

# Imperial Reports 2014 Third Quarter Financial Results

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Nov 14, 2014) - **Imperial Metals Corporation** ("Imperial", the "Company", "we", "our" or "us") (TSX:III) reports comparative financial results for the third quarter period ending September 30, 2014.

The tailings dam breach at the Mount Polley mine has had significant impacts on the Company's operations and financial position including:

- Mount Polley mine operations are suspended, depriving the Company of its main source of cash flow.
- The Company recorded costs of \$67.4 million (\$43.8 million net of tax) in the September 2014 period related to the tailings dam breach. These costs include \$20.3 million incurred for response and recovery as well as initial rehabilitation and restoration activities. The \$67.4 million in costs also includes a \$47.1 million provision for future costs related to the tailings dam breach, exclusive of estimated insurance recoveries. Insurance recoveries will be recorded when received.
- The Company completed a \$115.0 million convertible debenture financing on September 4, 2014 to assist with the tailings dam breach remediation costs and the completion and startup of the Red Chris mine.

Revenues were \$22.7 million in the September 2014 quarter compared to \$51.7 million in the comparative 2013 quarter. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rate, and period end revaluations of revenue attributed to concentrate shipments where the copper price will settle at a future date. The decrease in revenue in the September 2014 quarter over the comparative 2013 quarter is due to a lower quantity of concentrate sold from the Mount Polley mine as a result of the tailings dam breach on August 4, 2014 when operations were suspended. There was one concentrate shipment in the September 2014 quarter compared to two shipments in the comparative 2013 quarter.

The London Metals Exchange cash settlement copper price per pound averaged US\$3.17 in the September 2014 quarter compared to US\$3.21 in the September 2013 quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,282 in the September 2014 quarter compared to US\$1,327 in the September 2013 quarter. The CDN Dollar weakened by 5% compared to the US Dollar in the September 2014 quarter over the September 2013 quarter. In CDN Dollar terms the average copper price in the September 2014 quarter was CDN\$3.45 per pound compared to CDN\$3.34 per pound in the September 2013 quarter and the average gold price in the September 2014 quarter was CDN\$1,396 per ounce compared to CDN\$1,379 per ounce in the September 2013 quarter.

Revenue in the September 2014 quarter was increased by a \$0.3 million positive revenue revaluation compared to a positive revenue revaluation of \$2.8 million in the September 2013 quarter. Positive revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher than when the revenue was initially recorded or the copper price at the last balance sheet date. Income from mine operations decreased to \$7.5 million from \$25.2 million in the September 2013 quarter as a result of the suspension of the Mount Polley mine operations.

The net loss for the September 2014 quarter was \$49.2 million (\$0.66 per share) compared to net income of \$14.7 million (\$0.20 per share) in the comparative September 2013 quarter. The variation in net income this quarter compared to the 2013 quarter is largely attributable to the remediation costs of \$67.4 million related to the Mount Polley tailings dam breach. In addition to variances in revenues and income from mine operations described above, variations in net income period over period are attributable to movements in foreign exchange and realized and unrealized gains and losses on derivative instruments and taxes.

The September 2014 quarter loss included foreign exchange losses of \$18.9 million compared to foreign

exchange gains of \$0.4 million in the comparative 2013 quarter. The current quarter's foreign exchange loss is primarily attributable to US denominated long term debt reflecting the foreign currency movements in the quarter compared to the foreign exchange rate at the beginning of the quarter. The \$18.9 million foreign exchange loss is comprised of a \$16.9 million loss on the senior notes, a \$2.1 million loss on long term equipment loans, and a gain of \$0.1 million on operational items. The average CDN/US Dollar exchange rate in the September 2014 quarter was 1.089 compared to an average of 1.039 in the September 2013 quarter.

