



TEAMWORK. INNOVATION. EXECUTION.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2020 and 2019
(Unaudited Prepared by Management)

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of United States dollars)

(Unaudited – Prepared by Management)

	June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$1,625	\$1,041
Accounts receivable	85	73
Prepaid expenses	1,364	121
	3,074	1,235
Restricted cash (note 12)	5,867	2,055
Deferred financing fees (note 6a)	800	497
Mineral properties, plant, and equipment (note 3)	676,816	604,933
	\$686,557	\$608,720
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 9b and note 9c)	\$46,559	\$31,304
Related party payable (note 6)	441	-
Stock-based compensation liabilities – current portion (note 8c)	780	209
Current portion of stream and royalty deferral (note 5)	10,822	11,317
Current portion of long-term debt (note 4)	45,789	31,975
Total Current Liabilities	104,391	74,805
Stock based compensation liabilities - long term portion (note 8e)	724	807
Warrant derivative (note 8d)	1,059	-
Stream and royalty deferral (note 5)	101,740	69,661
Long term debt (note 4)	143,397	118,998
Lease Obligation – long term portion (note 4)	17,942	19,990
Asset retirement obligation	5,898	5,898
	375,151	290,159
Shareholders' Equity		
Share capital	437,248	431,069
Other equity reserve	34,421	33,308
Accumulated other comprehensive loss	(3,578)	(3,578)
Deficit	(156,685)	(142,238)
Total Shareholders' Equity	311,406	318,561
Total Liabilities and Shareholders' Equity	\$686,557	\$608,720

General Information, Nature of Operations and Going Concern (note 1)

Commitments and Contractual Obligations (note 9)

Subsequent Events (notes 4, 6, 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Board on August 6, 2020:

(Signed) “Ernest Nutter”, Director

(Signed) “Lucio Genovese”, Director

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Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

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

Three and six months ended June 30, 2020 and 2019

(Unaudited – Prepared by Management)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Expenses				
Consulting and remuneration	\$972	\$145	\$1,169	\$298
Public company expenses	559	421	1,248	944
Office expenses	125	147	198	369
Professional fees	1,947	363	3,142	890
Depreciation expense	30	11	40	20
Stock-based compensation (notes 8b, 8c and 8e)	1,267	(26)	1,135	1,531
Accretion expense	-	22	-	22
	(4,900)	(1,083)	(6,932)	(4,074)
Interest income	-	271	3	827
Interest and finance expenses	(30)	(14)	(36)	(14)
Derivative fair value (loss) gain (notes 4d and 8d)	2,507	25	(3,423)	125
Other income (expense)	11	-	11	27
Gain on debt modification (note 4a)	-	-	794	-
Loss on debt extinguishment, net (note 4c)	-	1,294	(4,906)	1,294
Foreign exchange gain (loss)	(45)	(36)	42	(96)
	2,443	1,540	(7,515)	2,163
Net loss and comprehensive income (loss)	\$ (2,457)	\$457	\$ (14,447)	\$ (1,911)
Loss per common share				
Basic and diluted	\$ (0.00)	\$0.00	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding	816,560,073	712,484,204	789,247,985	687,348,536

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in thousands of United States dollars except number of shares)

Six months ended June 30, 2020 and June 30, 2019

(Unaudited – Prepared by Management)

	Share Capital		Other Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
	Number of Shares	Amount				
Balances, December 31, 2018	661,933,584	\$402,802	\$29,937	\$(3,578)	\$(136,858)	\$292,303
Shares issued	100,002,313	29,765	-	-	-	29,765
Shares issuance costs	-	(1,955)	-	-	-	(1,955)
Stock-based compensation (note 8b)	-	-	2,525	-	-	2,525
Comprehensive loss	-	-	-	-	(1,911)	\$(1,911)
Balances, June 30, 2019	761,935,897	\$430,612	\$32,462	\$(3,578)	\$(138,769)	\$320,727

	Share Capital		Other Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
	Number of Shares	Amount				
Balances, December 31, 2019	761,935,897	\$431,069	\$33,308	\$(3,578)	\$(142,238)	\$318,561
Shares issued	57,800,000	6,300	-	-	-	6,300
Shares issuance costs	-	(121)	-	-	-	(121)
Stock-based compensation (note 8b)	-	-	1,113	-	-	1,113
Comprehensive loss	-	-	-	-	(14,447)	(14,447)
Balances, June 30, 2020	819,735,897	\$437,248	\$34,421	\$(3,578)	\$(156,685)	\$311,406

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of United States dollars) (Unaudited – Prepared by Management)

Six months ended June 30, 2020 and June 30, 2019

	June 30, 2020	June 30, 2019
Cash flows used in operating activities		
Loss for the period	\$(14,447)	\$(1,911)
Adjustments for:		
Derivatives fair value change	3,423	(125)
Debt modification gain (note 4a)	(794)	-
Debt extinguishment loss (note 4c)	4,910	(1,294)
Stock-based compensation	1,142	1,603
Unrealized foreign exchange loss (gain)	-	10
Interest and finance charges	44	-
Interest income	(3)	(827)
Depreciation and accretion expense	21	20
	(5,704)	(2,524)
Changes in non-cash working capital items:		
Amounts receivable	(12)	37
Prepaid expenses	(1,243)	(40)
Accounts payable and accrued liabilities	(9)	41
Net cash used in operating activities	(6,968)	(2,486)
Cash flows used in investing activities		
Proceeds received upon sale of royalties, stream amendment and issuance of warrants (note 5)	29,741	-
Interest received	3	827
Cash moved to restricted cash, net (note 12)	(3,812)	(12,222)
Stream payments (note 5)	(345)	-
Proceeds from pre-production sales (note 3)	2,101	-
Deposits for development costs	-	3,603
Development costs for mineral properties and purchase of plant and equipment	(48,008)	(110,006)
Net cash used in investing activities	(20,320)	(117,798)
Cash flows from financing activities		
Issuance of common shares	-	29,765
Long-term debt repayment	-	(92,468)
Share issuance costs incurred	(121)	(1,955)
Transaction costs for debt refinancing	-	(12,628)
Proceeds from promissory notes (note 4h)	8,000	-
Proceeds from long-term debt (note 4a)	-	115,000
Proceeds from Payroll Protection Program loan (note 4g)	2,348	-
Proceeds from Working Capital Facility (note 4b)	28,707	-
Working Capital Facility repayment (note 4b)	(23,068)	-
Proceeds from 2019 Credit Facility (note 4c)	14,550	-
Proceeds from Convertible Loan (note 4d)	450	-
Interest paid	(2,994)	-
Net cash provided by financing activities	27,872	37,714
Effect of exchange rate changes on cash and equivalents	-	(10)
Increase (decrease) in cash and cash equivalents	584	(82,580)
Cash and cash equivalents, beginning of the period	1,041	108,055
Cash and cash equivalents, end of the period	\$1,625	\$25,475
Supplemental cash flow information (note 12)		

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Notes to Condensed Consolidated Interim Financial Statements
(Expressed in thousands of United States dollars, except share amounts)
Three and six months ended June 30, 2020 and June 30, 2019
(Unaudited – Prepared by Management)

1. General Information, Nature of Operations and Going Concern:

Nevada Copper Corp. is the parent company of its consolidated group (the “Company” or “Nevada Copper”). The Company was incorporated on June 16, 1999 under the *Business Corporations Act* (Yukon) and was continued into British Columbia under the *Business Corporations Act* (British Columbia) on November 16, 2006. Nevada Copper is incorporated and domiciled in Canada, and its registered office is at Suite 598, 999 Canada Place, Vancouver, British Columbia, V6C 3E1. The Company is a mining company engaged in the exploration, development and operation of its copper project (the “Project”) at its Pumpkin Hollow Property (the “Property”) in Western Nevada, USA, and in particular, the ramp-up of its underground project at the Property (the “Underground Project”).

