

# Imperial Reports Second Quarter 2020 Financial Results

13.08.2020 | [GlobeNewswire](#)

VANCOUVER, Aug. 12, 2020 - [Imperial Metals Corp.](#) (the "Company") (TSX:III) reports financial results for the three and six months ended June 30, 2020, 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.

## QUARTER HIGHLIGHTS

### FINANCIAL

On February 20, 2019, the Company initiated a process for the sale of the Red Chris mine and in accordance with IFRS, the Company classified Red Chris mine as a discontinued operation effective January 1, 2019 up until the closing of the transaction with Newcrest on August 14, 2019. Effective August 15, 2019 the results from the Red Chris mine are presented on a proportionate basis relative to Imperial's 30% ownership in the joint venture. Unless otherwise stated, this MD&A only compares the comparative quarter results from continuing operations and excludes discontinued operations even though the Red Chris mine is in both discontinued operations pre and post August 15, 2019.

Total revenue from continuing operations increased to \$45.1 million in the June 2020 quarter compared to \$21.7 million in the 2019 comparative quarter, an increase of \$23.4 million or 107.8%. The June 2019 amount only included revenue from the Mount Polley mine as the revenues from the Red Chris mine was classified in discontinued operations. However, in the June 2020 quarter, the Company included its portion of the 30% interest in the Red Chris mine. In June 2019, the revenue from discontinued operations was \$61.9 million.

In the June 2020 quarter, the Red Chris mine (100% basis) had 5.5 concentrate shipments (2019-3.1 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\$2.42 in the June 2020 quarter compared to US\$2.77 in the 2019 comparative quarter. LBMA cash settlement gold price per troy ounce averaged US\$1,711 in the June 2020 quarter compared to US\$1,310 in the 2019 comparative quarter. The average US/CDN Dollar exchange rate was 1.385 in the June 2020 quarter, 3.5% higher than the exchange rate of 1.338 in the June 2019 quarter. In CDN Dollar terms the average copper price in the June 2020 quarter was CDN\$3.35 per pound compared to CDN\$3.71 per pound in the 2019 comparative quarter, and the average gold price in the June 2020 quarter was CDN\$2,248 per ounce compared to CDN\$1,752 per ounce in the 2019 comparative quarter.

Revenue in the June 2020 quarter increased by \$5.8 million due to a positive revenue revaluation as compared to a \$4.8 million negative revenue revaluation in the 2019 comparative quarter. Revenue revaluations are the result of the metal 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 metal price at the last balance sheet date and finalization of contained metal as a result of final assays.

Net income from continuing operations for the June 2020 quarter was \$0.7 million (\$0.01 per share)

compared to net loss of \$9.7 million (\$0.08 per share) in the 2019 comparative quarter. The decrease in net loss of \$10.4 million was primarily due to the following factors:

- Loss from mine operations went from \$2.2 million in June 2019 to income of \$11.8 million in June 2020, a decrease in net loss of \$14.0 million.
- Interest expense went from \$18.1 million in June 2019 to \$0.4 million in June 2020, a decrease in net loss of \$17.7 million.
- Foreign exchange gains/losses went from a gain of \$9.1 million in June 2019 to a loss of \$1.1 million in June 2020, an increase in net loss of \$10.2 million.
- Tax recovery went from \$4.0 million in June 2019 to an expense of \$3.0 million in June 2020, an increase in net loss of \$7.0 million.

The average US/CDN Dollar exchange rate in the June 2020 quarter was 1.386 compared to an average of 1.338 in the 2019 comparative quarter.

Cash flow was \$16.4 million in the June 2020 quarter compared to \$0.2 million in the 2019 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 from continuing operations were \$19.3 million in the June 2020 quarter, up from \$0.8 million in the 2019 comparative quarter.

At June 30, 2020, 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.

## OPERATIONS

The Company's plans for 2020 and beyond could be adversely impacted by the effects of the coronavirus (2019-nCoV) global pandemic. In particular, the continued spread of the coronavirus and travel, and other operating restrictions established to curb the spread of coronavirus, 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 the Company's concentrate or causing disruptions in the Company's supply chains.

### Red Chris Mine

Red Chris metal production for the second quarter of 2020 was 26.5 million pounds copper and 22,057 ounces gold, up from 22.5 million pounds copper and 17,427 ounces gold in the first quarter of 2020.

Imperial's 30% portion of Red Chris second quarter production was 7.9 million pounds copper and 6,617 ounces gold.