In the September 2014 quarter the Company recorded net gains on derivative instruments of \$9.4 million compared to net losses of \$1.4 million in the September 2013 quarter. In the September 2014 quarter the Company recorded a gain of \$6.3 million on the foreign currency swap due to an increase in the CDN/US Dollar exchange rate compared to the exchange rate at June 30, 2014. The decrease in the copper and gold price compared to the price in the derivative contracts resulted in a gain of \$3.0 million, primarily unrealized, for copper and gold derivative instruments in the September 2014 quarter compared to a \$1.4 million unrealized loss in the September 2013 quarter.

The Company recorded \$1.9 million as its equity share of Huckleberry's net income during the September 2014 quarter compared to \$0.3 million equity loss in the September 2013 quarter. The higher net income was primarily attributable to higher sales volumes in the 2014 quarter and lower tax expense than in the 2013 quarter. Huckleberry had two shipments in the 2014 quarter compared to one shipment in the 2013 quarter.

There was a \$22.4 million income and mining tax recovery in the September 2014 quarter compared to a \$8.1 million expense in the 2013 quarter primarily due to recording of a deferred tax recovery on the remediation costs related to the tailings dam breach.

Cash flow was negative \$59.1 million in the September 2014 quarter compared to positive cash flow of \$28.6 million in the September 2013 quarter. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS in Canada. 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. The Company believes cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures, inclusive of capitalized interest, were \$93.1 million in the September 2014 quarter, down from \$137.9 million in the September 2013 quarter. The expenditures in the September 2014 quarter were financed by cash flow from the Mount Polley mine and from long term debt. At September 30, 2014 the Company had \$18.1 million in cash (December 31, 2013-\$3.1 million). The Company had no short term debt at September 30, 2014 (December 31, 2013-\$132.4 million) as this was all repaid from the long term financing arrangements for the Red Chris project. Refer to Note 10 of the September 30, 2014 condensed consolidated interim financial statements for details of the Company's long term financings.

## SELECTED QUARTERLY FINANCIAL INFORMATION

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2014 and the related Notes thereto in the Management's Discussion and Analysis, available on SEDAR.

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Total Revenues	\$22,667	\$51,668	\$125,068	\$143,851
Net (Loss) Income	\$(49,221)	\$14,721	\$(28,151)	\$32,883
Net (Loss) Income per share	\$(0.66)	\$0.20	\$(0.38)	\$0.44
Diluted (Loss) Income per share	\$(0.65)	\$0.20	\$(0.37)	\$0.44
Adjusted Net Income <sup>(1)</sup>	\$3,729	\$16,641	\$19,527	\$32,826
Adjusted Net Income per share <sup>(1)</sup>	\$0.05	\$0.22	\$0.26	\$0.44
Adjusted EBITDA <sup>(1)</sup>	\$9,869	\$28,582	\$53,120	\$65,127
Working Capital Deficiency <sup>(2)</sup>	\$(51,872)	\$(171,743)	\$(51,872)	\$(171,743)
Total Assets	\$1,307,857	\$859,962	\$1,307,857	\$859,962
Total Long Term Debt (including current portion)	\$679,554	\$135,276	\$679,554	\$135,276
Cash dividends declared per common share	-	-	-	-

Cash Flow <sup>(1)</sup>	\$(59,129)	\$28,639	\$(17,318)	\$61,126
Cash Flow per share <sup>(1)</sup>	\$(0.79)	\$0.38	\$(0.23)	\$0.82

(1) Refer to heading Non-IFRS Financial Measures for further details.

(2) Defined as current assets less current liabilities.

## 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 under the heading Non-IFRS Financial Measures in the MD&A for the year ended December 31, 2013. 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 (loss) income and cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, these measures may not be directly comparable to similarly titled measures used by other companies. Reconciliations are provided below.

### ***Adjusted Net Income***

Adjusted net income in the September 2014 quarter was \$3.7 million (\$0.05 per share) compared to \$16.6 million (\$0.22 per share) in the September 2013 quarter. Adjusted net income shows the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net income is calculated by removing the gains or losses, net of related income taxes, resulting from mark to market revaluation of derivative instruments not related to the current period, net of taxes, unrealized foreign exchange gains or losses on non-current debt, net of tax, and Mount Polley tailings dam remediation costs, net of tax, as further detailed below.

