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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

MARCH 18, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Year Ended December 31, 2020

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For the Year Ended December 31, 2020

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Nevada Copper Corp. (the "Company" or "Nevada Copper") has been prepared by management as of March 18, 2021. Information herein is provided as of March 18, 2021, unless otherwise noted. The following discussion of performance, financial condition and outlook should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2020 and 2019 ("consolidated financial statements") and the notes thereto, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Additional information relevant to the Company's activities, including the Company's Annual Information Form dated March 18, 2021 (the "Annual Information Form"), can be found on SEDAR at www.sedar.com. All amounts expressed herein are in US Dollars unless otherwise indicated.

Greg French, CPG and Norman Bisson P. Eng. are a non-independent Qualified Persons under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, and approved the scientific and technical information in this MD&A.

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

HIGHLIGHTS, RECENT DEVELOPMENTS AND OUTLOOK

2020 Highlights and Recent Developments

The Company achieved significant milestones in 2020 and progressed its previously announced accelerated development plan for the Underground Project (as defined below). Set out below are recent highlights relating to the Company and the Underground Project, as well as an overview of certain key events that occurred in relation to the Company and the Underground Project in the fourth quarter of 2020 ("Q4 2020").

- **Mine Hoisting** – During Q4 2020 the mine hoisted 80,000 tons of material for a total of 328,000 tons in 2020. Following completion of the main shaft material handling system in Q4 2020, the Company achieved a peak daily hoisting rate of over 3,000 tons in February 2021, and has achieved a hoisting rate equivalent to 5,000 tons per day ("tpd") on a shift basis. Average hoisting rates increased in February to approximately 1,300 tpd. Work continues on increasing power distribution, ventilation and hoisting additional production equipment underground to enable ramping up to 3,000 tpd in the second quarter of 2021 and 5,000 tpd during the third quarter of 2021.
- **Milling and Concentrate Delivery** – The Company processed 159,000 tons of ore and 441,000

tons of ore during Q4 2020 and full year 2020, respectively, and shipped 2,560 tons and 5,630 tons of concentrate at an average grade of 24.7% and 25.0%, respectively, for the same periods. Since the restart of the Underground Project after the Suspension (as defined below), concentrate specifications have been compliant with offtake requirements. Concentrate deliveries are expected to continue with increasing volumes.

- **Main Shaft Equipping** – The Company completed equipping the Main Shaft in Q4 2020. The Main Shaft commissioning is now complete and is able to move people, equipment and material at a rate of 5,000tpd.
- **East North Ventilation Shaft ("ENVS")—**The Company began decommissioning the ENVS from a dual role ventilation/sinking shaft to a pure ventilation shaft in December of 2020. This work is expected to be completed in the second quarter of 2021.
- **Lateral Development** – During Q4 2020, 2,477 feet of lateral development was completed resulting in a total of 8,663 feet of lateral development during 2020. Development progress is continuing, establishing access to ore zones and stope areas in preparation for commercial production.
- **Materials Handling** – During Q4 2020, the underground LHD skip-loading materials handling infrastructure was completed. The completion of this milestone is expected to allow for a significant increase in hoisting rates, from 1,000 tpd to ultimately 5,000 tpd once the surface ventilation fans have been installed as anticipated in early Q3 2021 and commissioning and ramp-up of the Underground Project are completed. Work will commence on the permanent coarse ore bins in the second quarter of 2021 which will provide additional underground ore storage.
- **Production** – The Company expects to reach steady-state production of approximately 5,000 tpd in the third quarter of 2021.
- **Closing of KfW Tranche B** – On December 30, 2020, the Company closed an amendment and restatement to its senior credit facility with KfW IPEX-Bank (the "KfW IPEX-Bank Facility"), which included a $15 million increase in the facility amount and a deferral of $26 million of planned debt service until 2023.
- **Completion of Public Offering** – On January 29, 2021, the Company completed a public offering of units, which included the exercise in full of the over-allotment option by the underwriters (the "January 2021 Offering"). The Company issued 230,000,000 units, with each unit consisting of one common share and one-half of one common share purchase warrant of the Company, at a price of CAD$0.165 per unit for aggregate gross proceeds of approximately CAD$38 million. See "*January 2021 Offering*" in the Liquidity, Cash flow and Financial Resources section for additional details.
- **2021 Credit Facility** – On February 3, 2021, the Company entered a credit facility with Pala Investments Limited ("Pala"), the Company's largest shareholder, which allows for $15 million to be drawn subject to certain conditions (the "2021 Credit Facility"). The 2021 Credit Facility also includes an accordion feature and Pala has confirmed its intention to make this available to the Company as required, which will expand the size of the 2021 Credit Facility by $15 million. As of the date of this MD&A, the Company has drawn $7.5 million under the 2021 Credit Facility.

Overview of 2020:

- **Geotechnical Stability** – Geotechnical boundaries and properties of significant portions of the East North orebody were verified by underground drilling and development drifting. As expected, the resulting geotechnical modeling has confirmed the stability of the East North ore body.

- **Mine Planning** – Work to optimize the mine plan for the Underground Project to account for the different stope sizes, and related the geotechnical constraints for each area, is continuing and is expected to be completed early in the second quarter of 2021.
- **Improvement of Capital Structure** – During 2020 and in early 2021 the Company entered into a number of financing transactions to fund the development of the Underground Project and to improve its capital structure. See "*Financing Transactions and Financial Resources*" below for details.
- **Completion of Main Shaft to Final Depth** – Mid-way through 2020 the Company completed the deepening of the Main Shaft to its final depth.
- **Suspension and Restart of operations** – As a result of the impacts of the COVID-19 pandemic, the Company temporarily suspended its milling operations in early April 2020 and restarted milling operations at the Underground Project on August 20, 2020 (the "Suspension"). The plant restart was able to leverage the knowledge gained from the processing plant's initial performance in the first quarter of 2020. In Q4 2020, the average recovery was 82% and a total of 2,549 tons of copper concentrate were produced.
- **ENVS** – The Company completed the sinking of the ENVS early in the first quarter of 2020.
- **July 2020 Offering** – In July 2020, the Company completed its public offering of 667,503,553 units of the Company at a price of CAD$0.15 per unit (the "July 2020 Offering"), inclusive of the exercise of the over allotment option by the underwriters, for total aggregate gross proceeds of approximately CAD$100 million. See "*July 2020 Offering*" in Liquidity, Cash flow and Financial Resources for additional details.

Recent Developments and Outlook

Underground Project

Mine Development

The impact of COVID-19, including the restrictions imposed by the State of Nevada, had both a direct and indirect impact on the Company's operations during the year. The number of personnel allowed at any one time in the shaft's conveyance system has been limited, materially impacting productivity in the underground works. The Company also experienced increased lead times and challenges in its supply chain. The Company has had localized workplace COVID-19 incidents at the Underground Project affecting its employees and those of its contractors. While those incidents have been addressed pursuant to the Company's policies, the continued spread of the virus and further infections of COVID-19 may lead to work-stoppages at the Underground Project, which could potentially delay the Company's ramp-up process and lead to a short-term suspensions of copper production, depending on the nature of any future outbreaks. During February and March 2021 to date, there have been no new confirmed cases of employees or contractors.

These restrictions and other challenges relating to the COVID-19 pandemic have impacted the underground development plan. A critical path schedule focused on completion of the Main Shaft furnishing and commissioning to enable ramp-up of production was implemented during the second quarter of 2020. The decoupling of the mine-to-mill during the Suspension allowed for the mine development to advance, infrastructure to be progressed and building of a development ore stockpile which totalled approximately 164,000 tons on August 19, 2020. This approach facilitated a restart of the process plant on August 20, 2020 from the stockpiled material.

Further to the revised development plan, the shaft sinking of the Main Shaft to its final depth of 2,131 ft was completed upon the restart of the process plant. The surface and underground materials handling system was also completed in 2020.

