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**TEAMWORK. INNOVATION. EXECUTION.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FOR THE YEAR ENDED DECEMBER 31, 2019**

**March 31, 2020**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
For the Year Ended December 31, 2019**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### For the Year Ended December 31, 2019

#### INTRODUCTION

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This Management's Discussion and Analysis ("MD&A") of Nevada Copper Corp. (the "Company" or "Nevada Copper") has been prepared by management and is as of March 31, 2020. Information herein is provided as of December 31, 2019 unless otherwise stated. The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the notes thereto, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

All amounts are expressed in US Dollars unless otherwise indicated. Additional information relevant to the Company's activities, including the Company's Annual Information Form dated March 29, 2019 (the "Annual Information Form"), can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Robert McKnight, P.Eng, David Swisher, PE, and Greg French, PG are non-independent Qualified Persons under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"), and have approved the scientific and technical information in this MD&A.

Readers are cautioned that this MD&A contains forward-looking statements and that actual results may vary from management's expectations. See "Forward-Looking Statements" at the end of this MD&A and the various risk factors and other matters discussed in the Company's public disclosure at [www.sedar.com](http://www.sedar.com).

#### 2019 HIGHLIGHTS, RECENT DEVELOPMENTS AND 2020 OUTLOOK

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##### **2019 Highlights**

**Underground Project.** During 2019 the Company commenced commissioning at its process plant for its Underground Project (defined below in "Description of the Business"). Milestones for 2019 include:

- Substantial completion of the processing plant and first commissioning copper concentrate using development ore stockpiled on surface;
- Sinking of East North Vent Shaft for ventilation and secondary egress substantially complete (breakthrough achieved in January 2020);
- Underground Project definition drilling program confirmed higher grade stope locations consistent with the resource model;
- Stockpiling of over 130,000 tons of development ore on surface at financial year-end;
- 120 kV power line completed and energized to site; and
- Implementation of concentrate truck and rail shipping arrangements.

**Open Pit Project.** In 2019, the Company completed a pre-feasibility study ("PFS") in respect of its Open Pit Project (defined below in "Description of the Business"). The PFS was filed on SEDAR in April 2019. The PFS describes a development plan that includes an initial 37,000 tons per day ("tpd") open pit development with later expansion to 70,000 tpd, a 19+ year mine life, an initial capital cost of \$672 million

and peak annual copper production of 111,000 tonnes (244 Mlbs). The PFS also highlights strong economics with an NPV<sub>7.5%</sub> of \$1,042 million and a post-tax IRR of 21%. See April 16, 2019 news release.

**Exploration.** In 2019, the Company added 5,700 acres of prospective mineral claims to its existing 17,500 acres of mineral rights. Preliminary reconnaissance on these new claims has revealed multiple new copper exploration targets including surface and near-surface copper samples and drill hole intersections. See December 30, 2019 news release.

Initial reconnaissance drilling in the Tedeboy area adjacent to the Project that was intended to provide information on structural geology has intercepted significant copper grades with porphyritic signatures. Drilling has occurred within 2 km from the Underground Project. The porphyry system signatures are important, as the existing underground and open pit deposits are skarn/IOCG-style deposits, the source of which could be an as-yet undiscovered porphyry system. The results of a recently completed aeromagnetic survey and surface reconnaissance will direct activities in 2020 in order to further advance high-potential targets from this work, as well as to provide a broader understanding of the geophysical results from known deposits across Nevada Copper's land package.

## **Recent Developments and 2020 Outlook**

### **Underground Project**

The Company has identified the primary factors which, once achieved, would demonstrate that steady state production has begun and that the Underground Project has reached commercial production for financial reporting purposes. These factors are:

- Sustainable daily ore production from the Underground Project exceeds 85% of target feed rate to the mill of 5,000 tpd;
- Copper recovery exceeds 85% of target on average over a 30-day period;
- Concentrates are produced routinely at 85% of plan volume over a 30-day period; and
- Concentrate quality exceeds 85% of the expected concentrate grade over a 30-day period.

During the first half of 2020, the Company plans to complete the commissioning phase of the process plant, continue the ramp up of the Underground Project and optimize the process plant operating performance.

### *Mine Development*

To date numerous challenges have been experienced in the underground development including:

- Earlier than expected ground water intrusion into the mine resulting in the installation of a secondary pumping system to ensure duplication of pumping capacity before the main pump station is completed;
- Much lower than planned development advance rates by the Company's previous mining contractor resulting in only half the expected development by the end of 2019;
- Paste and cement borehole drilling delays resulting in all cement being lowered down the East Main Shaft which slowed down the rate of hoisting development material out of the mine; and
- Much lower than planned advance rates in the East North Ventilation Shaft by the previous mining contractor resulting in an almost four-month delay to the scheduled completion.

On January 30, 2020, the Company's subsidiary Nevada Copper, Inc. ("NCI") terminated its construction contract with Cementation USA Inc. ("Cementation") and the Company announced that NCI had engaged Redpath USA Corporation ("Redpath") to implement the Company's ramp up strategy for the Underground Project. This change in the mining contractor required mobilization and time for Redpath to

gain familiarity with existing assets and infrastructure, which resulted in a delay to the Underground Project changeover. However, the change in contractor has now begun to provide improvements in achieving development and mining rates.

The Company blasted its first stope during the latter half of January 2020. The Company intends to continue mining of the higher-grade stopes and driving development to access additional planned stopes as it executes on its 2020 mine plan. Current mining zones are targeting stopes with average ore grades of over 2.5% copper and definition drilling continues to identify ore grades above those indicated by the resource model.

In the East Main Shaft area, activities have included advancement of the main centralized ramp, connection between the 2850 and 2770 levels, East Main Shaft bottom access ramp, stope access lateral development, stope development and mining, definition drilling, establishment of temporary maintenance shops, ventilation raises and advancement of borehole paste and cement delivery systems. In the East North Ventilation Shaft area, advances have been made in preparation for installation of exhaust ventilation infrastructure including air lock doors and a fan bulkhead that will provide flow through ventilation throughout the mine. The mine administration building is also complete. The paste plant is under construction and is expected to be available when needed in H2 2020.

Currently, the East North Ventilation Shaft is being equipped for exhaust ventilation and utilized for hoisting of waste and development ore. Starting in April 2020, the Company expects to furnish the East Main shaft with its final production configuration, a service hoist for equipment and supplies and an auxiliary hoist only used for secondary escapeway if required. This process is expected to be completed in Q3 2020 (compared to the Company's prior target of H1 2020) and is intended to allow the operation to produce at target capacity of 5,000 tpd. Due to the delay of the East Main Shaft changeover, mill feed will be reduced for a few months prior to completion of the shaft changeover. Currently, development activities are materially behind the originally planned schedule; however, it is expected that these activities will be well advanced prior to the commissioning of the East Main shaft.

#### *Processing Plant*

Progress has been made at the processing plant with full mechanical completion. All circuits are energized. SAG and ball mills, flotation circuits, thickeners, concentrate filter presses are being commissioned and operated. Initial mill operations at the Underground Project commenced on December 16, 2019 with surface stockpiles of development ore being fed to test the various circuits in the process facility. During Q1 2020, processing of a combination of development and stoping ore continued to allow for further testing and optimization of process circuits. Efforts are continuing to improve performance and optimize all circuits of the plant. However, the mill is not yet producing at forecast levels.