### ***Calculation of Adjusted Net Income***

[expressed in thousands, except per share amounts]

	Three Months Ended September 30			Nine Months Ended September 30	
	2014	2013	2014	2013	2014
Net (loss) income as reported	\$(49,221)	\$14,721	\$(28,151)	\$3,321	\$3,321
Unrealized (gain) loss on derivative instruments, net of tax <sup>(a)</sup>	(7,229)	1,920	(173)	1,920	1,920
Unrealized foreign exchange loss on non-current debt, net of tax <sup>(b)</sup>	16,371	-	4,043	-	4,043
Remediation costs, net of tax <sup>(c)</sup>	43,808	-	43,808	-	43,808
Adjusted Net Income	\$3,729	\$16,641	\$19,527	\$3,321	\$3,321
Adjusted Net Income Per Share	\$0.05	\$0.22	\$0.26	\$0.05	\$0.05

(a) Derivative financial instruments are recorded at fair value on the Company's Statement of Financial Position, with changes in the fair value, net of taxes, including the Company's 50% share of derivative instruments of Huckleberry flowing through net income. The amounts ultimately realized may be materially different than reflected in the financial statements due to changes in prices of the underlying copper, gold and foreign currency hedged.

(b) Non-current debt is recorded on the Company's Statement of Financial Position at the foreign exchange rate in effect on that date, with changes in foreign exchange rates, net of taxes, flowing through net income. The amounts of non-current debt ultimately payable may be materially different than reflected in the financial statements due to foreign currency movements.

(c) Remediation costs related to the Mount Polley tailings dam breach, net of tax, have been excluded as these costs are non-recurring.

### ***Adjusted EBITDA***

We define Adjusted EBITDA as net income (loss) before interest expense, taxes and depletion and depreciation and as adjusted for the other items described in the reconciliation table below.

Adjusted EBITDA is not necessarily comparable to similarly titled measures used by other companies. We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about certain non-cash or unusual items that we do not expect to continue at the same level in the future, or other items that we do not believe to be reflective of our ongoing operating performance. We further believe that our presentation of this non-IFRS financial measure provides information that is useful to investors because it is an important indicator of our operations and the performance of our core business.

Adjusted EBITDA is not a measurement of operating performance or liquidity under IFRS and should not be considered as a substitute for earnings from operations, net income or cash generated by operating activities computed in accordance with IFRS. Adjusted EBITDA has limitations as an analytical tool and therefore Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. A reconciliation of net income to Adjusted EBITDA is as follows:

### **Adjusted EBITDA**

[expressed in thousands]	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Net (Loss) Income <sup>(a)</sup>	\$(49,221)	\$14,721	\$(28,151)	\$32,883
Adjustments:				
Income and mining tax (recovery) expense	(22,360)	8,126	(10,545)	17,038
Interest expense	-	6	-	35
Depletion and depreciation	3,681	4,410	16,304	12,845
Accretion of future site reclamation provisions	169	78	492	216
Unrealized (gains) losses on derivative instruments	(9,769)	1,423	(255)	(141)
Share based compensation	173	409	620	1,399
Foreign exchange losses (gains)	18,908	(400)	6,279	557
Revaluation on marketable securities	172	(194)	325	343
Loss (gain) on sale of mineral properties	681	3	616	(48)
Remediation costs	67,435	-	67,435	-
Adjusted EBITDA <sup>(a)</sup>	\$9,869	\$28,582	\$53,120	\$65,127

(a) Net income and Adjusted EBITDA includes our 50% portion of the net income from Huckleberry to reflect our adoption of IFRS11. However, we are not able to control the timing and amount, if any, of cash distributions that Huckleberry may make to Imperial.

### **Cash Flow and Cash Flow per Share**

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 period.

