# NEVADA COPPER CORP.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2018 and June 30, 2017

# NEVADA COPPER CORP.

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

| | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | **$37,195** | $385 |
| Amounts receivable | **154** | 105 |
| Prepaid expenses | **157** | 119 |
| | **37,506** | 609 |
| **Restricted cash** | **456** | 971 |
| **Deferred share issuance costs** (note 7c) | **3,949** | 966 |
| **Deferred financing fees** (note 4c) | **-** | 8,260 |
| **Mineral properties, plant, and equipment** (note 3) | **271,165** | 251,449 |
| | **$313,076** | $262,255 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **$7,500** | $3,907 |
| Stock-based compensation liabilities (note 7e) | **406** | 1,547 |
| Current portion of long term debt (note 4) | **265** | 70,038 |
| | **8,171** | 75,492 |
| **Long term debt** (note 4) | **99,529** | 113,532 |
| **Asset retirement obligation** | **895** | 895 |
| | **108,595** | 189,919 |
| **Shareholders' Equity** | | |
| **Share capital** (note 7) | **312,734** | 161,354 |
| **Other equity reserve** (note 7) | **28,899** | 26,476 |
| **Accumulated other comprehensive loss** | **(3,578)** | (3,578) |
| **Deficit** | **(133,574)** | (111,916) |
| | **204,481** | 72,336 |
| | **$313,076** | $262,255 |

Contractual Obligations (note 8)

Subsequent Events (note 4ciii and 7c)

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

Approved on behalf of the Board on August 13, 2018:

**(Signed) "Braam Jonker", Director** **(Signed) "Lucio Genovese", Director**

# NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in thousands of United States dollars except per share amounts which are in United States dollars)
(Unaudited – Prepared by Management)
Three and six-month periods ended June 30, 2018 and June 30, 2017

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **Expenses** | | | | |
| Consulting and remuneration | **$306** | $134 | **$1,394** | $282 |
| Public company expenses | **736** | 144 | **1,153** | 265 |
| Office expenses | **374** | 64 | **505** | 139 |
| Professional fees | **531** | 29 | **770** | 64 |
| Business development | **31** | 43 | **73** | 104 |
| Stock-based compensation (note 7d) | **1,715** | (96) | **1,742** | 25 |
| | **3,693** | 318 | **5,637** | 879 |
| Interest income | **187** | 2 | **328** | 8 |
| Interest and finance expenses | **(963)** | (1,262) | **(991)** | (2,295) |
| Derivative fair value change (note 4b and 4ciii) | **413** | 6,840 | **(1,746)** | 8,123 |
| Other income (expense) | **-** | - | **(549)** | 1 |
| Debt extinguishment loss, net (note 4ciii) | **-** | - | **(7,737)** | - |
| Foreign exchange (loss) gain | **(117)** | 15 | **(441)** | 23 |
| | **(480)** | 5,595 | **(11,136)** | 5,860 |
| **Net income (loss) and comprehensive income (loss)** | **$(4,173)** | $5,277 | **$(16,773)** | $4,981 |
| **Income (loss) per common share** | | | | |
| Basic and diluted | **$(0.01)** | $0.06 | **$(0.05)** | $ 0.06 |
| **Weighted average number of common shares outstanding** | **445,257,720** | 90,486,617 | **343,620,068** | 89,333,776 |

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

# NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in thousands of United States dollars)
(Unaudited – Prepared by Management)

Six-month periods ended June 30, 2018 and June 30, 2017

| | Share Capital | | Other Equity Reserve | Accumulated Other Comprehensive Loss | Deficit | Total |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | | | | |
| Balances, December 31, 2016 | 88,168,125 | $158,794 | $26,519 | $(3,578) | $(105,327) | $76,408 |
| Stock-based compensation | - | 92 | | - | - | 92 |
| Shares issued | 5,010,357 | 2,517 | (92) | | | 2,425 |
| Net loss | - | - | - | - | 4,981 | 4,981 |
| **Balances, June 30, 2017** | **93,178,482** | **$161,403** | **$26,427** | **$(3,578)** | **$(100,346)** | **$83,906** |

| | Share Capital | | Other Equity Reserve | Accumulated Other Comprehensive Loss | Deficit | Total |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | | | | |
| Balances, December 31, 2017 | 93,178,482 | $161,354 | $26,476 | $(3,578) | $(111,916) | $72,336 |
| IFRS 9 adjustment (note 4cii) | - | - | - | - | (4,885) | (4,885) |
| Warrant revaluation | - | - | (52) | - | - | (52) |
| Stock-based compensation | - | - | 2,475 | - | - | 2,475 |
| Shares issued, (note 7b) | 256,410,256 | 102,902 | - | - | - | 102,902 |
| Share issue costs (note 7b) | - | (4,382) | - | - | - | (4,382) |
| Convertible debt conversion (note 4b) | 95,561,944 | 52,657 | - | - | - | 52,657 |
| Agent warrants exercised (note 7f) | 442,750 | 203 | - | - | - | 203 |
| Net loss | - | - | - | - | (16,773) | (16,773) |
| **Balances, June 30, 2018** | **445,593,432** | **$312,734** | **$28,899** | **$(3,578)** | **$(133,574)** | **$204,481** |