During the December 2019 to March 2020 testing and start-up period, limited amounts of low grade, pre-production copper concentrates were delivered as defects within the mill were rectified. Commissioning of the mill is underway and ramp up of operations is expected to continue through 2020 progressing towards a target steady state 5,000 tpd of ore feed to the process facility. The process plant is expected to continue to improve performance with recent achievements comprising increasing throughput to 230 tons per hour (representing approximately 85% of design throughput) while improving recoveries above 90% and concentrate grades above 25%.

The concentrate shipping arrangements are complete with a concentrate truck-to-rail transload facility established at a site east of Reno, Nevada with access to the Union Pacific mainline in the Tahoe Reno Industrial Centre. Concentrates will be shipped by rail to US west coast ports for bulk shipment.

The gross value of saleable concentrate delivery during Q1 2020 was limited to \$1.6 million, which was substantially below original estimates. Throughout Q1 2020 the Company made repayments under the

Working Capital Facility in cash instead of the intended concentrate deliveries due to low volumes of concentrate being produced that met the specification requirements under the relevant offtake agreements. In total, the Company had to settle \$21.5 million in cash under its Working Capital Facility (defined below in “2019 Financing Highlights”) through the period from January 1, 2020 to March 30, 2020. The improvements described above, together with progress in accessing high grade stopes combined with improved hoisting capacity, are expected to result in increased concentrate production, which should allow the Company to deliver and sell increasing volumes of concentrate that meet the applicable specification requirements of the offtake agreements and alleviate the need for the Company to make repayments for draws under the Working Capital Facility in cash.

While management expects continued improvement to underground development and the operation of the processing plant as described above, significant risks remain to sustaining and accelerating progress in these areas.

**Open Pit Project.** During 2020, subject to availability of adequate funding, the Company plans to upgrade the current PFS study relating to the Open Pit Project to the feasibility study (“FS”) level. Targeted for completion in Q4 2020, this FS is expected to be filed as a technical report on SEDAR and will seek to refine and optimize the PFS development plan, narrow cost estimates, and evaluate areas for further cost improvements and value enhancements.

**Exploration.** The Company will continue to evaluate its extensive mineral landholdings at and around Pumpkin Hollow, including drilling and/or trenching, where appropriate, and will look for opportunities to increase its landholdings. However, the Company will reduce its exploration activities and prioritize advancing its high-priority targets in accordance with cash availability.

#### **Impact of COVID-19 (Coronavirus)**

As a result of the novel coronavirus (COVID-19) and the declaration by the World Health Organization of COVID-19 as a “pandemic”, many measures have been, and continue to be, implemented by all levels of government in the United States, Canada and around the world in order to control the pandemic.

The Company’s first priority is to protect the health and safety of its employees and contractors, and contingency plans have been implemented to ensure business continuity and protection of its mineral assets. Nevada Copper recognizes the serious nature of this pandemic and is adopting all measures that are mandated by Federal, State and local governments, and the Centres for Disease Control and Prevention. Current precautions being taken include monitoring employees for symptoms, physical distancing to the extent possible and providing personal protective equipment as needed.

Work is currently continuing at the Project, subject to these enhanced precautions and related government-imposed health and safety rules, which are resulting in various significant operational constraints and work delays. Given the uncertainty around the severity and duration of the pandemic and the responses of governments and businesses, it is not possible for the Company to predict the full impact of COVID-19 on its operations at this time. It is not known what measures will be implemented by governmental authorities in the future and how long these measures will be in place. It is possible that changes to or ongoing compliance with existing government health and safety rules may make it difficult for efficient operations to continue. Management is discussing mitigation measures with the Nevada health and safety regulator and the Company’s contractors regarding the current working restrictions, which are continually evolving, to ensure productivity can be safely maintained. Failure to obtain agreement with the regulator and the contractors regarding such mitigating measures would likely result in the need to temporarily suspend certain operations, at least in part. It is also possible that further reduced working rates or temporary stoppages (as has been the case at other operations) could occur in the future, at any time, depending on how events unfold. Therefore, management has prepared plans for a potential temporary stoppage of operations in the event that becomes necessary. As a result, the COVID-

19 pandemic may delay ramp-up at the Underground Project and it is possible that the Company may need to put the Underground Project temporarily into “care and maintenance” status, as has been done with many mining projects around the world.

While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company’s business operations, including the timing, duration and extent of the impact on the Company’s ramp-up process and future production, cannot be reasonably estimated at this time. The COVID-19 pandemic has had a significant impact on the global economy and financial and commodity markets in general, including a significantly negative impact on copper prices. The full extent of the impact of the pandemic on the economy and commodity prices, including copper prices, is not known at this time. However, it is possible that the COVID-19 pandemic may have a material adverse impact on the Company’s business, results of operations, financial position and cash flows in 2020.

## 2019 FINANCING HIGHLIGHTS

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During 2019, the Company completed the following financings:

- On May 16, 2019, the Company completed a public offering of 61,950,000 common shares of the Company (“Common Shares”) and a concurrent private placement of 38,052,313 Common Shares raising aggregate gross proceeds of approximately \$29.8 million (collectively, the “Equity Offering”);
- On May 31, 2019, the Company entered into, through its wholly-owned subsidiary, NCI, a \$115 million credit agreement with KfW IPEX-Bank to provide an attractive, long-term, project finance senior debt facility for the Underground Project supported by a loan guarantee issued by the Federal Republic of Germany through Euler Hermes (the “KfW IPEX-Bank Facility”). The KfW IPEX-Bank Facility was subsequently amended in connection with the Refinancing Transactions;
- Concurrently with the entering into of the KfW IPEX-Bank Facility, NCI also entered into complementary financing and offtake arrangements in connection with the Underground Project, including:
  - A \$35 million working capital facility (the “Working Capital Facility”) with Concord Resources Limited (“Concord”); and
  - Offtake agreements with Aurubis AG and Aurubis Bulgaria AD and Concord; and
- Amendments to the Company’s existing stream agreement entered into among the Company, NCI and Triple Flag Mining Finance Bermuda Ltd. (“Triple Flag Bermuda”) on December 21, 2017 (as amended, the “Stream Agreement”) to accommodate the maximum drawdown under the KfW IPEX-Bank Facility. The Stream Agreement was subsequently amended in connection with the Refinancing Transactions; and
- On November 29, 2019, the Company entered into a \$30 million credit facility (the “2019 Credit Facility”) with Pala Investments Limited (“Pala”). The 2019 Credit Facility replaced the Equity Standby Facility (as defined below) that Pala had previously provided. The 2019 Credit Facility was subsequently terminated and repaid in connection with the Refinancing Transactions.
- See “Liquidity, Cash Flow and Capital Resources” for further details relating to these financing arrangements.