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern.

As at June 30, 2020, the Company had a working capital deficiency (current assets less current liabilities) of \$101,317 (December 31, 2019 - \$73,570). For the period ended June 30, 2020, the Company incurred a loss of \$14,447 (2019 - \$1,911) and the cash used in operating activities was \$6,968 (2019 - \$2,486). As at June 30, 2020, capital commitments due in the next twelve months are \$8,613.

As a result of COVID-19 and the declaration by the World Health Organization of COVID-19 as a “pandemic” in March 2020, 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.

On April 6, 2020, the Company announced it had temporarily suspended milling operations at the Underground Project as a result of the restrictions imposed by government-mandated measures and other impacts of the COVID-19 pandemic (the “Suspension”). During the Suspension, essential mine services and activities have continued and the Company implemented an accelerated mine development plan focused on completion of the main shaft at the Underground Project and advancing lateral development. As a result of the COVID-19 pandemic and the Suspension, the Company implemented measures to reduce its expenses, including headcount and salary reductions, and the deferral of certain amounts payable during the period of the Suspension. The Company currently expects to re-start milling operations mid-Q3 2020, subject to revision based on government mandated measures, other impacts relating to the COVID-19 pandemic and other factors. The Company continues to closely consult with its senior project lender, KfW, in relation to the Suspension and is working with all of its stakeholders to mitigate the impact. As such, the Company claimed force majeure on its Offtake Agreements (note 9a) and Working Capital Facility (note 4b) affecting the Company’s ability to perform certain of its obligations under these agreements.

While it is expected to be temporary, the Suspension is expected to have a material adverse impact on the Company’s business, results of operations, financial position, and cash flows in 2020.

During the six-month period ended June 30, 2020, the Company entered into the following refinancing initiatives:

- Amendments to the KfW IPEX-Bank Facility providing for an aggregate of \$12,200 in payment deferrals (note 4a)
- Working Capital Facility repayment deferral (note 4b)
- Convertible Loan in the amount of \$30,000 (note 4d) to replace the 2019 Credit Facility (note 4c)
- Amendments to the Company’s stream agreement with Triple Flag Mining Finance Bermuda Ltd. (the “Stream Agreement”) and two new royalty agreements with an affiliate of Triple Flag Precious Metals Corp. (collectively, the “Royalty Agreements”) (note 5), in the amount of \$20,000 (received on March 27, 2020) and \$10,000 (received on May 1, 2020), in respect of the amendment to the Stream Agreement and the Royalty Agreement and \$5,000 to be received in conjunction with re-investments by Triple Flag Mining Finance Bermuda Ltd. and affiliated companies on future stream deliveries under the Stream Agreement

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- Backstop funding in the amount of \$20,000 (note 6a)
- Indemnity agreement with a surety in the amount of \$25,800 (note 6b)
- Indemnity agreement with a surety in connection with a bond up to a maximum of \$13,500 to secure payment terms of the Company’s new underground contractor (note 6b)
- Payroll Protection Program Loan in the amount of \$2,348 (note 4g)

In addition, subsequent to period end, the Company completed a bought deal public equity offering, which included the exercise in full of the underwriters’ over-allotment option (the “Over-Allotment Option”), of 667,503,553 units of the Company (“Units”) at a price of CAD\$0.15 per Unit for aggregate gross proceeds of approximately CAD\$100,000, inclusive of the Over-Allotment Option issuance (note 13a). A portion of the net proceeds from the Offering was used to prepay, with no prepayment penalties, in full the Convertible Loan (note 4d). The Company also used a portion of the net proceeds from the Offering to repay other outstanding indebtedness (including the Short Term Loans (note 4h)). In addition, the Backstop funding (note 6a) was terminated as a result of the Offering.

Management believes that the operations of the Pumpkin Hollow Property will re-commence in August 2020. However, the full extent of the impact of the COVID-19 pandemic on the economy and commodity prices, including copper prices, is not known at this time. COVID-19 is expected to have a materially negative impact on the Company’s finances and the full extent of the impact cannot be reasonably estimated at this time. The Company is also subject to operational risks associated with the commissioning and ramp-up of the Underground Project. The above factors, including subsequent debt repayments and the termination of the Backstop funding, give rise to material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

The ability of the Company to continue as a going concern, to realise the carrying value of its assets, and to discharge its liabilities when due, are dependent on results from operations, favourable market conditions and the ability to obtain additional funding if required. There can be no assurance that these requirements will be achieved.

If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities and these adjustments could be material.

2. Significant Accounting Policies:

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2019, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Lion Iron Corp. (inactive), 607792 British Columbia Ltd. (inactive), Nevada Copper, Inc. (“NCI”) incorporated in Nevada, United States and NCI’s wholly owned subsidiaries, NC Ditch Company LLC (inactive) and NC Farms LLC (inactive) incorporated in Nevada, United States. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All significant intercompany transactions and balances are eliminated on consolidation.

These condensed consolidated interim financial statements are presented in United States dollars (“USD”), which is the Company’s functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are

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denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in operations.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 6, 2020.

b) Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated audited financial statements for the year ended December 31, 2019, except as described below.

Significant judgment was required in conjunction with arriving at the Company's accounting policies related to the royalty and stream transactions described in note 5, including the characterization of the transactions, whether control has been transferred on the underlying mineral interests and whether related services are distinct from the mineral interests. In addition, because the transactions were entered into concurrently, the Company's future statements of operations will also be affected by significant estimation related to the allocation of consideration to the various components of the transaction on the basis of stand-alone selling price.

COVID-19's current and expected impacts on the global economy are anticipated to be far-reaching. To date there have been significant stock market declines and volatility, significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the commodities the Company produces, on its suppliers and employees, and on global financial markets.

During the six months ended June 30, 2020, the Company has made efforts to safeguard the health of its employees, while continuing to operate safely and responsibly maintain employment and economic activity. These measures combined with commodity market fluctuations resulting from COVID-19 have affected the Company's financial results.

