

# Imperial Reports Third Quarter 2018 Financial Results

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VANCOUVER, Nov. 08, 2018 - [Imperial Metals Corp.](#) (the "Company") (TSX:III) reports financial results for the three and nine months ended September 30, 2018 and 2017, as summarized in this release and discussed in detail in the Management's Discussion & Analysis. The Company's financial results are prepared in accordance with International Financial Reporting Standards. The reporting currency of the Company is the Canadian ("CDN") Dollar.

## Select Quarter Financial Information

expressed in thousands, except share and per share amounts Three Months Ended September 30 Nine Months Ended

	2018	2017	2018	
Total revenues	\$ 70,481	\$ 90,157	\$ 268,459	\$
Net income (loss)	\$ (28,609)	) \$ (1,572)	) \$ (81,330)	) \$
Net income (loss) per share	\$ (0.24)	) \$ (0.02)	) \$ (0.69)	) \$
Diluted income (loss) per share	\$ (0.24)	) \$ (0.02)	) \$ (0.69)	) \$
Adjusted net loss <sup>(1)</sup>	\$ (37,099)	) \$ (18,058)	) \$ (69,676)	) \$
Adjusted net loss per share <sup>(1)</sup>	\$ (0.31)	) \$ (0.19)	) \$ (0.59)	) \$
Adjusted EBITDA <sup>(1)</sup>	\$ (13,287)	) \$ 17,903	\$ 20,927	\$
Working capital deficiency	\$ (819,730)	) \$ (919,038)	) \$ (819,730)	) \$
Total assets	\$ 1,665,647	\$ 1,616,953	\$ 1,665,647	\$
Total debt (including current portion)	\$ 873,789	\$ 858,291	\$ 873,789	\$
Cash flow <sup>(1)(2)</sup>	\$ (11,766)	) \$ 17,966	\$ 21,599	\$
Cash flow per share <sup>(1)(2)</sup>	\$ (0.10)	) \$ 0.19	\$ 0.18	\$

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

(2) *Cash flow* is defined as the cash flow from operations before the net change in non-cash working capital balances, mining taxes, and interest paid. *Cash flow per share* is defined as cash flow divided by the weighted average number of shares outstanding during the year.

Revenues decreased to \$70.5 million in the September 2018 quarter compared to \$90.2 million in the 2017 comparative quarter, a decrease of \$19.7 million or 21.8%.

Revenue from the Red Chris mine in the September 2018 quarter was \$52.7 million compared to \$66.0 million in the 2017 comparative quarter. This decrease was attributable to a lower quantity of copper concentrate sold along with similar copper and slightly lower gold prices and the impact of negative revenue revaluation noted below.

Revenue from the Mount Polley mine in the September 2018 quarter was \$17.8 million compared to \$24.1 million in the 2017 comparative quarter due to lower production and negative revenue revaluation noted below.

In the September 2018 quarter, there were 2.7 concentrate shipments from Red Chris mine (2017-3.5 concentrate shipments) and 0.5 concentrate shipments from Mount Polley mine (2017-0.8 concentrate shipments). Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The London Metals Exchange cash settlement copper price per pound averaged US\$2.77 in the September

2018 quarter compared to US\$2.88 in the 2017 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,213 in the September 2018 quarter compared to US\$1,278 in the September 2017 quarter. The average CDN/US Dollar exchange rate was 1.307 in the September 2018 quarter, 4.3% higher than the exchange rate of 1.253 in the September 2017 quarter. In CDN dollar terms the average copper price in the September 2018 quarter was CDN\$3.62 per pound compared to CDN\$3.61 per pound in the 2017 comparative quarter and the average gold price in the September 2018 quarter was CDN\$1,585 per ounce compared to CDN\$1,601 per ounce in the 2017 comparative quarter.

Revenue in the September 2018 quarter decreased by \$5.1 million due to a negative revenue revaluation as compared to a \$5.9 million positive revenue revaluation in the 2017 comparative quarter. Revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher or lower than when the revenue was initially recorded or the copper price at the last balance sheet date and finalization of contained metal as a result of final assays.

