



TEAMWORK. INNOVATION. EXECUTION.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022, and 2021
(Unaudited)

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of United States dollars) (Unaudited)

	June 30, 2022	December 31, 2021 (Restated - note 2)	January 1, 2021 (Restated - note 2)
Assets			
Current assets			
Cash and cash equivalents	\$3,886	\$51,616	\$21,839
Accounts receivable	36	72	88
Prepaid expenses and advance royalty	1,787	1,046	1,112
Inventory	1,480	3,713	—
Total Current Assets	7,189	56,447	23,039
Restricted cash	379	379	7,073
Mineral properties, plant and equipment (Note 3)	915,614	853,383	727,934
Non current advance royalty (Note 2)	4,064	4,414	4,802
Total Assets	\$927,246	\$914,623	\$762,848
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$55,164	\$45,650	\$45,211
Related party payable (Note 8)	466	38	2,837
Share-based compensation liabilities (Note 10)	1,506	1,817	581
Warrant derivative (Note 11)	3,705	23,374	12,477
Current portion of stream and royalty deferral (Note 6)	111,290	6,138	15,487
Working Capital Facility (Note 4)	18,469	20,095	32,880
Current portion of long-term debt (Note 5)	175,941	8,307	30,745
Total Current Liabilities	366,541	105,419	140,218
Long-term payable (Note 5)	975	975	—
Settlement payable - long-term (Note 6)	—	—	8,029
Share based compensation liabilities - long-term portion	336	191	895
Stream and royalty deferral (Note 6)	22,155	122,243	102,168
Long-term debt (Note 5)	23,008	165,269	139,527
Asset retirement obligation (Note 7)	6,033	5,971	6,219
Total Liabilities	419,048	400,068	397,056
SHAREHOLDERS' EQUITY			
Share capital	681,715	681,690	505,370
Other equity reserve	32,022	31,900	31,582
Accumulated other comprehensive loss	(3,578)	(3,578)	(3,578)
Deficit	(201,961)	(195,457)	(167,582)
Total Shareholders' Equity	508,198	514,555	365,792
Total Liabilities and Shareholders' Equity	\$927,246	\$914,623	\$762,848

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

Commitments and Contractual Obligations (Note 12)

Subsequent Events (Notes 1,4,5,6 and 17)

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

Approved by the Audit Committee on August 11, 2022

(Signed) "Ernest Nutter", Director

(Signed) "Lucio Genovese", Director

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

(Expressed in thousands of United States dollars) (Unaudited)

Three and six months ended June 30, 2022 and June 30, 2021

	Three months ended June 30,		Six months ended June 30,	
	2022	2021 (Restated - note 2)	2022	2021 (Restated - note 2)
Revenue (note 13)	\$5,027	\$2,064	\$10,119	\$6,449
Cost of Sales (note 14)				
Production costs	15,574	10,679	31,117	20,441
Transportation	1,038	787	2,025	1,351
Royalty and stream	357	241	512	999
Total cost of sales	16,969	11,707	33,654	22,791
Gross loss	(11,942)	(9,643)	(23,535)	(16,342)
Operating Expenses				
General and administrative expenses	1,185	1,304	2,421	2,497
Share-based compensation (note 10)	(192)	278	(104)	1,683
Loss on forward sales contract	—	3,075	—	3,075
Fixed assets written off / loss on damaged assets	352	—	632	—
Loss from operations	(13,287)	(14,300)	(26,484)	(23,597)
Interest income	—	4	—	15
Interest and finance expenses	(8)	19	(11)	14
Derivative fair value gain (loss) (note 11)	15,118	(9,515)	19,669	(10,660)
Foreign exchange gain (loss)	498	95	322	(64)
Income (loss) and comprehensive income (loss)	\$2,321	(\$23,697)	(\$6,504)	(\$34,292)
Earnings (loss) per share				
Basic and diluted	\$0.01	(\$0.13)	(\$0.01)	(\$0.19)
Weighted average number of common shares outstanding				
Basic and diluted	448,452,759	175,699,725	448,451,033	179,124,104

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

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in thousands of United States dollars) (Unaudited)

Six months ended June 30, 2022 and June 30, 2021

	Share Capital		Other Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
	Number of Shares	Amount				
Balances, December 31, 2020 (Restated Note 2)	148,826,299	\$505,370	\$31,582	(\$3,578)	(\$167,582)	\$365,792
Shares issued	351,233,194	40,377	—	—	—	40,377
Shares issuance costs	—	(2,266)	—	—	—	(2,266)
Share-based compensation	—	—	159	—	—	159
Comprehensive loss	—	—	—	—	(34,292)	(34,292)
Balances, June 30, 2021	500,059,493	\$543,481	\$31,741	(\$3,578)	(\$201,874)	\$369,770

	Share Capital		Other Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
	Number of Shares	Amount				
Balances, December 31, 2021 (Restated Note 2)	448,437,559	\$681,690	\$31,900	(\$3,578)	(\$195,457)	\$514,555
Shares issued	15,200	25	—	—	—	25
Share-based compensation	—	—	122	—	—	122
Comprehensive loss	—	—	—	—	(6,504)	(6,504)
Balances, June 30, 2022	448,452,759	\$681,715	\$32,022	(\$3,578)	(\$201,961)	\$508,198

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

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of United States dollars) (Unaudited)
Six months ended June 30, 2022 and June 30, 2021