The focus of the lateral development has been to complete key underground infrastructure areas and to develop accesses out to the stoping areas and prepare stopes for a ramp up in production upon commissioning of the Main Shaft. The Main Shaft is now being used to hoist personnel, supplies and material.

The Company is engaged in ongoing technical work to set priorities to support mining ramp-up at the Underground Project, which will include amendments to the mine plan. Geotechnical design parameters have been updated after underground infill drilling and mapping of the development were done. The updated geotechnical parameters indicate changes to some of the stope dimensions in the upper part of the East South deposit. These changes include initially smaller stope sizes, which will increase costs in the short term. Designs, extraction sequences and scheduling are currently being incorporated into the mine plan to support the ramp-up schedule. Further medium and longer term mine planning options are also being considered.

While the Company made significant progress on the development of the Underground Project in 2020, the cumulative impact of a series of unplanned stoppages in early 2021 due to mechanical issues and other incidents in the Main Shaft led to lower than expected ore production to date in 2021. As a result of the shaft delays noted above, and delayed upgrade of the underground electrical and ventilation systems, production of copper concentrates during the first half of 2021 is expected to be significantly lower than planned.

The resolution of the Main Shaft commissioning items, the ongoing installation of incremental underground power and ventilation upgrades and the deployment underground of additional mobile fleet equipment is expected to result in increased copper production rates beginning in the second quarter of 2021.

Due to the delays noted above, the Company expects to reach steady state production of 5,000 tpd during the third quarter of 2021.

Processing Plant

Production at the Underground Project's processing plant for 2020 totaled 440,569 tons of ore processed through the concentrator with an average head grade of 0.30% resulting in the production of approximately 5,532 tons of concentrate at a 24.0% copper grade. There were significant improvements made to the processing plant performance and recoveries during the year. In Q4 2020, overall recovery of copper was 82% resulting in approximately 2,549 tons of copper concentrate produced at an average grade of 25.5%.

On August 20, 2020, the processing plant was placed back into production after the Suspension to process approximately 164,000 tons of stockpiled development ore that included lower grade ore from material stockpiled in the earlier years of the Project (as defined below).

The plant continued to operate during Q4 2020 with most of the initial stockpile being processed by the end of October 2020. During November and December 2020, the plant operated using a campaigning strategy to treat development ore when sufficient quantities were available for processing. The average feed grade of the material processed in Q4 2020 was approximately 0.57% copper with an overall copper recovery of 82%. A total of 159,000 tons of material was processed during Q4 2020 resulting in approximately 2,549 tons of concentrate produced at an average grade of 25.5% copper grade. The lower grade material that had been stockpiled for a longer period of time consistently had lower recovery rates, whereas the fresh higher grade ore had higher recoveries.

During Q4 2020 significant improvements were made to the plant reliability and the overall maintenance of the plant. Earlier challenges with the plant operations, maintenance and filter press maintenance improved as the operators gained more experience and process control strategies were developed that kept the plant in statistical control. In 2021, these improvements and operator experiences continue with higher reliability (above 90%) and recoveries are improving. During the ramp-up of the Underground Project in the first half of 2021 further optimization of the processing plant will continue to maximize copper production when steady-state production is achieved.

Open Pit Project

The Company expects to continue advancing optimizations for its Open Pit Project (as defined below) following the current focus on ramp-up of the Underground Project. The optimizations are expected to include further extension and in-fill drilling as a follow-up to the last Open Pit Project drilling program, which identified significant additional mineralization and indicated the ore body extends beyond the original pit boundary and remains open in multiple directions, as well as value engineering options and trade-offs with the aim of further enhancing project economics. Further updates on Open Pit Project advancement plans will be communicated in due course.

Exploration

The Company continues to evaluate its extensive mineral landholdings at and around Pumpkin Hollow, including drilling and/or trenching, where appropriate, and to look for opportunities to increase its landholdings. Review of aeromagnetic surveys and continued surface reconnaissance will direct exploration activities in 2021 as well as to provide a broader understanding of the geophysical results from known deposits across Nevada Copper's land package.

Further to this strategy, the Company staked a highly prospective land package in 2020 covering approximately 680 acres immediately contiguous to its existing Pumpkin Hollow property and along the eastern boundary of the Tedeboy area. Review of historical aero-magnetic survey data, along with anomalous copper mineralization in surface grab samples, confirmed the prospectivity of this newly acquired property.

The Company continues to advance its high-priority targets in accordance with cash availability.

SUBSEQUENT EVENTS

On January 29, 2021, the Company completed the January 2021 Offering, which included the exercise in full of the underwriters' over-allotment option, of 230,000,000 units of the Company at a price of CAD$0.165 per unit for aggregate gross proceeds of approximately CAD$38 million. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each full warrant entitles the holder thereof to purchase one common share at a price of CAD$0.22 per common share, for a period of 18 months following the closing of the Offering (until July 29, 2022). Concurrently with the closing of the January 2021 Offering, the Company completed a private placement of 76,696,970 units to Pala at CAD$0.165 per unit (the "Concurrent Private Placement"), the offering price in the January

2021 Offering, for aggregate gross proceeds of approximately CAD$13.1 million. The proceeds from the Concurrent Private Placement were used by the Company to settle certain indebtedness that was owing to Pala. In addition the Company issued 7,024,615 shares to Pala at price of CAD$0.165 per share for the settlement of indemnity fees.

On February 3, 2021, the Company entered into the 2021 Credit Facility. Funds advanced under the 2021 Credit Facility will be primarily used to fund the construction and ramp-up of the Underground Project, as well as for the general working capital needs of the Company.

See the "*Financing Transactions and Financial Resources*" section below for further details regarding the January 2021 Offering, the Concurrent Private Placement and the 2021 Credit Facility.

Subsequent to year-end, the Company's wholly owned subsidiary, Nevada Copper, Inc. ("NCI"), settled its legacy disputes with its contractors, Cementation USA Inc. ("Cementation") and Sedgman USA Inc. ("Sedgman"). For more information on these settlements refer to the "Legal" section below.

DESCRIPTION OF BUSINESS

Nevada Copper is a mining company whose principal asset is the 100%-owned Pumpkin Hollow Copper Property (the "Property"). The Property is in northwestern Nevada and consists of approximately 23,300 acres of contiguous mineral rights including approximately 10,800 acres of leased and owned private land and leased patented claims. See "Description of Business" in the Annual Information Form.

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

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

The Company has completed construction of the processing plant for the Underground Project and is now in the commissioning stage of the underground mine. Completion of commissioning and ramp-up of Underground Project operations is continuing during 2021 towards the planned nominal steady state production rate of 5,000 tpd, which is expected for the third quarter of 2021.

MANAGEMENT AND BOARD CHANGES

On March 2, 2021, Ricardo De Armas resigned as a director of the Company due to a change in his personal circumstances and other business demands.

On October 15, 2020, the Company announced the departure of Evan Spencer as President & Chief Executive Officer and the appointment of Mike Ciricillo as Chief Executive Officer. Mr. Ciricillo was previously the Head of Copper Industrial Operations for Glencore Plc, where he oversaw Glencore's worldwide copper assets. Prior to Glencore, he has held numerous senior management roles during a 20-year tenure with Phelps Dodge and Freeport McMoRan, including as President of Tenke Fungurume Mining and General Manager of Miami Arizona Operations. Throughout his career Mr. Ciricillo has overseen numerous significant copper operations in the US and abroad.

On October 15, 2020, the Company also announced that Kate Southwell has been appointed to the board of directors of Nevada Copper, replacing Phillip Day, who has stepped down from the board. Ms. Southwell has over 15 years of experience as a legal professional and brings substantial knowledge and expertise in legal and commercial issues, including regulatory, sustainability and risk management matters at the time when the Company has become a copper producer. She is currently General Counsel at Pala Investments, and has previously worked at Nyrstar and Shearman & Sterling.

On October 5, 2020, the Company announced the appointment of Dale Ekmark as the Chief Operating Officer of the Company. Mr. Ekmark brings over 26 years of domestic and international experience to Nevada Copper. He served as CEO and Chairman of OKD in the Czech Republic where he oversaw the operation of four ultra-deep underground coal mines with over 12,000 employees.