## 2020 FINANCING HIGHLIGHTS

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Subsequent to December 31, 2019, the Company entered into a comprehensive financing package to strengthen its statement of financial position, which was comprised of the following components that all closed on March 27, 2020 (collectively, the “Refinancing Transactions”):

- Amendments to the KfW IPEX-Bank Facility, providing for an aggregate of \$12.2 million in payment deferrals through the re-sculpting of certain amortization and debt service reserve account payments;
- An amendment to the Stream Agreement that provides for an additional \$15 million in payments to the Company, comprised of a \$10 million payment on May 1, 2020 and an additional \$5 million to be paid through the reinvestment of 50% of the value of metal deliveries received by Triple Flag Bermuda under the Stream Agreement (in consideration for which the amount of gold and silver deliverable to Triple Flag Bermuda shall be increased from 90% to 97.5% and the ongoing payment by Triple Flag Bermuda shall be reduced from 10% to 5% of the then current spot price) (the “Second Stream Amendment”);
- New net smelter return royalty agreements with an affiliate of Triple Flag Precious Metals Corp. (“TFPM”) over the Open Pit Project and Tedeboy exploration property. The Company received an aggregate of \$20 million as the purchase price for these royalties on March 27, 2020 (the “Royalty Financing”);
- TFPM was issued an aggregate of 15 million Common Share purchase warrants of the Company at an exercise price of C\$0.225;
- A new convertible loan facility (the “Convertible Loan”) with Pala in the principal amount of \$30 million, which extends and replaces the 2019 Credit Facility; and
- A backstop agreement among Pala, the Company and Triple Flag Bermuda (the “Backstop”), providing for up to \$20 million which is available for the Company to call on if required until December 31, 2021 if it is unable to raise capital from other sources.
- See “Liquidity, Cash Flow and Capital Resources” for further details relating to the Refinancing Transactions.

## DESCRIPTION OF BUSINESS

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Nevada Copper is a mining company whose principal asset is the 100%-owned Pumpkin Hollow Copper Property (the “Property”). The Property is located in northwestern Nevada and consists of approximately 23,200 acres of contiguous mineral rights including approximately 10,700 acres of private land and leased patented claims.

Past exploration on the Property defined two adjacent but unconnected copper, gold and silver deposits separated by approximately two miles. The two deposits are referred to separately as the “Underground Project” and the “Open Pit Project” (collectively, the “Project”).

The Company has obtained all material permits and approvals for the development and operation of both the Underground Project and the Open Pit Project that are required at this time. Certain of those permits and approvals may need to be renewed as a result of the passage of time and certain of those permits and approvals may need to be modified in order to accommodate design changes and other optimizations. See “Risk Factors” in the Annual Information Form.

The Company completed construction of the processing plant for the Underground Project and is now in the commissioning stage. Completion of commissioning and ramp up of Underground Project operations is continuing during 2020 towards the planned nominal steady state production rate of 5,000 tpd.



On April 16, 2019, the Company filed a new technical report for the Project entitled “*NI 43-101 Technical Report: Nevada Copper Corp., Pumpkin Hollow Project, Open Pit and Underground Mine Prefeasibility Study (PFS)*” with an effective date of January 21, 2019 (the “Technical Report”) which, among other things, incorporates the results of the Company’s previously-announced 2018 drilling program and evaluates: (a) the Underground Project, and (b) a standalone, staged, development of the Open Pit Project at a PFS level. The Technical Report supersedes all prior technical reports in respect of the Project.

## FINANCIAL RESULTS

(Expressed in thousands of United States dollars, except per share amounts)

	Three Months Ended December 31,		Year Ended Ended December 31,	
	2019	2018	2019	2018
<b>Expenses</b>				
Consulting and remuneration	\$138	\$255	\$617	\$1,820
Public company expenses	560	425	1,981	2,107
Administration expenses	36	142	272	1,075
Professional fees	1,801	1,228	2,919	3,067
Depreciation expense	10	-	41	-
Accretion expense	-	18	-	18
Stock-based compensation	144	(40)	1,705	1,832
	<b>2,689</b>	<b>2,028</b>	<b>7,535</b>	<b>9,919</b>
Interest income	7	785	853	1,734
Interest and finance expenses	(6)	-	(26)	(991)
Derivative fair value change	-	(206)	127	(1,751)
Other income (expense)	(4)	33	23	(516)
Debt extinguishment loss, net	-	-	1,294	(7,737)
Foreign exchange loss	(27)	(23)	(116)	(877)
	<b>(30)</b>	<b>589</b>	<b>2,155</b>	<b>(10,138)</b>
<b>Loss and comprehensive loss</b>	<b>\$(2,719)</b>	<b>\$(1,439)</b>	<b>\$(5,380)</b>	<b>\$(20,057)</b>
<b>Loss per Common Share</b>				
Basic and diluted	<b>\$(0.00)</b>	<b>\$(0.00)</b>	<b>\$(0.01)</b>	<b>\$(0.04)</b>

The Company commenced construction of its Underground Project during 2018 and this process was ongoing throughout the 2019 financial year. Both the fourth quarter and year end results reflect the pre-production stage of the Company’s operations. All revenue and operating costs are capitalized to project costs until commercial production is reached, currently expected by Q3 of 2020.

### Fourth Quarter Results

For the three months ended December 31, 2019, the Company reported a net loss of \$2.7 million (or \$0.00 basic and diluted loss per Common Share) compared to a net loss of \$1.4 million for the same period in 2018 (or \$0.00 basic and diluted loss per Common Share).

The \$1.3 million increase in net loss period to period is mainly driven by:

- \$0.8 million decrease in interest income due to higher cash balances in 2018 compared to 2019.
- \$0.3 million increase in professional fees

#### *2019 Year End Results*

For the year ended December 31, 2019, the Company reported a net loss of \$5.4 million (or \$0.01 basic and diluted loss per Common Share) compared to a net loss of \$20.1 million for 2018 (or \$0.04 basic and diluted loss per Common Share).

The \$14.7 million decrease in net loss is mainly driven by the Company's refinancing and restructuring initiatives in 2018 and include:

- \$7.7 million recorded as a debt extinguishment loss in 2018 as a result of the refinancing of the long term debt facility with Red Kite through its affiliate EXP T1 Ltd. (the "Red Kite Loan Facility") compared to a \$1.3 million debt extinguishment gain related to the extinguishment of the Red Kite Loan Facility in 2019;
- \$1.8 million recorded as a derivative fair value loss in 2018, as compared to a gain of \$0.1 million in 2019 as a result of recognizing a new embedded derivative liability in the refinanced Red Kite Loan Facility that had a fair value of \$1.2 million as at December 31, 2018, and \$1 million was recorded as a derivative fair value loss on the convertible derivative option in the Company's convertible debt facility with Pala prior to its conversion to Common Shares in January 2018;
- \$1.2 million decrease in consulting and remuneration expenses, from \$1.8 million in 2018 to \$0.6 million in 2019, primarily due to the payment of termination benefits under an employment contract of a senior officer in 2018;
- \$1 million decrease in interest and finance expenses related to loans that were extinguished in 2018;
- \$1 million decrease in public company, administration and professional fee expenses, including expenses relating to the Company's restructuring and financing activities in 2018; and
- \$0.9 million decrease in interest income due to higher cash balances in 2018 compared to 2019.