	June 30, 2022	June 30, 2021 (Restated -note 2)
Cash flows used in operating activities		
Loss and comprehensive loss	(\$6,504)	(\$34,292)
Adjustments for items not affecting cash:		
Derivative fair value gain (loss) (note 11)	(19,669)	10,416
Fixed assets written off / loss on damaged assets	632	—
Stock-based compensation	(104)	1,683
Interest income	—	(15)
	(25,645)	(22,208)
Changes in non-cash working capital items:		
Amounts receivable	36	6
Prepaid expenses	(392)	(223)
Accounts payable and accrued liabilities	(1,964)	2,217
Net cash used in operating activities	(27,965)	(20,208)
Cash flows used in investing activities		
Interest received	—	15
Stream payments (note 6)	(672)	(361)
Cash moved (to)/from restricted cash, net	—	3,382
Development costs	(36,701)	(46,239)
Net cash used in investing activities	(37,373)	(43,203)
Cash flows from financing activities		
Common shares issued	25	31,876
Share issuance cost	—	(2,266)
Repayment of Promissory Notes	—	(15,747)
Proceeds from Promissory Notes (note 5)	11,500	15,000
Proceeds from Working Capital Facility (note 4)	22,533	45,271
Repayment of Working Capital Facility (note 4)	(24,312)	(46,508)
Proceeds from 2021 Credit Facility (note 5)	15,000	30,000
Lease payments	(5,001)	(4,402)
Interest paid	(2,137)	(2,295)
Net cash provided by financing activities	17,608	50,929
Decrease in cash and cash equivalents	(47,730)	(12,482)
Cash and cash equivalents, beginning of period	51,616	21,839
Cash and cash equivalents, end of period	\$3,886	\$9,357

Supplemental cash flow disclosures (Note 15)

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

Nevada Copper Corp.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2022 and June 30, 2021

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 910-800 West Pender Street, Vancouver, British Columbia, V6C 2V6. 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 construction and commissioning (“ramp-up”) of its underground mine at the Property (the “Underground Mine”).

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and International Accounting Standard 34 – Interim Financial Reporting applicable to a going concern entity.

At June 30, 2022, the Company had a working capital deficiency (current assets less current liabilities) of \$359,352 (2021 - \$48,972). For the six months ended June 30, 2022, the Company recorded a net loss of \$6,504 (six months ended June 30, 2021 loss - \$34,292) and the cash used in operating activities was \$27,965 (2021 – \$20,208). As at June 30, 2022, capital commitments due in the next twelve months are \$6,272.

Operational and geotechnical challenges encountered at the Underground Mine resulted in a delay in stope mining and reduced concentrate production during the six months ended June 30, 2022. Further, increased costs during the six months ended June 30, 2022 in light of geotechnical challenges and unforeseen issues and delays resulted in higher than budgeted net cash outflows. Due to the technical issues described above, as well as liquidity constraints, the Company's development and mining activities were reduced during the month of June 2022. Subsequent to the end of the second quarter, due to liquidity constraints, the Company took measures to significantly reduce underground mine site and operation expenditures, with only limited operational activities being undertaken to protect the Company's assets. This temporary suspension of mining activities is expected to continue until the Company is able to obtain a long-term restart funding package. During the temporary suspension, the Company has advanced its Underground Mine restart plans, which focus on the acceleration of key capital items followed by the development of a significant stope ore inventory in advance of a mill restart and completion of production ramp-up. The commencement of restart activities is contingent on the Company obtaining long-term financing. There can be no assurance that a restart funding package will be completed on terms satisfactory to the Company and within the required timeframe, or at all. If a restart funding package is not completed, absent other financing, the Company will not be able to continue carrying on business in the ordinary course and may need to pursue proceedings for creditor protection.

During the quarter ended June 30, 2022, the Company missed a required repayment under its working capital facility with Concord Resources Limited (“Concord”) (the “Working Capital Facility”) for the month of June 2022 which resulted in a breach of its covenants thereunder. The Company's default under the Working Capital Facility resulted in cross-defaults under the Company's amended and restated senior credit agreement with KfW IPEX Bank (the “KfW IPEX Bank Facility”), the Company's amended and restated credit facility with Pala Investments Limited (“Pala”) (the “2021 Credit Facility”) and the Company's stream agreement with Triple Flag International Ltd., as amended (“Triple Flag” (“the Stream Agreement”)) (collectively the “Long-Term Financing Arrangements”). As a result of such defaults, the lenders to the Long-Term Financing Arrangements are contractually entitled to request, subject to certain steps being taken, repayment of the outstanding amounts thereunder. None of the lenders to the Long-Term Financing Arrangements have requested early repayment of the amounts outstanding thereunder as of the date hereof. As of the date of filing of these financial statements, the Company has not received requests for early repayment of these loans and the Company is in discussions with these lenders for remediation of these defaults. Management is seeking to obtain waivers for the defaults described above as part of the longer-term restart funding package. Subsequent to June 30, 2022, the Company, also, has defaulted on its leases with Caterpillar Financial SARRL, Epiroc Financial Solutions USA LLC and Normet America's Inc due to non-payment of amounts due in July under the lease agreements.

Nevada Copper Corp.

Notes to Condensed Consolidated Interim Financial Statements

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For the three and six months ended June 30, 2022 and June 30, 2021

Further, the Company has not made payments that were due to certain creditors and vendors, including its mining contractor Redpath USA Corporation ("Redpath"). As a result, the Company has received a notice of default from Redpath and certain other vendors indicating they intend to pursue their available remedies. Certain of the Company's vendors and creditors have placed liens on the Company's properties. Despite this default, the Company and Redpath have reached agreement on the suspension of mining work at the Underground Mine and the limited scope of work to be completed going forward in order to protect the Company's assets. As of the date hereof, the Company has agreed with Redpath to settle the amounts owing and interest thereon at 12% per annum between August 5, 2022 to February 28, 2023 and are in discussions with the other vendors regarding the timing of payments and services and supplies.

Subsequent to second quarter of 2022, the Company has been engaged in active and ongoing discussions with its key financing partners with respect to a restart funding package for the restart and ramp-up of the Underground Mine. In the interim, Pala has indicated that it is willing to provide up to an additional \$20 million through further promissory notes (\$4.5 of which has already been advanced as of the date hereof) while the Company continues discussions with its financing partners. The Company will continue to require interim financing until any restart funding package is secured and closed. There can be no assurance that the Company will obtain additional interim financing or that a longer-term restart funding package will be agreed or completed on terms satisfactory to the Company and within the required timeframe, or at all. In the absence of securing such arrangements or alternative financing arrangements, the Company will not be able to continue carrying on business in the ordinary course and may need to pursue proceedings for creditor protection. The Company's creditors may also seek to commence enforcement action, including realizing on their security over the Company's assets.