On July 6, 2020, the Company announced the appointment of André van Niekerk as the Chief Financial Officer of the Company, replacing Abraham Jonker, effective July 13, 2020.

On May 8, 2020, the Company announced the departure of Matt Gili as President & Chief Executive Officer and as a director of the Company and the appointment of Evan Spencer as interim President and Chief Executive Officer.

FINANCIAL RESULTS

			Year Ended December 31,		
(Expressed in thousands of US dollars, except per share amounts)	**Q4 2020**	Q4 2019	**2020**	2019	2018
Expenses					
Consulting and remuneration	52	138	1,413	617	1,820
Public company expenses	381	560	1,954	1,981	2,107
Administration expenses	**119**	36	**380**	272	1,075
Professional fees	**411**	1,801	**4,195**	2,919	3,067
Depreciation	**11**	10	**42**	41	-
Accretion	-	-	-	-	18
Stock-based compensation	**157**	144	**1,002**	1,705	1,832
	1,131	2,689	**8,986**	7,535	9,919
Interest income	**4**	7	**9**	853	1,734
Interest and finance expenses	**(2)**	(6)	**(841)**	(26)	(991)
Derivative fair value (loss) gain	**(3,114)**	-	**(7,872)**	127	(1,751)
Other income	**(54)**	(4)	**8**	23	(516)
Convertible Loan derivative fair value change	**-**	-	**6,763**		
Convertible extinguishment gain (loss)	**-**	-	**(6,383)**	-	
Debt extinguishment loss	**1,074**	-	**(3,041)**	1,294	(7,737)
Foreign exchange loss	**(90)**	(27)	**(1)**	(116)	(877)
	(2,182)	(30)	**(11,358)**	2,155	(10,138)
Income/(Loss) and Comprehensive Income/(Loss)	**(3,313)**	(2,719)	**(20,344)**	(5,380)	(20,057)
Loss per Common Share					
Basic and diluted	**(0.00)**	(0.00)	**(0.02)**	(0.01)	(0.04)

For the year ended December 31, 2020, the Company reported a net loss of $20.3 million (or $0.02 basic and diluted loss per common share), compared to a net loss of $5.4 million for 2019 (or $0.01 basic and diluted loss per common share). The $15 million increase in net loss is as a result of:

- A $3 million debt modification loss was incurred as a result of a $4.9 million loss in extinguishment of the $30 million credit facility provided by Pala in November 2019 (the "2019 Credit Facility"), which was partially offset by a $1.9 million debt modification gain recognized on the closing of the amendment and restatement of the KfW IPEX-Bank Facility (the "Amended KfW Facility") on December 30, 2020;
- Professional fees related to accounting and legal expenses increased $1.3 million mainly in connection with the financing transactions and legal expenses related to litigation involving the Company's contractors;
- Consulting and remuneration increased $0.8 million as a result of severance paid in 2020;
- Finance expenses increased mainly as a result of the write off of $0.8 million in deferred financing fees related to the termination of the Backstop Agreement (as defined below); and
- A mark to market fair value loss of $7.9 million related to the derivative liability of the warrants issued as part of the July 2020 Offering. The warrants issued in the July 2020 Offering are publicly traded and the fair value at the end of the quarter was determined based on the market price of the warrants at the end of the year.

For the three months ended December 31, 2020, the Company reported a net loss of $3.3 million (or $0.00 basic and diluted loss per common share), compared to a net loss of $2.7 million in 2019 (or $0.00 basic and diluted loss per common share). The $0.6 million increase in net loss is primarily due to the following:

- A mark to market fair value loss of $3.1 million was related to the derivative liability of the warrants issued in the July 2020 Offering. As was the case with the year-end valuation, the fair value of the warrants at the end of the quarter was determined based on the market price of the warrants at the end of the quarter;
- $1.1 million gain recognized in the amendment to the KfW IPEX-Bank Facility in Q4 2020; and
- $1.4 million decrease in professional fees as a result of cost cutting measures.

Pumpkin Hollow Project Expenditures

Project costs capitalised for the period ended December 31, 2020 on the Project consisted of the following (expressed in $‘000):

	December 31, 2020	2020 Additions	December 31 , 2019	2019 Additions	December 31, 2018
Property payments	$1,961	-	$1,961	$ -	$1,961
Advance royalty payments	5,826	600	5,226	600	4,626
Water rights	2,767	188	2,579	141	2,438
Drilling	42,302	-	42,302	-	42,302
Geological consulting, exploration & related	8,459	-	8,459	-	8,459
Feasibility, engineering & related studies	27,605	368	27,237	1,919	25,318
Permits/environmental	13,729	620	13,109	615	12,494
East deposit underground project					
Underground access, hoist, head frame, power & related	276,933	77,683	199,250	92,911	106,339
Engineering procurement	137,270	10,172	127,098	81,965	45,133
Surface infrastructure	29,717	9,160	20,557	14,761	5,796
Site costs	44,156	13,772	30,384	10,492	19,892
	590,724	**112,562**	**478,162**	**203,404**	**274,758**
Depreciation	10,401	6,751	3,650	2,900	750
Asset retirement obligation	5,305	321	4,984	4,075	909
Capitalised interest	83,238	16,072	67,166	9,713	57,453
Stock-based compensation	6,071	(2,305)	8,376	2,473	5,903
Stream accretion	20,189	9,211	10,978	8,365	2,613
Pre production sales	(7,033)	(7,033)	-	-	-
Total	$708,895	135,579	$573,316	$230,930	$342,386

For the year ended December 31, 2020, the Company incurred $135.6 million of Project-related expenditures compared to $230.9 million in 2019. The focus during the year was further advancement of the underground development and shaft infrastructure, and the advancement of surface infrastructure and restart activities following the Suspension.

Earlier in 2020, the Company completed the construction and commissioning of the processing plant and during Q4 2020, the Company substantially completed the construction of the surface materials handling system and continued equipping the Main Shaft and advanced lateral development.

During 2020 the Company had pre-production concentrate sales totalling $7 million which was credited back to the construction cost of the Property as pre-production sales.

LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

Liquidity

Working capital/(deficit)

(Expressed in thousands of US dollars, except per share amounts)	**December 31, 2020**	December 31, 2019
Current assets		
Cash and cash equivalents	**$21,839**	$1,041
Accounts receivable	**88**	73
Prepaid expenses	**88**	121
Total Current Assets	**22,015**	1,235
Current liabilities		
Accounts payable and accrued liabilities	**$43,969**	$31,304
Related party payable	**2,837**	-
Stock-based compensation liabilities – current portion	**581**	209
Warrant derivative	**12,477**	-
Working capital facility	**32,880**	23.,441
Current portion of stream and royalty deferral	**15,487**	11,317
Current portion of long-term debt	**31,035**	8,534
Total Current Liabilities	**139,266**	74,805
Working capital (deficit)	**$(117,251)**	$(73,570)

At December 31, 2020, the Company had a cash balance of $21.8 million, excluding restricted cash. The Company's working capital (current assets less current liabilities) as at December 31, 2020 was negative $117.5 million compared to negative $73.6 million as at December 31, 2019. The negative working capital at December 31, 2020 includes $43.9 million of accounts payable and accruals, $2.8 million in related party payables, $0.5 million of non-cash stock-based compensation, $12.4 million of non-cash warrant derivative liability, $15.5 million of deferred consideration related to estimated stream deliveries in the next 12 months, which are conditional on concentrate deliveries.

If adjusted for the non-cash warrant derivative liability of $12.5 million, $15.5 million of future stream deliveries, $32.9 million under the Company's revolving working capital facility (the "Working Capital Facility") with Concord Resources Limited ("Concord"), and non-cash stock-based compensation of $0.5 million, current liabilities reduce by $61.4 million to $77.9 million with a corresponding increase in working capital. In addition, as at December 31, 2020, the Company had accruals of $9.5 million relating to contractor disputes. As mentioned above, these contractor disputes were settled subsequent to year-end. See the "Legal" section below for additional details on the settlements.