### Pumpkin Hollow Project Expenditures

Project costs capitalised for the year ended December 31, 2019 on the Property consist of the following:

	December 31, 2019	2019 Additions	December 31, 2018	2018 Additions	Dec. 31, 2017
Property payments	\$1,961	\$-	\$1,961	\$-	\$1,961
Advance royalty payments	5,226	600	4,626	1,463	3,163
Water rights	2,579	141	2,438	188	2,250
Drilling	42,302	-	42,302	1,145	41,157
Geological consulting, exploration & related	8,459	-	8,459	536	7,923
Feasibility, engineering & related studies	27,237	1,919	25,318	3,956	21,362
Permits/environmental	13,109	615	12,494	850	11,644
East deposit underground project					
Underground access, hoist, head frame, power & related	199,250	92,911	106,339	27,438	78,901
Engineering procurement	127,098	81,965	45,133	34,583	10,550
Surface infrastructure	20,557	14,761	5,796	1,992	3,804
Site costs	30,384	10,492	19,892	4,548	15,344
	<b>478,162</b>	203,404	<b>274,758</b>	76,699	198,059
Depreciation	3,650	2,900	750	60	690
Asset retirement obligation	4,984	4,075	909	909	-
Capitalised interest	67,166	9,713	57,453	9,494	47,959
Stock-based compensation	8,376	2,473	5,903	1,405	4,498
Stream accretion	10,978	8,365	2,613	2,613	-
<b>Total</b>	<b>\$573,316</b>	<b>\$230,930</b>	<b>\$342,386</b>	<b>\$91,180</b>	<b>\$251,206</b>

For the year ended December 31, 2019, the Company incurred \$231 million of project expenditures compared to \$91.2 million for 2018. The \$139.8 million increase reflects the Company's full-scale construction and procurement activities at the Underground Project during 2019. The focus during H1 2018 was primarily related to commencement of drilling activities, engineering design work, site preparation and construction pre-works activities, whilst construction commenced in H2 2018. The Company will continue to capitalize all revenue and costs to the project until commercial production is achieved.

As at December 31, 2019, total construction cost for the Underground Project was \$247.4 million.

## LIQUIDITY, CASHFLOW AND FINANCIAL RESOURCES

Financial Condition (Expressed in thousands of United States dollars)

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$1,041	\$108,055
Working capital (deficit)	\$(73,570)	\$88,820

### Liquidity

As of December 31, 2019, the Company had a cash balance of \$1.1 million, excluding restricted cash. The Company's working capital (current assets less current liabilities) as at December 31, 2019 was negative \$73.6 million compared to working capital of \$88.8 million as at December 31, 2018. The decrease in the Company's working capital in 2019 was due to the continued full-scale construction and procurement activities at the Underground Project that has depleted the Company's cash reserves. The negative working capital as at December 31, 2019 includes \$31.3 million of accounts payable and accruals, \$11.3 million of estimated short term stream payments which are subject to concentrate deliveries, \$23.4 million due under the Working Capital Facility that could be re-drawn subject to future deliveries and \$5.0 million in lease payments. As at December 31, 2019, capital commitments due in the next twelve months are \$9.1 million.

As at December 31, 2019, the Company had access to the \$35 million Working Capital Facility for a further \$11.9 million and the 2019 Credit Facility for a further \$15 million. However, in order to complete commissioning of the Underground Project and to continue in operation during the ramp-up period, the Company required additional financing.

The Company's liquidity in Q1 2020 has been negatively impacted by a number of significant inter-related factors including:

- Delays in the mine development of the Underground Project (as described above);
- Delays in the commissioning of the process plant (as described above);
- Significantly reduced concentrate production and sales (as described above);
- Low copper prices (as described below); and
- Requirement to repay draws under the Working Capital Facility in cash rather than in concentrate deliveries as planned (as described above).

In light of recent copper price weakness, the Company is investigating and has undertaken several cost cutting initiatives to better position the Company for a lower price environment.

The Company has access to the Working Capital Facility and the funds available to it from the following transactions entered into subsequent to the financial year-end:

- Prefunding Promissory Note in the amount of \$2.2 million (received and repaid)
- Net Smelter Royalty Agreements in the amount of \$20 million (received)
- Stream Agreement Amendment in the amount of \$15 million
- KfW IPEX- Bank Facility Amendment providing an aggregate of \$12.2 million in payment deferrals
- Convertible Loan in the amount of \$30 million to replace the 2019 Credit Facility
- Backstop Agreement in the amount of \$20 million
- Indemnity Agreement with a surety in the amount of \$21 million
- Indemnity Agreement with a surety in connection with a bond up to a maximum of \$10 million to secure payment terms of the Company's new underground contractor

The Company must rely on these funds and proceeds from the sale of concentrates in order to complete the ramp up of the Underground Project. Management believes that these sources of funds should be sufficient to provide the Company with sufficient liquidity to fund the ramp up to production of the Underground Project and to continue its operations for at least the next 12 months.

However, during the upcoming 12 months, the Company needs to prepare for exposure to both the current low copper price environment and the normal technical risks associated with commissioning and ramp up, in addition to the impact of the mine development and processing plant challenges referred to above under "Recent Developments and 2020 Outlook". If the continuation of the current low copper price environment persists, the Company's ability to access existing and new funding sources may be constrained, which could in turn adversely affect the Company's ability to complete the ramp up of the Underground Project. In addition, while the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impact on the Company's business operations, including on its ability to achieve and maintain production, cannot be reasonably estimated at this time. The pandemic could have a significant adverse impact on management's assumptions and plans for the business. It is possible that the COVID-19 pandemic could have a material adverse impact on the Company's business, results of operations, financial position and cash flows in 2020.

A lack of adequate funding to address the above and any other applicable factors may lead the Company to curtail or suspend ramp up of the Underground Project and/or some or all of its proposed exploration or other activities on the Property. Despite the successful completion of the Refinancing Transactions, the Company may in the future need to seek additional financing in order to complete the Underground Project and continue its operations. Under current market conditions, there can be no assurance that such additional funding will be available on favourable terms or at all.

#### *Cash Flows*

During the year ended December 31, 2019, cash used in operations was \$6.0 million compared to \$11.1 million during 2018.

Cash used in investing activities during 2019 was \$176.5 million compared to \$11.2 million during 2018. The increase was primarily due to construction and procurement activities at the Underground Project in 2019.

The \$49.2 million increase in long-term debt was primarily due to the KfW IPEX-Bank Facility being implemented and the recognition of lease liabilities in 2019 as a result of the adoption of IFRS 16 Leases effective January 1, 2019. See “New Accounting Pronouncements”.