Net loss for the September 2018 quarter was \$28.6 million (\$0.24 per share) compared to net loss of \$1.6 million (\$0.02 per share) in the 2017 comparative quarter. The increase in net loss of \$27.0 million was primarily due to the following factors:

- Income/loss from mine operations went from income of \$3.0 million in September 2017 to a loss of \$28.8 million in September 2018, an increase in net loss of \$31.8 million.
- Interest expense went from \$19.4 million in September 2017 to \$19.9 million in September 2018, an increase in net loss of \$0.5 million.
- Foreign exchange gains/losses on current and non-current debt went from a gain of \$16.6 million in September 2017 to a gain of \$7.5 million in September 2018, an increase in net loss of \$9.1 million.
- Idle mine costs went from \$1.9 million in September 2017 to \$1.3 million in September 2018, a decrease in net loss of \$0.6 million.
- Tax recovery went from \$1.9 million in September 2017 to \$14.4 million in September 2018, a decrease in net loss of \$12.5 million.

The September 2018 quarter net loss included foreign exchange gain related to changes in CDN/US Dollar exchange rate of \$7.5 million compared to foreign exchange gain of \$16.6 million in the 2017 comparative quarter. The \$7.5 million foreign exchange gain is comprised of a \$7.2 million gain on the senior notes, a \$0.1 million gain on long term equipment loans, and a \$0.2 million gain on operational items. The average CDN/US Dollar exchange rate in the September 2018 quarter was 1.307 compared to an average of 1.253 in the 2017 comparative quarter.

Cash flow was negative \$11.8 million in the September 2018 quarter compared to positive cash flow of \$18.0 million in the 2017 comparative quarter. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS. The Company believes Cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures were \$37.5 million in the September 2018 quarter, up from \$22.3 million in the 2017 comparative quarter. The September 2018 expenditures included \$15.3 million for tailings dam construction, \$21.1 million on mobile equipment and \$1.1 million for other capital items.

At September 30, 2018, the Company has not hedged any copper, gold or CDN/US Dollar exchange. Quarterly revenues will fluctuate depending on copper and gold prices, the CDN/US Dollar exchange rate, and the timing of concentrate sales, which is dependent on concentrate production and the availability and scheduling of transportation.

#### Liquidity & Capital Resources and Financing

At September 30, 2018, the Company had cash of \$4.8 million, available capacity of \$9.7 million for future draws under the Senior Credit Facility, \$10.0 million undrawn on the 2017 LOC loan facility and a working capital deficiency of \$819.7 million, which includes \$728.4 million of current debt.

Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines, as well as the

available credit facilities are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due assuming the Company is able to successfully complete the restructuring process. In addition, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing. There can be no assurance that the Company will be able to successfully complete the restructuring process, which process may include sales of some of the Company's assets, joint ventures, a recapitalization, and a sale or merger of the Company. The completion of the restructuring process creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

#### 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 in the September 2018 quarter was \$37.1 million (\$0.31 per share) compared to an adjusted net loss of \$18.1 million (\$0.19 per share) in the 2017 comparative quarter. Adjusted net loss reflects the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net loss is calculated by removing the gains or losses, resulting from mark to market revaluation of derivative instruments, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax and other adjustments.

#### Adjusted EBITDA

Adjusted EBITDA in the September 2018 quarter was a loss of \$13.3 million compared to income of \$17.9 million in the 2017 comparative quarter. 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 in the September 2018 quarter was negative \$11.8 million compared to positive \$18.0 million in the 2017 comparative quarter. Cash flow per share was \$(0.10) in the September 2018 quarter compared to \$0.19 in the 2017 comparative quarter.

Cash flow and cash flow per share are measures used by the Company to evaluate its performance however they are not terms recognized under IFRS. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances, income and mining taxes, and interest paid and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the year.

#### Cash Cost Per Pound of Copper Produced

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

composite basis for these mines.

The cash cost per pound of copper produced is derived from the sum of cash production costs, transportation and offsite costs, treatment and refining costs, royalties, net of by-product and other revenues, divided by the number of pounds of copper produced during the period.

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 mine was not in operation have been excluded from the cash cost per pound of copper produced.