Gold production was 27% higher than the prior quarter reflecting an increase in grade and recovery, partially offset by lower mill throughput.

During the quarter, a number of improvement initiatives were implemented to improve efficiencies across the site, including the optimization of haul road conditions and dumping locations to reduce truck cycle times, and the introduction of *just in time fueling* to increase operating time.

To date, Red Chris has not experienced any COVID-19 related disruptions to the supply of goods or services or to its workforce.

|                                            | Three Months Ended June 30* |           | Six Months Ended June 30* |           |
|--------------------------------------------|-----------------------------|-----------|---------------------------|-----------|
|                                            | 2020                        | 2019      | 2020                      | 2019      |
| Ore milled &#8211; tonnes                  | 2,455,053                   | 2,694,090 | 4,419,279                 | 5,062,427 |
| Ore milled per calendar day &#8211; tonnes | 26,979                      | 29,605    | 24,282                    | 27,969    |
| Grade % &#8211; copper                     | 0.606                       | 0.389     | 0.612                     | 0.366     |
| Grade g/t &#8211; gold                     | 0.506                       | 0.206     | 0.501                     | 0.216     |
| Recovery % &#8211; copper                  | 80.6                        | 76.2      | 82.1                      | 75.2      |
| Recovery % &#8211; gold                    | 55.2                        | 42.6      | 55.4                      | 45.3      |
| Copper &#8211; 000&#8217;s pounds          | 26,458                      | 17,599    | 48,910                    | 30,700    |
| Gold &#8211; ounces                        | 22,057                      | 7,580     | 39,484                    | 15,897    |
| Silver &#8211; ounces                      | 50,581                      | 30,427    | 95,130                    | 53,054    |

\* 100% Red Chris mine production

### Exploration

The highlight in the second quarter was drill hole RC625, which is the second hole drilled in the newly discovered high grade pod. First intersected by RC616 this new high grade pod is located on the western edge of the East zone. Hole RC625 has returned a partial intercept of 400 metres grading 0.65 g/t gold and 0.51% copper, which includes a 60 metre interval grading 2.2 g/t gold and 1.3% copper. This has expanded the new high grade zone as RC625 is located 100 metres south west of RC616. Drilling to define and extend this new high grade zone is ongoing.

Final results for drill hole RC623 (partial results ref: June 10, 2020 news release) were received. RC623 intersected 532 metres grading 1.3 g/t gold and 0.82% copper, including 122 metres grading 4.5 g/t gold and 2.3% copper. RC623 was drilled to expand and confirm the continuity of the discrete high-grade East Zone pod in the vicinity of RC09-350. Drill hole RC620, drilled 100 metres below RC611, has confirmed the extent of the +1 g/t gold halo which surrounds the high grade pod. Follow up infill drilling continues to define the extent of this high grade mineralization.

The eastern most drill hole drilled by Newcrest Red Chris Joint Venture to date, is RC621 which is located on the eastern edge of the known mineralization about 400 metres east of RC09-350. Hole RC621 intercepted 414 metres grading 0.39 g/t gold and 0.32% copper, including an interval of 84 metres grading 0.73 g/t gold and 0.45% copper. Hole RC621 was drilled along a section that only one hole (RC-10-411) had been previously drilled and is expanding the mineralization on the eastern edge of the East zone.

The East Zone Resource Definition program comprising 16 angled drill holes has been completed. A further 10 follow up infill holes were designed to define and extend the East zone high grade pods, of which 6 have been completed and 3 holes are underway.

A total of 20,433 metres of drilling has been completed since the end of March 2020. The number of drill rigs was recently increased from six to eight.

The Company's share of exploration, development and capital expenditures were \$18.7 million in the June 2020 quarter compared to \$11.7 million in the 2019 comparative quarter.

### Mount Polley Mine

Mount Polley mine operations were shut down in May 2019, and the mine remains on care and maintenance status pending improvement of the economics of mining. Site personnel are maintaining access, fire watch, and managing the collection, treatment and discharge of site contact water.

For the June 2020 quarter, Mount Polley incurred idle mine costs comprised of \$3.0 million in operating costs and \$1.1 million in depreciation expense.