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

# NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of United States dollars)
(Unaudited – Prepared by Management)
Three and six-month periods ended June 30, 2018 and June 30, 2017

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **Cash flows used in operating activities** | | | | |
| Income (loss) for the period | **$(4,173)** | $5,277 | **$(16,773)** | $4,981 |
| Adjustments for: | | | | |
| Derivatives fair value change (note 4b and 4ciii) | **(413)** | (6,842) | **1,746** | (6,016) |
| Debt extinguishment loss (note 4ciii) | **-** | - | **7,737** | - |
| Interest and finance expenses | **-** | 1,264 | **-** | 232 |
| Stock-based compensation | **1,715** | (37) | **1,742** | (120) |
| Unrealized foreign exchange loss (gain) | **131** | - | **506** | - |
| Interest income | **(187)** | (2) | **(328)** | (8) |
| Depreciation and accretion expense | **12** | - | **25** | - |
| | **(2,915)** | (340) | **(5,345)** | (931) |
| Changes in non-cash working capital items: | | | | |
| Amounts receivable | **(3)** | (6) | **(49)** | (7) |
| Prepaid expenses | **24** | 3,618 | **928** | (14) |
| Accounts payable and accrued liabilities | **5,336** | (86) | **2,520** | 85 |
| **Net cash provided by (used in) operating activities** | **2,442** | 3,186 | **(1,946)** | (867) |
| | | | | |
| **Cash flows used in investing activities** | | | | |
| Interest received | **187** | 2 | **328** | 8 |
| Cash moved from (to) restricted cash | **-** | - | **518** | - |
| Deposits for development costs | **(354)** | 2 | **(354)** | 17 |
| Development costs for mineral properties, plant and equipment | **(9,322)** | (1,396) | **(13,921)** | (2,263) |
| **Net cash used in investing activities** | **(9,489)** | (1,392) | **(13,429)** | (2,238) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Issuance of common shares | **203** | 1,807 | **102,703** | 1,807 |
| Long-term debt repayment (note 4ciii) | **-** | - | **(42,035)** | - |
| Pala bridge loan draw (repayment) (note 4a) | **-** | - | **(3,500)** | - 5,000 |
| Share issuance costs incurred | **(187)** | (57) | **(2,773)** | (92) |
| Deferred share issuance costs (note 7b) | **(332)** | - | **(1,532)** | - |
| Transaction costs for debt refinancing (note 4ciii) | **-** | - | **(135)** | (408) |
| Interest paid | **-** | (3,612) | **(37)** | (7,136) |
| **Net cash provided by (used in) financing activities** | **(316)** | (1,862) | **52,691** | (829) |
| | | | | |
| **Effect of exchange rate changes on cash and equivalents** | **(131)** | - | **(506)** | - |
| | | | | |
| **Increase (decrease) in cash and cash equivalents** | **(7,494)** | (68) | **36,810** | (3,934) |
| | | | | |
| **Cash and cash equivalents, beginning of the period** | **44,689** | 935 | **385** | 4,801 |
| **Cash and cash equivalents, end of the period** | **$37,195** | $867 | **$37,195** | $867 |
| Supplementary information: | | | | |
| Depreciation capitalized in mineral properties, plant, and equipment | **$12** | $12 | **$25** | $27 |
| Convertible debt conversion (note 4b) | **$-** | $- | **$52,657** | $- |
| Non-cash share issuance costs – shares issued | **$-** | $- | **$402** | $- |
| Stock-based compensation included in mineral properties | **$662** | $9 | **$662** | $103 |
| Mineral properties, plant, and equipment in accounts payable and accrued liabilities change | **$71** | $347 | **$1,023** | $288 |
| Interest capitalised in mineral properties, plant and equipment | **$1,023** | $- | **$3,719** | $- |

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

## 1. General Information and Nature of Operations:

Nevada Copper Corp. (the "Company" or "Nevada Copper") was incorporated on June 16, 1999 under the Business Corporations Act of the Yukon. The Company is an exploration and development stage mining company engaged in the identification, acquisition, exploration and development of copper and other mineral properties located in the United States and elsewhere. Its primary focus is the development and construction of the mining project at their Pumpkin Hollow Property (the "Property") in Western Nevada, USA.

## 2. Significant Accounting Policies:

### a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements (except for the adoption of IFRS 9 – note 2ci) . These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed consolidated interim financial statements are presented in United States dollars ("USD"), which is the Company's functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in operations.

These interim consolidated financial statements were approved for issue by the Board of Directors on August 13, 2018.

### b) Use of judgments and estimates

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated audited financial statements as at the year ended December 31, 2017.

### c) Recent accounting pronouncements:

i) Financial Instruments (IFRS 9), effective January 1, 2018, replaced the requirements in IAS 39, Financial Instruments, Recognition and Measurement for classification and measurement of financial assets and liabilities. IFRS 9 introduces a single classification and measurement approach for financial instruments, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements and results in a single impairment model being applied to all financial instruments. IFRS 9 also modified the hedge accounting model to incorporate the risk management practices of an entity.