Assuming the Company is able to obtain the required funding to allow it to restart the Underground Mine and any required interim funding prior to the restart, 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, amongst other things, results from operations, the ability to complete the ramp-up process at the Underground Mine in accordance with the Company's timing and cost expectations, an increase in concentrate production and sales, favourable copper market conditions and the ability to obtain any additional required financing. There can be no assurance that these requirements will be achieved. In addition, there can be no assurance that the actual costs to complete the ramp-up will not be greater than expected by the Company or that further significant ramp-up delays will not occur. If the above requirements are not achieved or other material adverse events breaches of loan covenants are not remedied, in the absence of sufficient financing being arranged, the Company may not be able to continue operations and may result in, among other things, its secured lenders becoming able to enforce their security over the Company's assets. These factors give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

If the going concern basis was not appropriate for these condensed consolidated interim 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 and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and do not include all the information required for full financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ending December 31, 2021.

Nevada Copper Corp.

Notes to Condensed Consolidated Interim Financial Statements

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For the three and six months ended June 30, 2022 and June 30, 2021

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 11, 2022.

b) Use of judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions, and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements, along with reported amounts of revenues and expenses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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, 2021. Also, refer note 6 for significant judgement made by management in relation to the Stream Agreement.

c) Adoption of New Accounting Policies and Restatement

Amendments to International Accounting Standards ("IAS") 16, Property, Plant & Equipment, Proceeds Before Intended Use

During the first quarter of 2022, the Company adopted Amendments to International Accounting Standards ("IAS") 16, Property, Plant & Equipment, Proceeds Before Intended Use. The Company adopted the accounting policy retrospectively. The amended standard prohibits the Company from deducting any proceeds from selling items produced from the cost of building an item of mineral interest, plant, and equipment, while bringing that asset to be capable of operating in the manner intended by management. With the adoption of the amended standard, revenue from sales of copper recovered, and related costs while bringing a mine into a condition necessary for it to be capable of operating in the manner intended by management are recognized in profit or loss in accordance with applicable standards.

The entity measures the cost of those items applying the measurement requirements of IAS 2. There is an impact of this adoption on the comparative numbers presented for 2021. Previously, in the first quarter of 2021, proceeds from the sale of copper concentrate and related costs from the Project that was in development was netted against mineral properties, plant, and equipment. Mineral properties development costs also included advance royalty payments of \$5,826 at December 31, 2020, \$5,348 at June 30, 2021 and \$5,402 at December 31, 2021 which have been reclassified to a separate line item in the statements of financial position. These amounts are included in "Impact of adoption of IAS 16 Amendment" column in tables below. Accordingly, numbers as at January 1, 2021, are restated as follows:

	Amount previously disclosed as at January 1, 2021	Impact of IAS 16 Amendment and reclass adjustment	Restated balance as at January 1, 2021, following the adoption of IAS 16
Mineral, Property Plant and Equipment	\$738,761	\$(10,827)	\$727,934
Deficit	\$(162,581)	\$(5,001)	\$(167,582)
Shareholder's Equity	\$370,793	\$(5,001)	\$365,792

Nevada Copper Corp.

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

For the three and six months ended June 30, 2022 and June 30, 2021

Numbers for the three and six months ended June 30, 2021, are restated as follows:

	Amount previously disclosed for June 30, 2021	Impact of IAS 16 Amendment and reclass adjustment	Restated balance for June 30, 2021, following the adoption of IAS 16
<u>For the three months ended June 30, 2021</u>			
Revenue	\$—	\$2,064	\$2,064
Cost of sales	\$—	(\$11,707)	(\$11,707)
Net loss	(\$14,053)	(\$9,644)	(\$23,697)
Loss per share	(\$0.01)		(\$0.13)
<u>For the six months ended June 30, 2021</u>			
Revenue	\$—	\$6,449	\$6,449
Cost of sales	\$—	(\$22,791)	(\$22,791)
Net loss	(\$17,950)	(\$16,342)	(\$34,292)
Loss per share	(\$0.01)		(\$0.19)
Cash used in operating activities	(\$3,865)	(\$16,343)	(\$20,208)
Cash used in investing activities	(\$59,628)	\$16,343	(\$43,285)
<u>Balance at June 30, 2021</u>			
Mineral Property, Plant and Equipment	\$818,036	(\$26,691)	\$791,345
Deficit	(\$180,531)	(\$21,343)	(\$201,874)
Shareholder's Equity	\$391,113	(\$21,343)	\$369,770

Numbers for the year-ended December 31, 2021 are restated as follows:

	Amount previously disclosed for the year ended December 31, 2021	Impact of IAS 16 Amendment and reclass adjustment	Restated balance for the year-ended December 31, 2021, following the adoption of IAS 16
Revenue	\$—	\$11,139	\$11,139
Cost of Sales	\$—	(\$39,853)	(\$39,853)
Mineral, Property Plant and Equipment	\$892,500	(\$39,117)	\$853,383
Deficit	(\$161,742)	(\$33,715)	(\$195,457)
Shareholder's Equity	\$548,270	(\$33,715)	\$514,555
Net Income (loss)	\$839	(\$28,714)	(\$27,875)
Earnings (loss) per share	\$0.00		(\$0.14)
Cash used in operating activities	(\$7,862)	(\$28,714)	(\$36,576)
Cash used in investing activities	(\$127,271)	\$28,714	(\$98,557)

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct labour and materials; non-capitalized development costs; freight; and overhead costs. Net realizable value is determined with reference to relevant market prices, less applicable variable selling costs and estimated remaining costs of completion to bring the inventories into saleable form.

