



NEVADA COPPER CORP.

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2014 and 2013

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, “Continuous Disclosure Obligations”, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Corporation have been prepared by management and approved by the Audit Committee and the Board of Directors of the Corporation.

The Corporation’s independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditors.

NEVADA COPPER CORP.

Condensed Consolidated Statements of Financial Position

(Expressed in thousands of United States dollars)

(Unaudited – Prepared by Management)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$13,036	\$46,070
Restricted cash	2,280	200
Amounts receivable	76	119
Prepaid expenses	155	231
Marketable securities (note 4)	-	4,109
Total current assets	15,547	50,729
Deposits	1,275	931
Deferred financing fees (note 7)	4,859	4,859
Mineral properties, plant, and equipment (note 5)	164,210	126,024
Total assets	185,891	182,543
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	6,468	7,913
Short term loan (note 6)	10,007	-
Short term portion of long term debt (note 7)	7,269	-
Total current liabilities	23,744	7,913
Long term debt (note 7)	47,460	51,660
Asset retirement obligation	727	727
Total liabilities	71,931	60,300
Shareholders' equity:		
Share capital (note 9)	155,840	155,840
Other equity reserve	24,565	24,331
Accumulated other comprehensive loss	(3,692)	(3,630)
Deficit	(62,753)	(54,298)
Total shareholders' equity	113,960	122,243
Total liabilities and shareholders' equity	\$185,891	\$182,543

Nature of operations (note 1)

Commitments (notes 5 and 10)

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

Approved on behalf of the Board on November 12, 2014:

(Signed) "Victor Bradley", Director

(Signed) "Giulio Bonifacio", Director

NEVADA COPPER CORP.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Expressed in thousands of United States dollars)

(Unaudited – Prepared by Management)

Three and nine month periods ended September 30, 2014 and September 30, 2013

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Expenses:				
Public company expenses (note 11)	\$236	\$224	\$1,018	\$764
Consulting and remuneration	138	160	491	675
Office expenses	89	55	281	177
Professional fees	139	28	281	217
Business development (note 12)	237	178	1,023	430
Depreciation expense	32	-	95	3
Stock-based compensation (note 9)	43	552	719	595
	914	1,197	3,908	2,861
Other income (expense):				
Interest income	36	134	190	283
Finance costs	(329)	-	(329)	-
Other income (loss)	185	-	325	-
Loss on marketable securities	(3,880)	(3,349)	(4,109)	(17,955)
Foreign exchange gain (loss)	(501)	169	(624)	211
	(4,489)	(3,046)	(4,547)	(17,461)
Loss for the period	(5,403)	(4,243)	(8,455)	(20,322)
Other comprehensive loss				
Unrealized gain on available for sale securities	-	-	-	1,126
Foreign currency translation	46	543	(62)	(2,293)
Comprehensive income (loss)	\$(5,357)	\$(3,700)	\$(8,517)	\$(21,489)
Loss per common share:				
Basic and diluted	\$(0.07)	\$(0.05)	\$(0.11)	\$(0.25)
Weighted average number of shares outstanding	80,501,458	80,501,458	80,501,458	80,498,590

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

NEVADA COPPER CORP.

Condensed Consolidated Statements of Changes in Equity
 (Expressed in thousands of United States dollars, except share amounts)
 (Unaudited – Prepared by Management)

	Share Capital		Other Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
	Number of Shares	Amount				
Balances, December 31, 2012	80,496,458	\$155,838	\$23,782	\$(2,095)	\$(32,095)	\$145,430
Exercise of options	5,000	2	3	-	-	5
Shares issued	-	-	-	-	-	-
Stock based compensation	-	-	816	-	-	816
Comprehensive income (loss)	-	-	-	(1,167)	(20,322)	(21,489)
Balances, September 30, 2013	80,501,458	\$155,840	\$24,601	\$(3,262)	\$(52,417)	\$124,762

	Share Capital		Other Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
	Number of Shares	Amount				
Balances, December 31, 2013	80,501,458	\$155,840	\$24,331	\$(3,630)	\$(54,298)	\$122,243
Exercise of options	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-
Stock based compensation	-	-	234	-	-	234
Comprehensive income (loss)	-	-	-	(62)	(8,455)	(8,517)
Balances, September 30, 2014	80,501,458	\$155,840	\$24,565	\$(3,692)	\$(62,753)	\$113,960

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

NEVADA COPPER CORP.