The Company adopted IFRS 9 effective January 1, 2018. There was a change to the carrying value of the Red Kite long-term debt (note 4d) as a result of this new accounting standard. The Company has taken an exemption not to restate comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9. Accordingly, the comparative information for 2017 is presented under IAS 3 with modified retrospective application during the period and the effects of the adoption are disclosed in Note 4cii.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI); or Fair Value from Profit or Loss (FVPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset as FVPL if doing so significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

1. Financial assets at FVPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
2. Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method, and reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
3. Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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

## 3. Mineral Properties, Plant and Equipment

| | Mineral Properties Development Costs | Plant & Equipment | Deposits | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| As at Dec. 31, 2017 | $251,206 | $1,128 | $84 | $252,418 |
| Additions | 19,387 | - | 354 | 19,741 |
| **As at Jun. 30, 2018** | **$270,593** | **$1,128** | **$438** | **$272,159** |
| **Accumulated depreciation:** | | | | |
| As at Dec. 31, 2017 | $- | $969 | - | $969 |
| Additions | - | 25 | - | 25 |
| **As at Jun. 30, 2018** | **$-** | **$994** | **-** | **$994** |
| **Net book value:** | | | | |
| As at Dec. 31, 2017 | $251,206 | $159 | 84 | $251,449 |
| **As at Jun. 30, 2018** | **$270,593** | **$134** | **$438** | **$271,165** |

***Pumpkin Hollow Copper Development Property (the "Property"):***

The Company has a 100% interest in the Property situated near Yerington, Nevada. The Property is comprised of private land owned directly by the Company and leased patented claims.

The Company entered into the Lease Agreement ("Lease") for the leased patented claims with RGGS Land & Minerals Ltd. ("RGGS") in May 2006. The term of the initial Lease was for ten years, renewable for up to three more additional ten-year terms for a total of 40 years. The Company's Lease obligations in the first ten-year term have been fully met and the Lease has extended to its second ten-year term expiring May 2026.

Under the terms of the Lease, the Company is required to pay advance royalty payments of $600 annually until the second expiry date of the Lease on May 2026. Following the completion of the second ten-year term the lease can be extended for to two further ten-year terms subject to performing continuous mining activities, and payment of production royalties and minimum royalty payments of $10,000 in each of these subsequent ten-year terms.

The Company must also pay RGGS a net production royalty on copper obtained from leased patented claims. The royalty rate is 4% on copper when the copper price is less than US$1.00 per pound, 5% when the copper price is between US$1.00 per pound and US$2.00 per pound, and 6% 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%. These royalties will be offset by earlier advance royalty payments subject to the annual minimums. There is also a smaller royalty payable to RGGS in copper, gold, silver and taconite (iron) on any production derived from a defined Area of Interest (AOI) surrounding, and extending approximately 1 mile from the boundary of, the leased patented claims.

During 2017, an agreement was reached with RGGS to defer the advance royalty payments in 2017 to 2018. At December 31, 2017, the deferred amount was $863 which was accrued in the Company' accounts. In consideration for this deferral, RGGS royalty rates on production from within the AOI, increased from 1% to 2% for non-ferrous metals and the royalty rate for ferrous metals increased from $0.10 per ton to $0.20 per ton.

## 3. Mineral Properties, Plant and Equipment

Three months prior to commencing mining operations, the Company must provide RGGS with a standing irrevocable letter of credit in favour of RGGS. If RGGS withdraws any amounts from the letter of credit, the Company must replace the funds withdrawn within ten days of receiving notice from RGGS that funds have been withdrawn. The letter of credit remains in effect until all obligations of the Company under the Lease Agreement have been performed, and RGGS has the right to request a revision upward in the required amount of the letter of credit based upon past and projected production royalties from the Property.

The Company is current with all required Lease payments and advance royalty payments. Lease payments of $300 and $432 of 2017 deferred lease payment were due and paid during the period. Cumulative advance royalty payments made total $3,895 to June 30, 2018.

Project costs capitalised for the six months ended June 30, 2018 on the Property consists of the following:

| | **June 30, 2018** | 2018 Addition | Dec. 31, 2017 | 2017 Additions | Dec. 31, 2016 |
|---|---|---|---|---|---|
| Property payments | **$1,961** | $- | $1,961 | $- | $1,961 |
| Advance royalty payments | **3,895** | 732 | 3,163 | - | 3,163 |
| Water rights | **2,388** | 138 | 2,250 | 279 | 1,971 |
| Drilling | **42,582** | 1,425 | 41,157 | - | 41,157 |
| Geological consulting, exploration & related | **9,705** | 1,782 | 7,923 | - | 7,923 |
| Feasibility, engineering & related studies | **22,674** | 1,312 | 21,362 | 1,779 | 19,583 |
| Permits/environmental | **11,987** | 343 | 11,644 | 63 | 11,581 |
| East deposit underground project | | | | | |
| Underground access, hoist, head frame, power & related | **82,415** | 3,514 | 78,901 | 1,140 | 77,761 |
| Eng. procurement | **13,262** | 2,712 | 10,550 | - | 10,550 |
| Surface infrastructure | **3,976** | 172 | 3,804 | - | 3,804 |
| Site costs | **18,195** | 2,851 | 15,344 | 1,494 | 13,850 |
| | **213,040** | 14,981 | 198,059 | 4,755 | 193,304 |
| Depreciation | **715** | 25 | 690 | 53 | 637 |
| Capitalised interest | **51,678** | 3,719 | 47,959 | 15,975 | 31,984 |
| Stock-based compensation | **5,160** | 663 | 4,498 | 103 | 4,395 |
| **Total** | **$270,593** | $19,388 | $251,206 | $20,886 | $230,320 |