The Company performed an impairment test and determined that there was no impairment to its mineral property, plant, and equipment at March 31, 2020. At June 30, 2020 the Company assessed that there were no further indicators of impairment and did not identify any matters requiring it to perform an updated impairment test. There is heightened potential for impairments of these assets and possibly other impairments over the balance of 2020. In the current environment, assumptions about future commodity prices, exchange rates, interest rates and customer credit performance are subject to greater variability than normal, which could in the future significantly affect the valuation of the Company's assets, both financial and non-financial. Short-term prices for copper have fluctuated significantly in 2020; however, given the relatively short duration of these market movements and, market participants' views of commodity prices over a longer horizon, the long life of the Company's assets have remained largely unchanged. As an understanding of the longer-term impacts of COVID-19 on commodity, credit and equity markets develops, there is heightened potential for changes in these views over the balance of 2020.

The Company will continue to closely monitor the impacts of COVID-19 on its business. Should the duration, spread or intensity of the COVID-19 pandemic further deteriorate in 2020, there could be further potentially material and negative impacts on the Company's operating plan, its liquidity and cash flows, and the valuation of its long-lived assets due to sustained decreases in metal prices, potential inability to generate expected revenue and profitability from its ongoing operations. Impacts from COVID-19 could lengthen the Suspension at the

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Underground Project. The Company's access to financing to support its ongoing operations may also be negatively impacted or delayed as a result of COVID-19.

3. Mineral Properties, Plant and Equipment:

	Mineral Properties Development Costs	Plant & Equipment	Rights of Use Assets	Deposits	Total
Cost:					
Balance at Dec. 31, 2018	\$342,386	\$1,306	\$2,165	\$20,561	\$366,418
Additions	230,930	1,611	27,002	(17,106)	242,437
As at Dec. 31, 2019	\$573,316	\$2,917	\$29,167	\$3,455	\$608,855
Additions	73,843	-	789	108	74,740
As at Jun. 30, 2020	\$647,159	\$2,917	\$29,956	\$3,563	\$683,595
Accumulated depreciation:					
Balance at Dec. 31, 2019	\$-	\$1,268	\$2,654	\$-	\$3,922
Additions	-	79	2,778	-	2,857
As at Jun. 30, 2020	\$-	\$1,347	\$5,432	\$-	\$6,779
Net Book Value					
As at Dec. 31, 2019	\$573,316	\$1,649	\$26,513	\$3,455	\$604,933
As at June 30, 2020	\$647,159	\$1,570	\$24,524	\$3,563	\$676,816

Project costs capitalised for the six months ended June 30, 2020 on the Property consists of the following:

	June 30, 2020	2020 Additions	December 31, 2019	2019 Additions	December 31, 2018
Property payments	\$1,961	\$-	\$1,961	\$ -	\$1,961
Advance royalty payments	5,526	300	5,226	600	4,626
Water rights	2,673	94	2,579	141	2,438
Drilling	42,302	-	42,302	-	42,302
Geological consulting, exploration & related	8,459	-	8,459	-	8,459
Feasibility, engineering & related studies	27,605	368	27,237	1,919	25,318
Permits/environmental	13,729	620	13,109	615	12,494
Underground project					
Underground access, hoist, head frame, power & related	241,488	42,238	199,250	92,911	106,339
Engineering procurement	127,330	232	127,098	81,965	45,133
Surface infrastructure	29,717	9,160	20,557	14,761	5,796
Site costs	37,612	7,228	30,384	10,492	19,892
	538,402	60,240	478,162	203,404	274,758
Depreciation	6,489	2,839	3,650	2,900	750
Asset retirement obligation	4,984	-	4,984	4,075	909
Capitalised interest	75,574	8,408	67,166	9,713	57,453
Stock-based compensation	8,805	429	8,376	2,473	5,903
Stream accretion	15,006	4,028	10,978	8,365	2,613
Pre-production sales	(2,101)	(2,101)	-	-	-

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Total	\$647,159	\$73,843	\$573,316	\$230,930	\$342,386
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Project costs in the period were related to the continued development of the Project and therefore continued to be capitalized to Mineral Properties Development Costs.

Asset impairments

The Company reviews the carrying value of assets at each reporting period for indicators of impairment using both internal and external sources of information.

At March 31, 2020, the following indicators for impairment existed leading to a test of the recoverable amount of the Pumpkin Hollow mine: the net assets of the Company exceeded the market capitalization of the Company and the decrease in the estimated net cash flows of the Pumpkin Hollow mine driven by the decrease in estimated short and long term copper prices. The Company estimated the recoverable amount of the Pumpkin Hollow mine based on its fair value less costs to sell calculation, utilizing an income approach valuation technique, based on a discounted cash flow model and categorised in Level 3 of the fair value hierarchy. The analysis performed has not resulted in the recognition of an impairment loss as at March 31, 2020. This assessment assumes a re-start of the process plant in the latter half of Q3 2020 subject to revision based on government mandated measures, other impacts relating to the COVID-19 pandemic and other factors.

At June 30, 2020, the Company assessed that there were not any additional indicators of impairment that would require the Company to perform an impairment test. Accordingly, no impairment was recorded as at June 30, 2020.

4. Debt:

	June 30, 2020	December 31, 2019
Current portion of debt:		
Current portion of convertible debt - derivatives	\$-	\$1
Current portion of KfW IPEX-Bank Facility (a)	1,630	1,855
Working Capital Facility (b)	29,156	23,441
Current portion of 2019 Credit Facility (c)	-	106
Current portion of lease liability (e)	5,433	5,021
Promissory note payable (f)	1,551	1,551
Prefunding promissory note (h)	8,019	-
Total current portion of debt	\$45,789	\$31,975
KfW IPEX Bank Facility (a)	\$103,915	\$103,629
2019 Credit Facility (c)	-	15,369
Convertible debt (d)	27,137	-
Convertible debt derivatives (d)	9,993	-
Lease liability (e)	17,942	19,990
Payroll Protection Program Loan (g)	2,352	-
Total long-term debt	\$161,339	\$138,988

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a) KfW IPEX-Bank Facility:

	Loan facility – amortised cost	Deferred financing fee	Total
Balance at December 31, 2018	\$-	\$-	\$-
Advance	115,000	(12,628)	102,372
Interest expense	2,650	-	2,650
Interest payment	(795)	-	(795)
Accretion expense	-	1,257	1,257
Balance at December 31, 2019	\$116,855	\$(11,371)	\$105,484
Interest expense	2,006	-	2,006
Interest payment	(2,231)	-	(2,231)
Loan modification	-	(794)	(794)
Accretion expense	-	1,080	1,080
Balance at June 30, 2020	\$116,630	\$(11,085)	\$105,545

On May 6, 2019, the Company, through its wholly owned subsidiary, NCI entered into a credit agreement (the “KfW IPEX-Bank Facility”) with KfW IPEX-Bank (“KfW”) pursuant to which KfW agreed to fund up to \$115,000 for construction and operating costs in respect of the Underground Project. During the year ended December 31, 2019, the Company drew the total of the KfW IPEX-Bank Facility’s total amount of \$115,000.