Ore stockpiles represent stockpiled ore that have not yet completed the production process, and are not yet in a saleable form. Finished goods inventories represent metals concentrates in saleable form that have not yet been sold. Materials and supplies inventories represent consumables used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

Nevada Copper Corp.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2022 and June 30, 2021

The quantity of recoverable metal in stockpiled ore and in the processing circuits is an estimate which is based on the tons of ore added and removed, expected grade and recovery. The quantity of recoverable metal in concentrate is an estimate using initial assay results.

Revenue Recognition

Under IFRS 15, Revenue from Contracts with Customers, revenue is recognized when a customer obtains control of the goods or services and the Company has satisfied its performance obligations. Determining the timing of the transfer of control, at a point in time or over time, requires judgment.

Cash received in advance of meeting these conditions is recorded as advance payments on product sales. In the case of Pumpkin Hollow's copper concentrate, control is generally transferred upon shipment of the product as product is loaded and released in railcars, is placed over the ship's rails at the port of loading, in limited circumstances, upon delivery to the concentrate shed at the shipping port or when delivered to the port of discharge. Under the terms of the Company's concentrate sales contracts, the final sales amount is based on final assay results and quoted market prices which may be in a period subsequent to the date of sale. Revenues for these sales, net of treatment and refining charges are recorded when the customer obtains control of the concentrate, based on an estimate of metal contained using initial assay results and forward market prices for the expected date that final sales prices will be fixed.

The period between provisional pricing and final settlement can be up to four months. This settlement receivable is recorded at fair value each reporting period by reference to forward market prices until the date of final pricing, with the changes in fair value recorded as an adjustment to revenue.

3. Mineral Properties, Plant and Equipment:

	Mineral Properties Development Costs	Plant & Equipment	Rights of Use Assets	Deposits	Total
Cost:					
As at December 31, 2020 (Restated, Note 2)	\$ 698,067	\$ 2,917	\$ 36,128	\$ 1,539	\$ 738,651
Additions	159,888	488	2,471	(1,472)	161,375
IAS 16 Adjustments (Note 2)	(28,290)	—	—	—	(28,290)
As at December 31, 2021 (Restated)	\$ 829,665	\$ 3,405	\$ 38,599	\$ 67	\$ 871,736
Additions	66,782	—	—	(67)	66,715
Assets written off	—	—	(1,260)	—	(1,260)
As at June 30, 2022	\$ 896,447	\$ 3,405	\$ 37,339	\$ —	\$ 937,191
Accumulated depreciation:					
As at December 31, 2020	\$ —	\$ 1,414	\$ 9,303	\$ —	\$ 10,717
Additions	—	—	7,636	—	7,636
As at December 31, 2021	\$ —	\$ 1,414	\$ 16,939	\$ —	\$ 18,353
Additions	—	—	3,792	—	3,792
Assets written off	—	—	(568)	—	(568)
As at June 30, 2022	\$ —	\$ 1,414	\$ 20,163	\$ —	\$ 21,577
Net Book Value					
As at December 31, 2020 (Restated, Note 2)	\$ 698,067	\$ 1,503	\$ 26,825	\$ 1,539	\$ 727,934
As at December 31, 2021 (Restated)	\$ 829,665	\$ 1,991	\$ 21,660	\$ 67	\$ 853,383
As at June 30, 2022	\$ 896,447	\$ 1,991	\$ 17,176	\$ —	\$ 915,614

Nevada Copper Corp.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2022 and June 30, 2021

Project costs capitalised for the period ended June 30, 2022 and 2021 on the Property consist of the following:

	June 30, 2022	Additions 2022	December 31, 2021 (Restated, Note 2)	2021 Additions (Restated, Note 2)	December 31, 2020 (Restated, Note 2)
Property payments	\$1,961	\$—	\$1,961	\$—	\$1,961
Water rights	3,050	95	2,955	188	2,767
Drilling	42,820	518	42,302	—	42,302
Geological consulting, exploration & related	8,459	—	8,459	—	8,459
Feasibility, engineering & related studies	27,605	—	27,605	—	27,605
Permits/environmental	14,295	50	14,245	516	13,729
Underground access, hoist, head frame, power & related	386,559	43,145	343,414	72,801	270,613
Processing plant – engineering procurement	134,819	—	134,819	—	134,819
Surface infrastructure	33,435	1,591	31,844	2,127	29,717
Site costs	67,325	4,865	62,460	21,569	40,891
	720,328	50,264	670,064	97,201	572,863
Depreciation	21,961	3,792	18,169	7,768	10,401
Asset retirement obligation	5,119	62	5,057	(248)	5,305
Capitalised interest	106,032	6,693	99,339	16,101	83,238
Stock-based compensation	5,997	235	5,762	(309)	6,071
Stream accretion	37,010	5,736	31,274	11,085	20,189
Total	\$896,447	\$66,782	\$829,665	\$131,598	\$698,067

Asset impairments

When an impairment indicator of mineral properties, plant and equipment exists, an impairment assessment is conducted at the level of the CGU (a group of assets that generate independent cash inflows). An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount.

During the quarter ended June 30, 2022, management identified impairment indicators due to the significant decline in the Company's market capitalization relative to net assets as at June 30, 2022 in addition to the increase in ramp-up period costs resulting from delays expected in the construction and commissioning of the Underground Mine and suspension of mining, development and milling activities. As a result, management performed an impairment assessment on the Pumpkin Hollow CGU as at June 30, 2022. The recoverable amount of the CGU was based on a fair value less cost of disposal method using a discounted cash flow model. The determination of the recoverable amounts included the following significant assumptions: production based on quantities of recoverable reserves and resources, future metal prices, capital and operating costs, the estimated ramp-up period for the underground mine and the discount rate.

Management's estimates of the quantity of recoverable reserves and resources are based on information compiled by qualified persons. The estimate of the recoverable amount at June 30, 2022 was based upon an estimated completion of ramp up by the second quarter of 2023.