## 4. Debt

| | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Current portion of long term-debt: | | |
| Bridge loan (a) | **$-** | $3,525 |
| Current portion of convertible debt (b) | **-** | 36,485 |
| Current portion of convertible debt - derivatives (b) | **265** | 11,735 |
| Current portion of long term debt (c) | **-** | 18,293 |
| Total Current portion of long term-debt | **265** | 70,038 |
| | | |
| Long term debt (c) | **99,529** | 113,532 |
| Total Long-Term debt | **$99,794** | $183,570 |

**a) Bridge loan:**

During October 2017, Pala Investments Limited ("Pala"), a related party (note 5), advanced funds to the Company (the "Pala Bridge Loan") as a short-term bridge loan. The Pala Bridge Loan had a maximum principal amount of $3,500, carried an interest rate of 7% and the interest was payable at maturity. The Pala Bridge Loan had a maximum term of six months and could be repaid early without penalty. The loan was advanced in two tranches. The first tranche of $2,500 was received in October and the second tranche, of $1,000, was received in December. The loan was collateralised against the Company's assets. During the period ended March 31, 2018, the Company repaid the entire Pala Bridge Loan balance, including interest of $37, upon completion of the Offering (note 7b).

**b) Convertible debt:**

| | Loan facility | Deferred financing fees | Total |
|---|---|---|---|
| **December 31, 2017** | $38,232 | ($1,747) | $36,485 |
| Interest accrued | 224 | - | 224 |
| Conversion | (38,456) | 1,747 | (36,709) |
| **June 30, 2018** | $- | $- | $- |

| | Convertible Derivative | Warrants Derivative | Total |
|---|---|---|---|
| **December 31, 2017** | $10,986 | $749 | $11,735 |
| Change in fair value | 4,961 | (484) | 4,477 |
| Conversion | (15,947) | - | (15,947) |
| **June 30, 2018** | $- | $265 | $265 |

On June 3, 2016, the Company and Pala entered into Convertible Facility ("Facility"). The Facility had an initial balance of $20,200 ("Tranche 1") and subsequent additional funding of $5,000 in each of the 2016 ("Tranche 2") and 2017 ("Tranche 3") fiscal years aggregating to a total principal balance of $30,200 at an interest of 12% per annum. The Facility was collateralised against the Company's assets and was payable on the earliest of (1) December 31, 2018; (2) the date when outstanding amounts under the Red Kite Loan Agreement were paid in full; or (3) if a change of control occurred.

Pala could elect to convert the principal amount and any accrued and unpaid interest under the Facility, in full or in part, at the conversion price, into common shares in the capital of the Company at any time up to the maturity date or upon any voluntary prepayment by the Company. The Conversion Price was $0.69 CAD per share for Tranche 1 and 2 and $0.76 CAD for Tranche 3.

In addition, 2,500,000 warrants (note 7e) were issued to Pala with a three-year term, exercisable to acquire common shares of the Company at an exercise price of $0.97 CAD per share in relation to Tranche 2. A further 2,500,000 warrants (note 7e) were issued to Pala with a three-year term, exercisable to acquire common shares of the Company at an exercise price of $1.20 CAD per share in relation to Tranche 3.

The Facility also granted Pala the right, so long as it holds at least 15% of the outstanding common shares of the Company, to nominate up to three members to the Board and to participate in future equity offerings of the Company on a pro rata basis.

The Facility was carried at amortised cost and the convertible option and the warrants of the Facility were recorded at their respective fair values at inception and each subsequent measurement date as they were classified as derivatives. Changes in the fair values of these financial instruments are recorded in the statements of operations and comprehensive loss.

On December 21, 2017, the Facility was amended. The Conversion Price was revised to be the lower of: $0.50 CAD, the price per common share paid in connection with any equity subscription closed in connection with the senior loan refinancing transactions, and the original terms of $0.69 CAD and $0.76 CAD per share.

On January 18, 2018 ("Conversion Date"), the Facility was converted into shares at a conversion price of $0.50 CAD per share. The Facility balance at the time of conversion was $38,456 ($47,781 CAD). This resulted in the issuance of 95,561,944 shares to Pala.

The Facility of $38,456, the deferred financing fees of $1,747 and the fair value of the convertible derivative obligation of $15,948 at the Conversion Date were all reclassified to share capital resulting in an increase in share capital of $52,657.

The warrants relating to the convertible debt remain outstanding. The value related to the change in Conversion Price has been treated as part of the deferred financing cost of Pala agreeing to backstop certain financings (note 7b).

Pala has also been granted the continuation of certain rights it held pursuant to the Facility, including the right to nominate up to three members of the Board, subject to Pala maintaining certain share ownership thresholds, and the right, as long as Pala holds 15% of the outstanding shares, to participate in future equity offerings on a pro rata basis.