Condensed Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
(Unaudited – Prepared by Management)

Three and nine month periods ended September 30, 2014 and September 30, 2013

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Cash provided by (used in):				
Operations:				
Loss for the period	\$(5,403)	\$(4,243)	\$(8,455)	\$(20,322)
Items not affecting cash:				
Depreciation	32	-	95	1
Interest income received	36	134	190	495
Gain on embedded derivatives	(189)	-	(326)	-
Loss on marketable securities	3,880	3,349	4,109	17,955
Stock-based compensation	43	552	719	595
	(1,601)	(208)	(3,668)	(1,276)
Changes in non-cash working capital items:				
Amounts receivable	5	(46)	43	208
Prepaid expenses	(6)	(46)	76	(26)
Accounts payable and accrued liabilities	(173)	(425)	(121)	(23)
Interest received	(36)	(134)	(190)	(494)
	(1,811)	(859)	(3,860)	(1,611)
Investments:				
Plant and equipment purchases	-	(59)	(118)	(59)
Transaction costs for purchase of shares	-	-	-	(372)
Deposits for development costs	109	-	(344)	-
Development costs	(13,078)	(8,852)	(36,577)	(24,805)
	(12,969)	(8,911)	(37,039)	(25,236)
Financing:				
Issuance of common shares (note 9)	-	-	-	5
Surety bond	-	-	(2,080)	506
Trust account for surety bond	-	-	-	(200)
Debt financing	10,000	669	10,000	36,669
Transaction costs for debt financing	-	-	-	(6,522)
Interest expense	55	-	55	-
Interest paid	(48)	-	(48)	-
	10,007	669	7,927	30,458
Effects of exchange rate changes on cash held in foreign currencies	46	330	(62)	(196)
Increase (decrease) in cash and cash equivalents	(4,727)	(8,771)	(33,034)	3,415
Cash and cash equivalents, beginning of the period	17,763	51,865	46,070	39,679
Cash and cash equivalents, end of the period	\$13,036	\$43,094	\$13,036	\$43,094
Supplementary information:				
Depreciation capitalized in MPPE	\$74	\$16	\$167	\$51
Stock-based compensation included in mineral properties	31	158	97	220
Asset retirement obligation change	-	-	-	184
Change in mineral properties, plant & equipment in accounts payable & accrued liabilities	\$(4,578)	\$4,390	\$(1,906)	\$2,382

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

NEVADA COPPER CORP.

Notes to Condensed Consolidated Financial Statements
(Expressed in thousands of United States dollars, except share amounts)
(Unaudited – Prepared by Management)
For the three and nine months ended September 30, 2014 and 2013

1. Nature of operations:

Nevada Copper Corp. (the “Corporation” or “Nevada Copper”), is a development stage mining company engaged in the development of the Pumpkin Hollow Copper Project based in Nevada. The recoverability of amounts capitalized is dependent upon maintaining the lease and titles to the properties, obtaining the necessary financing and permits to complete the development of these properties and the attainment of future profitable production. The amounts capitalized as development costs represent costs to date, and do not necessarily represent present or future values.

Nevada Copper was incorporated on June 16, 1999 under the Business Corporations Act of the Yukon as African Venture Corporation and changed its name to Astron Resources Corporation on July 26, 1999, and subsequently to Nevada Copper Corp. on November 16, 2006. The Corporation’s common shares are listed on the Toronto Stock Exchange (“TSX”) under the NCU symbol. The Corporation’s head office is located at Suite 1238, 200 Granville Street, Vancouver BC, Canada, V6C 1S4 and its registered and records office is located at Suite 3350, 1055 Dunsmuir Street, Vancouver, BC, Canada, V7X 1L2.

These consolidated financial statements have been prepared on a going concern basis. The Corporation will be required to complete additional funding in order to meet its development objectives and schedule. The Corporation is also required to commence quarterly repayment of its long term debt on April 1, 2015 (note 7). Management is actively seeking additional financing and believes that it will be successful in these efforts such that development of the Pumpkin Hollow project will continue as planned with all debt repayments made as required. Failure to obtain additional financing on a timely basis would require the Corporation to delay development activities.