The recoverable amount was calculated taking into account a number of life of mine options. As studies progress, this will lead to the selection of a preferred option with detailed cost, scheduling, and production assumptions, which may lead to a change in recoverable amount. The recoverable amount also included high-level risk adjustments to net cash flows to reflect the inherent uncertainty of assumptions for development capital, schedule and mineral resources.

Nevada Copper Corp.

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The model is most sensitive to the estimated long-term copper prices, the discount rate, estimated operating costs and the timing of the ramp up of production at the Project. Based on the Company's sensitivity analysis, an approximate 2.25% decrease in the long-term copper prices, an increase in the discount rate by 0.9%, a 5% increase to estimated operating costs, or a delay of the ramp-up at the Project by approximately 7 months to the first quarter of 2024 (based on current consensus copper prices) would result in the recoverable amount of the CGU equaling the net asset value of the CGU.

No impairment charge was required for the Pumpkin Hollow CGU because its recoverable amount exceeded the carrying amount.

Metal prices

The metal prices used to calculate recoverable amounts at June 30, 2022 were based on analysts' consensus price estimates and are summarised in the following table:

<u>Metal prices</u>	<u>2023 average</u>	<u>Long term</u>
Copper price (\$/lb)	\$4.10	\$3.60

Operating and capital costs

Underground Mine operating costs and capital expenditures are based on life-of-mine plans and forecasts using management's best estimates as at June 30, 2022 considering that the Underground Mine is still in the ramp up phase, and the asset has not yet reached commercial production. Such estimates include a comparison to historical costs, where applicable. Operating costs and capital expenditures at the open pit mining project at the Property (the "Open Pit Project") were based on life-of-mine plans and forecasts using management's best estimates from the Company's most recently filed technical report.

Reserves and resources

Future estimated production was based on recoverable reserves and resources estimates by qualified persons when preparing the most recently filed technical report, or management's latest life of mine model as at June 30, 2022.

Discount rate

Discount rates used for the present value of the life of mine cash flow were based on the weighted average cost of capital for similar companies and adjusted for risk and current market information. The Company used a 11% real after-tax discount rate for the underground project and 12% real after-tax discount rate for the open pit project in the calculation of the recoverable value of the CGU as at June 30, 2022.

4. Working Capital Facility

Balance at December 31, 2020	\$32,879
Advance	80,442
Interest accrual, net of accrual reversal	2,143
Repayments	(95,369)
Balance at December 31, 2021	\$20,095
Advances	22,533
Interest accrual, net of accrual reversal	754
Repayments	(24,913)
Balance at June 30, 2022	\$18,469

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In 2019, Nevada Copper Inc. ("NCI"), the Company's wholly owned subsidiary, entered into a revolving Working Capital Facility with Concord for up to \$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 Mine, 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 Mine and LIBOR plus 5% thereafter, maturing in 2024, unless terminated in accordance with the terms of any Offtake Agreement. There is no penalty or charge for early repayment in respect of the Working Capital Facility. The availability of funds under the Working Capital Facility increased from \$35,000 to \$40,000 on April 1, 2021, subject to attaining certain defined production rates. Drawdowns under the Working Capital Facility in excess of \$35,000 prior to commencement of commercial production at the Underground Mine will bear interest at LIBOR plus 8.5%

During the six months ended June 30, 2022, the Company made repayments of \$24,913, of which \$8,813 was in concentrate deliveries and \$16,100 was settled in cash. As previously noted, the Company failed to make a required repayment under the Working Capital Facility for the month of June 2022, which resulted in a breach of its covenants thereunder. As a result, Concord has a right to cancel the Working Capital Facility and demand all or part of the advance payments. As of the date of hereof, the Company has not received any request for cancellation of the Working Capital Facility or demanding all or part of the advance payments. Subsequent to June 30, 2022, the Company did not draw or repay any additional amounts on Working Capital Facility.

5. Long Term Debt:

	June 30, 2022	December 31, 2021
Current portion of debt:		
Current portion of lease liabilities	\$7,007	\$8,307
KfW IPEX-Bank Facility	\$118,526	\$—
2021 Credit Facility	\$50,408	\$—
Total current portion of debt	\$175,941	\$8,307
KfW IPEX-Bank Facility	\$—	\$117,521
Lease liabilities	11,473	14,455
Promissory Notes	11,535	—
2021 Credit Facility	—	33,293
Total long-term debt	\$23,008	\$165,269

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a) KfW IPEX Bank Facility:

	Tranche A		Tranche B	
	Jun 30, 2022	Dec 31, 2021	Jun 30, 2022	Dec 31, 2021
Opening balance	\$105,239	\$104,902	\$13,540	\$13,066
Interest and accretion expense	2,317	4,729	650	1,540
Interest payments	(1,134)	(2,181)	(402)	(450)
Extension fee	—	(1,150)	—	(150)
Gain on modification	—	(1,061)	—	(466)
Closing balance	\$106,422	\$105,239	\$13,788	\$13,540
Interest payable classified as current liability under Accounts payable and accrued liabilities	1,309	928	375	331
Balance at Balance disclosed as Current portion of Loan term debt (Refer note below)	\$105,113	\$104,311	\$13,413	\$13,209

(a) The KfW IPEX-Bank Facility contains certain financial and non-financial affirmative and restrictive covenants. The Company's default under the Working Capital Facility resulted in a cross-default under the KfW IPEX-Bank Facility. As a result of this default, KfW IPEX-Bank is contractually entitled to request, subject to certain steps being taken, repayment of the outstanding amount thereunder. As such, the outstanding balance was presented as a current liability at June 30, 2022. Subsequent to June 30, 2022, the Company also failed to pay the interest due on this facility. KfW IPEX-Bank has not requested early repayment of the outstanding amount under the KfW IPEX-Bank Facility as of the date hereof. Management is in discussion with KfW IPEX-Bank for such default as part of the longer-term restart financing package.

b) 2021 Credit Facility

	Jun 30, 2022	Dec 31, 2021
Balance at Opening balance	\$33,293	\$—
Advance	15,000	30,000
Accretion expense	193	77
Interest capitalized	1,922	1,692
Disbursement fees	—	—
Loss on Modification	—	1,524
Balance at Closing balance	\$50,408	\$33,293

During the six months ended June 30, 2022, the Company drew \$15,000 under the accordion feature of the 2021 Credit Facility ("Accordion") and disbursement fees of \$600 (4% on the total drawdown of the Accordion) was added to the principal amount payable to Pala upon maturity of the 2021 Credit Facility. Interest payable of \$811 and \$1,111, for the quarters ended March 31, 2022 and June 30, 2022, respectively, was added to the principal amount of the 2021 Credit Facility and is payable on maturity of the 2021 Credit Facility.