**c) Long term debt:**

| | **Loan facility – amortised cost** | **Deferred financing fee** | **Derivative** | **Total** |
|---|---|---|---|---|
| Balance at December 31, 2017* | $131,759 | $- | $66 | $131,825 |
| IFRS 9 adjustments (ii) | 4,885 | - | - | 4,885 |
| Balance at January 1, 2018 | 136,644 | - | 66 | 136,710 |
| Interest, accretion and other adjustments to refinancing | 391 | - | (66) | 325 |
| Refinancing (iii) | (42,035) | (135) | 914 | (41,256) |
| Balance after refinancing | 95,000 | (135) | 914 | 95,779 |
| Interest and accretion expense | 3,719 | - | - | 3,719 |
| Change in fair value | - | - | 31 | 31 |
| **Balance at June 30, 2018** | $98,719 | $(135) | $945 | $99,529 |
| * short term and long term portion | | | | |

**i) Red Kite Loan Facility: Original Terms**

On December 30, 2014 and amended September 2015, January 2016, April 2016, May 2016, and March 2017, the Company entered into a loan agreement with EXP T1 Ltd, an affiliate of RK Mine Finance ("Red Kite"), pursuant to which Red Kite agreed to make a $200,000 senior secured loan facility (the "Loan") available to the Company. The Company borrowed a total of $110,000. The balance of the Loan, or new additional loan amounts, may be drawn down by the Company, subject to the Company achieving certain milestones relating to the development of the Project.

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

Under the original terms of the Loan Agreement, the Loan is to be repaid by December 31, 2020 with quarterly principal repayments commencing on September 30, 2017. The Loan can be repaid without penalty at any time prior to maturity. Amounts advanced under the Loan bear interest at the greater of three-month LIBOR and 1%, plus 10% until the commencement of commercial production where the amounts advanced under the Loan bear interest at the greater of three-month LIBOR and 1%, plus 7.5%.

Since inception through the perioded ended June 30, 2018, $52,466 (note 4) (2017 - $47,959) of interest was accrued and capitalised to mineral property development costs.

The Loan is carried at amortised cost on the consolidated statements of financial position. The Company has incurred $15,018 of transaction costs, on the total amount available under the Loan. 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 in the amount of $8,260, which was written off during the period as part of the January 2018 refinancing.

In addition to, and related to, the Loan, the Company also entered into an off-take agreement with Red Kite for the sale of copper concentrates from the underground mine of the eastern underground deposits. The Company will supply Red Kite with the percentage of total copper concentrate production based on the amounts advanced to the Company, post repayment of the previous loan facility, through tranches divided by the total available loan. Red Kite will be entitled to up to 74.5% of production after advancing all of the funds available under the Facility. None of the 74.5% of the available concentrates has been earned by Red Kite.

The remaining 25.5% balance of the underground offtake is held by prior lender, MF Investments, under a previous loan agreement. The off-take agreement includes concentrate pricing based on market terms.

**ii.) Subsequent amendments and IFRS 9 adjustment**

As mentioned above, the Loan agreement had amendments (the "Amendments") in September 2015, January 2016, April 2016, May 2016, and March 2017. Under IAS 39, when an entity made such Amendments, it must decide whether this modification was significant enough to constitute an extinguishment (either qualitatively or where the change in present value of cash flows exceeded 10% in accordance with the entity's accounting policy). If the modification was considered an extinguishment of the initial debt, the new modified debt was recorded at fair value and a gain/loss recognized in income for the difference between the carrying amount of the old debt and the new debt. This extinguishment accounting remains the same under IFRS 9.

However, accounting under the newly adopted IFRS 9 differs where the change was not significant enough to be an extinguishment. Under IAS 39 modifications would not lead to an immediate income charge because the entity would typically discount the cash flows of the modified debt at a revised effective interest rate. However, under IFRS 9, the cash flows under the modified debt should be rediscounted at the original effective interest rate. This leads to an immediate income charge on the date of modification.

Since the Company determined that the above Amendments were not significant enough to be extinguishments under IAS 39, the cash flows under each Amendment had to be rediscounted at the original effective interest rate upon adoption of IFRS 9 on January 1, 2018. This analysis resulted in a $4,885 increase in the carrying value of the Loan and a corresponding charge to deficit as at January 1, 2018 under a modified retrospective basis without adjustment to comparatives.

**iii.) January 2018 refinancing**

Concurrent with completion of the Offering (note 7b) in January 19, 2018, $42,035 was repaid to Red Kite from proceeds of the Offering. The refinancing reduced the Loan outstanding after the financing to $95,000 (the "Refinanced Loan"). $80,000 of the Refinanced Loan balance consists of two tranches ("Tranche 1" and Tranche 2") of $40,000 each. Subject to completion of another equity offering in 2018, Red Kite has agreed to convert into shares a further $15,000 of outstanding Refinanced Loan at a conversion price to be set based on the share price per the subsequent equity offering.

Subsequent to period end, the $15,000 above was automatically converted into 32,885,000 common shares of the Company concurrent with the closing of the subsequent offering (note 7c).

Tranche 1 has a seven-year term maturing on January 19, 2025; bearing interest greater of three-month LIBOR and 1%, plus 8% payable quarterly A two-year grace period has been obtained on cash interest payments wherein interest shall be capitalized to the loans. After the grace period, interest shall be paid quarterly together with the 20 quarterly principal repayments over a 5-year amortization period. The quarterly repayments shall be 1% of the outstanding balance for quarters 1 to 5; 5.25% from quarters 6 to 7 and 6.50% from quarters 8 – 20.