## Exploration

A comprehensive exploration program was initiated at Mount Polley in late 2019. One targeted area is the Frypan/Morehead, a largely till covered magnetic &#8220;high&#8221; which has a similar magnetic response to that obtained over the Mount Polley mine host rock of monzonite and hydrothermally altered monzonite breccia pipes. The area is located west and north of the mine and is approximately three by three kilometres in size. There were 948 soil samples collected and analyzed using the Mobile Metal Ion technique. SJ Geophysics also completed an 80.7 line kilometre Volterra-3D Induced Polarization (IP) survey covering the same grid area. Numerous, high priority targets were outlined and will be tested once final analysis is completed.

Last month the same kind of IP survey was conducted over the Mount Polley mine site to identify the geophysical response of the known mineralization to aid in prioritizing targets on the Frypan/Morehead area. The survey consisted of 81.5 line kilometres and was successful in delineating the known mineralization, as well as outlining several &#8220;new&#8221; un-tested areas in the vicinity of the mine.

A drill program is being planned to test the geophysical anomalies later this summer.

## Huckleberry Mine

Huckleberry mine operations were shut down in August 2016, and the mine remains on care and maintenance status, pending improvement of the economics of mining. Activities at the mine site have focused on water management, snow removal, maintenance of site infrastructure and equipment and environmental compliance monitoring. The tailings management facilities are actively monitored.

For the June 2020 quarter, Huckleberry incurred idle mine costs comprised of \$1.5 million in operating costs and \$0.2 million in depreciation expense.

## Exploration

A diamond drill is being mobilized to the Huckleberry mine for exploration drilling in the vicinity of the East zone pit where the majority of the historic drill holes were stopped while still in copper mineralization. The initial focus of the exploration will be to investigate the East zone at depth below the historic drilling that ended in copper mineralization.

## EARNINGS AND CASH FLOW

The Company completed the sale of 70% interest in the Red Chris mine to Newcrest on August 15, 2019. As a result, this operation was classified as a discontinued operation effective January 1, 2019 to August 14, 2019.

## Select Quarter Financial Information

expressed in thousands, except share and per share amounts

|                                                     | Three Months Ended June 30 2020 | Three Months Ended June 30 2019 | Six Months Ended June 30 2020 | Six Months Ended June 30 2019 |
|-----------------------------------------------------|---------------------------------|---------------------------------|-------------------------------|-------------------------------|
| Continuing operations:                              |                                 |                                 |                               |                               |
| Total revenues                                      | \$45,056                        | \$21,673                        | \$73,021                      | \$35,476                      |
| Net income (loss)                                   | \$707                           | \$(9,677)                       | \$(5,503)                     | \$(12,014)                    |
| Net income (loss) per share                         | \$0.01                          | \$(0.08)                        | \$(0.04)                      | \$(0.10)                      |
| Diluted income (loss) per share                     | \$0.01                          | \$(0.08)                        | \$(0.04)                      | \$(0.10)                      |
| Adjusted net income (loss) <sup>(1)</sup>           | \$579                           | \$(18,651)                      | \$(5,347)                     | \$(30,040)                    |
| Adjusted net income (loss) per share <sup>(1)</sup> | \$0.00                          | \$(0.15)                        | \$(0.04)                      | \$(0.23)                      |
| Adjusted EBITDA <sup>(1)</sup>                      | \$16,224                        | \$(16)                          | \$18,758                      | \$(3,573)                     |
| Cash flow <sup>(1)(2)</sup>                         | \$16,417                        | \$207                           | \$18,894                      | \$232                         |

|                                              |             |             |             |             |
|----------------------------------------------|-------------|-------------|-------------|-------------|
| Cash flow per share <sup>(1)(2)</sup>        | \$0.13      | \$0.00      | \$0.14      | \$0.00      |
| Discontinued operations:                     |             |             |             |             |
| Total revenues                               | \$ -        | \$61,945    | \$ -        | \$124,823   |
| Net income                                   | \$ -        | \$2,227     | \$ -        | \$2,296     |
| Net income share                             | \$ -        | \$0.02      | \$ -        | \$0.02      |
| Diluted income per share                     | \$ -        | \$0.02      | \$ -        | \$0.02      |
| Adjusted net income <sup>(1)</sup>           | \$ -        | \$1,968     | \$ -        | \$1,743     |
| Adjusted net income per share <sup>(1)</sup> | \$ -        | \$0.02      | \$ -        | \$0.02      |
| Adjusted EBITDA <sup>(1)</sup>               | \$ -        | \$3,506     | \$ -        | \$14,059    |
| Cash flow <sup>(1)(2)</sup>                  | \$ -        | \$3,260     | \$ -        | \$13,520    |
| Cash flow per share <sup>(1)(2)</sup>        | \$ -        | \$0.03      | \$ -        | \$0.11      |
| Working capital (deficiency)                 | \$35,924    | \$(744,682) | \$35,924    | \$(744,682) |
| Total assets                                 | \$1,073,013 | \$1,591,256 | \$1,073,013 | \$1,591,256 |
| Total debt (including current portion)       | \$3,197     | \$887,932   | \$3,197     | \$887,932   |

(1) Refer to *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, 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.