Financing activities totalled \$75.3 million during 2019 compared to \$130.8 million in 2018:

- In 2019, the Company completed the Equity Offering raising gross proceeds of approximately \$29.8 million through the issuance of 100,002,313 Common Shares.
- In 2018, the Company completed equity offerings for aggregate gross proceeds of \$185.5 million, through the issuance of 437,181,277 Common Shares.
- In 2019, the Company, through its wholly owned subsidiary, NCI, entered into the KfW IPEX-Bank Facility. The Company drew down the KfW IPEX-Bank Facility’s total amount of \$115 million in May 2019.
- In 2019, the Company prepaid the \$80 million principal balance of the Red Kite Loan Facility plus accrued interest of \$12.5 million for a total of \$92.5 million. In 2018, the Company repaid \$42 million of the Red Kite Loan Facility and the entire \$3.5 million bridge loan that was advanced by Pala to the Company on November 14, 2017 from the proceeds of the Company’s January 2018 equity offering.
- During 2019, the Company drew \$26.4 million from the Working Capital Facility provided by Concord. NCI entered into the Working Capital Facility for a maximum principal amount of \$35 million which provides for advances of up to 85% of the value of expected deliveries up to four months in advance of deliveries prior to commercial production at the Underground Project, and three months thereafter, on a revolving basis. \$3.4 million was repaid during the year. During the period of January 1, 2020 to March 30, 2020, the Company withdrew an additional \$15.9 million from the Working Capital Facility and repaid \$23.1 million, resulting in a net repayment of \$7.2 million. Of the \$23.1 million repayment, \$1.6 million was in product deliveries and \$21.5 million was in cash.
- During 2019, the Company entered into the 2019 Credit Facility with Pala, the Company’s largest shareholder. The Company drew \$15 million in December 2019, and following waiver by Pala of certain conditions for subsequent draws, including the requirement that the 2019 Credit Facility be syndicated, drew another \$14.15 million in incremental amounts prior to March 27, 2020. As discussed below, the 2019 Credit Facility was replaced with the Convertible Loan in connection with the Refinancing Transactions.

*Other Capital Resources:*

**Cost Overrun Facility**

In connection with the KfW IPEX-Bank Facility, the Company provided a cost overrun facility to NCI for up to \$26.4 million (the “COF”), which was to be drawn only once all other existing sources of funding were

utilized and if construction costs at the Underground Project exceed a specified amount. The COF was made available from the date of closing of the KfW IPEX-Bank Facility and was to be available until the completion of the construction of the Underground Project. The COF was partially funded through \$15 million from the net proceeds of the Equity Offering, with the remainder backstopped by an equity standby facility provided by Pala (the “Equity Standby Facility”). During the year, the Company drew \$15 million from the COF.

In addition, as a condition to closing of the KfW IPEX-Bank Facility, KfW IPEX-Bank required a corporate guarantee from Pala in respect of the COF amount (after reduction by the amounts funded from the proceeds of the Equity Offering) (the “Guaranteed Amount”) and a pledge of certain of Pala’s assets for the period until completion of the construction of the Underground Project. The Company agreed to compensate Pala for its commitments under the corporate guarantee and pledge arrangement at a rate of 5% per annum of the remaining Guaranteed Amount. In December 2019, \$11.4 million of the initial advance under the 2019 Credit Facility was deposited to the COF and Pala’s corporate guarantee and pledge obligations were terminated.

#### Equity Standby Facility

The COF was partially backstopped by the Equity Standby Facility provided by Pala for an amount up to \$11.4 million of the \$26.4 million COF. The Equity Standby Facility included an initial one time 2% implementation fee. On November 29, 2019, the Equity Standby Facility was terminated and replaced by the 2019 Credit Facility.

#### Working Capital Facility

As a condition to the KfW IPEX-Bank Facility, NCI entered into a copper concentrate sales agreement with Aurubis AG and Aurubis Bulgaria AD (collectively, “Aurubis”) whereby NCI is required to deliver not less than 40,000 dry metric tonnes (“dmt”) (+/- 5% at NCI’s option) of copper concentrate per annum to Aurubis for a term linked to the KfW IPEX-Bank Facility (the “Aurubis Offtake Agreement”). In light of logistical challenges for deliveries from the Underground Project to Aurubis’ smelters in Germany and Bulgaria, NCI and Concord may elect to deliver alternative clean copper concentrates acceptable to Aurubis pursuant to a swap agreement between NCI and Concord (the “Swap Agreement”).

Drawdowns under the \$35 million Working Capital Facility are linked to deliveries to Concord under the Swap Agreement and a separate copper concentrate sales agreement with Concord (the “Additional Volumes Offtake Contract”) for a term of 3.5 years. Under the terms of the Additional Volumes Offtake Contract, NCI is required to deliver not less than 30,000 dmt (+/- 10% at NCI’s option) of copper concentrate and other uncontracted volumes from the Underground Project per annum to Concord.

Both the Swap Agreement and the Additional Volumes Offtake Contract provide for NCI to deliver monthly shipments to Concord at a rail loadout facility located on the Union Pacific railroad mainline 22 km east of Reno. To date, the Company has primarily met its obligations to Concord under the Working Capital Facility by repaying amounts advanced in cash in lieu of shipments of concentrates.

## Amendments to the Stream Agreement in 2019

In connection with the KfW IPEX-Bank Facility, the Company, NCI and Triple Flag Bermuda amended the Stream Agreement on May 31, 2019 as follows: (i) in order to accommodate the maximum drawdown under the KfW IPEX-Bank Facility, the aggregate amount of senior indebtedness that the Company is permitted to incur upon the refinancing of the Red Kite Loan Facility was increased from \$80 million to \$115 million or such lower amount outstanding from time to time, provided that if the amount of outstanding senior debt subsequently reduces below \$80 million, the maximum amount of senior indebtedness that the Company may incur will be limited to a maximum \$80 million; and (ii) the Company's buyback option, exercisable on March 31, 2020, to reduce the amount of gold and silver to be delivered under the Stream Agreement was reduced from 35% to 15% of the gold and silver production from the Underground Project (based on the fixed ratios of copper to gold and silver specified in the Stream Agreement) and the base amount payable by the Company (prior to applicable adjustments) to exercise such right was proportionately reduced from \$36 million to approximately \$15.4 million.

### *Subsequent Refinancing Transactions*

Subsequent to December 31, 2019, the Company entered into the Refinancing Transactions, a comprehensive financing package to strengthen its statement of financial position. Details of the Refinancing Transactions are described below. See the news releases dated March 27, 2020 and March 30, 2020 for additional details.

### Pre-Funding Promissory Note

On March 18, 2020, Pala provided an advance of \$2.2 million as pre-funding prior to the closing of the Refinancing Transactions, pursuant to the terms of a new unsecured promissory note (the "Promissory Note"). The proceeds from the Promissory Note were used by the Company for the continued operation and construction of the Underground Project prior to the funding under the Refinancing Transactions described below. The Promissory Note was paid in full on March 30, 2020, with Pala waiving all interest due under the Promissory Note.

### Stream Agreement Amendment and Royalty Financing

On March 27, 2020, the Company entered into the Second Stream Amendment and Royalty Financing that provide for the following:

- a 0.70% net smelter return royalty in respect of the Open Pit Project in consideration for a payment of \$17 million that has been received by the Company;
- a 2.00% net smelter return royalty in respect of the Tedeboy exploration project in consideration for a payment of \$3 million that has been received by the Company and an additional contingent payment of \$5 million upon commercial production commencing in respect of the Tedeboy project;
- An amendment to the Stream Agreement that provides for an additional \$15 million payment to the Company, with an unconditional payment of \$10 million to be made on May 1, 2020 and the



additional \$5 million to be paid through the reinvestment of 50% of the amounts received by Triple Flag Bermuda under the terms of the Stream Agreement (in consideration for which the amount of gold and silver deliverable to Triple Flag Bermuda shall be increased from 90% to 97.5% and the ongoing payment by Triple Flag Bermuda shall be reduced from 10% to 5% of the then current spot price); and

- In connection with the above transactions, TFPM was issued an aggregate of 15 million Common Share purchase warrants of the Company at an exercise price of C\$0.225 that are exercisable for a period of five years.