The Company and its subsidiaries granted security in favour of the collateral agent under the KfW IPEX-Bank Facility over substantially all of their respective current and future assets, including all of the assets at the Underground Project and the Open Pit Project.

Per the amendment described below, initial repayments under the KfW IPEX-Bank Facility are scheduled to start in July 2022 with a back-weighted repayment profile, with final payment due in July 2028.

Interest accrued is payable every six months at July 31 and January 31 until the final principal payment on July 31, 2028. Interest of \$2,231 was paid during the six months ended June 30, 2020. Subsequent to period end, \$1,965 was paid on July 31, 2020.

The KfW IPEX-Bank Facility is carried at amortised cost on the consolidated statements of financial position. The Company has incurred \$12,628 of transaction costs, on the total amount available under the KfW IPEX-Bank Facility.

The KfW IPEX-Bank Facility contains certain financial and non-financial affirmative and restrictive covenants similar to those found in a traditional bank financing. The Company is in compliance with these covenants as at June 30, 2020.

On March 27, 2020, the Company entered into an amendment to the KfW IPEX-Bank Facility providing an aggregate of \$12,200 in payment deferrals through the re-sculpting of certain amortization and debt service reserve account payments to maximize access to liquidity over a period of 18 months. The amendments included 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. It also included postponing the required funding date for the debt service reserve account for 18 months.

The Company recorded a debt modification gain of \$794 related to the above amendment during the six months ended June 30, 2020.

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b) Working Capital Facility:

Beginning Balance	\$-
Advance	26,421
Interest accrual	372
Repayment	(3,352)
Balance at Dec. 31, 2019	\$23,441
Advance	28,708
Interest accrual, net of accrual reversal	598
Repayment	(23,591)
Balance at June 30, 2020	\$29,156

In 2019, NCI entered into a working capital facility (the “Working Capital Facility”) with Concord Resources Limited (“Concord”) for a maximum principal amount of \$35,000 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. Interest on advance payments will be payable at LIBOR plus 7.5% prior to commercial production at the Underground Project and LIBOR plus 5% thereafter, maturing in 2023, unless terminated in accordance with the terms of any Offtake Agreement (as defined in note 9a). There is no penalty or charge for repayment in respect of the Working Capital Facility.

During the six months ended June 30, 2020, the Company drew \$28,708 under the Working Capital Facility and accrued interest of \$795. It repaid the \$23,069 balance outstanding at year end of which \$2,101 was in product deliveries and \$21,490 was in cash.

On April 10, 2020, the Company notified Concord of a force majeure affecting the Company’s ability to perform certain of its obligations under the Offtake Agreements due to the Suspension (note 1). On May 15, 2020, Concord agreed to defer the repayments that would otherwise have fallen due under the Working Capital Facility until September 2020. The Company may resume drawing advances under the Working Capital Facility once repayments resume, subject to applicable conditions. As a condition to the repayment deferral, Concord and the Company agreed that:

- (i) the outstanding Working Capital Facility balance will be reduced by rebasing to current copper, gold and silver prices (copper prices were lower on May 15, 2020 than when the advances were drawn). The rebasing amount was determined to be \$3,200 and the Company has paid \$1,500 on July 28, 2020 and the remainder will be paid by August 30, 2020.
- (ii) Pala Investments Limited (“Pala”), the Company’s largest shareholder, will post a cash collateral of \$1,200 as security to remain in place until the rebasing amount has been paid by the Company to Concord on August 30, 2020. The cash collateral has been posted on May 18, 2020 and Pala has charged a fee of \$34 which represents an 10% fee from May 18, 2020 to August 30, 2020

c) 2019 Credit Facility:

	Amortised cost	Deferred financing fee	Total
Balance at December 31, 2018	\$-	\$-	\$-
Advance	16,350	(1,031)	15,319
Interest expense	106	-	106
Accretion expense	-	50	50
Balance at December 31, 2019	\$16,456	\$(981)	\$15,475
Advance	14,987	(887)	14,100
Interest expense	545	-	545
Accretion expense	-	319	319
Conversion to Convertible Debt (note 4d)	(31,988)	1,549	(30,439)
Balance at June 30, 2020	\$-	\$-	\$-

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On November 29, 2019, the Company entered into a \$30,000 unsecured credit facility (the “2019 Credit Facility”) with Pala. The 2019 Credit Facility replaced in its entirety Pala’s \$11,400 commitment under the equity standby facility that it previously provided to the Company in connection with the KfW IPEX-Bank Facility.

On March 27, 2020, the principal amount of the 2019 Credit Facility, together with an accrued interest of \$651 was extinguished from the proceeds of the Convertible Loan (note 4d). A \$4,910 loss was recognized in the interim consolidated statement of operations for the difference between the carrying amount of the 2019 Credit Facility, the deferred financing fee, and the fair value of the Convertible Loan at the time the 2019 Credit Facility was replaced.

d) Pala Convertible Loan

	Convertible loan	Conversion Option	Prepayment Option	Deferred financing fees	Total
December 31, 2019	\$-	\$-	\$-	\$-	\$-
2019 Credit Facility	28,037	12,806	(6,043)	(2,400)	32,400
Conversion					
Interest accrued	1,197	-	-	-	1,197
Accretion	-	-	-	303	303
Change in fair value	-	10,736	(7,506)	-	3,230
June 30, 2020	\$29,234	23,542	\$(13,549)	\$(2,097)	\$37,130

On March 27, 2020, the Company entered into a Convertible Loan Facility (the “Convertible Loan”) with Pala in the principal amount of \$30,000, which extended and replaced the 2019 Credit Facility (note 4c). All fees, interest and other expenses that accrued or became due under the 2019 Credit Facility on March 27, 2020 in the aggregate amount of \$3,400 was satisfied through the issuance of 31,400,000 common shares of the Company to Pala on April 6, 2020 (note 8a). Subsequent to March 27, 2020, Pala syndicated an aggregate principal amount of \$13,400 of the Convertible Loan to Castlake L.P., the Company’s second largest shareholder, and another \$500 aggregate principal amount of the Convertible Loan to a third party.

Subsequent to period end, the Company repaid in full the Convertible Loan with proceeds from the Offering (note 13). The Convertible Loan had a maturity date of March 27, 2024 and bore interest at the rate of 14% per annum, quarterly in arrears. The lenders under the Convertible Loan could have, at any time, and from time to time, converted all or a portion of the Convertible Loan into common shares at a price of CAD\$0.1575. The Convertible Loan could have been 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 debt component of the Convertible Loan is carried at amortised cost in the consolidated condensed interim financial statements and the convertible option and the prepayment option of the Convertible Loan are recorded at their respective fair values as at March 27, 2020 and the reporting date as it is classified as embedded derivatives. Changes in the fair values of these financial instruments are recorded in profit or loss.