2. Basis of presentation and significant accounting policies:

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in and should be read in conjunction with the Corporation’s December 31, 2013 consolidated financial statements.

All financial information in these condensed consolidated interim financial statements is presented in United States dollars (“USD”), unless otherwise stated. References to CAD are to Canadian dollars (“CAD”).

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 12, 2014.

3. Recent accounting pronouncements:

The following standards and amendments to existing standards have been published and are mandatory for the Corporation’s annual accounting periods beginning January 1, 2014, or later periods:

IAS 32 ‘Financial Instruments Presentation’ - This amendment updates the application guidance in IAS 32, to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment became effective for annual periods beginning on or after January 1, 2014. This amendment does not have a material effect on the Company’s consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements
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3. Recent accounting pronouncements (continued):

IAS 36 ‘Impairment of Assets’ – In May 2013, the IASB published a revised version of this standard to reverse the unintended requirement in IFRS 13 ‘Fair Value Measurements’ to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The Corporation has applied IAS 36 on a prospective basis commencing January 1, 2014.

IFRIC 21 ‘Levies’ – This interpretation of IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’, applies to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Corporation has applied IFRIC 21 on a prospective basis commencing January 1, 2014.

IFRS 9, “Financial Instruments” will replace IAS 39, Financial Instruments: Recognition and Measurement for classification and measurement of financial assets and liabilities. IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. A fair value option is provided for financial instruments otherwise measured at amortized cost. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Corporation is in the process of determining the impact of this new standard.

In May 2014, the IASB issued, IFRS 15, “Revenue from Contracts with Customers” which will replace IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations. IFRS 15 has an effective date for annual periods beginning on or after January 1, 2017 and early adoption is permitted. IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The Corporation is in the process of determining the impact of this new standard.

4. Marketable securities:

On October 9, 2012, the Corporation completed the purchase of 46,000,000 common shares of Mercator Minerals Ltd. (“Mercator”), representing, at that time, approximately 17.8% of the issued and outstanding common shares of Mercator, in consideration for the issuance of 7,315,000 common shares of the Corporation. The value of the Mercator shares was determined to be \$23,969 (\$23,460 CAD) plus transaction costs of \$186 (\$182 CAD) at the time of purchase.

In the period ending September 30, 2014 the marketable securities are required to be presented at fair-market-value and the Corporation recorded a pre-tax loss of \$3,880 (\$4,140 CAD) in profit or loss for the three month period ended September 30, 2014 (September 30, 2013 – \$3,349 (\$3,450 CAD)) as a result. The Corporation recorded a pre-tax loss of \$4,109 (\$4,370 CAD) in profit or loss for the nine month period ended September 30, 2014 (September 30, 2013 – \$17,955 (\$18,812 CAD)) as a result. The value of the Mercator shares at September 30, 2014 is nil.

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Notes to Condensed Consolidated Financial Statements
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 (Unaudited – Prepared by Management)
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5. Mineral properties, plant and equipment:

	Mineral Properties		Plant &	Total
	Development	Exploration and	Equipment	
	Costs	Evaluation assets		
Cost:				
As at June 30, 2013	\$102,838	\$-	\$700	\$103,538
Additions	22,528	-	310	22,838
As at December 31, 2013	125,366	-	1,010	126,376
Additions	38,257	-	118	38,375
As at September 30, 2014	163,623	-	1,128	164,751
Accumulated depreciation:				
As at June 30, 2013	-	-	270	270
Additions	-	-	82	82
As at December 31, 2013	-	-	352	352
Additions	-	-	189	189
As at September 30, 2014	-	-	541	541
Net book value:				
As at June 30, 2013	102,838	-	430	103,268
As at December 31, 2013	125,366	-	658	126,024
As at September 30, 2014	\$163,623	\$-	\$587	\$164,210

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5. Mineral properties, plant and equipment (continued):

Pumpkin Hollow Copper Development Property:

On March 1, 2005, the Corporation entered into an Option Agreement to acquire a ten-year lease for mining rights (the “Lease”), effective May 4, 2006 and expiring May 4, 2016, for the Pumpkin Hollow Copper Development Property (the “Property”) located in north-western Nevada, United States, approximately one hundred miles southeast of Reno. The Property is located within a contiguous 26 square mile land package comprised of patented and unpatented claims. During the 2006 fiscal year, the Corporation paid \$80 to the optionor in full payment of the option and obtained a 100% interest in the Property pursuant to the lease terms.