At December 31, 2020, capital commitments due in the next twelve months are $4.1 million.

The Company's liquidity during 2020 was negatively impacted by a number of significant inter-related factors including:

- Delays in the mine development of the Underground Project;
- Delays in the commissioning of the process plant;
- Significantly reduced concentrate production and sales as a result of the above delays;
- Low copper prices during the first half 2020; and
- Requirement to repay draws under the Working Capital Facility primarily in cash rather than in concentrate deliveries as planned.

As discussed above, on April 6, 2020, the Company announced the Suspension as a result of the restrictions imposed by government-mandated measures and other impacts of the COVID-19 pandemic (see “*Recent Developments and Outlook*”). As a result of the Suspension, the Company did not generate any revenue through producing and selling copper concentrates during the Suspension. Milling activities re-commenced in late August 2020 and shipments began in September 2020. Since the restart, the Company has delivered 5,710 tons of concentrate under the Working Capital Facility and made cash repayments of $34.1 million in lieu of concentrate deliveries as at March 17, 2021. The Company has made drawdowns of $13.9 million under the Working Capital Facility based on expected future deliveries as at March 17, 2021. On April 1, 2021, the availability of funds under the Working Capital Facility is scheduled to increase from $35 million to $40 million pursuant to an amendment to the Working Capital Facility that was entered into on December 8, 2020 in connection the implementation of the Amended KfW Facility (the “Working Capital Amendment”). Drawdowns under the Working Capital Amendment in excess of $35 million prior to commencement of commercial production at the Underground Project will bear interest at LIBOR plus 8.5%. The other terms of the Working Capital Facility will remain substantially the same.

In addition to the delays described above, in early 2021 the Company encountered a series of unplanned stoppages due to mechanical issues and other incidents in the Main Shaft, as well as the delayed upgrade of the underground electrical and ventilation systems, which has led to less copper concentrate being produced than expected. The resolution of the Main Shaft commissioning items, the ongoing installation of incremental underground power and ventilation upgrades and the deployment underground of additional mobile fleet equipment is expected to result in increased copper production rates beginning in the second quarter of 2021. The Project delays will reduce copper sales compared to the Company’s plan for the first half of 2021. The Company intends to address the resulting additional cash needs to advance the ramp-up through the utilization of cash on hand, the Working Capital Facility, the $5 million of dedicated cost overrun funds (see “*2020 Cost Overrun Facility*” below), and borrowings under the 2021 Credit Facility, including the accordion feature thereunder.

Management believes that through the use of the funds referred to above, the receipt of revenues from operations, which are expected to increase if the ramp-up progresses as planned, and the proceeds from the financings discussed in Subsequent Events above, the operations at the Project is expected to continue. The Company expects that the working capital deficiency will be further reduced with proceeds received from the ramp-up in copper sales after the commissioning of the surface ventilation fans. However, the full extent of the impact of the COVID-19 pandemic on the Company and on the economy and commodity prices, is not known at this time. The Company is also subject to operational risks associated with the commissioning and ramp-up of the Underground Project.

The ability of the Company to continue as a going concern, to realise the carrying value of its assets, and to discharge its liabilities when due, are dependent on results from operations, the ability to complete the ramp-up process in accordance with the current schedule and within the current cost expectations, favourable copper market conditions and the ability to obtain additional financing, if needed. 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. In the event of additional significant cost overruns or ramp-up delays, the Company will need to seek additional funding. If further funding is required, there can be no assurance that the Company will be able to obtain such financing, and in the absence of any required financing, the Company may not be able to continue operations.

Cash Flows

During the year ended December 31, 2020, cash used in operations was $5.6 million compared to $5.7 million during 2019.

Cash outflow from investing activities during the year ended December 31, 2020 was $66.4 million compared to an outflow of $176.5 million in 2019. The Company incurred $97.9 million in Underground Project development costs during the year, offset by $7.0 million of pre-production sales. This compares to the $179.7 million in 2019 due to the ramp-up of construction activities during that period. The cash outflow during 2020 was further offset by the financing discussed directly below (see the "*Financing Transactions and Financial Resources*" section for additional details).

Financing activities resulted in cash inflows of $92.8 million during the year ended December 31, 2020 compared to an inflow of $75.2 million in 2019. The financing activities during the year are described in more detail below:

- royalty agreements with an affiliate of Triple Flag Precious Metals Corp. (collectively, the "Royalty Agreements") and an amendment (the "Second Stream Amendment") to the Company's stream agreement (the "Stream Agreement") with Triple Flag International Ltd. ("Triple Flag") providing aggregate proceeds of $30 million and an additional $5 million to be paid to the Company pursuant to the Second Stream Amendment through the reinvestment of 50% of the value of metal deliveries received by Triple Flag under the Stream Agreement;
- completion of the July 2020 Offering for net proceeds after debt repayments and fees of $27 million. See "July 2020 Bought Deal Public Offering" below for additional details;
- the Company received $2.3 million from the Payroll Protection Program, see PPP Loan below;
- Pala advanced the Company $38.7 million pursuant to promissory notes;
- the Company paid cash interest of $6.8 million pertaining to the interest payments under the KfW IPEX-Bank Facility and the Working Capital Facility;
- the Company drew $61.3 million from the Working Capital Facility during 2020 and repaid $51.8 million under the Working Capital Facility during 2020 of which $7.2 million was repaid in product deliveries (pre-production sales), $1.5 million was paid in 13,594,000 units under the July 2020 Offering, $1.7 million was paid by Pala on behalf of the Company (the Company subsequently repaid this $1.7 million owing to Pala under the Concurrent Private Placement) and $41.4 million was repaid in cash;
- the Company drew $14.6 million under the 2019 Credit Facility; and
- the Company received $13.1 million from the KfW Tranche B Loan (as defined below).

Positive cash flows from operations are not expected until the Company has completed the ramp-up in production rates. Upon completion of the ramp-up to a sufficient level at the Underground Project and the generation of the associated revenues from concentrate sales, the Company anticipates that it will no longer have negative cash flow from operating activities.

Financing Transactions and Financial Resources

January 2021 Offering

On January 29, 2021, the Company the January 2021 Offering, whereby 200,000,000 units were issued at a price of CAD$0.165 per unit (the "Offering Price"). Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each full warrant entitles the holder thereof to purchase one common share at a price of CAD$0.22 per common share, for a period of 18 months following the closing of the January 2021 Offering (until July 29, 2022). The underwriters of the January 2021 Offering exercised their over-allotment option in full, which resulted in 30,000,000 additional units being issued at the Offering Price. Including the over-allotment option, an aggregate of 230,000,000 units were issued in the January 2021 Offering for total aggregate gross proceeds of approximately CAD$38 million. The table below shows the breakdown of the use of proceeds received from the January 2021 Offering, which is consistent with how the Company expected to use such proceeds:

Description	**$'000**
Net cash proceeds received from the January 2021 Offering	$ 27,717
Extinguishment of November 2020 Pala Promissory Note	(15,808)
Transfer to Cost Overrun Facility	(5,000)
Net Proceeds available to the Company	$ 6,909

Concurrently with the closing of the January 2021 Offering, the Company completed the Concurrent Private Placement. The units issued to Pala in the Concurrent Private Placement had the same terms as the units issued in the January 2021 Offering. The table below shows the amounts settled with the Concurrent Private Placement:

Description	**$'000**
Extinguishment of October 2020 Pala Promissory Note	$ 8,143
Repayments relating to the Collateral Agreement	1,788
Settlement expenses	342
Repayment of indemnity fees	911
Concurrent Private Placement	$ 11,184

2021 Credit Facility

On February 3, 2021, the Company entered into the 2021 Credit Facility. The 2021 Credit Facility is a direct obligation of the Company and is not guaranteed or secured by any of the Company's subsidiaries. The $15 million 2021 Credit Facility bears interest at LIBOR plus 9% per annum on outstanding amounts and is subject to a 3% arrangement fee on the total amount of the facility and a 4% disbursement fee on amounts drawn. There are no common shares, warrants or other convertible securities of the Company issuable in connection with the 2021 Credit Facility, other than the potential for interest and the Commitment Fee (as defined below) to be paid in common shares rather than paid in cash or capitalized. Any common shares issued under the 2021 Credit Facility will be issued at the market price of the Company's common shares at the time of the issuance. Pala is entitled to syndicate all or a portion of the 2021 Credit Facility, which may result in higher interest and fees with respect to the syndicated portion of the 2021 Credit Facility. The Company is subject to certain restrictions on the issuance of additional debt during the syndication period.