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

	Three Months Ended September 30, 2018		
	Red Chris	Mount Polley	Composite
Cash cost of copper produced in US\$	\$ 36,250	\$ 7,816	\$ 44,067
<i>Copper produced &amp;ndash; pounds</i>	13,546	2,599	16,145
Cash cost per lb copper produced in US\$	\$ 2.68	\$ 3.01	\$ 2.73
	Three Months Ended September 30, 2017		
	Red Chris	Mount Polley	Composite
Cash cost of copper produced in US\$	\$ 37,575	\$ 8,737	\$ 46,312
<i>Copper produced &amp;ndash; pounds</i>	19,651	3,981	23,632
Cash cost per lb copper produced in US\$	\$ 1.91	\$ 2.19	\$ 1.96
	Nine Months Ended September 30, 2018		
	Red Chris	Mount Polley	Composite
Cash cost of copper produced in US\$	\$ 107,808	\$ 20,035	\$ 127,843
<i>Copper produced &amp;ndash; pounds</i>	44,781	11,790	56,571
Cash cost per lb copper produced in US\$	\$ 2.41	\$ 1.70	\$ 2.26
	Nine Months Ended September 30, 2017		
	Red Chris	Mount Polley	Composite
Cash cost of copper produced in US\$	\$ 111,951	\$ 29,899	\$ 141,850
<i>Copper produced &amp;ndash; pounds</i>	51,402	15,048	66,450
Cash cost per lb copper produced in US\$	\$ 2.18	\$ 1.99	\$ 2.13

#### Red Chris Mine

Red Chris metal production was 13.55 million pounds copper and 8,741 ounces gold, an increase of 18% and an increase of 1% respectively, from 11.51 million pounds copper and 8,614 ounces gold produced in the second quarter of 2018. Mill throughput averaged 30,544 tonnes per calendar day during the third quarter ended September 30, 2018. Metal recoveries were 74.92% copper and 45.65% gold, up from the 72.96% copper and 43.94% gold achieved in the second quarter of 2018. Gold recoveries and grades continue to exceed budget, while copper recoveries continued to be lower than planned.

<i>Red Chris Production</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Ore milled - tonnes	2,810,076	2,772,416	7,930,517	7,879,281
Ore milled per calendar day - tonnes	30,544	30,135	29,050	28,862
Grade % - copper	0.292	0.407	0.340	0.379
Grade g/t - gold	0.212	0.219	0.253	0.204
Recovery % - copper	74.92	78.94	75.39	78.13
Recovery % - gold	45.65	43.09	45.82	39.47

Copper &ndash; 000&rsquo;s pounds	13,546	19,651	44,781	51,402
Gold &ndash; ounces	8,741	8,426	29,569	20,396
Silver &ndash; ounces	22,780	34,446	77,050	89,273

Exploration, development and capital expenditures were \$32.1 million in the September 2018 quarter compared to \$17.4 million in the comparative 2017 quarter.

#### Mount Polley Mine

Mount Polley metal production during the September 2018 quarter was 2.60 million pounds copper and 7,748 ounces gold, a decrease of 32% and 15% respectively from the 3.82 million pounds copper and 9,110 ounces gold produced in the second quarter of 2018. Mill throughput averaged 15,145 tonnes per calendar day. Metal recoveries were 38.39% copper and 65.06% gold, compared to 60.8% copper and 68.64% gold in the second quarter of 2018, copper recovery were negatively impacted, as high oxide stockpiles provided an increased portion of the mill feed this quarter.

<i>Mount Polley Production</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Ore milled - tonnes	1,393,368	1,444,625	4,588,798	4,916,789
Ore milled per calendar day - tonnes	15,145	15,702	16,809	18,010
Grade % - copper	0.220	0.203	0.199	0.207
Grade g/t - gold	0.266	0.320	0.284	0.337
Recovery % - copper	38.39	61.44	58.49	66.98
Recovery % - gold	65.06	67.22	69.66	70.92
Copper &ndash; 000&rsquo;s pounds	2,599	3,981	11,790	15,048
Gold &ndash; ounces	7,748	9,989	29,138	37,758
Silver &ndash; ounces	7,684	7,324	24,181	28,738

The unionized employees at Mount Polley returned to work in August following the strike that began on May 23, 2018. Following the return to work, mining in the Cariboo pit was restarted and the mill no longer relied solely on low grade stockpiles. Mining at the Cariboo pit is anticipated to be completed by mid-November, following which the mill will process feed from the low grade stockpiles for the remainder of the year.

Exploration, development and capital expenditures were \$5.1 million in the September 2018 quarter compared to \$4.6 million in the comparative 2017 quarter.

#### Huckleberry Mine

Huckleberry continues to be on care and maintenance. For the quarter ending September 30, 2018, Huckleberry incurred idle mine costs comprised of \$1.1 million in operating costs and \$0.2 million in depreciation expense.