As at June 30, 2022, the principal outstanding balance for the 2021 Credit Facility was \$52,738 (Dec 31, 2021- 35,224) including loan arrangement, extension and disbursement fees of \$4,025 (Dec 31, 2021- 3,425) and unpaid capitalized interests of \$3,713 (Dec 31, 2021- \$1,799).

The 2021 Credit Facility contains certain financial and non-financial affirmative and restrictive covenants. The Company's default under the Working Capital Facility resulted in a cross-default under the 2021 Credit Facility. As a result of this default, Pala is contractually entitled to request, subject to certain steps being taken, repayment of the outstanding amount thereunder. As such, the outstanding balance was presented as a current liability as at June 30, 2022. Pala has not requested early repayment of the outstanding amount under the 2021 Credit Facility as of the date hereof. Management is in discussions with Pala for such default as part of the longer-term restart financing package.

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c) Lease Liabilities

The following table shows the change to the Company's lease liabilities:

	Jun 30, 2022	Dec 31, 2021
Opening balance	\$ 22,762	\$ 27,391
Additions	—	2,471
Accretion	719	1,666
Lease payments	(5,001)	(8,766)
Closing balance	\$ 18,480	\$ 22,762
Current portion	7,007	8,307
Long-term portion	11,473	14,455

The undiscounted minimum lease payments in respect of the above lease liabilities are expected to be \$10,141 for the next twelve months.

Further, the average term of the Company's lease liabilities ranges from 24 months to 60 months. The undiscounted lease payments exclude leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

Subsequent to June 30, 2022, the Company defaulted on lease payments to Caterpillar Financial SARL, Epiroc Financial Solutions USA LLC and Normet Americas Inc. Since the default occurred subsequent to June 30, 2022, the lease payments payable after 12 months from the end of the reporting period are shown as non-current liabilities. Management is seeking to obtain waivers for such defaults.

d) May 2022 Promissory Note

In May 2022, Pala agreed to provide additional funding of up to \$20,000 pursuant to a promissory note (the "May 2022 Promissory Note"). The May 2022 Promissory Note has a maturity date of December 31, 2023 and bears interest at 8% per annum on amounts drawn. During the second quarter of 2022, the Company received \$11,500 under the May 2022 Promissory Note. As at June 30, 2022, \$11,535 including accrued and unpaid interest of \$35 was outstanding under the May 2022 Promissory Note.

Subsequent to June 30, 2022, the Company drew the remaining \$8,500, under the May 2022 Promissory Note.

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6. Stream and Royalty Deferral

	Stream deferral	Royalty deferral
Balance at December 31, 2020	\$98,432	\$19,223
Accretion	9,190	1,895
Amounts delivered under the stream	(359)	—
Balance at December 31, 2021	\$107,263	\$21,118
Accretion	4,699	1,037
Amounts delivered under the stream	(672)	—
Balance at June 30, 2022	\$111,290	\$22,155

The Company's default under the Working Capital Facility resulted in a cross default under the Stream Agreement. As a result of this default, Triple Flag is contractually entitled to request, subject to certain steps being taken, repayment of the outstanding amount thereunder. As of the date hereof, Triple Flag has not requested early repayment of amounts owing under the Stream Agreement and has not provided any written notice to the Company to terminate this agreement and therefore the obligation of the Company to deliver the gold and silver ounces per the terms of the Stream Agreement continues to remain in force and effect. Management exercised significant judgment in determining that the balance continues to be accounted for under IFRS 15 - Revenue from contracts with customers. However, since Triple Flag is contractually entitle to terminate the agreement, the Company's obligation for the Stream Deferral was disclosed as current. There are no cross-default clause in the Royalty agreement with Triple Flag.

The table below shows the short term and long-term portion of stream and royalty deferral liability.

	June 30, 2022	December 31, 2021
Stream deferral		
Current portion	\$ 111,290	\$ 6,138
Long term portion	—	101,125
Royalty deferral		
Current portion	\$ —	\$ —
Long term portion	22,155	21,118

7. Asset Retirement Obligation

The asset retirement obligation has been recorded as a liability, assuming a risk-free discount rate of 3.23% (2021 – 1.52%) and an inflation factor of 2.20% (2021 – 1.98%). The liability for retirement and remediation on an undiscounted basis before an inflation factor of 2.20% (2021 – 1.98%) is estimated to be approximately \$6,839 (2021 - \$5,523). As of June 30, 2022, settlement is expected by December 31, 2034.

	Asset retirement obligation
Balance at December 31, 2020	\$6,219
Change in timing and increase in estimated closure costs	(334)
Accretion	86
Balance at December 31, 2021	\$5,971
Change in timing and decrease in estimated closure costs	(98)
Accretion	160
Balance at June 30, 2022	\$6,033

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8. Related Party Transactions:

Pala is a related party to the Company because of its approximate 37% (2021 – 37%) shareholding in the Company as of June 30, 2022. Additionally, three of the seven directors of the Company are Pala executives. The Company has an independent directors committee to review and approve Pala related transactions.