The funds can be drawn prior to June 30, 2021 (the "Availability Period"), subject to certain conditions, including that, in Pala's opinion, the Company's financial resources plus any amounts drawable under the 2021 Credit Facility will be sufficient to complete the ramp-up and achieve commercial production and positive cash flows before the end of 2021 and Pala's acceptance of the proposed use of proceeds of each drawdown with reference to the Company's budget and projected cash flow forecast. On February 25, 2021, the Company drew $7.5 million under the facility. During the Availability Period, Pala will be paid a 4% per annum commitment fee on amounts available to be drawn (the "Commitment Fee"). The 2021

Credit Facility also includes an accordion feature whereby, subject to the agreement of the parties and the satisfaction of other applicable conditions, additional drawings of up to $15 million are permitted at any time prior to the maturity date. Pala has confirmed its intention to make the accordion feature available to the Company as needed.

Voluntary prepayments by the Company under the 2021 Credit Facility will be subject to a prepayment premium, which will also apply in the case of a change of control in respect of the Company. This prepayment fee will be equal to (i) 25% for any prepayment made during the first 12 months following the closing of the 2021 Credit Facility; (ii) 17.5% for any prepayment made during the next 12-24 months following the closing of the 2021 Credit Facility; and (iii) 10% for any prepayment made thereafter. If the Company completes any equity or loan financings during the term of the 2021 Credit Facility, unless otherwise agreed with the Company, Pala shall be entitled, at its sole discretion, to elect for any portion of the net proceeds from such financings (subject to certain restrictions under the Amended KfW Facility) to be utilized and applied to prepay the outstanding amounts owing to Pala under the 2021 Credit Facility, on a dollar for dollar basis. If Pala makes such an election, any prepayment shall not be subject to the voluntary prepayment premium described above.

Funds advanced under the 2021 Credit Facility are expected to be used for the construction and ramp-up of the Underground Project, as well as for the general working capital needs of the Company.

KfW Facility Amendment & Pala Guarantee

On December 8, 2020, NCI entered into the Amended KfW Facility, whereby KfW agreed to provide an additional loan of $15 million with a three-year term (the “KfW Tranche B Loan”). The KfW Tranche B Loan bears interest of LIBOR plus 4.9% and there is a 12-month grace period for principal payments and cash sweeps in respect thereof. The funding of the full KfW Tranche B Loan occurred on December 30, 2020. The Company received net proceeds of $13.1 million under the KfW Tranche B Loan.

KfW IPEX-Bank also agreed to defer $26 million of planned debt service under the KfW IPEX-Bank Facility until 2023, including the deferral of the funding of the debt service reserve account from January 2022 to January 2023 and the deferral of the first and second amortization payments to be made in July 2022 and January 2023, which will now be made in pro rata installments over the remaining term of the facility starting at the end of July 2023.

Pala provided a corporate guarantee to KfW IPEX-Bank (the “Pala Guarantee”) in respect of both the $15 million additional KfW Tranche B Loan and the $5 million COF (as defined below) funding amount (collectively, the “Guaranteed Amount”) and a pledge of certain of Pala’s assets. The COF was funded from the proceeds of the January 2021 Offering such that the Pala Guarantee no longer applies to the $5 million COF funding amount. The Company will compensate Pala for its commitments under the Pala Guarantee and related pledge arrangements at a rate of 8% per annum of any outstanding Guaranteed Amount, which shall be paid on a quarterly basis in arrears (the “Guarantee Fee”). The Guarantee Fee shall be paid in cash by the Company to Pala unless otherwise prohibited under the Amended KfW Facility or related documents. Notwithstanding the foregoing, if the Company has insufficient cash to pay the Guarantee Fee on a quarterly payment date or is prohibited from paying cash under the Amended KfW Facility or related documents, Pala shall be entitled (at its sole discretion) to elect to either (a) accrue the Guarantee Fee such that it shall be payable at the next payment date on a rolling basis or (b) require the Guarantee Fee to be paid in common shares of the Company. The number of common shares to be issued shall be calculated based on the market price of the common shares at the time of the applicable payment date.

If the Pala Guarantee relating to the KfW Tranche B Loan is reduced or discharged as a result of any prepayments and/or early repayments (that are not due to scheduled amortization repayments and cash sweep repayments for the KfW Tranche B Loan) as a result of a change of control of the Company or for any other reason whatsoever, other than with respect to any refinancing in full of the KfW Tranche B Loan using proceeds of a debt financing with a third party commercial bank or financial institution acceptable to KfW IPEX-Bank, a prepayment premium will apply on similar terms as described above with respect to the 2021 Credit Facility.

2020 Cost Overrun Facility

In connection with the Amended KfW Facility, the Company was required to fund a cost overrun facility ("COF") to NCI of $5 million on substantially the same terms as the cost overrun facility that was provided by the Company to NCI in May 2019 when the KfW IPEX-Bank Facility was entered into. The COF was funded from proceeds of the January 2021 Offering. The COF may be drawn only once all other existing sources of funding have been utilized and if ramp-up costs at the Underground Project exceed the current estimate.

Pala Promissory Notes

In October and November 2020, Pala provided liquidity to the Company in the amount of $23.5 million pursuant to the terms of unsecured promissory notes, bearing interest at 8% per annum and maturing on January 31, 2021. Pala advanced the full $23.5 million to the Company under these promissory notes, which was used by the Company primarily for the continued operation and construction of the Underground Project. The principal and accrued interest balance of $23.8 million outstanding at December 31, 2020 was repaid in full with proceeds of the January 2021 Offering and through the issuance of units to Pala under the Concurrent Private Placement.

From April 1 to July 27, 2020, Pala provided advances to the Company of $15.1 million, which were used primarily for the continued operation and construction of the Underground Project, pursuant to the terms of unsecured promissory notes, bearing interest at 8% per annum and maturing on September 15, 2020 (collectively, the "Short-term Promissory Notes"). On July 28, 2020, the Short-term Promissory Notes were repaid in full through the payment of $5.9 million in cash and the issuance of 83,190,000 units under the July 2020 Offering at CAD$0.15 per unit, the July Offering Price (as defined below).

On March 18, 2020, Pala provided an advance of $2.2 million as pre-funding prior to the closing of the Company's March 2020 refinancing transactions (the "Refinancing Transactions"), pursuant to the terms of an unsecured promissory note. The proceeds were used by the Company for the continued operation and construction of the Underground Project prior to the funding under the Refinancing Transactions. The note was repaid in full on March 30, 2020 with proceeds of the Refinancing Transactions, with Pala waiving all interest due thereunder.

July 2020 Offering

On July 29, 2020, the Company completed the July 2020 Offering, whereby 643,713,553 units were issued at a price of CAD$0.15 per unit (the "July Offering Price"). Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each full warrant entitles the holder thereof to purchase one common share at a price of CAD$0.20 per common share, for a period of 18 months following the closing of the July 2020 Offering (until January 29, 2022). The underwriters of the July 2020 Offering exercised their over-allotment option in full, which resulted in 23,790,000 additional units being issued at the July Offering Price. Including the over-allotment option, an aggregate of

667,503,553 units were issued in the July 2020 Offering. The gross proceeds from the July 2020 Offering were approximately CAD$100 million.