The calculation of cash flow and cash flow per share is as follows:

[expressed in thousands, except per share amounts]	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Income (loss) before taxes	\$(71,581)	\$22,847	\$(38,696)	\$49,921
Items not affecting cash flows				
Equity (income) loss in Huckleberry	(1,851)	345	(1,933)	(3,868)
Depletion and depreciation	3,681	4,410	16,304	12,845
Share based compensation	173	409	620	1,399
Accretion of future site reclamation provisions	169	82	492	220
Unrealized foreign exchange (gains) losses	19,193	(688)	5,207	425
Unrealized losses (gains) on derivative instruments	(9,769)	1,423	(255)	(141)
Other	856	(189)	943	325
Cash Flow	\$(59,129)	\$28,639	\$(17,318)	\$61,126
Basic Weighted Average Number of Common Shares Outstanding	74,960,808	74,495,004	74,915,778	74,413,893
Cash Flow Per Share	\$(0.79)	\$0.38	\$(0.23)	\$0.82

### **Cash Cost Per Pound of Copper Produced**

The cash cost per pound of copper produced is a non-IFRS financial measure that does not have a standardized meaning under IFRS, and as a result may not be comparable to similar measures presented by other companies. Management uses this non-IFRS financial measure to monitor operating costs and profitability. The Company is primarily a copper producer and therefore calculates this non-IFRS financial measure individually for its two copper producing mines, Mount Polley and Huckleberry, and on a composite basis for these two mines.

The method of calculating the cash cost per pound of copper produced are described in detail under the

heading Non-IFRS Financial Measures in the MD&A for the year ended December 31, 2013.

Variations from period to period in the cash cost per pound of copper produced are the result of many factors including: ore grade, metal recoveries, amount of waste allocated 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.

The following is a summary of the cash cost per pound of copper produced in US Dollars. For further information refer to detailed calculations in the MD&A for the nine months ended September 30, 2014.

### **Estimated Cash Cost per Pound of Copper Produced**

[expressed in thousands, except for cash cost per lb] Three Months Ended September 30, 2014			
	Huckleberry 100%	Mount Polley	Composite *
Cash cost of copper produced in US\$	\$23,186	\$5,773	\$17,366
<i>Copper produced - lbs</i>	10,566	4,294	9,577
Cash cost per lb copper produced in US\$	\$2.19	\$1.34	\$1.81
Three Months Ended September 30, 2013			
	Huckleberry 100%	Mount Polley	Composite *
Cash cost of copper produced in US\$	\$20,928	\$5,855	\$16,318
<i>Copper produced - lbs</i>	10,472	11,020	16,256
Cash cost per lb copper produced in US\$	\$2.00	\$0.53	\$1.00
Nine Months Ended September 30, 2014			
	Huckleberry 100%	Mount Polley	Composite *
Cash cost of copper produced in US\$	\$56,805	\$29,444	\$57,874
<i>Copper produced - lbs</i>	25,267	24,490	37,124
Cash cost per lb copper produced in US\$	\$2.25	\$1.20	\$1.56
Nine Months Ended September 30, 2013			
	Huckleberry 100%	Mount Polley	Composite *
Cash cost of copper produced in US\$	\$65,609	\$23,825	\$56,628
<i>Copper produced - lbs</i>	30,833	29,264	44,681
Cash cost per lb copper produced in US\$	\$2.13	\$0.81	\$1.27

\*Mount Polley plus 50% of Huckleberry

### **DERIVATIVE INSTRUMENTS**

In the three month period ending September 30, 2014 the Company recorded net gains of \$9.4 million on derivative instruments, comprised of a \$6.3 million net gain related to the CDN/US currency swap and a \$3.1 million net gain on copper and gold derivatives. This compares to a \$1.4 million loss in the September 2013 quarter for copper and gold derivatives. These gains and losses result from the mark to market valuation of the derivative instruments based on changes in the price of copper and gold and movements in the CDN/US exchange rate. These amounts include realized losses of \$0.4 million on foreign currency swaps and a small gain on gold contracts in the September 2014 quarter and no realized gains or losses in the September 2013 quarter. The Company has not applied hedge accounting for its derivative instruments and therefore records changes in the unrealized gains or losses on these contracts at fair value on each statement of financial position date, with the adjustment resulting from the revaluation being charged to the statement of income as a gain or loss.