Under the terms of the Lease, the Corporation has made Lease payments totaling \$600 during the period May 4, 2007 to May 4, 2011. Subsequent to May 4, 2011, the Corporation is required to pay advance royalty payments of \$600 annually until the first expiry date of the Lease on May 4, 2016 to a total of \$3,000. Quarterly lease payments of \$150 were due and paid commencing in April 2012. The Corporation is current with all required Lease payments and advance royalty payments. Cumulative advance royalty payments made total \$1,500 to September 30, 2014.

The Company must pay RGGGS a net production royalty on copper obtained from Fee Land and Patented Claims comprising the Property which are described in the Lease Agreement. The royalty rate is 4% on copper when the copper price is less than US\$1.00 per pound, a 5% net production royalty on copper when the copper price is between US\$1.00 and US\$2.00 per pound and a 6% net production royalty on copper when the price of copper is greater than US\$2.00 per pound. On all other minerals such as gold and silver, except iron, the royalty rate is 5%. The Corporation was obligated to make exploration and development expenditures on the Property of at least \$4,000 during the first three years of the Lease, with expenditures of at least \$500 each year, and an additional \$4,000 during the 4th through 6th years of the Lease, with expenditures of at least \$500 each year. During 2008, and in less than three years, the Corporation satisfied these obligations.

The Corporation may extend the Lease for up to three additional terms of ten years each, subject to performing continuous mining activities, payment of advance royalty payments of at least \$3,000 in the first ten-year term and payment of production royalties and minimum royalty payments of \$10,000 in each subsequent ten-year term.

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5. Mineral properties, plant and equipment (continued):

Project costs capitalized for the nine months ended September 30, 2014, six months ended December 31, 2013 and for the year ended June 30, 2013 on the Property consists of the following:

	Development Costs				
	Sep 30, 2014	Jan-Sep 2014 Expenditures	Dec. 31, 2013	Jul-Dec 2013 Expenditures	Jun 30, 2013
Property payments	\$1,961	\$-	\$1,961	\$107	\$1,854
Advance royalty payments	1,500	450	1,050	300	750
Water rights	1,316	153	1,163	142	1,021
Drilling	36,614	-	36,614	860	35,754
Geological consulting, exploration & related	7,555	424	7,131	351	6,780
Feasibility, engineering & related studies	17,571	-	17,571	1,509	16,062
Permits/ environmental	7,656	1,059	6,597	975	5,622
East deposit underground project					
Underground access, hoist, head frame, power, & related	68,428	24,884	43,544	14,998	28,546
Surface infrastructure	3,154	3,154	-	-	-
Project administration	7,995	4,475	3,520	1,285	2,235
	153,750	34,599	119,151	20,527	98,624
Amortization	501	167	334	66	268
Capitalized interest	5,996	3,394	2,602	1,830	772
Stock-based compensation	3,376	97	3,279	105	3,174
Total	\$163,623	\$38,257	\$125,366	\$22,528	\$102,838

Pumpkin Hollow Copper Development Property – Water Rights:

Pursuant to the First Amendment to the Lease dated April 10, 2008, the Corporation agreed to acquire from the optionor of the Lease, certain water rights to consume a maximum of 724 acre feet of water for its mining operations on the Property in exchange for making 80 quarterly payments of \$47 each payable over a period of 20 years from July 1, 2008 to April 1, 2028. The First Amendment to the Lease also contains provisions allowing the Corporation to accelerate and reduce the payments required.

In August of 2009, the Corporation entered into an agreement with the City of Yerington, Nevada to reserve 2,000 acre feet of water for a term of 30 years. As consideration, the Corporation will pay to the City of Yerington annual reservation fees of \$50.

On July 25, 2011, the Corporation amended its agreement with the City of Yerington, to increase its annual reserve from 2,000 acre feet of water to 3,500 acre feet of water under the same terms of the original agreement. As consideration, the Corporation will pay to the City of Yerington additional annual reservation fees of \$38 (note 10 (iii)). The Corporation has total water rights under agreements amounting to 4,224 acre feet of water per year. The costs of the leases have been capitalized to development costs as incurred.