The table below shows the breakdown of the use of proceeds from the July 2020 Offering (amounts in $000s of USD), which is consistent with how the Company expected to use such proceeds:

Description	Amount
Net cash proceeds received	$ 27,034
Extinguishment of the Convertible Loan	33,952
Extinguishment of Short-term Promissory Notes	9,328
Settlement under the Working Capital Facility	1,500
Total	$ 71,814

Net cash proceeds were utilized for project expenditures and working capital.

Working Capital Facility

On May 15, 2020, Concord agreed to defer the repayments that would otherwise have fallen due under the Working Capital Facility during the course of the Suspension. As a condition to the repayment deferral, Concord and the Company agreed that the outstanding Working Capital Facility balance would be reduced by rebasing to current copper, gold and silver prices (copper prices were lower on May 15, 2020 than when the advances were drawn). The rebasing amount was determined to be $3.2 million and the Company re-paid $1.5 million on July 28, 2020 through the issuance of 13,594,000 units to Concord under the July 2020 Offering at the July Offering Price and the remaining $1.2 million was addressed through cash collateral posted by Pala. Amounts owing to Pala by the Company in respect of payments that Pala made to Concord on the Company's behalf were repaid through the issuance of units in the Concurrent Private Placement.

Following the recommencement of production at the Underground Project, the Company resumed its performance under its offtake arrangements with Concord on September 12, 2020 when it resumed shipments to Concord. As at December 31, 2020, the Company had an outstanding balance under the Working Capital Facility of $32.9 million. From January to February 2021, the Company continued to deliver 1,461 tons at a concentrate grade of 25.5% copper under its offtake arrangements with Concord.

Stream and Royalties

On March 27, 2020, the Company received $20 million in cash upon entering into the Second Stream Amendment and Royalty Agreements that provide for the following:

- the amount of gold and silver deliverable to Triple Flag under the Stream Agreement was increased from 90% to 97.5% and the ongoing payment by Triple Flag was reduced from 10% to 5% of the then current spot price;
- a 0.70% net smelter return royalty in respect of the Open Pit Project;
- a 2.00% net smelter return royalty in respect of the Tedeboy area exploration project; and
- in connection with the Second Stream Amendment and the Royalty Agreements, the Company issued 15 million common share purchase warrants of the Company to an affiliate of Triple Flag at an exercise price of CAD$0.225 with a five year term.

On May 1, 2020, a $10 million payment was made to the Company by Triple Flag pursuant to the Second Stream Amendment. An additional $5 million is to be paid to the Company pursuant to the Second Stream

Amendment through the reinvestment of 50% of the value of metal deliveries received by Triple Flag under the Stream Agreement.

PPP Loan

On April 17, 2020, the Company received a loan under the Payroll Protection Program ("PPP Loan") in the amount of $2.4 million. The Payroll Protection Program is one of the COVID-19 relief measures provided by the United States federal government. Under the program, loans proceeds can be used for specified purposes including payroll costs, interest on mortgages, rent, and utilities. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels over a 24-week period from receipt of funds. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

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

Bonding Arrangements

During the year, the Company entered, together with Pala, into indemnity agreements with a surety in connection with the issuance of a lien bond in an amount up to $26 million to the extent required in order to remove any liens that may be recorded on the Property by a previous contractor. Pala charged the Company an annual 10% financing fee in the amount of $2.1 million for providing guarantees for such surety bonds. The $2.1 million was paid to Pala through the issuance of 18,900,000 common shares on April 6, 2020 in connection with the Refinancing Transactions.

During the year, the Company also entered, together with Pala, into indemnity agreements with a surety in connection with the issuance of a bond up to a maximum of $16.5 million to secure payment terms of the Company's new underground contractor and approximately $7 million for a reclamation bond. In connection with the above indemnity agreements (the "Indemnity Agreements"), the Company entered into indemnity and fee agreements with Pala pursuant to which Company will pay Pala an annual 10% financing fee of the total amounts of the bonds for guaranteeing each of the bond obligations. The above fees amounting to $2.9 million at December 31, 2020 were capitalized to mineral properties as it relates to the Underground Project. Concurrently with the closing of the January 2021 Offering, the Company issued 7,024,615 common shares to Pala on a private placement basis in satisfaction of approximately CAD$1.16 million owing to Pala in respect of fees relating to the Indemnity Agreements.

<u>Debt Obligations Settled in 2020</u>

2019 Credit Facility and Convertible Loan

On March 27, 2020, the Company entered into a convertible loan with Pala in the amount of $30 million (the "Convertible Loan"). The principal amount of the 2019 Credit Facility was repaid in full through the proceeds from the Convertible Loan. The Company had drawn the full $30 million available under the 2019 Credit Facility prior to it being repaid. All fees, interest and other expenses that accrued, were outstanding or became due as a result of the repayment of the 2019 Credit Facility in the aggregate amount of $3.4 million were satisfied through the issuance of an aggregate of 31,400,000 common shares to Pala on April 6, 2020, reflecting a price per common share equal to CAD$0.1575, the market price of the common shares at the time (the "Current Market Price"). The Convertible Loan was repaid on July 28, 2020 with the proceeds of the July 2020 Offering.

Backstop Agreement

On March 27, 2020, Pala, the Company and Triple Flag entered into a backstop agreement (the "Backstop Agreement") providing for up to $20 million of funding from Pala until December 31, 2021 if the Company was unable to raise capital from other sources. A fee was payable to Pala upon entering into the Backstop Agreement in an aggregate amount of $0.8 million, which was paid through the issuance of an aggregate of 7,500,000 common shares on April 6, 2020, reflecting a price per common share equal to the Current Market Price. Upon completion of the July 2020 Offering, the Backstop Agreement expired in accordance with its terms.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited quarterly financial information for each of the eight most recently completed quarters (Expressed in thousands of United States dollars, except per share amounts):

	2020 Dec-31	**2020 Sep-30**	**2020 Jun-30**	**2020 Mar-31**	**2019 Dec-31**	**2019 Sep-30**	**2019 Jun-30**	**2019 Mar-31**
Working Capital (Deficiency)	(117,251)	(103,162)	(101,317)	(81,431)	(73,570)	(24,315)	17,320	30,816
Total Assets	767,849	721,326	686,557	661,244	608,720	563,576	539,832	498,956
Development Property (Project expenditure)	708,895	683,129	647,159	617,317	573,316	524,212	466,661	400,754
Total noncurrent liabilities	257,790	239,050	270,760	262,258	215,354	202,168	195,684	173,867
Shareholders' Equity	370,793	377,154	311,406	306,928	318,561	320,857	320,727	291,916
Net Profit (Loss)	$(3,313)	$(2,582)	$(2,457)	(11,989)	(2,719)	(750)	457	(2,368)
Net Profit (Loss) per share	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.00)	0.00	(0.00)

Financial results during the last eight quarters reflect the increase in the working capital deficiency as a result of the decrease in cash, increase in accounts payable and accrued liabilities as the construction of the Underground Project progressed and the increase in the current portion of long term debt, stream obligation and the warrant derivative liability. The Company's total assets increased throughout these quarters as development property expenditures were incurred. The Company's noncurrent liabilities and shareholder's equity increased as a result of debt and equity financings undertaken during the last eight quarters.

RELATED PARTY TRANSACTIONS

Pala is a related party to the Company as a result of its approximately 40.0% (2019 – 40%) shareholding in the Company as at December 31, 2020.

Subsequent to year end, Pala's shareholding dropped to approximately 38% after the completion of the January 2021 Offering and the Concurrent Private Placement.

Additionally, three Pala executives are on the Company's board of directors as at December 31, 2020.