The Company utilizes a variety of derivative instruments including the purchase of puts, forward sales and the use of min/max zero cost collars. The Company's income or loss from derivative instruments may be very volatile from period to period as a result of changes in the copper and gold prices and CDN/US exchange rate compared to the copper and gold prices and CDN/US exchange rate at the time when these contracts were entered into and the type and length of time to maturity of the contracts.

Derivative instruments cover about 33% of the estimated copper settlements via min/max zero cost collars

and 50% of the estimated gold settlements via min/max zero cost collars through December 2014. The estimated settlements reflect production at Mount Polley to August 4, 2014. In addition, the Company has hedged 36,000 ounces of gold for 2015 which is allocated to the expected production from the Red Chris mine.

In the March 2014 quarter the Company entered into a cross currency swap to lock in the foreign exchange rate on US\$110.0 million of the US\$325.0 million senior unsecured notes (the "Notes") principal amount and related interest over the five year term of the Notes. The foreign exchange rate was fixed at 1.1113 CDN for each US Dollar. Based on the September 30, 2014 CDN/US Dollar exchange rate the Company had an unrealized loss of \$1.3 million on the derivative instruments related to the swap.

Future changes in the CDN/US Dollar exchange rate could have a material impact on the valuation of the cross currency swap however a significant portion of this gain or loss will be offset by the foreign exchange gain or loss on the Notes.

## MOUNT POLLEY MINE

PRODUCTION	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	2014	2013
Ore milled (tonnes)	711,043	2,105,459	4,548,182	6,083,103
Ore milled per calendar day (tonnes)	7,729	22,885	16,660	22,282
Grade % - copper	0.353	0.311	0.321	0.295
Grade g/t - gold	0.283	0.275	0.260	0.267
Recovery % - copper	77.51	76.33	76.02	73.93
Recovery % - gold	69.52	71.15	68.11	67.91
Copper (lbs)	4,293,600	11,021,476	24,489,725	29,264,291
Gold (oz)	4,503	13,231	25,901	35,475
Silver (oz)	15,888	33,253	74,770	95,119

The average mill throughput for the quarter to August 4 was 20,315 tonnes per day, at a grade of 0.353% copper and 0.283 g/t gold, and production was 4.3 million pounds copper, 4,503 ounces gold and 15,888 ounces silver.

On August 4 the tailings dam at the Mount Polley mine was breached, and since then the mill has been on care and maintenance. Mining crews and others have been engaged in response and recovery activities, including securing the remaining tailings within the impoundment, collecting contact water, reducing the water level in Polley Lake, and cleaning up woody debris deposited in Quesnel Lake. A program of rehabilitation and restoration in the areas affected by the breach has now begun.

Geotechnical work is currently underway to determine the root cause of the tailings dam breach. The geotechnical work program includes mapping, geophysical surveys, drilling and test pitting, and is expected to be completed in mid-November. The expert review panel established by the Province of BC to investigate the root cause of the dam failure is to issue a report by January 31, 2015.

## HUCKLEBERRY MINE

PRODUCTION*	THREE MONTHS ENDED SEPT 30		NINE MONTHS ENDED SEPT 30	
	2014	2013	2014	2013
Ore milled - tonnes	1,570,685	1,417,199	3,852,134	4,436,555
Ore milled per calendar day - tonnes	17,073	15,404	14,110	16,251
Grade % - copper	0.340	0.364	0.330	0.344
Recovery % - copper	89.8	92.2	90.1	91.6
Copper - lbs	10,566,786	10,472,302	25,267,288	30,833,374
Gold - oz	838	701	2,035	2,202
Silver - oz	57,314	61,323	138,700	179,639

\*production stated 100% - Imperial's allocation is 50%

Throughput for the 2014 third quarter averaged 17,073 tonnes per calendar day, up from the 15,404 tonnes achieved in the comparative 2013 quarter, as softer ores from the Main zone pit are being processed. The mill continues to operate with the damaged SAG mill bull gear, rotating in the opposite direction. Monthly

inspections are being performed to monitor the status of the damaged teeth on the bull gear. The replacement bull gear and two pinion gears for the SAG mill are on site and a ten day shutdown is planned in November for the installation of the new bull gear.