Refer to Imperial&rsquo;s 2018 Third Quarter Report on [imperialmetals.com](http://imperialmetals.com) and [sedar.com](http://sedar.com) for detailed information.

An Earnings Announcement Conference Call is scheduled for Friday November 9, 2018 at 10:00am PST | 1:00pm EST

Management will discuss the Company&rsquo;s Third Quarter 2018 Financial Results. To participate in the earnings announcement conference call dial 833.231.8250 (North America&ndash;toll free)

A recording of the conference call will be available for playback until November 19, 2018 by calling 855.859.2056 (North America-toll free) playback code 2484458

About Imperial

Imperial is a Vancouver exploration, mine development and operating company. The Company, through its subsidiaries, owns the Red Chris, Mount Polley and Huckleberry copper mines in British Columbia. Imperial also holds a 50% interest in the Ruddock Creek lead/zinc property.

## Company Contacts

Brian Kynoch | President | 604.669.8959

Andre Deepwell | Chief Financial Officer | 604.488.2666

Sabine Goetz | Shareholder Communications | 604.488.2657 | [investor@imperialmetals.com](mailto:investor@imperialmetals.com)

## Forward-Looking Information and Risks Notice

The information in this news release provides a summary review of the Company's operations and financial position as at and for the period ended September 30, 2018, and plans for the future based on facts and circumstances as of November 7, 2018. Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking information which are prospective in nature and reflect the current views and/or expectations of Imperial. Often, but not always, forward-looking information can be identified by the use of statements such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this news release includes, without limitation, statements regarding: Red Chris gold recoveries and grade continuing to exceed budget while copper recoveries fall short; revisions to 2018 production targets for the Red Chris and Mount Polley mines; the anticipated completion of mining at Mount Polley's Cariboo pit by mid-November, following which the mill is anticipated to process feed from the low grade stock piles; the expectation that the cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines, and the available credit facilities will be sufficient to fund the working capital deficiency and the Company's obligations as they come due assuming the Company is able to successfully complete the restructuring process, which process may include sales of some of the Company's assets, joint ventures, a recapitalization, and a sale or merger of the Company; the use of proceeds from financings and credit; production and marketing; capital expenditures; the adequacy of funds for projects and liabilities; the receipt of necessary regulatory approvals or other consents; the expected outcome and impact of litigation; cash flow; working capital requirements; the requirement for additional capital; results of operations, production, revenue, margins and earnings; future prices of copper and gold; future foreign currency exchange rates and impact; future accounting changes; and future prices for marketable securities.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including, but not limited to, assumptions that: the Company will be able to successfully complete the restructuring process and obtain, as needed, adequate additional financing on terms acceptable to the Company; the Company will be able to advance and complete remaining planned rehabilitation activities within expected timeframes; there will be no significant delay or other material impact on the expected timeframes or costs for completion of rehabilitation of the Mount Polley mine and implementation of Mount Polley's long term water management plan; the Company's initial rehabilitation activities at Mount Polley will be successful in the long term; all required, project-related permits and approvals will be obtained in a timely manner; there will be no material operational delays at the Company's mines; equipment will operate as expected; there will not be significant power outages; there will be no material adverse change in the market price of commodities and exchange rates; and the Company's mines will achieve expected production outcomes (including with respect to mined grades and mill recoveries). 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: that the Company may not be able to successfully complete the restructuring process and obtain, as needed, adequate additional financing on terms acceptable to the Company thereby creating a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern; that the Company may default on its credit facilities and other loans; risks relating to the timely receipt of necessary, project-related approvals and consents; risks relating to the remaining costs and liabilities and any unforeseen longer-term environmental consequences arising from the Mount Polley Breach; uncertainty as to actual timing of completion of rehabilitation activities; risks relating to the impact of the Mount Polley Breach on Imperial's reputation; the quantum of claims, fines and penalties that may become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risks of protesting activity and other civil disobedience restricting access to the Company's properties; failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation, unavailability of materials and equipment, labour strike, unrest or lockout, power outages or shortages, and natural phenomena negatively impacting the operation or maintenance of the Company's mines; changes in commodity and power prices; changes in market demand for the Company's concentrate; inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources); and other hazards and risks disclosed within the Management's Discussion & Analysis for the three months and nine months ended September 30, 2018 and other public filings which are available on Imperial's profile at [sedar.com](http://sedar.com). For the reasons set forth above, investors should not place undue reliance on forward-looking information. Imperial does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

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