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5. Mineral properties, plant and equipment (continued):

Plant and equipment:

	Building	Equipment	Mobile Equipment	Computer Equipment	Total
Cost:					
As at June 30, 2013	\$474	\$80	\$65	\$81	\$700
Additions	6	13	20	271	310
As at December 31, 2013	480	93	85	352	1,010
Additions	-	3	54	61	118
As at September 30, 2014	480	96	139	413	1,128
Accumulated depreciation:					
As at June 30, 2013	114	63	54	39	270
Additions	24	5	3	50	82
As at December 31, 2013	138	68	57	89	352
Additions	37	8	30	114	189
As at September 30, 2014	175	76	87	203	541
Net book value:					
As at June 30, 2013	360	17	11	42	430
As at December 31, 2013	342	25	28	263	658
As at September 30, 2014	\$305	\$20	\$52	\$210	\$587

During the nine months ended September 30, 2014, the Corporation added \$118 in plant and equipment (September 30, 2013 - \$59) and had amortization of plant and equipment of \$189 (September 30, 2013 - \$51).

6. Short term debt:

On August 26, 2014, the Corporation closed a \$20 million bridge loan facility (“Pala Facility”) with Pala Investments Limited. The initial term of the facility is four months, with up to two additional two month extensions. The Pala Facility is drawn in \$5 million tranches. The initial tranche of \$5 million was received on August 26, 2014. Through November 12, 2014 \$10 million (two tranches) have been drawn from the Pala Facility. The annual interest rate is 10% and a 2.7% arrangement fee is payable upon each tranche drawn. The Pala Facility is secured against the Corporation’s assets, and is subordinate to the security granted in connection with the \$200 million senior credit facility announced by the Corporation on March 28, 2013. The Corporation has incurred \$55 of interest expense for the Pala Facility. A payment of \$48 was made to Pala during Q3. The current short term loan balance, including accrued interest, is \$10,007.

7. Long term debt:

On March 28, 2013, the Corporation entered into a \$200 million loan facility with MF Investment Holding Company 2 (CAYMAN) SPC, a special purposed vehicle that is jointly owned by Orion Resource Partners and RK Mine Finance, (“Red Kite”) or the “Loan”). The Loan is comprised of four tranches - Tranche A for \$36 million, which was received on March 28, 2013, Tranche B for \$15 million which was received on October 9, 2013, Tranche C for \$10 million which is subject to completion of the Yerington land transfer, and Tranche D which is subject to completion of other financing transactions whereby the Corporation will obtain sufficient proceeds necessary to achieve commencement of commercial production and certain project milestones, for \$139 million or \$149 million depending whether or not Tranche C was received.

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7. Long term debt (continued):

Amounts advanced under the Loan bear interest at the greater of three-month LIBOR and 1%, plus 600 basis points. The Loan was subject to a 3% loan origination fee, which was paid on March 28, 2013.

The Loan is to be repaid by the end of the first quarter of 2019. Interest and principal shall be payable on a quarterly basis with the first interest and principal repayment due April 2015. A portion of the long term loan has been classified as a short term liability because of the portion due within one year. The current portion of the long term loan is \$7,269. The Loan can be repaid without penalty prior to maturity.

The Loan is carried at amortised cost on the statement of financial position. The Corporation incurred \$6,522 of transaction costs, including the 3% origination fee, relating to the Loan for a net amount received of \$29,478. A pro-rata portion of the transaction costs was recognised as part of the Loan based on the amount drawn.

The remainder of the transaction costs have been accounted for as deferred financing costs and will be netted against future tranches when drawn on a pro-rata basis. During the nine month period ended September 30, 2014 \$3,394 of interest was accrued and capitalised to mineral property development costs at an effective interest rate of 8.6% (September 30, 2013 – \$1,537).

The Loan is fully and unconditionally guaranteed, on a joint and several basis, by the Corporation's existing and future subsidiaries and secured by all current and future assets of the Corporation. The loan is collateralized against the Corporation's assets, including the shares of the Corporation's subsidiary which holds the Nevada Copper assets.

In addition to, and related to, the Loan, the Corporation also entered into an off-take agreement with Red Kite for the sale of copper concentrates from the underground mine of the eastern deposits. The Corporation will supply Red Kite with the percentage of total copper concentrate production based on the amount advanced to the Corporation through tranches divided by the total available loan. Post Tranche B, Red Kite will be entitled to purchase 25.5% of the Corporation's annual copper concentrates production from the eastern deposits when the Corporation commences commercial production. The off-take agreement includes concentrate pricing based on market terms.