As a result of milling time lost with the failure, and the replacement of the bull gear, the 2014 production forecast is 36.0 million pounds copper and 175,000 ounces silver.

## **RED CHRIS MINE**

Imperial's construction of the 287kV Iskut extension of the Northwest Transmission Line from Bob Quinn to Tatogga, and the 16 kilometre 287kV power line from Tatogga to the Red Chris main substation are both complete and the entire line from Bob Quinn to the main substation at Red Chris is now energized and commissioning of various sections of the 25kV site power systems can begin. The commissioning will begin with the crushing, pit and reclaim water systems, and then work through the grinding and flotation sections of the processing plant. The gyratory crusher, overland conveyors, reclaim apron feeders, reclaim conveyors, reagent building and associated E-houses have been pre-commissioned using generators.

The mining equipment fleet procurement is complete. The P&H 2800 electric shovel is assembled and ready for commissioning. The diesel fleet has pre-developed the mine. Soil was stripped off the East Zone Starter Pit and non-acid generating rock was excavated and used to construct haul roads or hauled to the rock disposal site. Ore has been stockpiled for plant commissioning. A haul road to the Main Zone Starter Pit has been completed and a bench readied for drilling.

The North Starter Dam was raised to 1098 metres by the end of October. The tailings impoundment basin contains sufficient water for mill startup. The booster pumphouse, reclaim and tailings pipelines and process water system installation are complete. The site infrastructure including mine access road, truck shop, warehouse, assay lab and camp are operational.

The process building mechanical installations are essentially complete. The piping crews are installing heat tracing and insulation and completing the final punch list of outstanding items. The electrical crews are working throughout the process building with priority on equipment terminations. A commissioning team of contractors and employees have been assembled to commission the plant starting in December.

The construction of the concentrate storage shed at the Port of Stewart was complete at the end of October. The mechanical and electrical installations inside the shed are ongoing. The shed will be ready to receive concentrate when the mine commences operations.

A third party review of the Red Chris tailings dam was completed by the consultants reporting to representatives of the Tahltan Nation. The Tahltan Central Council and Imperial are working together to develop a work plan to implement the recommendations contained in the review. Imperial is also working with the representatives of the Tahltan Nation to finalize an Impacts & Benefits Agreement.

The forecast construction cost to complete the Red Chris mine is now estimated to be \$643.0 million versus the previously estimated construction costs of \$631.0 million.

## **STERLING MINE**

PRODUCTION	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	2014	2013
Ore Stacked - tons	12,406	63,223	34,575	140,023
Gold Grade - oz/ton	0.106	0.085	0.131	0.081
Gold ounces - added to heap	1,321	5,362	4,514	11,326
Gold shipped - ounces	2,662	2,877	4,766	5,851

Mining in the 2014 third quarter focused on developing the 3240 and 3200 levels of the 144 zone. Stoping occurred on two levels: 3320 and 3260, which produced 8,126 tons of ore for the quarter. A total of 120 feet of drifting was completed on the 3180 level, 30 feet on the 3260 level, 160 feet on the 3240 level and 120

feet on the 3200 level. Tonnage from drifting totalled 4,281. Solution continued to be processed through the recovery plant. A total of 1,211 ounces were in-process at quarter end.

## RUDDOCK CREEK

Exploration and development expenditures at Ruddock Creek were \$0.4 million in the September 2014 quarter compared to \$0.4 million in the September 2013 quarter.