During the six months ended June 30, 2022 and June 30, 2021, the Company entered into the following transactions with Pala:

- Guarantee fee totaling \$433 (2021 - \$700)
- Interest charges incurred on the 2021 Credit Facility and capitalized to the 2021 Credit Facility totaling \$1,914 (2021 - \$676)
- Technical and other services fees of \$72 (2021 - \$70).
- Proceeds from draws under the 2021 credit facility (refer note 5b)
- Proceeds from draws under the May 2022 Promissory note (refer note 5d)

As of June 30, 2022, the Company owed Pala \$466 for accrued fees for technical and other services, (2021 - \$947) relating to fees accrued in connection with the indemnity agreements relating to bonding arrangements, the guarantee provided by Pala in connection with the KfW IPEX- Bank Facility.

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.

9. Share Capital:

- a) Authorised and issued:

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

10. Share-Based Compensation:

- a) Share Purchase Options:

	Number of Options	Weighted average exercise price (CAD)
Outstanding December 31, 2020	4,151,217	\$5.90
Granted	2,458,857	1.60
Forfeited	(1,948,193)	5.00
Outstanding December 31, 2021	4,661,881	\$5.00
Granted	821,342	0.64
Forfeited	(959,087)	0.85
Outstanding June 30, 2022	4,524,136	5.08
Exercisable June 30, 2022	2,578,685	\$4.10

On April 12, 2022, 821,342 stock options were granted at a weighted-average exercise price of CAD\$0.64 to officers and employees exercisable for a period of five-year with a three-year vesting period. The weighted-average fair value attributable to the stock options granted was CAD\$0.41.

As at June 30, 2022, there were 47,546,741 stock options available for issuance under the Company's Stock Option Plan.

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During the six months ended June 30, 2022, \$123 (2021 - \$159) in stock-based compensation was recorded upon stock options vesting to officers and employees, of which \$24 (2021 -\$67) was charged to operations.

The Company uses the Black-Scholes option pricing model to value its stock options, which requires management to make estimates that are subjective and which 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, 2022
Risk free interest rate	2.52%
Expected dividend yield	0%
Expected stock price volatility	79.0%
Expected life in years	5 years
Expected forfeitures	10%

The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed stock option life. The expected volatility is based on the Company's historical common share prices. The expected average stock 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 stock options.

The following table summarizes the stock options outstanding and exercisable as at June 30, 2022:

Exercise price (in CAD)	Outstanding		Exercisable	
	Number outstanding	Weighted average remaining life (years)	Number outstanding	Weighted average remaining life (years)
\$0.64 - \$2.10	2,718,029	3.44	772,576	2.80
\$4.40-\$6.70	1,806,107	1.23	1,806,107	1.23
	4,524,136	2.56	2,578,683	1.70

b) Deferred share units ("DSUs"):

	Number of DSUs
Outstanding December 31, 2020	584,644
Granted	3,140,525
Outstanding Exercised	(342,074)
Outstanding Forfeited	(112,764)
Outstanding December 31, 2021	3,270,331
Granted	2,337,701
Outstanding June 30, 2022	5,608,032

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On April 12, 2022, 2,337,701 DSUs were granted to directors and advisors. The weighted-average fair value attributable to DSUs granted was CAD\$0.63. All the DSUs vested immediately on the grant date and the Company recorded a stock-based compensation expense of \$1,167 on the grant date.

At June 30, 2022, the DSU payable amount was \$1,132 compared to \$1,808 on December 31, 2021. During the six months ended June 30, 2022, the Company recognised a stock-based compensation gain of \$685 (June 30, 2021 - Stock based compensation expense of \$1,456) in the consolidated statements of operations.

c) Performance and Restricted Share Units:

The Company has a Performance Share Unit 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 Share Unit 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 Share Unit and Restricted Share Unit Plan, the following grants and cancellations occurred during the year:

	Number of PSUs
Outstanding December 31, 2020	383,449
Granted	1,743,650
Forfeited	(828,218)
Outstanding December 31, 2021	1,298,881
Granted	934,465
Forfeited	(856,425)
Outstanding June 30, 2022	1,376,921

	Number of RSUs
Outstanding December 31, 2020	2,586,652
Granted	2,859,157
Cancelled	(1,188,948)
Outstanding December 31, 2021	4,256,861
Granted	3,331,705
Settled	(426,646)
Forfeited	(558,298)
Outstanding June 30, 2022	6,603,622

During the six months ended June 30, 2022, \$694 (2021 - \$666) in stock-based compensation was recorded in relation to these units, of which \$484 (2021 - \$135) was charged to operations and \$210 (2021 - \$531) was capitalised to development costs.

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11. Warrants:

The table below shows the movement of the warrant derivative liability:

	Triple Flag	July 2020 Offering	January 2021 Offering	November 2021 Offering	2021 Credit Facility	Total
Balance at December 31, 2020	\$681	\$11,796	\$—	\$—	\$—	\$12,477
Initial valuation	—	—	—	14,016	8,454	22,470
Fair value adjustment	(405)	(10,507)	2,970	(442)	(3,189)	(11,573)
Balance at December 31, 2021	\$276	\$1,289	\$2,970	\$13,574	\$5,265	\$23,374
Fair value adjustment	(227)	(1,289)	(2,369)	(12,033)	(3,751)	(19,669)
Balance at June 30, 2022	\$49	\$—	\$601	\$1,541	\$1,514	\$3,705

The fair value of the warrants was \$3,705 as at June 30, 2022. The change in the fair value of the warrants for the six months ended June 30, 2022 of \$19,669 was recorded as a derivative fair value gain in the Statement of Operations and Comprehensive Loss. The majority of the loss was largely driven by a decrease in the price of the Company's shares and publicly traded warrants.

On July 29, 2022, the remaining January 2021 Offering warrants issued pursuant to the Company's January 2021 public unit offering expired unexercised and were out-of-the-money. As a result, the remaining balance was revalued on the date of expiration and written down to \$nil resulting in a fair value loss of \$601.