#### KfW IPEX-Bank Facility Amendment

On March 27, 2020, the Company entered into an amendment to its existing KfW IPEX-Bank Facility that provides an aggregate of \$12.2 million in payment deferrals through the re-sculpting of certain amortization and debt service reserve account payments to maximize access to liquidity over the next 18 months. The amendments include a deferral of scheduled principal payments for 18 months with the deferred amount being payable on a pro rata basis with the remaining instalments until the existing maturity date. They also include postponing the required funding date for the debt service reserve account for 18 months.

#### Pala Convertible Loan

On March 27, 2020, the Company entered into the Convertible Loan with Pala in the principal amount of \$30 million, which extended and replaced the 2019 Credit Facility. The Convertible Loan shall be repaid in four years and will bear interest at the rate of 14% per annum, quarterly in arrears. At the option of the Company, subject to approval of the Toronto Stock Exchange (the "TSX"), such accrued interest may be satisfied through the issuance of Common Shares based on the five-day volume weighted average price ("VWAP") of the Common Shares ended on the day prior to the relevant interest payment date, provided the Company may always pay such interest in cash if permitted to do so under its existing financing arrangements.

Subject to the approval of the TSX, Pala may, at any time, and from time to time, convert all or a portion of the Convertible Loan into Common Shares at a price per Common Share which is the lower: (a) of C\$0.1575 (the "Current Market Price"); and (b) a 5% premium to the five-day VWAP of the Common Shares on the TSX over the period ending on April 1, 2020, with a minimum conversion price of C\$0.12.

The 2019 Credit Facility was repaid in full through the proceeds from the Convertible Loan. All fees, interest and other expenses that accrued, were outstanding or became due as a result of the repayment of the 2019 Credit Facility in the aggregate amount of \$3.4 million will be, subject to approval of the TSX, satisfied through the issuance of an aggregate of 31,400,000 Common Shares to Pala, reflecting a price per Common Share equal to the Current Market Price. These Common Shares are expected to be issued to Pala on April 1, 2020.

The Convertible Loan may be prepaid by the Company in full at any time, subject to payment of a premium of 15% in year 1, 10% in year 2, 8% in year 3 and 5% in year 4. The Convertible Loan is also repayable

subject to a make whole amount upon certain change of control events. Pala is entitled to a restructuring and extension fee of 8% of the principal amount of the Convertible Loan which shall be added to the principal amount of the Convertible Loan.

#### Backstop Agreement

On March 27, 2020, Pala, the Company and Triple Flag Bermuda entered into a Backstop Agreement (the "Backstop") providing for up to \$20 million which is available, subject to certain conditions, for the Company to call on capital from Pala when required until December 31, 2021 if it is unable to raise capital from other sources.

If funds are called by the Company under the Backstop, the obligations of the Company under the Backstop will be satisfied through the issuance of Common Shares, which Common Shares will be issued at a price to be agreed by the Company and Pala within the applicable pricing rules of the TSX, but if a price cannot be agreed will be based on the market price (as defined in the policies of the TSX) at the relevant time less a discount of 20%.

If the Backstop is called after December 31, 2020, and the obligations under any such call would require disinterested shareholder approval (which will exclude Pala and any other insiders that may participate in the Backstop) under the policies of the TSX, the Company must obtain such approval as a condition to completion of the call under the Backstop. The Company may also seek to obtain, any time after the date hereof, approval of disinterested shareholders to issue Common Shares pursuant to the Backstop after December 31, 2020. In the event such disinterested shareholder approval is not obtained, any amounts called under the Backstop for which such approval was sought will be in the form of subordinated unsecured debt which will have substantially the same terms as the 2019 Credit Facility. For certainty, any calls made by the Company under the Backstop prior to December 31, 2020 will not be subject the shareholder approval requirements of the TSX.

Notwithstanding the foregoing, Pala may elect to fund its obligations under the Backstop through the issuance by the Company of convertible debt, which convertible debt will have a 3 year term to maturity, a conversion price of a 5% premium to the market price of the Common Shares (as defined by the policies of the TSX) at the time of issuance, no fees payable other than an interest rate of 12% and shall be prepayable by the Company at any time.

A fee was payable to Pala upon entering into the Backstop in an aggregate amount of \$0.8 million, which will be, subject to TSX approval, paid through the issuance of an aggregate of 7,500,000 Common Shares, reflecting a price per Common Share equal to the Current Market Price. These Common Shares are expected to be issued to Pala on April 1, 2020.

#### Indemnity Shares

In connection with the provision by Pala of certain surety bonds provided to third party contractors to support the ramp-up process relating to the Underground Project, Pala is owed an aggregate of \$2.1 million as a fee for providing an indemnity for such surety bonds. Such fees will be, subject to TSX approval, satisfied through the issuance of an aggregate of 18,900,000 Common Shares, reflecting a price per

Common Share equal to the Current Market Price. These Common Shares are expected to be issued to Pala on April 1, 2020.

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited quarterly financial information for each of the eight most recently completed quarters:

(Expressed in thousands of United States dollars, except per share amounts)

	2019 Dec-31	2019 Sep-30	2019 Jun-30	2019 Mar-31	2018 Dec-31	2018 Sept 30	2018 June 30	2018 Mar 31
Working Capital	(73,570)	(24,315)	17,320	30,816	88,820	133,810	29,335	41,923
Total Assets	608,720	563,576	539,832	498,956	475,995	470,803	313,076	307,827
Development Property (Project expenditure)	573,316	524,212	466,661	400,754	342,386	298,006	270,593	258,501
Total noncurrent liabilities	215,354	202,168	195,684	173,867	164,194	157,995	100,424	98,524
Shareholders' Equity	318,561	320,857	320,727	291,916	292,303	293,235	204,481	206,205
Net Profit (Loss)	(2,719)	(750)	457	(2,368)	(1,439)	(1,845)	(4,173)	(12,601)
Net Profit (Loss) per share	0.00	0.00	0.00	0.00	0.00	0.00	(0.01)	(0.05)

## SELECTED ANNUAL INFORMATION

(in thousands of USD)	December 31, 2019	December 31, 2018	December 31, 2017
Revenues	\$-	\$-	\$-
Net income (loss)	\$(5,380)	\$(20,057)	\$(6,589)
Per share – Basic and diluted	\$(0.01)	\$(0.04)	\$(0.07)
Total assets	\$608,720	\$475,995	\$262,255
Total long term financial liabilities	\$290,649	\$161,728	\$113,532

## RELATED PARTY TRANSACTIONS

Pala is a related party to the Company as a result of its 35.8% (2018 – 36.5%) shareholding in Nevada Copper as at December 31, 2019. Additionally, three Pala executives are on the Company's Board as at December 31, 2019.