During the year ended December 31, 2020, the Company entered into the following transactions with Pala:

- $0.4 million (2019 - $0.2 million) was incurred for technical and other services;
- Advance of $2.2 million short-term promissory note by Pala prior to the Refinancing Transactions;
- Replacement of the 2019 Credit Facility with the Convertible Loan on March 27, 2020;
- The Backstop Agreement, which was subsequently terminated on July 28, 2020;
- Fees in connection with the Indemnity Agreements;
- $1.7 million payment of cash collateral made to Concord on behalf of the Company and related fee payable to Pala under an agreement with the Company (the "Collateral Agreement");
- Issuance of 57,800,000 common shares in connection with the Refinancing Transactions;
- Issuance of 180,262,677 units for the extinguishment of the Convertible Loan and 83,190,000 units for the extinguishment of Short-term Promissory Notes, both in the July 2020 Offering;
- Short-term loans provided through unsecured promissory notes in October and November 2020 in the aggregate amount of $25.3 million, which were subsequently repaid in connection with the January 2021 Offering and the Concurrent Private Placement; and
- The Pala Guarantee

As at December 31, 2020, the Company owed Pala $2.8 million (2019 - $nil) relating to fees related to the Indemnity Agreements and payments to Concord by Pala on behalf of the Company in respect of amounts owing under the Working Capital 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.

During the year, a $0.2 million termination payment was paid to former key management individuals and the Company agreed to a $0.4 million termination payment to certain former key management individuals.

During the year, $0.8 million (2019 - $0.6 million) was incurred in director fees. As of December 31, 2020, accounts payable and accrued liabilities include director fees and expenses payable of $0.6 million (2019 - $0.2 million).

Subsequent to year end on February 25, 2021, the Company drew down $**7.5** million under the 2021 Credit Facility.

The related party transactions referred to above were reviewed and approved by an Independent Committee of the board of directors. The Independent Committee consists of members of the board that are not related to Pala.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

At December 31, 2020, capital commitments due in the next twelve months are $4.1 million.

As at December 31, 2020, the Company had the following consolidated contractual obligations (Expressed in thousands of United States dollars):

			Payments due by period		
Contractual obligations	**Total**	**1 year**	**2-3 years**	**4-5 years**	**5 years+**
Accounts payable, accrued liabilities and related party payables	$46,806	$46,806	-	-	-
Construction contractual obligations	$4,133	$4,133	-	-	-
Working Capital Facility	$32,880	$32,880	-	-	-
Settlement payable	$8,029	-	$8,029	-	-
KfW IPEX-Bank Facility	$143,787	$2,681	$34,036	$51,166	$55,904
Equipment leases	$32,031	$8,808	$15,338	$7,885	$-
Asset Retirement obligation	$6,219	-	-	-	$6,219
Office lease	$49	$49	$-	-	-
Total USD obligations	$273,933	$95,356	$57,403	$59,050	$62.123
	CAD	CAD	CAD	CAD	CAD
Office lease	$125	$125	$-	$-	$-
Total CAD obligations	$125	$125	$-	$-	$-

Hedging arrangement

Under the Working Capital Facility, the Company has the ability to fix the price of payable copper for monthly volumes to be delivered to Concord under its offtake arrangements on a rolling basis, allowing the Company to fix the price of copper to be delivered for an agreed period of time. Under these arrangements, the Company will be required to provide cash collateral to Concord in the event that during the course of such arrangements, as tested on a weekly basis, the variation margin exposure to Concord is over an agreed threshold amount, currently fixed at $3.5 million. Subsequent to year end, the Company fixed the pricing of 325 metric tons of payable copper delivered per month for the first six months of 2021 for prices ranging between $6,394 and $6,402 per metric tonne of payable copper.

LEGAL

On November 5, 2019, Cementation, which was the principal underground contractor of the Underground Project until January 30, 2020, filed a claim against NCI in the Second Judicial District of Nevada for breach of contract and other claims related to the mining development contract for the Underground Project. On January 30, 2020, after NCI terminated its contract with Cementation, NCI filed counterclaims against Cementation for breach of contract and declaratory relief. Cementation filed an amended complaint on April 10, 2020 alleging additional tort claims, which NCI responded to on April 24, 2020. Cementation also filed a motion for injunctive relief on May 13, 2020 relating to use of hoist software, which NCI opposed on May 27, 2020. The court entered a stipulation among the parties on July 9, 2020 that allowed NCI to continue to use Cementation's hoist software through completion of sinking operations on the vent shaft. The litigation related to the progress and costs of construction development for the Underground Project. Subsequent to year end, NCI entered into a settlement agreement with Cementation, to resolve the litigation. As part of the settlement, NCI paid Cementation $1 million upon release of the related bond and will pay Cementation $9 million in installments beginning September 2021, which $9 million is guaranteed by Pala. Under a fee agreement between Pala and the Company, a 5% fee of this guaranteed amount, being $450,000, was payable by the Company to Pala, which was satisfied by the Company through the issuance of 3,560,024 common shares to Pala in February 2021, representing a price per common share of CAD$0.1621, being the current market price of the common shares when the fee agreement was entered into.

The court has dismissed all claims and the $3.4 million bond issued in connection with the dispute has been released. Based on the settlement, a reduction to the accrued amounts of $3.5 million has been recorded as the settlement amount of $10 million is less than the $13.5 million amount that had been accrued by the Company. This is an adjustment event for accounting purposes as it is the settlement of a lawsuit.

On April 6, 2020, Sedgman, the primary contractor for construction and commissioning of the processing plant at the Underground Project, filed a complaint against NCI in the Second Judicial Court for the State of Nevada. The dispute related to Sedgman's delay in the ramp-up of commissioning of the plant and the parties' contractual obligations. Subsequent to year end, NCI entered into a settlement agreement with Sedgman in order to resolve the litigation. As part of the settlement, the Company issued 15,992,514 common shares to Sedgman at CAD$0.1603 per common share, the market price of the common shares at the time that the settlement agreement was entered into, totalling $2 million, and has agreed to pay $5 million in installments beginning on December 31, 2021, with a potential additional $2 million in common shares issuable upon Sedgman meeting certain performance thresholds. The court has dismissed all claims in connection with the dispute.

Based on the settlement, a reduction to the accrued amounts of $1.2 million has been recorded as the settlement amount of $7.5 million is less than the $8.7 million amount that had been accrued by the Company. This is an adjustment event for accounting purposes as it is the settlement of a lawsuit.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The CEO and CFO evaluated the effectiveness of the Company's DCP and ICFR as required by NI 52-109 issued by the Canadian Securities Administrators. They concluded that as of December 31, 2020, the Company's design and operation of its DCP and ICFR were effective. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

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

OFF-BALANCE SHEET ARRANGEMENTS

Except for the bond commitments incurred in connection with the Indemnity Agreements, the Company has no off-balance sheet arrangements.

NEW ACCOUNTING PRONOUNCEMENTS

Certain recent accounting pronouncements have been included under Note 2u in the Company's audited consolidated financial statements for the year ended December 31, 2020, which are discussed below.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16): The amendments prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This amendment is effective for the Company's annual reporting period beginning January 1, 2022, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of this amendment. None of the remaining standards and amendments to standards and interpretations which have been issued but are not yet effective are expected to have a significant effect on the consolidated financial statements of the Company.

CRITICAL ACCOUNTING ESTIMATES

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

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

i) Mineral reserve estimates

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

ii) Provision for reclamation and remediation

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment.

In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

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

i) Mineral properties, plant, and equipment

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

ii) Recoverable amount of mineral properties, plant and equipment

When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU is the net present value of expected future pre-tax cash flows from the relevant cash-generating unit in its current condition, both from continuing use and ultimate disposal. FVLCD is estimated either from the value obtained from an active market where applicable, or by using a discounted post-tax cash flow model based on detailed life-of-mine and/or production plans. FVLCD will always exceed VIU at the Pumpkin Hollow Project because there is incremental value in its resources that cannot be included in a VIU assessment. Significant assumptions used in the discounted cash flow model include estimates of quantities of recoverable reserves and resources, future metal prices, capital and operating costs and discount rates.