#### Select Items Affecting Net Loss (presented on an after-tax basis)

| expressed in thousands                          | Three Months Ended June 30 |           | Six Months Ended June 30 |            |
|-------------------------------------------------|----------------------------|-----------|--------------------------|------------|
|                                                 | 2020                       | 2019      | 2020                     | 2019       |
| Net income (loss) before undernoted items       | \$846                      | \$(7,330) | \$(4,790)                | \$(14,721) |
| Interest expense                                | (267)                      | (13,184)  | (557)                    | (26,607)   |
| Recovery of BC Mineral taxes including interest | -                          | 1,863     | -                        | 11,288     |
| Foreign exchange gain (loss) on debt            | 128                        | 8,974     | (156)                    | 18,026     |
| Net income (loss) from continuing operations    | \$707                      | \$(9,677) | \$(5,503)                | \$(12,014) |

#### 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 Income (Loss) and Adjusted Net Income (Loss) Per Share

Adjusted net income from continuing operations in the June 2020 quarter was \$0.6 million (\$0.00 per share) compared to an adjusted net loss of \$18.7 million (\$0.15 per share) in the 2019 comparative quarter. 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 the June 2020 quarter was \$16.2 million compared to a loss

of \$nil in the 2019 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 from continuing operations in the June 2020 quarter was \$16.4 million compared to \$0.2 million in the 2019 comparative quarter. Cash flow per share was \$0.13 in the June 2020 quarter compared to \$nil in the 2019 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

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

|                                          | Three Months Ended June 30, 2020 |                |           |
|------------------------------------------|----------------------------------|----------------|-----------|
|                                          | Red Chris                        | **Mount Polley | Composite |
| Cash cost of copper produced in US\$     | \$8,030                          | \$-            | \$8,030   |
| Copper produced &#8211; pounds           | 7,937                            | -              | 7,937     |
| Cash cost per lb copper produced in US\$ | \$1.01                           | \$-            | \$1.01    |
|                                          | Three Months Ended June 30, 2019 |                |           |
|                                          | *Red Chris                       | **Mount Polley | Composite |
| Cash cost of copper produced in US\$     | \$44,772                         | \$2,675        | \$47,238  |
| Copper produced &#8211; pounds           | 17,599                           | 1,520          | 19,119    |
| Cash cost per lb copper produced in US\$ | \$2.54                           | \$1.76         | \$2.47    |
|                                          | Six Months Ended June 30, 2020   |                |           |
|                                          | Red Chris                        | **Mount Polley | Composite |
| Cash cost of copper produced in US\$     | \$17,954                         | \$-            | \$17,954  |
| Copper produced &#8211; pounds           | 14,672                           | -              | 14,672    |
| Cash cost per lb copper produced in US\$ | \$1.22                           | \$-            | \$1.22    |
|                                          | Six Months Ended June 30, 2019   |                |           |
|                                          | *Red Chris                       | **Mount Polley | Composite |
| Cash cost of copper produced in US\$     | \$79,942                         | \$12,429       | \$92,352  |
| Copper produced &#8211; pounds           | 30,700                           | 3,825          | 34,525    |
| Cash cost per lb copper produced in US\$ | \$2.60                           | \$3.25         | \$2.67    |

\* 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 joint venture.

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

For detailed information, refer to Imperial's 2020 Second Quarter 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. The Company, through its subsidiaries, owns a 30% interest in the Red Chris mine, and a 100% interest in both the Mount Polley and Huckleberry copper mines in British Columbia. Imperial also holds a 45.3% interest in the Ruddock Creek lead/zinc property.

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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 expectations regarding the care, maintenance and rehabilitation activities at Mount Polley and Huckleberry, expectations and timing regarding current and future exploration and drilling programs, expectations regarding exploration results and metal prices required to restart the Mount Polley and Huckleberry mines, and expectations about the future impacts of the COVID-19 pandemic on the Company and the Company's ability to continue operations in lieu of the pandemic.

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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