The change in value was recognised in the consolidated condensed interim statement of operations as a change in derivative fair value of \$3,230 for the six-month period ended June 30, 2020 (2019 - \$nil).

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e) **Lease liability:**

Lease liabilities are repayable in monthly instalments and are secured by equipment with a carrying value of \$23,816 (2019 - \$25,807). The capital lease obligations bear fixed interest rates ranging from 6% to 8% and have maturity dates ranging from 2022 to 2048.

f) **Promissory note payable**

During 2019, the Company purchased land for its transload facility for \$1,607 by paying \$56 in cash issuing a promissory note for \$1,551. The promissory note is payable in monthly instalments of \$7 with the principal due on January 1, 2021.

g) **Payroll Protection Program Loan**

On April 17, 2020, the Company received a loan under the Payroll Protection Program (“PPP Loan”) in the amount of \$2,348. The Payroll Protection Program is one of the COVID-19 relief measures provided by the United States federal government. It provides forgivable loans to small business owners to help them keep employees on payroll. The program is intended to provide an incentive for businesses to keep their workers on the payroll. Under the program, loans proceeds can be used for specified purposes including payroll costs, interest on mortgages, rent, and utilities. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels over a 24 week period from receipt of funds. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

Pursuant to the terms of the program, any amounts not forgiven accrue interest at a rate of 1% annually and are repayable in monthly principal and interest payments over a five year period. The PPP Loan is unsecured with no collateral, guarantees or financing fees.

h) **Prefunding promissory notes**

On March 18, 2020, Pala provided an advance of \$2,200 as pre-funding prior to the closing of the Company’s March 2020 refinancing transactions (the “Refinancing Transactions”), pursuant to the terms of an 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.

This Promissory Note was repaid in full on March 30, 2020, with Pala waiving all interest due under the Promissory Note.

On June 15 and June 30, 2020, Pala provided advances to the Company of \$5,500 and \$2,500, respectively, which were used primarily for the continued operation and construction of the Underground Project, pursuant to the terms of unsecured promissory notes, bearing interest at 8% and maturing on September 15, 2020. Subsequent to period end, a further \$7,100 was advanced by Pala pursuant to promissory notes on the same terms to assist the Company in meeting its short term cash needs (collectively with the two promissory notes made by Pala in June 2020, the “Short Term Loans”).

Subsequent to period end, the Short Term Loans were repaid in full with proceeds of the Offering.

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5. Stream and royalty deferral

Balance at Dec. 31, 2018	\$72,613
Accretion	8,365
Balance at Dec. 31, 2019	\$80,978
Accretion	4,028
Amounts recognized under the stream	(345)
Proceeds allocated from royalty and stream transactions, net of transaction costs (see below)	27,901
Balance at June 30, 2020	\$112,562

	June 30, 2020	December 31, 2019
Current portion*	\$10,822	\$11,317
Long term portion	101,740	69,661
Total stream and royalty deferral	\$112,562	\$80,978

*Current portion is based on the estimated stream payments in the next 12 months

On March 27, 2020 the Company entered into a series of agreements with Triple Flag Mining Finance Bermuda Ltd. and affiliated companies (collectively, “Triple Flag”). These agreements provided for i) the issuance of a 0.70% net smelter return royalty in respect of the Open Pit Project (the “Open Pit Royalty”); ii) the issuance of a 2.00% net smelter return royalty in respect of the Tedeboy area exploration property (the “Tedeboy Royalty” and collectively with the Open Pit Royalty, the “Royalty Agreements”); iii) an increase in the amount of gold and silver deliverable to Triple Flag under the Stream Agreement from 90% to 97.5% and a reduction in the ongoing payment by Triple Flag from 10% to 5% of the then current spot price at the time of future deliveries; and iv) the issuance of an aggregate of 15 million common share purchase warrants of the Company to Triple Flag at an exercise price of CAD\$0.225, exercisable for a period of five years (note 8d).

As consideration for these transactions, the Company became entitled to an estimated \$35,000 of consideration, including \$20,000 received on March 27, 2020 pursuant to the Royalty Agreements and \$10,000 received on May 1, 2020 pursuant to the amendment to the Stream Agreement and an additional \$5,000 to be paid to the Company pursuant to the amendment to the Stream Agreement through the reinvestment of 50% of the value of metal deliveries received by Triple Flag under the Stream Agreement. The Company is entitled to an additional contingent payment of \$5,000 in the event of, and upon achieving, commercial production of the Tedeboy area exploration property pursuant to the Tedeboy Royalty. In accordance with the contract modification guidance under IFRS, the amounts to be recognized in the future with respect to each of the individual components of the Royalty Agreements and amended Stream Agreement will be based on an allocation of the total consideration based on the relative stand-alone selling price of the remaining obligations. For the purpose of this allocation, the total consideration from the Royalty Agreements and amended Stream Agreement is aggregated with the carrying value of the stream deferral just prior to the transaction, net of transaction costs and the \$865 fair value of the warrants issued (note 8d). In applying its accounting policies to assess the transactions, the Company determined that the mineral interests are not derecognized and that the deferred consideration associated with each of the components will be recognized as control to the good or service is transferred to Triple Flag, which will occur as production of concentrate and refining takes place.

6. Related Party Transactions:

Pala is a related party to the Company as a result of its 41.3% (2019 – 35.8%) shareholding in Nevada Copper as at June 30, 2020. Additionally, three Pala executives are on the Company’s Board of Directors of nine board members as at June 30, 2020.

On July 28, 2020, upon completion of the Offering, Pala’s shareholding in the Company decreased to approximately 40% (note 13).

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During the six-month period, the Company entered into the following transactions with Pala:

- \$229 (2019 - \$179) was incurred for technical and other services
- Replacement of the 2019 Credit Facility (note 4c)
- The Convertible Loan (note 4d)
- The Backstop (see a below)
- The Indemnity Agreements (see b below)
- Issuance of 57,800,000 common shares in connection with the Refinancing Transactions (note 8a).
- The Short Term Loans (note 4h)
- The indemnity fee related to the Working Capital Facility deferral (note 4b)

As at June 30, 2020, the Company owed Pala \$441 (2019 - \$nil) relating to fees in connection with the Indemnity Agreements (below).

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.

a) Backstop Agreement

On March 27, 2020, Pala, the Company and Triple Flag entered into a backstop agreement (the “Backstop”) providing for up to \$20,000 of funding from Pala until December 31, 2021 if the Company was unable to raise capital from other sources.

A fee was payable to Pala upon entering into the Backstop in the amount of \$800, which was paid through the issuance of 7,500,000 common shares (note 8a).

Subsequent to period end, upon completion of the Offering, the Backstop expired in accordance with its terms and is no longer available to the Company effective July 28, 2020 (note 13(a)).

b) Indemnity Agreements

During the six-month period, the Company entered, together with Pala, into indemnity agreements with a surety in connection with the issuance of a lien bond in an amount up to \$21,000, subsequently increased to \$25,800 to the extent required in order to remove any liens that may be recorded on the Property by a previous contractor. Pala charged the Company an annual 10% financing fee in the amount of \$2,100 for providing guarantees for such surety bonds.