Tranche 2 has a nine-year term maturing on January 19, 2027, bearing interest greater of three-month LIBOR and 1%, plus 8.5% and a single repayment of principal and interest at maturity.

The Refinanced Loan has the same security terms as the original agreement and contains certain financial and non-financial affirmative and restrictive covenants similar to those found in a traditional bank financing. The Company is in compliant with these covenants as at June 30, 2018.

The Company may prepay the outstanding balance of Tranche 2. Tranche 1 could be repaid at any time following the repayment in full of Tranche 2. The prepayment option is available without premium or penalty, at any time prior to maturity. Each prepayment shall be in a principal amount at least equal to the lesser of $5,000 or the outstanding principal balance of the Refinanced Loan.

An embedded derivative liability relating to the interest rate floor and the prepayment option has been recognised. The embedded derivative fair value at inception was $914. The fair value of the embedded derivative liability is $945 at June 30, 2018. The change in value was recognised in the consolidated statement of operations as derivative fair value change of $31 for the period ended June 30,2018.

In accordance with IFRS 9, the Company concluded that the Refinanced Loan terms constituted an extinguishment of the initial Loan. Accordingly, the new Refinanced Loan was recorded at fair value and a $7,737 loss recognized in income for the difference between the carrying amount of the initial Loan and the Refinanced Loan.

**d.) Stream agreement**

The Company, and Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag") have entered into a metals purchase and sale agreement dated December 21, 2017 (the "Stream Agreement") whereby Triple Flag has committed to fund a deposit of $70,000 (the "Stream Deposit") against future sale and delivery by Nevada Copper of 90% of the gold and silver production from the underground of the Company's Project. The gold and silver production is to be calculated based on a fixed ratio of 162.5 ounces of gold and 3,131 ounces of silver for each 1 million pounds of copper in concentrate produced. The Company will receive an ongoing payment of 10% of the spot price for each ounce of gold and silver delivered to Triple Flag. The Company has a one-time option on March 31, 2020 to reduce the amount of gold and silver to be delivered under the Stream Agreement to 55% of the gold and silver production from the underground portion of the Project (based on the fixed ratios noted above) by making a payment of $36,000 to Triple Flag, subject to certain adjustments. The Company and its subsidiaries have provided security for the performance of the obligations under the Stream Agreement over all of their respective assets. To date no monies have been received under this arrangement. Funding of the Stream Deposit is conditional on, among other things, a decision to proceed with construction of the underground portion of the Project on a fully funded basis (excluding working capital).

## 5. Related Party Transactions:

Pala owns 53.5% (2017 – 47.2%) of the Company's common shares and has two executives out of nine on the Company's Board of Directors as at June 30, 2018. During the period, the following transactions were entered into with Pala:

- Offering subscription (note 7b)
- Repayment of the Pala Bridge Loan (note 4a)
- Conversion of the Pala convertible debt (note 4b)
- Back stop fees of $1,800 (note 7b)
- Repayment of accounts payable outstanding at December 31, 2017 in amount of $2,067
- Interest paid or accrued $1,194

The Company has entered into management agreements with certain senior officers. In the event that there is a change of control, the Company may be required to pay severance payments ranging from three months to eighteen months of salary for these senior officers. The amount of this contingent liability is $560 (2017 -$1,580) and has not been accrued in the consolidated statements of financial position. Pala exercising their conversion rights under the convertible debt triggered the change in control clauses. During the period, $981 was paid to a senior officer (note 6) pertaining to this management agreement.

During the period, $181 (2017-$Nil) was paid in director fees. As of June 30, 2018, accounts payable and accrued liabilities include director fees payable of $144 (2017- $210).

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.

## 6. Key Management Personnel Compensation:

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

| | **June 30, 2018** | June 30, 2017 |
|---|---|---|
| Change of control benefits (Note 5) | **$ 981** | $- |
| Short-term employee benefits | **860** | $237 |
| Stock-based compensation | **1,243** | (17) |
| Total | **$3,084** | $220 |

## 7. Share Capital:

a) Authorised and issued:

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

b) Offering

On January 19, 2018, the Company completed an Offering ("the Offering") raising gross proceeds of $102,902 ($128,205 CAD) through the issuance of 256,410,256 Special Warrants at a price of $0.50 CAN per Special Warrant. Within the Offering, an aggregate of 98,450,896 Special Warrants (the "Pala Special Warrants") were issued to Pala on the closing date, for total subscription proceeds from Pala of $39,510 ($49,225 CAD). On the closing date, the Company paid Pala a backstop fee of $600 in respect of a backstop arrangement under which Pala agreed to backstop up to $30,000 in respect of the Offering, which backstop arrangement was not exercised by the Company.

Within the Offering, an aggregate of 88,200,000 Special Warrants were issued to Castlelake LP ("Castlelake"), for total subscription proceeds from Castlelake of $35,396 ($44,100 CAD), which resulted in Castlelake holding approximately 19.8% of the outstanding Common Shares on the exercise, or the deemed exercise, of Castlelake's Special Warrants into Common Shares. The Company also entered into an investor rights agreement with Castlelake dated January 19, 2018, which provides Castlelake with certain rights, including the right to nominate one member of the Board and the right to participate in further equity offerings of the Company, in each case subject to Castlelake maintaining certain minimum percentage share ownership thresholds.