During the last quarter the Ruddock Creek Joint Venture completed the majority of the planned 2014 program. This consisted of additional metallurgical testing on a new bulk sample collected from the Upper E zone, 22 new geotechnical and groundwater well installations, and ongoing baseline data collection for future permitting requirements. The baseline data collection included fish, benthic invertebrates, vegetation, wildlife, surface and groundwater sampling and testing, stream flow, weather station downloads and maintenance, dust fall monitoring site installation and sampling. Surface exploration in the 2014 field season was focused on detailed geological and structural mapping in a number of areas.

A bridge on the Oliver Creek forest road was vandalized in October. The damage was quickly repaired, and access for the collection of baseline data was not impacted.

Following the submission of a project description to both the Provincial and Federal governments, the Province of British Columbia requested, and on July 15 received, substitution approval from the Canadian Environmental Assessment Agency whereby British Columbia will be an appropriate substitute for the federal environmental assessment process. Subsequently, on October 6 the British Columbia Environmental Assessment Office issued a Section 11 Order which establishes the formal scope, procedures and methods concerning Ruddock Creek's environmental assessment.

## OUTLOOK

At the Sterling mine, work on permitting for an open pit mine and expanded leach pad continues. The proposed heap design that will hold the open pit ore is complete, the water pollution control permit has been amended and was approved October 7, 2014, a reclamation cost estimate has been submitted to both the Nevada State and the Bureau of Land Management for review, and an environmental assessment for the major modification is being prepared and should be submitted before year end. Once the decisions for the reclamation cost estimate and the modification have been received, which is expected to be in the first quarter of 2015, construction of the expanded heap leach pad and open pit mining can commence. The open pit mine plan is expected to produce 1.55 million tons grading 0.067 oz/ton gold over a period of about three years.

The tailings dam breach at the Mount Polley mine has resulted in the loss of production for an indeterminate period of time. In addition, the Company is incurring costs for rehabilitation and restoration. While the precise costs of rehabilitation and restoration are presently unknown, the Company believes the costs can be managed over time, given the underlying value of the Company's assets, the current sources of liquidity, insurance proceeds and the expected cash flow from the Red Chris mine. Options for the resumption of Mount Polley operations are being studied.

The 287kv Iskut extension of the Northwest Transmission Line between Bob Quinn and Tatogga, and the 287kv power line from Tatogga to the Red Chris main substation were complete by the end of October. The entire line from Bob Quinn to the main substation at Red Chris is now energized. This milestone will now allow for the commissioning of the plant to be completed with grid power supplied by BC Hydro, and allow for the \$52.0 million sale of the Iskut extension to proceed.

With power now at the Red Chris mine we expect crushing operations to begin in November, and the grinding and flotation circuits to begin operating in December. To start operations at Red Chris, an environmental management act permit to discharge tailings is required. We anticipate the permit will be issued in time to begin tailings discharge to the impoundment in December.

In September 2014 the Company completed a \$115.0 million unsecured convertible debenture financing

which management estimates will provide sufficient liquidity to complete and commission the Red Chris mine. This financing along with the projected cash flow from the Red Chris mine together with insurance proceeds is expected to fund the estimated rehabilitation and restoration costs of the tailings dam breach at the Mount Polley mine. However, there are inherent risks associated with the startup of a mine, and inherent uncertainties related to the scope, timing and cost of the rehabilitation and restoration.

**Information Related to this Press Release:** detailed financial information is provided in the Company's report for the nine months ended September 30, 2014 which is available on [www.imperialmetals.com](http://www.imperialmetals.com) and on [www.sedar.com](http://www.sedar.com).

EARNINGS ANNOUNCEMENT CONFERENCE CALL  
SCHEDULED FOR MONDAY, NOVEMBER 17, 2014  
@ 10:00am PDT / 11:00am MDT / 1:00pm EDT

Following are call-in numbers to participate in the earnings announcement conference call:

778.383.7413 local Vancouver  
416.764.8688 local Toronto  
587.880.2171 local Calgary / Edmonton  
888.390.0546 toll free North America

The conference call will be available for replay until November 24, 2014 by dialing  
888.390.0541 or 416.764.8677 / replay passcode #172211

## About Imperial

Imperial is an exploration, mine development and operating company based in Vancouver, British Columbia. The Company operates the Mount Polley copper/gold mine in British Columbia and the Sterling gold mine in Nevada. Imperial has 50% interest in the Huckleberry copper mine and has 50% interest in the Ruddock Creek lead/zinc property, both in British Columbia. Imperial is in development of its wholly owned Red Chris copper/gold property in British Columbia.