An embedded derivative liability relating to the interest rate floor has been recognised for the Loan. The embedded derivative fair value of Tranche A of the loan at December 31, 2013 was \$582. The fair value of the embedded derivative liability relating to Tranche A is \$349 at September 30, 2014. The embedded derivative fair value of Tranche B of the Loan at December 31, 2013 was \$233. The fair value of the embedded derivative liability relating to Tranche B is \$140 at September 30, 2014.

The change in value was recognised in the statement of operations as other income of \$189 for the three months ended September 30, 2014 (three months ending September 30, 2013 – nil). The change in value was recognised in the statement of operations as other income of \$326 for the nine months ended September 30, 2014 (nine months ending September 30, 2013 – nil).

8. Related party transactions:

A short term \$20 million bridge loan facility funded by Pala was closed on August 26, 2014. Please see note 6 for additional details. The current short term loan balance, including accrued interest, is \$10,007.

The Corporation has entered into management agreements with certain senior officers. In the event that there is a change of control, the Corporation may be required to pay severance payments ranging from one to three years of salary for these senior officers. The amount of this contingent liability is \$1,734 (\$1,850 CAD).

As of September 30, 2014, accounts payable and accrued liabilities include director fees and expenses payable of \$68 (December 31, 2013 - \$110).

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Notes to Condensed Consolidated Financial Statements
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(Unaudited – Prepared by Management)
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8. Related party transactions (continued):

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

9. Share capital:

(a) Authorized:

The Corporation is authorized to issue an unlimited number of common shares without par value.

(b) Issued:

During the year ended June 30, 2013, the Corporation issued 7,315,000 common shares for 46,000,000 shares of Mercator (Note 4).

(c) Options:

The Corporation grants incentive stock options as permitted pursuant to the Corporation's Stock Option Plan (the "Plan"), originally approved by the shareholders on November 16, 2007 and re-approved August 27, 2010 and December 16, 2013, which complies with the rules and policies of the TSX. 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 of the Corporation as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of ten years, and the term will be reduced to one year following the date of death of the Optionee. If the Optionee ceases to be qualified to receive options from the Corporation those options shall immediately expire. All options vest when granted unless otherwise specified by the Board of Directors.

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9. Share capital (continued):

As of September 30, 2014, the Corporation has stock options outstanding to directors, officers and employees to acquire an aggregate of 6,820,000 common shares summarized as follows. All of these options vested upon grant except for 150,000 which vest over three years and 509,200 which vest over two years. The outstanding options have expiry periods between 5 and 10 years.

	Number of Options	Weighted average exercise price \$(CAD)
Outstanding June 30, 2013	6,610,000	\$3.54
Granted	1,100,000	2.25
Expired	(490,000)	3.51
Exercised	-	-
Outstanding December 31, 2013	7,220,000	\$3.35
Granted	-	-
Expired	(400,000)	\$4.28
Exercised	-	-
Outstanding September 30, 2014	6,820,000	\$3.29
Exercisable September 30, 2014	6,160,800	\$3.40

During the three months ended September 30, 2014, under the fair value method, \$74 (September 30, 2013 – \$711) in share-based compensation was recorded for options granted to officers and employees, of which \$43 (September 30, 2013 - \$553) was charged to operations and \$31 (September 30, 2013 – \$158) was capitalized to development costs. During the nine months ended September 30, 2014, under the fair value method, \$234 (September 30, 2013 – \$816) in share-based compensation was recorded for options granted to officers and employees, of which \$137 (September 30, 2013 - \$596) was charged to operations and \$97 (September 30, 2013 – \$220) was capitalized to development costs.

In December 2013 and August 2014 directors were granted deferred share units (“DSUs”) which replace stock option grants as a component of Director’s compensation. All of the DSUs have vested. The Corporation recognized \$229 of expense for the three months ended September 30, 2014 (September 30, 2013 – nil) in the statement of operations for the recognition of the DSUs granted in August 2014. This expense was offset by a cost recovery of \$229 (September 30, 2013 – nil) relating to the valuation of the December 2013 DSUs. The Corporation recognized \$811 of expense for the nine months ended September 30, 2014 (September 30, 2013 – nil) offset by a cost recovery of \$229 (September 30, 2013 – nil) in the statement of operations.