During the year ended December 31, 2019, the following transactions were entered into with Pala:

- Technical and other services rendered in the amount of \$0.2 million;
- Fees payable to Pala in connection with Pala's guarantee of the COF of \$0.3 million and equity commitment agreement of 0.2 million;
- Equity Standby Facility (and related fees) entered into and subsequently replaced by the 2019 Credit Facility; and

- 2019 Credit Facility and draw of \$15 million during the year plus accrued interest of \$0.2 million.

During the comparative period in 2018, the following transactions were entered into with Pala:

- Subscribed for Common Shares in the aggregate amount of \$41.1 million (CAD\$51.4 million) in the Company's January and July 2018 equity offerings;
- Repayment of the bridge loan provided by Pala in the amount of \$3.5 million upon the completion of the Company's January 2018 equity offering;
- Conversion of convertible debt held by Pala into Common Shares at a conversion price of C\$0.50 per Common Share upon the completion of the Company's January 2018 equity offering. The Pala convertible debt balance at the time of conversion was \$38.5 million. This resulted in the issuance of 95,561,944 Common Shares to Pala;
- Back stop fees in the aggregate amount of \$1.8 million paid to Pala in respect of the Company's January and July 2018 equity offerings;
- Payment of \$2.7 million in respect of technical and other services rendered; and
- Interest paid of \$1.2 million in respect of Pala's convertible debt and bridge loan.

The related party transactions listed above involving Pala were reviewed and approved by directors of the Company who are independent of Pala.

Certain key management personnel are entitled to termination without cause and change of control benefits. In the event of termination without cause, other than a change of control, these key management personnel are entitled to receive, among other things, an amount ranging from 75% to 100% of their annual base salary. In the event of a change of control, if a termination without cause is within 24 months following the change of control, these key management personnel are entitled to receive, among other things, an amount ranging from 150% to 200% of their annual based salary. During the year ended December 31, 2019, \$nil was paid to key management personnel as a result of the foregoing. In comparison, during the year ended December 31, 2018, \$981 was paid to a previous key management member.

During the year ended December 31, 2019, \$611,000 (2018 - \$472,000) was incurred in director fees. As of December 31, 2019, accounts payable and accrued liabilities include director fees and expenses payable of \$228,000 (2018 - \$171,000).

Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Company and the related party.

On January 24, 2020, the Company entered, together with Pala, into indemnity agreements with a surety in connection with the issuance of a lien bond in the amount of \$21 million, to the extent required in order to remove any liens that may be recorded on the Property by the Company's previous contractor, Cementation. On February 11, 2020, the Company entered, together with Pala, into indemnity agreements with a surety in connection with the issuance of a bond up to a maximum of \$10 million to secure payment terms of the Company's new underground contractor. NCU entered into indemnity and fee agreements with Pala pursuant to which NCU will pay Pala an annual 10% financing fee of the total amounts of the bonds for guaranteeing each of the bond obligations.

On March 27, 2020, the Company entered into the Convertible Loan and Backstop with Pala and the 2019 Credit Facility was repaid.

## COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2019, the Company had the following consolidated contractual obligations:

(Expressed in thousands of United States dollars)

Contractual obligations	Total	Payments due by period			
		1 year	2-3 years	4-5 years	5 years+
Accounts payable and accrued liabilities	\$31,304	\$31,304			
Construction contractual obligations	\$9,118	\$9,118	-	-	-
Working Capital Facility	\$23,441	\$23,441	-	-	-
2019 Credit Facility	\$19,192	\$1,602	\$17,590	-	-
KfW IPEX Bank Facility	\$138,599	\$4,438	\$25,717	\$46,623	\$61,821
Equipment leases	\$27,808	\$6,544	\$12,811	\$8,453	-
Asset Retirement obligation	\$5,898	-	-	-	\$5,898
Office lease	\$96	\$47	\$49	-	-
<b>Total USD obligations</b>	<b>\$255,456</b>	<b>\$76,494</b>	<b>\$56,167</b>	<b>\$55,076</b>	<b>\$67,719</b>
	CAD	CAD	CAD	CAD	CAD
Office lease	\$262	\$137	\$125	\$-	\$-
<b>Total CAD obligations</b>	<b>\$262</b>	<b>\$137</b>	<b>\$125</b>	<b>\$-</b>	<b>\$-</b>

Subsequent to year end, the Company entered into the Refinancing Transaction to address the short-term liquidity risk facing the Company. In addition, the amendment to its existing KfW IPEX-Bank Facility that provides an aggregate of \$12.2 million in payment deferrals) and conversion of the 2019 Credit Facility to Pala convertible Loan resulted in a \$20.8 million decrease contractual obligations in 2021 - 2022 and a corresponding \$20.8 million increase in contractual obligations from 2023 onwards.

## LEGAL

On November 5, 2019, Cementation, who was the principal underground contractor of the Underground Project until January 30, 2020, filed a claim against the Company's subsidiary NCI in the Second Judicial District of Nevada for breach of contract and other claims related to the mining development contract for the Underground Project. On January 30, 2020, after NCI terminated its contract with Cementation, NCI filed a motion for leave to file counterclaims against Cementation for breach of contract and declaratory relief. On March 18, 2020, NCI's counterclaims were admitted by the court. The parties' dispute relates to the progress and costs of construction development for the Underground Project. Damages amounts claimed by each party is undetermined.

NCI's primary contractor for construction and commissioning of the plant at Pumpkin Hollow, Sedgman USA Inc. ("Sedgman"), has been delayed in its ramp up of commissioning of the plant. As a result of this delay, the Company is engaged in discussions with Sedgman regarding the parties' contractual obligations in attempt to resolve any dispute over potential claims related to those obligations. At this time, the Company cannot predict the outcome of these discussions or whether litigation will be commenced in the future.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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The Chief Executive Officer (the “CEO”), and the Chief Financial Officer (the “CFO”) of the Company are responsible for establishing and maintaining the Company’s disclosure controls and procedures (“DCP”) including adherence to the Disclosure Policy adopted by the Company. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Company so that they may evaluate and discuss this information and determine the appropriateness and timing for public release.

The CEO and the CFO are also responsible for the design of internal controls over financial reporting (“ICFR”). The fundamental goal is ensuring all transactions are properly authorised and identified and entered into a well-designed, robust and clearly understood accounting system on a timely basis and to minimise risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with IFRS, and failure to detect unauthorised receipts, expenditures, and unauthorised acquisitions or dispositions of assets. The relatively small size of the Company makes the identification and authorisation process relatively efficient and a process for reviewing ICFR has been developed. To the extent possible given the Company’s small size, the internal control procedures provide for separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, writing checks and wire requests and also require two signers on all payments.

The CEO and CFO evaluated the effectiveness of the Company’s DCP and ICFR as required by NI 52-109 issued by the Canadian Securities Administrators. They concluded that as of December 31, 2019, the Company’s design and operation of its DCP and ICFR were effective. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

The Company continually reviews and enhances its systems of controls and procedures. However, because of the inherent limitation in all control systems, management cautions that ICFR will not prevent or detect all misstatements due to error or fraud.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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Except for the bond commitments discussed in the Related Party Transactions section above, the Company has no off-balance sheet arrangements.