During the period, the \$2,100 was paid to Pala through the issuance of 18,900,000 common shares on April 6, 2020 (note 8a). \$1,162 was recorded as a prepaid expense as at June 30, 2020 to reflect the unamortized portion of the financing fee.

On February 11, 2020 and June 8, 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 \$10,000 and \$3,500, respectively, to secure payment terms of the Company’s new underground contractor and approximately \$7,000 for a reclamation bond. In connection with the above indemnity agreements (the “Indemnity Agreements”), the Company entered into indemnity and fee agreements with Pala pursuant to which Company will pay Pala an annual 10% financing fee of the total amounts of the bonds for guaranteeing each of the bond obligations.

The above fees were capitalized to mineral properties as it relates to the Underground Project.

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7. Key Management Personnel Compensation:

The remuneration of the chief executive officer, chief financial officer, chief commercial officer, advisors, and directors, being those persons having authority and responsibility for planning, directing, and controlling activities of the Company, are as follows:

	June 30, 2020	June 30, 2019
Short-term employee benefits	\$1,445	\$859
Stock-based compensation	950	2,009
Total	\$2,395	\$2,868

Certain key management personnel are entitled to termination without cause and change in 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 period ended June 30, 2020, \$nil (2019 - \$nil) was paid to key management personnel as a result of the foregoing and \$408 became payable to certain key management personnel under the termination without cause benefits.

Subsequent to June 30, 2020, \$237 became payable to certain key management personnel under the termination without cause benefits.

During the six-month period, \$591 (2019 - \$321) was incurred in director fees. As of June 30, 2020, accounts payable and accrued liabilities include director fees and expenses payable of \$469 (2019 - \$189).

8. Share Capital:

a) Authorised and issued:

The Company is authorised to issue an unlimited number of common shares without par value.

During the period, the Company issued the following common shares to Pala:

- 31,400,000 common shares at CAD\$0.1575 in consideration for \$3,400 in fees, interest and other expenses that accrued or became due upon the replacement of the 2019 Credit Facility with the Convertible Loan (notes 4c and d)
- 18,900,000 common shares at CAD\$0.1575 in consideration for \$2,100 of fees in connection with the Indemnity Agreements (note 6b)
- 7,500,000 common shares at CAD\$0.1575 in consideration for \$800 in backstop fees (note 6a)

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b) Share Purchase Options:

	Number of Options	Weighted average exercise price \$(CAD)
Outstanding December 31, 2018	23,422,500	\$0.71
Granted	14,486,334	0.44
Expired/cancelled	(585,000)	1.95
Outstanding December 31, 2019	37,323,834	\$0.59
Granted	19,997,966	0.16
Expired/cancelled	(7,888,514)	0.56
Outstanding June 30, 2020	49,433,286	0.43
Exercisable June 30, 2020	33,227,680	\$0.50

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan"), originally approved by the shareholders on November 16, 2007, re-approved on April 27, 2017 and June 24, 2020, which complies with the rules and policies of the Toronto Stock Exchange. Under the Plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares as of that date including options granted prior to the adoption of the Plan.

In Q1 2019, 14,486,334 options were granted at a weighted-average exercise price of CAD\$0.44 to employees, consultants, and directors exercisable for a period of five years with various vesting terms between nil and three years. The weighted-average fair value attributable to options granted in Q1 2019 was CAD\$0.25.

In Q2 2020, on April 10, 2020, 19,130,875 options were granted at a weighted-average exercise price of CAD\$0.16 to employees, consultants and directors exercisable for a period of five years with various vesting terms between nil and three years. The weighted-average fair value attributable to options granted was CAD\$0.09. In Q2 2020, on June 10, 2020, an additional 867,091 options were granted at a weighted-average exercise price of CAD\$0.21 to employees and consultants exercisable for a period of five years with various vesting terms between one and three years. The weighted-average fair value attributable to options granted was CAD\$0.11.

During the six months ended June 30, 2020, \$1,113 (2019 - \$2,525) in stock-based compensation was recorded upon options vesting to officers and employees, of which \$632 (2019 - \$1,446) was charged to operations.

The Company uses the Black-Scholes option pricing model to value stock options, which requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	June 30, 2020	June 30, 2019
Risk free interest rate	0.48%	2.05%
Expected dividend yield	0%	0%
Expected stock price volatility	62.0%	66.1%
Expected life in years	5.0	4.9
Expected forfeitures	0%	0%

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The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected volatility is based on the Company's historical common share prices. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. Expected forfeitures are based on historical forfeitures of the Company's options.

The following table summarises the stock options outstanding and exercisable as at June 30, 2020:

Exercise price (in CAD)	Outstanding		Exercisable	
	Number outstanding	Weighted average remaining life (years)	Number outstanding	Weighted average remaining life (years)
\$0.16 - \$0.74	48,313,286	3.72	32,107,680	3.40
\$0.75 - \$1.00	1,120,000	0.62	1,120,000	0.62
	49,433,286	3.65	33,227,680	3.31

c) Deferred share units:

	Number of DSUs
Outstanding December 31, 2019	869,394
Granted	4,977,047
Outstanding June 30, 2020	5,846,441

The Company established a DSU plan that allows directors to receive directors' fees in the form of DSUs. Directors receive cash upon the exercise of the DSU. DSUs may only be exercised when the holder ceases to be a director. Vesting terms are established by the directors at the date of grant. DSUs will be paid out 30 days following the date a DSU participant ceases to be a director of the Company and settlement of DSUs will be by way of: (i) a lump sum cash payment; (ii) the issuance of common shares; or (iii) a combination of a cash payment and the issuance of common shares, at the discretion of the Company's Board of Directors.

Periodically, since 2013, directors have been granted DSUs, which replaced stock option grants and cash payments as a component of their compensation.

During the six months ended June 30, 2020, on April 10, 2020, 4,784,761 DSUs were granted at a weighted-average exercise price of CAD\$0.16 to directors and advisors. The weighted-average fair value attributable to DSUs granted was CAD\$0.09. On June 10, 2020, 192,286 DSUs were granted at a weighted-average exercise price of CAD\$0.21 to an advisor. The weighted-average fair value attributable to DSUs granted was CAD\$0.11.

All of the DSUs have vested. The current DSU payable amount is \$780 (2019 - \$209). The Company recognised a \$571 loss for the period ended June 30, 2020 (2019 – \$28 loss) in the consolidated statements of operations in relation to change in value of these DSUs.

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d) Warrants:

	Number of warrants
Outstanding December 31, 2019	2,500,000
Exercised	-
Expired	(2,500,000)
Issued (note 5)	15,000,000
Outstanding June 30, 2020	15,000,000

In June 2016, the Company issued 2,500,000 warrants to Pala with an exercise price of CAD\$0.97 per common share. During the six-month period, all 2,500,000 warrants held by Pala expired.