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9. Share capital (continued):

The Corporation 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:

	9 months ended September 30, 2014	9 months ended September 30, 2013
Risk free interest rate	1.58%	1.84%
Expected dividend yield	0%	0%
Expected stock price volatility	49%	85%
Expected life in years	5	5
Expected forfeitures	0%	0%

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 Corporation's historical 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 Corporation's options.

The following table summarizes the stock options outstanding and exercisable as at September 30, 2014:

Exercise price	Outstanding		Exercisable	
	Number outstanding	Weighted average remaining life (years)	Number outstanding	Weighted average remaining life (years)
\$0.75 - \$1.00	725,000	3.86	725,000	3.86
\$1.01 - \$3.74	3,240,000	5.82	2,580,800	6.23
\$3.75 - \$5.37	2,855,000	6.81	2,855,000	6.81
	6,820,000	6.03	6,160,800	6.22

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10. Financial instruments:

(a) Contractual obligations:

The following table sets forth the Corporation's contractual obligations for the next five fiscal years as at September 30, 2014:

Contractual obligations	Payments due by period			
	Total	1 year	2-3 years	4-5 years
Lease obligation – payment on Pumpkin Hollow Property (i)	\$4,300	\$600	\$1,700	\$2,000
First amendment to lease – payment of water rights on property (ii)	1,912	189	378	1,345
City of Yerington – payment of advanced water service payments (iii)	438	88	175	175
Accounts payable and accrued liabilities	6,468	6,468	-	-
Short-term debt	10,007	10,007	-	-
Long-term debt	56,138	7,017	28,069	21,052
Total USD obligations	\$79,263	\$24,369	\$30,322	\$24,572
	CAD	CAD	CAD	CAD
Office lease	\$941	\$220	\$451	\$270
Total CAD obligations	\$941	\$220	\$451	\$270

(i) See note 5 for renewal terms.

(ii) The commitment in the table above is the obligation if the Corporation does not renew the Pumpkin Hollow property lease. The Corporation can pay quarterly installments to the lessor if the lease is renewed. See note 5 for details of the payment schedule.

(iii) The commitment in the table above is the obligation by the Corporation to the City of Yerington for reservation fees. See note 5 for details of the payment schedule.

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11. Public company expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Expenses:				
Investor relations	\$125	\$82	\$487	\$397
Directors' fees and related	71	84	393	237
Other public company expenses	40	58	138	130
	\$236	\$224	\$1,018	\$764

12. Business development expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Expenses:				
Professional fees	\$155	\$52	\$529	\$184
Due diligence & project reviews	19	77	273	95
Travel	21	-	96	21
Business development general	42	49	125	130
	\$237	\$178	\$1,023	\$430

13. Management of capital:

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

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

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

The Red Kite loan has certain financial covenants that must be adhered to when commercial production commences.

CORPORATE INFORMATION

DIRECTORS

Michael Barton
Switzerland

Giulio T. Bonifacio
Vancouver, Canada

Victor Bradley
Monte Carlo, Monaco

Michael Brown
Switzerland

Philip Clegg
Switzerland

Daniel Dumas
Toronto, Ontario

Joseph Giuffre
Vancouver, Canada

Paul Matysek
Vancouver, Canada

OFFICES

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OFFICERS

Giulio T. Bonifacio
President and Chief Executive Officer

Robert McKnight
Executive Vice President and Chief Financial Officer

Timothy Arnold
Vice President, Operations

Greg French
Vice President, Exploration and Project Development

Timothy M. Dyhr
Vice President, Environmental and External Relations

Gus McDonald
Vice President, Corporate Controller

Eugene Toffolo
*Vice President, Investor Relations and
Communications*

Catherine Tanaka
Corporate Secretary

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, Canada

SHARES LISTED

TSX Exchange: NCU

CAPITALIZATION

(As at September 30, 2014)
Shares Issued and Outstanding: 80,501,458

AUDITOR

KPMG, Chartered Accountants
Vancouver, Canada

LEGAL COUNSEL

Axiom Law Corporation
Vancouver, Canada

WEBSITE

Additional information about the Corporation can be found at our website www.nevadacopper.com

INVESTOR RELATIONS CONTACT

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