## **NEW ACCOUNTING PRONOUNCEMENTS**

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Certain recent accounting pronouncements have been included under Note 2r in the Company’s audited consolidated financial statements for the year ended December 31, 2019.

IFRS 16, Leases (“IFRS 16”), effective for annual periods beginning on or after January 1, 2019, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, Leases (“IAS 17”) and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets).

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective transition approach, which does not require restatement of prior period financial statements. The reclassifications and adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6%.

(in thousands of US dollars)

Operating lease commitments disclosed as at December 31, 2018	\$2,217
Add: finance lease liabilities recognized at December 31, 2018	304
Discounted using the lessee’s incremental borrowing rate at the date of initial application	(356)
<b>Lease liability recognized as January 1, 2019</b>	<b>\$2,165</b>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

(in thousands of US dollars)

	December 31 2019	January 1 2019
Mobile Mining Equipment	\$28,462	\$1,460
Properties	705	705
<b>Total Long-Term debt</b>	<b>\$29,167</b>	<b>\$2,165</b>

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

- right-of-use assets – increase by \$2.2 million
- lease liabilities – increase by \$2.2 million

There was no net impact on retained earnings on January 1, 2019.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Although these estimates are based on management’s expectations for the likely outcome, timing and amounts of events or transactions, actual results could differ from those estimates. Areas requiring the use of management estimates include the determination of assumptions used in valuing stock-based compensation, valuation of and the determination of the remaining life of mineral property, plant and equipment, estimating future asset retirement obligations, estimating convertible debt, and estimating accrued liabilities.

The areas that require significant estimations or where measurements are uncertain are as follows:

i) Mineral reserve estimates

The Company estimates its mineral reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with NI 43-101. Reserves are used in the calculation of depreciation, impairment assessment, and for forecasting the timing of payment of mine closure, reclamation, and rehabilitation costs. There are uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs, or recovery rates could have a material impact in the future of the Company's financial position and results of operations.

ii) Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the fair value of stock-based compensation expense reported.

iii) Discount rate of loans

The loans are initially recognized at fair value, calculated as the net present value of the liability based upon discount rate of comparable issuers and accounted for at amortised cost using the effective interest rate method.

iv) Provision for reclamation and remediation

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

The areas that require significant judgment or where measurements are uncertain are as follows:

i) Mineral properties, plant, and equipment and exploration and evaluation assets

The measurement and impairment of mineral properties, plant and equipment are based on various judgments and estimates. These include the determination of technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves and/or resources, future mineral prices and operating and capital expenditures for the properties.

ii) Impairment review

The evaluation of asset carrying values for indicators of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, budgets, forecasts, and life of mine estimates. The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected



production, sales volumes, commodity prices, mineral reserves, operating costs, taxes, restoration costs, and future capital expenditure. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may have an impact on the estimate of the recoverable amount of the assets. In such circumstances some or all the carrying value of the assets may be impaired with the impact recorded in profit or loss.

iii) Taxation

Tax provisions are recognised to the extent that it is probable that there will be future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of the financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognised to the extent that certain taxable losses or deferred expenditures will be utilised by the Company to reduce future taxes payable. The amount of deferred tax assets recognised, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilise these deferred assets, as well as the expected future tax rates that will apply to these assets.

Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the recognition of deferred tax assets or liabilities.

iv) Modification versus extinguishment of financial liability

Judgment is required in applying IAS 39 and IFRS 9 Financial Instruments: Recognition and Measurement to determine whether the amended terms of the Red Kite Loan Facility were a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability.

v) Functional currency

The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

vi) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including the impact of management's expectations for other future events that are believed to be reasonable under the circumstances.

vii) Achievement of Production Phase

Once a mine reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain assets of the Company's reach this level. Management considers several factors including, completion of a reasonable period of commissioning, and consistent operating results being achieved at a pre-determined level of design capacity.

## RISKS AND UNCERTAINTIES

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The Company and its future business, operations and financial condition are subject to various risks and uncertainties, including due to the nature of its business and the present stage of development of its mineral properties. Certain of these risks and uncertainties are described in this MD&A and under the heading “Risk Factors” in the Company’s Annual Information Form dated March 29, 2019 and are incorporated by reference here, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## SHARE DATA

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Capital Structure as of March 31, 2020:

Common shares issued and outstanding:	761,935,897
Total stock options outstanding:	37,908,834
Total warrants outstanding:	15,000,000

## CAUTIONARY NOTE

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Certain of the statements made and information contained herein contain forward-looking information within the meaning of applicable Canadian and United States securities laws. Such forward-looking statements and forward-looking information include, but are not limited to, statements that relate to: the impacts of COVID-19 on the global economy and the Company, the ramp up of production at the Underground Project and the expected timing and costs thereof, the ongoing exploration activities and the objectives and results thereof, the Company’s liquidity, TSX approval of the Convertible Loan, the Backstop and the issuance of certain Common Shares to Pala, the ongoing litigation with Nevada Copper’s prior contractor, and other plans of Nevada Copper with respect to the exploration, development, construction and commercial production at the Project.

Forward-looking statements and information include statements regarding the expectations and beliefs of management. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as “plans”, “expects”, “potential”, “is expected”, “anticipated”, “is targeted”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negatives thereof 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. Forward-looking statements or information are subject to known or unknown risks, uncertainties and other factors which may cause the actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

Forward-looking statements and information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: the state of financial markets; the impact of COVID-19 on the business and operations of the Company; the TSX approval referred to above; history of losses; requirements for additional capital; dilution; adverse events relating to construction, development and ramp up, including the ability of the Company to address underground development and process plant issues; ground conditions; cost overruns relating to development completion and ramp up of the Underground Project; loss of material properties; interest rates increase; global economy; no history of production; future metals price fluctuations and the continuation of the current low copper price environment, speculative nature of exploration activities; periodic interruptions

to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment to perform as expected; labor disputes; supply problems; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; changes in project parameters as plans continue to be refined; possible variations in ore reserves; grade of mineralization or recovery rates may differ from what is indicated and the difference may be material; legal and regulatory proceedings and community actions; the outcome of the litigation with Nevada Copper's prior contractor; accidents, title matters; regulatory restrictions; increased costs and physical risks relating to climate change, including extreme weather events, and new or revised regulations relating to climate change; permitting and licensing; volatility of the market price of the Common Shares; insurance; competition; hedging activities; currency fluctuations; loss of key employees; other risks of the mining industry, as well as those factors discussed in the section entitled "Risk Factors" in this MD&A and the Company's Annual Information Form dated March 29, 2019. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements or information. The forward-looking statements and information are stated as of the date hereof (or as otherwise specified therein). The Company disclaims any intent or obligation to update forward-looking statements or information except as required by law. Readers are referred to the full discussion of the Company's business contained in the Company's reports filed with the securities regulatory authorities in Canada. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that could cause results not to be as anticipated, estimated or intended. For more information on Nevada Copper and the risks and challenges of its business, investors should review Nevada Copper's annual filings that are available at [www.sedar.com](http://www.sedar.com).

The Company provides no assurance that forward-looking statements or information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.