These inputs are based on the Company's best estimates of what an independent market participant would consider appropriate. Changes to these inputs may alter the results of the impairment test.

iii) Impairment review

The evaluation of asset carrying values for indicators of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, budgets, forecasts, and life of mine estimates. The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, taxes, restoration costs, and future capital expenditure. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may have an impact on the estimate of recoverable amount of the assets. In such circumstances some or all the carrying value of the assets may be impaired with the impact recorded in profit or loss.

iv) Taxation

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

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

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

v) Going concern

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

vi) Convertible debt

In accordance with the substance of the contractual arrangement, convertible debt are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument.

The identification of convertible debt components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debt at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

vii) Achievement of Commercial Production

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

viii) Stream and Royalty Transactions

The royalty and stream deferrals entered into by the Company have been accounted for as a sale of mineral interest.

The Company allocated the transaction price related to its stream and royalty obligations based on its estimate of the relative stand-alone selling price of the gold stream, the silver stream, associated services related to arranging for the extraction and refining of the precious metals contained in concentrate and the net smelter return. This allocation required the Company to estimate the life of mine, future production volumes and grade for copper, gold and silver contained in the mine at both the Underground Project and the likelihood and timing of the Open Pit Project development, as well as long term metal prices and processing costs associated with gold and silver, transportation and smelter costs associated with the net smelter royalty. In addition, the Company was required to estimate the applicable corporate tax rates and discount rate. On an ongoing basis, in determining the cumulative revenue recognized, the Company will be required to update its estimates of future production volumes, grade and long-term commodity prices.

Significant judgment was required in conjunction with arriving at the Company's accounting policies related to its 2020 royalty and stream transactions described above, including the characterization of the transactions, whether control has been transferred on the underlying mineral interests and whether related services are distinct from the mineral interests. In addition, because these transactions were entered into concurrently, the Company's future statements of operations will also be affected by significant estimation related to the allocation of consideration to the various components of the transaction on the basis of stand-alone selling price.

RISKS AND UNCERTAINTIES

The Company and its future business, operations and financial condition are subject to various risks and uncertainties, including due to the nature of its business and the present stage of development of its mineral properties. Risks and uncertainties are described in this MD&A and under the heading "Risk Factors" in the Company's Annual Information Form dated March 18, 2021 , which is available on SEDAR at www.sedar.com.

COVID-19

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

During the year, the Company made efforts to safeguard the health of its employees, while continuing to operate safely and responsibly to maintain employment and economic activity. These measures combined with commodity market fluctuations resulting from COVID-19 have affected the Company's financial results. Despite the Company's precautionary measures, the Company had localized workplace COVID-19 incidents at the Underground Project in 2020 affecting its employees and contractors. While those incidents have been addressed pursuant to the Company's policies, the continued spread of the virus and further infections of COVID-19 may lead to work-stoppages at the Underground Project, which could potentially delay the Company's ramp-up process and lead to short-term suspensions of copper production, depending on the nature of any future outbreaks.

The Company will continue to closely monitor the impacts of COVID-19 on its business. Should the duration, spread or intensity of the COVID-19 pandemic further deteriorate, there could be further potentially material and negative impacts on the Company's operating plan, its liquidity and cash flows, and the valuation of its long-lived assets due to sustained decreases in metal prices and potential inability to generate expected revenue and profitability from its ongoing operations. Impacts from COVID-19 could lead to another suspension at the Underground Project. The Company's access to future financing, if needed, to support its ongoing operations may also be negatively impacted or delayed as a result of COVID-19.

The Company restarted production at the Underground Project in August 2020 after the Suspension and the ramp-up of operations is expected to be substantially completed in the third quarter of 2021. The ramp-up process by its nature is subject to a variety of operational and technical risks associated with mining projects of this type. Ramp-up activities will also be subject to compliance with operational restrictions relating to the COVID-19 pandemic mandated by government authorities which are subject to change and potential expansion. As a result, there can be no assurance that the ramp-up process will occur and progress on the expected timeline or within expected costs parameters. To date the Company has experienced negative cash flow from operating activities and has a significant working capital deficiency. Positive operating cash flows are not expected to be achieved until the Company has completed its ramp-up to a sufficient level at the Underground Project. The inability to successfully ramp-up production at the Underground Project on time and within revised budget expectations is likely to have a material adverse effect on the Company and its stock price. Considering recent geotechnical changes relating to initially smaller stopes during the ramp-up period at the Underground Project, the Company's costs have increased in the short-term. In addition, the Company's costs have increased as a result of the cumulative impact of a series of unplanned stoppages in early 2021 due to mechanical issues and other incidents in the Main Shaft. In the event of further cost overruns, the Company will need to seek additional funding. The Company continues to advance its medium and longer-term mine planning analysis, including related costs and timing implications. If further funding is required to complete the ramp-up, there can be no assurance that the Company will be able to obtain such financing, and in the absence of any required financing, the Company may not be able to continue operations.

OUTSTANDING SHARE DATA

As of March 18, 2021, there were 1,824,538,112 common shares of the Company issued and outstanding, 40,185,512 stock options outstanding, 5,407,417 deferred share units outstanding, and 503,598,261 warrants outstanding.

FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein contain forward-looking information and forward-looking statements within the meaning of applicable Canadian and United States securities laws. Such forward-looking statements and forward-looking information specifically include, but are not limited to statements and information that relate to: Nevada Copper's plans for the Project; the impacts of the COVID-19 pandemic on the global economy and the Company, the Company's mine development, production and ramp-up plans (including as may be affected by ongoing and future technical work) and the expected timing, costs and results thereof; the potential need for additional funding; future ore and concentrate production rates; expected commencement of positive cash flow from operating activities; the ongoing exploration activities and the objectives and results thereof; and the other plans of Nevada Copper with respect to the exploration, development, construction and commercial production at the Underground Project.

Forward-looking statements and information include statements regarding the expectations and beliefs of management. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "potential", "is expected", "anticipated", "is targeted", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements or information should not be read as guarantees of future performance and results. They are subject to known and unknown risks, uncertainties and other factors which may cause the actual results and events to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

Such risks and uncertainties include, without limitation, those relating to: the ability of the Company to complete the ramp-up of the Underground Project within the expected cost estimates and timeframe; requirements for additional capital and no assurance can be given regarding the availability thereof; the impact of the COVID-19 pandemic on the business and operations of the Company; the state of financial markets; history of losses; dilution; adverse events relating to milling operations, construction, development and ramp-up, including the ability of the Company to address underground development and process plant issues; ground conditions; cost overruns relating to development, construction and ramp-up of the Underground Project; loss of material properties; interest rates increase; global economy; limited history of production; future metals price fluctuations; speculative nature of exploration activities; periodic interruptions to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment to perform as expected; labour disputes; supply problems; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; changes in project parameters as plans continue to be refined; possible variations in ore reserves, grade of mineralization or recovery rates from management's expectations and the difference may be material; legal and regulatory proceedings and community actions; accidents; title matters; regulatory approvals and restrictions; increased costs and physical risks relating to climate change, including extreme weather events, and new or revised regulations relating to climate change; permitting and licensing; volatility of the market price of the Company's securities; insurance; competition; hedging activities; currency fluctuations; loss of key employees; other risks of the mining industry, as well as those risks discussed in this MD&A and in the section entitled "Risk Factors" in the Company's Annual Information Form dated March 18, 2021. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements and information. The forward-looking statements and information contained herein are based upon assumptions management believes to be reasonable, including, without limitation: no adverse development in respect of the property at the Project; no material changes to applicable laws; the ramp-up of operations at the Underground Project in accordance with management's plans and expectations; no worsening of the current COVID-19 related work restrictions; reduced impacts of the COVID-19 pandemic in the medium-term and long-term; no material adverse change to the price of copper from current levels; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended. The forward-looking information and statements are stated as of the date hereof. Nevada Copper disclaims any intent or obligation to update forward-looking statements or information except as required by law. Readers are referred to the additional information regarding Nevada Copper's business contained in Nevada Copper's reports filed with the securities regulatory authorities in Canada. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that could cause actions, events or results not to be as anticipated, estimated or intended. For more information on Nevada Copper and the risks and challenges of its business, investors should review Nevada Copper's filings that are available at www.sedar.com.

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