## Cautionary Note Regarding "Forward-Looking Information"

The information in this press release provides a review of the Company's operations and financial position as at and for the period ended September 30, 2014, and has been prepared based on information available as at November 14, 2014. Except for statements of historical fact relating to the Company, including our 50% interest in Huckleberry, certain information contained herein constitutes forward-looking information which are prospective in nature and reflect the current views and/or expectations of Imperial. Often, but not always, forward-looking information can be identified by the use of statements such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this press release includes, without limitation, statements regarding: mine plans; costs and timing of current and proposed exploration and development; production and marketing; capital expenditures; future expenses relating to ongoing recovery, remediation, rehabilitation and restoration activities at the Mount Polley mine; use of proceeds from financings; expectations relating to the completion of the Red Chris mine; adequacy of funds for projects and liabilities; expectations relating to the receipt of insurance proceeds; the construction of transmission lines; outcome and impact of litigation; cash flow; working capital requirements; expectations relating to the requirement for additional capital; expectations relating to results of operations, revenue, margins and earnings; future prices of copper and gold; future foreign currency exchange rates; future accounting changes; and future prices for marketable securities.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which Imperial operates, including assumptions that: Imperial will be able to advance and complete recovery, remediation, rehabilitation and restoration activities within expected timeframes; that there will be no significant delay or other material impact on the expected timeframes for completion of remediation and restoration of the Mount Polley mine and the recommencement of operations at the mine; that Imperial's initial recovery activities have been successful as planned; that all required permits, approvals and arrangements to proceed with planned remediation and restoration will be obtained in a timely manner; that there will be no interruptions that will materially delay Imperial's progress with its remediation plans; and that Imperial will have access to capital if required; that there will be no material delay in the completion and commissioning of the Red Chris mine; that insurance proceeds will be available to contribute materially to the remediation at the Mount Polley mine; that equipment will operate as expected; that the Company's use of derivative instruments will enable

to Company to achieve expected pricing protection; that there will be no material adverse change in the market price of commodities and exchange rates; and that the Red Chris mine will be completed materially in accordance with current budgeted capital expenditures and will achieve expected production outcomes. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. We can give no assurance that the forward-looking information will prove to be accurate.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause Imperial's actual results, revenues, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements constituting forward-looking information.

Important risks that could cause Imperial's actual results, revenues, performance or achievements to differ materially from Imperial's expectations include, among other things: uncertainty regarding the outcome of sample testing and analysis being conducted on the area affected by the tailings dam breach; risks relating to the timely receipt of necessary approvals and consents to proceed with the remediation plan; risks relating to timing of the remaining costs and liabilities relating to the tailings dam breach; uncertainty as to actual timing of completion of recovery, remediation and restoration activities and the recommencement of commercial operations at the Mount Polley mine; risks relating to the impact of the tailings dam breach on Imperial's reputation; the quantum of claims, fines and penalties that become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risk of costs arising from any unforeseen longer-term environmental consequences of the tailings dam breach at Mount Polley mine; risks that additional financing that may be required may not be available to Imperial on terms acceptable to Imperial or at all; risks of protest activity and other civil disobedience restricting access to the Company's properties; equipment failure, labour unrest, power shortages, natural phenomena such as weather conditions negatively impacting the progress of remediation or the completion of the Red Chris mine; and other hazards and risks disclosed within Imperial's Management's Discussion and Analysis for the year ended December 31, 2013, in Imperial's Annual Information Form for the year ended December 31, 2013 and other public filings which are available on Imperial's profile on SEDAR at [www.sedar.com](http://www.sedar.com). For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Imperial does not undertake to update any forward looking information, except in accordance with applicable securities laws.

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