On March 27, 2020, 15,000,000 warrants were issued to Triple Flag with an exercise price of CAD\$0.225 per common share, exercisable for five years. At issuance, the value of the warrants was determined to be \$865 based on an evaluation using the Black-Scholes pricing model and was recorded as a liability (as the strike price is in Canadian dollars and the Company's functional currency is USD thereby making it a derivative) with the corresponding entry to the stream and royalty deferral (note 5). At June 30, 2020, the change in value of the warrants was determined to be \$194 resulting to a warrant derivative liability of \$1,059 as at June 30, 2020 with the corresponding entry recorded as a derivative fair value loss.

The fair value of the warrants derivative at June 30, 2020 and June 30, 2019 was measured using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2020	June 30, 2019
Risk-free interest rate	0.35%	1.69%
Expected dividend yield	0	0
Expected stock price volatility	68.1%	57.8%
Expected life in years	4.7	0.7

e) Performance and Restricted Share Units

During the comparative period, the Company established a Performance and Restricted Share Unit Plan that allows employees to receive short term and long-term incentive plan compensation in the form of performance share units ("PSUs") and restricted share units ("RSUs"). PSUs and RSUs issued under the Performance and Restricted Share Unit Plan entitle the holder to a cash payment at the end of a three-year performance period equal to the number of RSUs or PSUs granted, adjusted for a performance factor and multiplied by the quoted market value of a common share.

Under the Performance and Restricted Share Unit Plan, 4,359,466 PSUs and 5,368,258 RSUs were issued during Q1 2019. In Q2, 2020, 18,831,022 RSUs and 5,865,488 PSUs were granted.

During the six months ended June 30, 2020, \$84 (2019 - \$999 expense) in a stock-based compensation credit was recorded in relation to these units, of which \$31 (2019 - \$185 expense) was recorded to operations and \$53 (2019 - \$813 expense) was recorded to development costs. The RSU/PSU payable amount is \$724 (2019 - \$999) which was classified as long term.

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9. Commitments and Contractual Obligations:

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	June 30, 2020	December 31, 2019
Property, plant, and equipment	\$8,613	\$9,118

a) Offtake Arrangements

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”) under which NCI will 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 of making 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 side letter entered into by Aurubis, NCI and Concord on or about the date of the Aurubis Offtake Agreement (the “Aurubis Side Letter”). NCI sells and delivers copper concentrate required for the swap agreement arrangement contemplated by the Aurubis Side Letter under a copper concentrate sales agreement between NCI and Concord (the “Swap Volumes Offtake Agreement”).

Drawdowns under the Working Capital Facility are linked to deliveries to Concord under the Swap Volumes Offtake Agreement and a separate copper concentrate sales agreement with Concord (the “Additional Volumes Offtake Agreement” and collectively with the Swap Volumes Offtake Agreement Aurubis Offtake Agreement, the “Offtake Agreements”) for a term of 3.5 years, linked to the term of the Working Capital Facility. Under the terms of the Additional Volumes Offtake Agreement, NCI will 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 Volumes Offtake Agreement and the Additional Volumes Offtake Agreement provide for NCI to deliver monthly shipments to Concord.

On April 10, 2020, the Company notified Concord of a force majeure affecting the Company’s ability to perform certain of its obligations under the Offtake Agreements due to the Suspension (see note 1).

b) Cementation Claim

On November 5, 2019, Cementation USA Inc. (“Cementation”), which was the principal underground contractor of the Underground Project until January 30, 2020, filed a claim against 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 counterclaims against Cementation for breach of contract and declaratory relief. Cementation filed an amended complaint on April 10, 2020 alleging additional tort claims, which NCI responded to on April 24, 2020. Cementation also filed a motion for injunctive relief on May 13, 2020 relating to use of hoist software, which NCI opposed on May 27, 2020. The court entered a stipulation among the parties on July 9, 2020 that allows NCI to continue to use Cementation’s hoist software through completion of sinking operations on the vent shaft. The litigation relates to the progress and costs of construction development for the Underground Project. Damages claimed by Cementation are approximately \$17,000, while damages claimed by NCI are approximately \$88,000. Included in accounts payable and accruals is approximately \$13,500 accrued in respect of invoices received from Cementation, which is now subject to litigation. No other the amounts claimed have been accrued as the Company believes it is unlikely that it will have to incur pay any damages to Cementation.

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c) Sedgman Claim

On April 6, 2020, Sedgman USA Inc. (“Sedgman”), the primary contractor for construction and commissioning of the plant at the Underground Project, filed a complaint against NCI in the Second Judicial Court for the State of Nevada (the “Court”). The parties have entered into a formal stipulation with the Court whereby the parties agreed to stay the litigation pending mediation proceedings. The dispute relates to Sedgman’s delay in the ramp-up of commissioning of the processing plant and the parties’ contractual obligations. The damages amount claimed by Sedgman is undetermined. The Company accrued approximately \$8,600 in respect of invoices received from Sedgman, which is now subject to mediation proceeding.

10. Financial Instruments:

(a) Fair value measurements:

The carrying amounts for cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, approximate fair values due to the immediate or short-term maturities of these financial instruments.

The following is a classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value of the Company’s debt was determined using Level 2 inputs:

	Jun. 30, 2020		Dec. 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Working Capital Facility (note 4b)	29,156	29,156	23,441	23,441
KfW IPEX Bank Facility (note 4a)	105,545	105,747	105,484	117,031
2019 Credit Facility (note 4c)	-	-	15,475	15,475
Convertible Loan (note 4d)	29,234	28,349	-	-
Payroll protection program loan (note 4g)	2,352	2,352	-	-
Prefunding promissory notes (note 4h)	8,019	8,019	-	-
	\$174,306	\$173,623	\$144,400	\$155,947

(b) Financial risk factors:

The Company manages its exposure to financial risks, including foreign exchange risk and interest rate risk, based on a conservative framework to protect itself against adverse rate movements. All transactions undertaken are to support the Company’s ongoing business and the Company does not acquire or issue derivative financial instruments for trading or speculative purposes. The Company’s Board of Directors oversees management’s risk management practices by setting trading parameters and reporting requirements.

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The Company's activities are exposed to financial risks: market risk (including currency exchange risk and interest rate risk), credit risk and liquidity risk.

(c) Market risks:

i) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The KfW IPEX-Bank Facility (note 4a) and the Working Capital Facility (note 4b) currently provide for interest at a market rate plus a fixed margin. Due to the capitalisation of borrowing, the Company's sensitivity to a 1% decrease or increase in market rates of interest would have an immaterial effect on the Company's interest expense.

ii) Foreign currency risk:

The Company is exposed to currency fluctuations on its foreign currency monetary assets and liabilities. A significant change in the currency exchange rate between the U.S. dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At June 30, 2020, the Company held CAD\$8 (2019 - CAD\$1,703) in cash and cash equivalents. At June 30, 2020, the Company had CAD\$419 (2019 - CAD\$1,150) in accounts payable.

