmental compliance monitoring, and monitoring tailings management facilities.

A mine restart plan is under development for Huckleberry, which will reflect recent drilling and current metal prices. The COVID-19 pandemic has impacted the mine restart timeline however, the vaccine distribution is anticipated to mitigate this risk. As with Mount Polley, the Company will seek to secure financing to fund restart of the mine following completion of the Province wide vaccine distribution. The Company anticipates the restart of Huckleberry will follow the start of operations at Mount Polley.

During 2020, Huckleberry incurred idle mine costs comprised of \$5.0 million in operating costs and \$0.7

million in depreciation expense.

Exploration, development, and capital expenditures were \$0.9 million in 2020 compared to \$nil million in 2019.

## EXPLORATION

### Mount Polley

The 2020 exploration program at Mount Polley focused on improving drill hole data density of mineralization near historic mining areas where the use of underground mining is being considered and drilling of new geophysical and geochemical anomalies outlined by recent surveys in the Trio Creek area located north and northwest of the mine. Six drill holes totalling 3,792 metres were completed.

The WX zone is the most recent major discovery (2009) at Mount Polley. Located south of the Springer pit, it is noted for its high gold grades and high gold/copper ratio mineralization. Drill hole WX-20-78 was designed test and confirm the continuity of the mineralization in an area of proposed underground mining. Drilled down the plunge, this hole served to confirm the continuity of this modelled higher grade target within the WX zone.

The C2 zone is located south of the Cariboo pit. Two holes were drilled to test a zone of higher gold grade along the Polley fault at depth. Historic drilling in this zone yielded an intercept of 55 metres grading 2.14 g/t gold and 1.19% copper in drill hole C2-11-97. Both holes were successful in extending this lower gold zone.

Drill hole SD-20-162 was designed to fill a gap in drilling on the eastern side of the target area beneath the Springer pit. The Springer zone contains most of the reserves in the current open pit mine plan. Historic drilling beneath the currently planned Springer pit confirmed the mineralization continues for at least 250 metres below the pit bottom. Studies are underway to evaluate the potential for bulk underground mining beneath the planned pit.

The Trio Creek target area is located north and northwest of the mine. This area is covered by glacial till with limited bedrock exposure. Using new geophysical and geochemical anomalies outlined by recent surveys, the goal was to gain an understanding of the geological system. Drill holes TC-20-01 and TC-20-02 were designed to test new anomalies north and west of the mine. The targeted areas feature favorable geophysics that match the geophysical fingerprint of the Mount Polley mineralized host rock.

Additional exploration is planned for 2021 to further define these targets.

### Huckleberry

In 2020, a drill program to test the East zone at depth was designed to evaluate the deposit where the majority of historic drill holes were stopped at a depth of 300 m while still in copper mineralization. Mining at the East zone only went to a depth of about 200 metres. Between 1997 and 2007, the East zone pit provided high grade mill feed of approximately 50 million tonnes ore grading 0.55% copper. Mining to 2016 was from two zones of mineralization, the East and Main zones, with the East zone containing the higher-grade copper mineralization.

Three drill holes totaling 2,491 m were completed. Drill results confirmed that copper mineralization continues to significant depths below the East zone pit and historic drilling. Additional drilling will be necessary to further define and expand the limits of the East zone copper deposit.

In addition, a Volterra 3-Dimensional Induced Polarization survey was conducted over the East zone to produce a geophysical signature over zones of known mineralization and enhance the geological model and ore controls. The data will be interpreted and used to locate new drill targets.

## Greenfield Projects

Exploration was conducted at the Giant Copper and LJ greenfield properties during 2020.

At the Giant Copper property, a portable diamond drill was used for a series of six holes, covering an area approximately 10 square metres. All the drill holes were terminated by caving or the depth limitations of the portable diamond drill and ended in the mineralization. Follow up drilling is planned for 2021 pending authorization of a Notice of Work.

At the L J property, diamond blade saw channel sampling was conducted over a width of 90 metres, over new extensions of the massive sulfide occurrence recently exposed by glacial melt back. Additional work is planned for 2021.

## FOURTH QUARTER RESULTS FROM CONTINUING OPERATIONS

Revenue in the fourth quarter of 2020 was \$36.9 million compared to \$29.4 million in 2019. Sales revenue is recorded when title for concentrate is transferred on ship loading. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date along with finalization of contained metals as a result of final assays.

The Company recorded a net loss of \$4.9 million (\$0.04 per share) in the fourth quarter of 2020 compared to net loss of \$11.3 million (\$0.09 per share) in the prior year quarter.

Expenditures for exploration and ongoing capital projects at Mount Polley, Red Chris and Huckleberry totalled \$17.5 million during the three months ended December 31, 2020, compared to the expenditures for exploration and ongoing capital projects at Mount Polley and Huckleberry which totalled \$10.5 million in the 2019 comparative quarter. Red Chris expenditures from August 15, 2019 onwards represented Imperial's 30% proportionate share compared to the prior year quarter where these expenditures were classified as discontinued operations.

## OUTLOOK

### Corporate and Operations

At December 31, 2020, the Company had not hedged any copper, gold, or US\$/CDN\$ exchange. Quarterly revenues will fluctuate depending on copper and gold prices, the US\$/CDN\$ exchange rate, and the timing of concentrate sales, which is dependent on concentrate production and the availability and scheduling of transportation.

Newcrest provided metals production guidance (100%) for Red Chris mine, for the period July 1, 2020 to June 30, 2021 (period conforms to Newcrest June 30 annual year end), in the range of 55.1 to 66.1 million pounds copper and 45 to 55 thousand ounces gold.

The restart of Mount Polley and Huckleberry operations are being planned. The timeline of a restart will depend on securing financing, and the completion of the Province wide vaccine distribution.

### Exploration

Imperial maintains a large portfolio of greenfield exploration properties in British Columbia. These properties have defined areas of mineralization and exploration potential. Management continues to evaluate various opportunities to advance many of these properties.

Exploration plans for 2021 will be focused at Red Chris.

For additional information, refer to Imperial's 2020 Annual Report available on [imperialmetals.com](http://imperialmetals.com) and [sedar.com](http://sedar.com)

## About Imperial

Imperial is a Vancouver exploration, mine development and operating company with holdings that include the Mount Polley mine (100%), the Huckleberry mine (100%), and the Red Chris mine (30%).

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## Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this news release are not statements of historical fact and are "forward-looking" statements. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements regarding the Company's expectations with respect to the impact of COVID-19 on the Company's business and operations; metal pricing; the preparation of, and timing for, a pre-feasibility and feasibility study in respect of a underground block cave mining operation at Red Chris; potential development plans and mining methods at Red Chris; the potential acceleration of the timeline to production and cash flows from any underground expansion; the impact of vaccine distribution on mine restart plans at Mount Polley and Huckleberry; financing to fund restart Mount Polley and Huckleberry; the ordering of any restart at Mount Polley and Huckleberry; metal production guidance and estimates; and expectations and timing regarding current and future exploration and drilling programs.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "outlook", "budget", "scheduled", "estimates", "forecasts", "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", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In making the forward-looking statements in this release, the Company has applied certain factors and assumptions that are based on information currently available to the Company as well as the Company's current beliefs and assumptions. These factors and assumptions and beliefs and assumptions include, the risk factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended, many of which are beyond the Company's ability to control or predict. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and all forward-looking statements in this news release are qualified by these cautionary statements.



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