The Special Warrants were converted to the Company's common shares effective March 7, 2018 once the Company filed a short form prospectus. Part of the proceeds from the Offering was used to repay the Pala Bridge Loan (note 4a) and a portion of the Red Kite long term debt (Note 4d).

Share issuance costs of $4,382 were incurred in relation to the Offering, Included in these costs was the equity backstop fee of $600 charged by Pala.

The Company has entered into equity backstop agreement with Pala dated December 31, 2017 in which Pala has agreed to purchase common shares offered during a subsequent offering (or securities convertible into common shares) for an aggregate amount of up to $60,000, which may be called by the Company, at its option. Pala was paid a fee of $1,200, which represents 2% of the Pala's backstop commitment.

c) Second Offering

Subsequent to period end in July 2018, the Company completed a Second Offering ("the Second Offering") raising gross proceeds of approximately $82,500 ($108,463 CAD) through the issuance of 180,771,021 Common Shares at a price of $0.60 CAN per share. Share issuance costs of $2,100 ($2,807 CAD) were incurred in relation to the Second Offering resulting to net proceeds of $80,400 ($105,355 CAD). In addition, the Company incurred $3,949 in deferred share issuance cost during the period ended June 30, 2018 in relation to the Second Offering which includes the backstop fee of $1,200 charged by Pala.

An aggregate of 3.6 million shares were issued to Pala, for total subscription proceeds from Pala of $1,643 ($2,160 CAD).

As a result of the Second Offering, Pala's share ownership declined to 36.6% from 53,5% at June 30, 2018.

Concurrent with the closing of the Second Offering, $15,000 of the Red Kite Loan automatically converted into 32,885,000 common shares of the Company (the "Conversion Shares"), which were issued at $0.60 per common share (note 4ciii)

d) Share Purchase Options:

| | Number of Options | Weighted average exercise price $(CAD) |
|---|---|---|
| Outstanding December 31, 2017 | 5,703,500 | $0.84 |
| Granted | 17,993,000 | 0.68 |
| Expired/cancelled | (870,000) | 0.69 |
| **Outstanding June 30, 2018** | **22,826,500** | **$0.72** |
| **Exercisable June 30, 2018** | **11,807,500** | **$0.75** |

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan"), originally approved by the shareholders on November 16, 2007 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 Company 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 Company, those options shall immediately expire.

During the period ended June 30, 2018, 17,993,000 options (2017 – Nil) at a weighted-average exercise price of CAD$0.68 (2017 – Nil) were granted to employees, consultants and directors exercisable for a period of five years with various vesting terms between nil and three years. The weighted-average fair value attributable to options granted in the period was $0.31.

During the period ended June 30, 2018, $2,475 (2017 - $nil) in stock-based compensation was recorded for options granted to officers and employees, of which $1,742 (2017 -$ nil) was charged to operations. The $25 in stock-based compensation recorded in June 30, 2017 pertained to the Company's Deferred Compensation Units which fully vested during that period. The Company uses the Black-Scholes option pricing model to value stock options, which requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Risk free interest rate | 2.34% | n/a |
| Expected dividend yield | 0% | n/a |
| Expected stock price volatility | 65.3% | n/a |
| Expected life in years | 5 | n/a |
| Expected forfeitures | 0% | n/a |

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

The following table summarises the stock options outstanding and exercisable as at June 30, 2018:

| | Outstanding | | Exercisable | |
|---|---|---|---|---|
| Exercise price | Number outstanding | Weighted average remaining life (years) | Number outstanding | Weighted average remaining life (years) |
| $0.50 - $0.74 | 20,636,500 | 4.58 | 10,737,500 | 4.31 |
| $0.75 - $1.00 | 1,605,000 | 1.85 | 485,000 | 0.07 |
| $1.01 - $1.96 | 585,000 | 1.37 | 585,000 | 1.37 |
| | **22,826,500** | **4.31** | **11,807,500** | **3.99** |

e) Deferred share units:

| | Number of DSUs |
|---|---|
| Outstanding December 31, 2017 | 875,340 |
| Granted | - |
| Expired/cancelled | - |
| **Outstanding June 30, 2018** | **875,340** |

The Company established a deferred share unit ("DSU") plan that allows directors to receive directors' fees in the form of DSUs. Directors receive cash upon the exercise of the DSU. DSUs may only be exercised when the holder ceases to be a director. Vesting terms are established by the directors at the date of grant. Settlement of DSUs is a cash pay-out based on 5-day volume weighted average price ("VWAP") 120 days after the director ceases to be a director.

Periodically since 2013, directors have been granted DSUs, which replaced stock option grants and cash payments as a component of their compensation. All of the DSUs have vested. The current DSU payable amount is $406 (2017 - $549).

f) Warrants:

| | Number of warrants |
|---|---|
| Outstanding December 31, 2017 | 5,460,000 |
| Granted | - |
| Exercised | (442,750) |
| Expired/cancelled | (17,250) |
| **Outstanding June 30, 2018** | **5,000,000** |

As part of the June 2016 equity offering, the Company issued 460,000 agent warrants. These warrants have an exercise price of $0.60 CAD per warrant, expiring on June 9, 2018. During the period ended June 30, 2018, the Company issued 442,750 shares pursuant to the exercise of warrants at $0.60 CAD per share for gross proceeds of $205.