The input assumptions used in the Black-Scholes valuation are listed below:

	Triple Flag Warrants		Credit Facility Warrants	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Risk-free interest rate	3.28 %	1.21 %	2.17 %	1.24 %
Expected dividend yield	0	0	0	0
Expected stock price volatility	96.0 %	88.6 %	84.4 %	82.2 %
Expected life in years	2.7	3.2	3.8	4.2

12. Commitments and Contractual Obligations:

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

	June 30, 2022	December 31, 2021
Property, plant, and equipment	\$6,272	\$1,960

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13. Revenue:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021 (Restated -	2022	2021 (Restated -
Metal contained in concentrate	\$5,256	\$1,833	\$10,213	\$6,739
Final settlement adjustment	—	470	317	470
Gross Revenue	5,256	2,303	10,530	7,209
Less: Treatment and refining cost	(229)	(239)	(411)	(760)
Revenue	\$5,027	\$2,064	\$10,119	\$6,449

Final settlement adjustment includes the changes in the fair value of concentrate trade receivables due to changes in base metal prices.

14. Cost of Sales:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021 (Restated - note 2)	2022	2021 (Restated - note 2)
Mining cost	\$6,363	\$6,577	\$15,593	\$9,896
Milling cost	3,247	2,719	7,180	6,702
Site, general and administrative	3,691	1,383	6,071	3,843
Net realizable value adjustment on stockpile inventory	2,273	—	2,273	—
Transportation	1,038	787	2,025	1,351
Royalty and stream payments	357	241	512	999
Total Cost of Sales	\$16,969	\$11,707	\$33,654	\$22,791

15. Supplemental Cash Flow Information:

	June 30, 2022	June 30, 2021
Non-cash investing and financing activities:		
Depreciation capitalized in MPPE	\$3,843	\$3,727
Stock based compensation included in MPPE	\$—	\$977
Asset retirement obligation change	\$62	\$—
MPPE included in accounts payable and accrued liabilities change	\$18,344	\$8,166
Rights of use assets acquired under finance lease	\$—	\$2,471
Accretion on stream deferral	\$5,736	\$5,347
Interest capitalised in MPPE	\$6,558	\$6,564
Extinguishment of Pala promissory note	\$—	\$8,194
Units issued to settle accrued liabilities	\$—	\$3,337
Forgiveness of PPP Loan	\$—	\$2,376
Shares issued in Sedgman settlement	\$—	\$2,000

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16. 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:

	June 30, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Working Capital Facility (Note 4)	\$18,469	\$18,469	\$20,095	\$20,095
KfW IPEX-Bank Facility (Note 5)	118,526	130,509	117,521	119,487
2021 Credit Facility (Note 6)	50,408	52,872	33,293	35,059
May 2022 Promissory Note	11,535	11,535	—	—
	\$198,938	\$213,385	\$170,909	\$174,641

(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.

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 5a), the Working Capital Facility (Note 4) and the 2021 Credit Facility (Note 5b) currently provide for interest at a market rate plus a fixed margin. Due to the capitalization of borrowing during the construction phase, 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.

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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, 2022, the Company held CAD\$3 (2021 - CAD\$58,734) in cash and cash equivalents in its parent entity with a functional currency of U.S. dollars. At June 30, 2022, the Company had CAD\$976 (2021 - CAD\$4,308) in accounts payable.

A +/- 10% change in the Canadian exchange rate would have had an immaterial impact for the six months ended June 30, 2022.

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.

iv) 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. The Company's maximum exposure to credit risk is \$12,740 as at June 30, 2022 (2021 - \$52,067), being the carrying value of cash and cash equivalents, restricted cash and amounts receivable.

v) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities (refer to Note 1 for more details). The Underground Mine is in the ramp-up stage and as a result has not yet generated sufficient revenue to support the Company's obligations. The Company is reliant on its current cash balance, cash flow from pre-operational production revenue and cash inflows from its financing transactions to fund the completion of the construction and commissioning of the Underground Mine, and to take it into commercial production with positive steady state cash flow and other corporate costs.

As at June 30, 2022, the Company had the following consolidated contractual obligations:

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

For the three and six months ended June 30, 2022 and June 30, 2021

Contractual obligations	Payments due by period				
	Total	1 year	2-3 years	4-5 years	5 years+
Accounts payable, accrued liabilities and related party payables	\$61,736	\$61,736	\$—	\$—	\$—
Construction contractual obligations	\$6,272	\$6,272	\$—	\$—	\$—
Working Capital Facility	\$18,469	\$18,469	\$—	\$—	\$—
KfW IPEX-Bank Facility	\$131,823	\$3,053	\$6,115	\$56,197	\$66,458
Equipment leases	\$18,480	\$7,007	\$11,473	\$—	\$—
2021 Credit Facility	\$71,880	\$5,327	\$10,669	\$55,884	\$—
May 2022 Promissory Note	\$12,919	\$—	\$12,919	\$—	\$—
Asset retirement obligation	\$8,977	\$—	\$—	\$—	\$8,977
Total obligations	\$330,556	\$101,864	\$41,176	\$112,081	\$75,435

The Company continuously assesses its cash requirements and its sources of funds in order to optimize its financing strategy.

17. Subsequent events:

- The Company defaulted on a payment of \$0.5 million pursuant to a settlement agreement dated February 3, 2021 (the "Settlement agreement") with Sedgman USA Inc. (Sedgman). Sedgman, therefore, has filed a complaint seeking compensatory damages and prejudgment writ of attachment against certain property belonging to the Company for the satisfaction of any judgment that may be recovered by Sedgman in this complaint. The Company intends to file an answer to the Complaint.
- Subsequent to the end of Q2, 2022, the Company has been in active and ongoing discussions with its key financing partners with respect to a restart funding package for the restart and ramp-up of the Underground Mine. In the interim, Pala has indicated that it is willing to provide up to an additional \$20 million through further promissory notes (\$4.5 million of which has already been advanced as of the date hereof) while the Company continues discussions with its financing partners.