A +/- 10% change in the Canadian exchange rate would have had an impact of approximately +/- \$41 on loss for the year ended June 30, 2020.

iii) Commodity price risk:

Fluctuations in the market price of copper and other metals may significantly adversely affect the value of the Company's securities and the ability of the Company to develop the Project.

Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances and sales or purchases of copper or other metals by holders in response to such factors. The Chinese market is a significant source of global demand for commodities, including copper. Chinese demand has been a major driver in global commodities markets for a number of years and recent uncertainties regarding the level of Chinese demand, including those resulting from the ongoing COVID-19 pandemic, have adversely affected prices for copper. The Chinese economy has slowed significantly due to the COVID-19 pandemic and a further slowing in China's economic growth could result in lower copper prices and could negatively impact the value of the Company's securities. Prolonged decreases in the price of copper or other metals could adversely impact the ability of the Company to proceed with the development, ramp-up and/or construction of the Project. If there are low copper prices during the ramp-up of the Underground Project, then the Company may need to obtain additional financing to complete the ramp-up. Even after the Suspension is lifted, the Company may need to curtail or suspend some or all of its other proposed mining activities on the Project in the future in response to lower copper or other metals prices.

(d) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, reclamation bond, and amounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents in high quality Canadian chartered banks.

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The Company's maximum exposure to credit risk is \$7,577 as at June 30, 2020 (2019 - \$42,253), being the carrying value of cash and cash equivalents, restricted cash and amounts receivable.

(e) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities (see note 1). The Underground Project is now transitioning to the production stage and as result it is not yet generating revenue. The Company is reliant upon its existing cash and future cash inflows from the refinancing initiatives undertaken during the period to:

- 1.) Complete construction of the Underground Project, and to take it into full production with positive steady state cashflow;
- 2.) Continue delineation drilling and advance engineering feasibility studies on the Open Pit Project; and
- 3.) Address other corporate costs.

As at June 30, 2020, the Company had the following consolidated contractual obligations:

Contractual obligations	Total	Payments due by period			
		1 year	2-3 years	4-5 years	5 years+
Accounts payable, accrued liabilities and related party payables	\$47,000	\$47,000	-	-	-
Construction contractual obligations	\$8,613	\$8,613	-	-	-
Working Capital Facility	\$29,156	\$29,156	-	-	-
Convertible Loan	\$50,808	\$3,515	\$9,198	\$38,095	-
KfW IPEX Bank Facility	\$135,421	\$1,965	\$14,269	\$51,027	\$68,160
Equipment leases	\$25,687	\$3,547	\$13,223	\$8,917	-
Asset Retirement obligation	\$5,898	-	-	-	\$5,898
Office lease	\$73	\$24	\$49	-	-
Total USD obligations	\$302,656	\$93,820	\$36,739	\$98,039	\$74,058
	CAD	CAD	CAD	CAD	CAD
Office lease	\$193	\$68	\$125	\$-	\$-
Total CAD obligations	\$193	\$68	\$125	\$-	\$-

11. Management of capital:

The Company's objectives of capital management are intended to safeguard the Company's ability to support the Company's development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of the items included in shareholders' equity, stream deferral and debt obligations. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its objectives. The Company may issue new shares or seek debt or streaming or royalty financing to ensure that there is sufficient working capital to meet its short-term business requirements.

As at June 30, 2020, the Company is compliant with its debt covenants.

There were no changes in the Company's approach to capital management during the six months ended June 30, 2020.

12. Supplemental cash flow information

Restricted cash in the amount of \$5,867 (2019 - \$2,055) is cash held in trust as collateral for surety bonds related to performance bonds for engineering, procurement and construction contracts and reclamation bonds. These

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amounts are not currently available for general corporate use. During the period, \$1,675 of the restricted cash was released from restriction and an additional \$5,487 was posted as cash collateral related to performance and reclamation bonds resulting into a net increase of \$3,812 in restricted cash.

	June 30, 2020	June 30, 2019
Non-cash investing and financing activities		
Depreciation capitalized in mineral properties	\$2,839	\$728
2019 Credit Facility repayment (note 4c)	\$31,950	\$-
Stock-based compensation included in mineral properties	\$429	\$1,733
Mineral properties, plant, and equipment in accounts payable and accrued liabilities change	\$14,248	\$19,229
Rights of use assets acquired under finance lease	\$789	\$14,267
Accretion on stream and royalty deferral (note 5)	\$4,028	\$4,273
Interest capitalised in mineral properties, plant and equipment	\$9,570	\$2,078
Share issued to settle accrued liabilities (note 8a)	\$6,300	-

13. Subsequent Events

a) Offering

Subsequent to period end on July 28, 2020, the Company completed a public offering of Units, which was completed on a bought deal basis (the “Offering”), whereby 643,713,553 Units were issued at a price of CAD\$0.15 per Unit (the “Offering Price”). Each Unit consisted of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a “Warrant”) of the Company. Each full Warrant entitles the holder thereof to purchase one common share at a price of CAD\$0.20 per common share, for a period of 18 months following the closing of the Offering. The underwriters of the Offering exercised their Over-Allotment Option in full, which resulted in 23,790,000 additional Units being issued at the Offering Price (the “Over-Allotment Option”). Including the proceeds from the Over-Allotment Option, an aggregate of 667,503,553 Units were issued in the Offering for total aggregate gross proceeds of approximately CAD\$100,000.

The net proceeds from the Offering (including the Over-Allotment Option), after deducting fees payable to the underwriters and the expenses of the Offering, were CAD\$98,000. A portion of the net proceeds from the Offering was used to prepay in full, with no prepayment penalties, the Convertible Loan (note 4d) in the amount of approximately \$33,599. The Company also used a portion of the net proceeds from the Offering to repay other outstanding indebtedness (including the Short Term Loans (note 4h)) in the amount of approximately \$15,100. The Company intends to use the remaining net proceeds from the Offering to fund its operations, including the accelerated mine development plan and to re-start and ramp-up production of the Underground Project and for general corporate purposes.

b) Hedging Arrangement

Under its existing working capital facility (note 4b) with its offtake partner, Concord, the Company has the ability to fix the price of payable copper for monthly volumes to be delivered to Concord under its offtake arrangements on a rolling basis, allowing the Company to fix the price of copper to be delivered for an agreed period of time. Under these arrangements, the Company will be required to provide cash collateral to Concord in the event that during the course of such arrangements, as tested on a weekly basis, the variation margin exposure to Concord is over an agreed threshold amount, currently fixed at \$3,500. Subsequent to period end, the Company fixed the pricing of 325 metric tonnes of payable copper delivered per month for the first six months of 2021 for prices ranging between \$6,394 and \$6,402 per metric tonne of payable copper.

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The Company will, on an ongoing basis, evaluate whether to enter into this type of non-speculative hedging arrangements considering the prevailing copper prices and the risk and benefits to the Company.