In October 2017, the Company issued 5,000,000 warrants to Pala in relation to the Pala Convertible Facility (note 4b). The change in value of the warrants derivative was recognised in the consolidated statement of operations as derivative fair value gain of $484 for the period ended June 30, 2018 (2017 – $504). The fair value of the warrants derivative at June 30, 2018 and June 30, 2017 was measured using the Black-Scholes option pricing model with the following assumptions:

| | **June 30, 2018** | **June 30, 2017** |
|---|---|---|
| Risk-free interest rate | 1.83% | 0.76% |
| Expected dividend yield | 0 | 0 |
| Expected stock price volatility | 61.1% | 75% |
| Expected life in years | 1.3 | 1.9 |

## 8. Contractual Obligations:

The following table sets forth the Company's contractual obligations for the next five fiscal years as at June 30, 2018:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| Contractual obligations | Total | 1 year | 2-3 years | 4-5 years | 5 years+ |
| Accounts payable and accrued liabilities | $7,500 | $7,500 | $- | $- | $- |
| DCU and DSU payable | 406 | 406 | - | - | - |
| Long-term debt | 165,684 | - | 8,470 | 31,809 | 125,405 |
| Total USD obligations | $173,590 | $7,906 | $8,470 | $31,809 | $125,405 |
| | CAD | CAD | CAD | CAD | CAD |
| Office lease | $98 | $98 | - | - | - |
| Total CAD obligations | $98 | $98 | - | - | - |

## 9. Financial Instruments

(a) Fair value measurements:

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

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

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value of the convertible debt embedded derivative, prior to conversion, has been determined using Level 2. The fair value for Level 2 has been calculated using market-based inputs for risk free rate of return, volatility, and foreign exchange rates. The fair value of the long-term debt embedded derivative has been determined using Level 2. The fair value for Level 2 has been calculated using market-based inputs from Bloomberg on the risk-free rate from the USD swap curve and the credit spread of the loan.

(b) Financial risk factors:

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

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

(c) Market risks:

i) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's loan agreement with Red Kite (note 4c) currently provides for interest at LIBOR plus 8%-8.5% per annum, subject to a minimum interest rate of 9%-9.5%. Due to the capitalisation of borrowing costs and the minimum interest rate provision, and as long as LIBOR is less than 1%, the Company's sensitivity to a 1% decrease or increase in market rates of interest would have an immaterial effect on the Company's interest expense.

ii) Foreign currency risk:

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

At June 30, 2018, the Company held $8,324 CAD (2017 - $21 CAD) in cash and cash equivalents in a company with a functional currency of United States dollars. At June 30, 2018, the Company had $1,874 CAD (2017 - $1,567 CAD) in accounts payable in a company with a functional currency of United States dollars.

A +/- 10% change in the Canadian exchange rate would have had an impact of approximately +/-$645 on loss for the period ended June 30, 2018.

(d) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, reclamation bond, and amounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents in high quality Canadian chartered banks. The Company's maximum exposure to credit risk is $37,805 as at June 30, 2018, being the carrying value of cash and cash equivalents, restricted cash and amounts receivable.

(e) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. During the period ended June 30, 2018, the Company received additional equity financing and debt refinancing that provides the Company with enough funds to meet its financial liabilities and future financial liabilities under its current commitments over the next twelve months ending June 30, 2019.

The Company is currently in the development stage and as result it is not yet generating revenue. The Company is reliant upon its existing cash, the availability of the deposit under the Stream Agreement (note 4e) and other sources of potential funding to:

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

The Company continuously assesses its cash requirements and sources of funds in order to optimize its financing strategy. The Board of Directors is confident that, based on its existing cash and financing sources and through access to additional debt and equity capital that may be available to it in the future, the Company should have access to sufficient funds to meet its requirements.

# NEVADA COPPER CORP.

Management's Discussion and Analysis
For the six months ended June 30, 2018

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## General

This Management's Discussion and Analysis ("MD&A") of Nevada Copper Corp. (the "Company" or "Nevada Copper") has been prepared by management as of August 13, 2018. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2018. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as applicable to interim financial statements. The information contained within this MD&A is current to August 13, 2018.

All amounts are expressed in US Dollars unless otherwise indicated. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

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

## Highlights

In Q2 2018, the Company:

- Made key director and senior executive appointments;
- Advanced pre-construction activities in the Pumpkin Hollow Undergroud Project;
- Made progress with the underground mining development contract and surface contruction lump sum EPC process with a conclusion anticipated to be made in Q3 2018
- Announcd results of its 2018 diamond drill program for the Pumpkin Hollow Open Pit Project
- Continued with the open pit optimisation study and the reassessment of its development options.

To further fund the above initiatives, the Company completed the following financing subsequent to Q2 2018:

- A public offering of 180,771,021 common shares at a price of CAD$0.60 per common share for gross proceeds of $82.5 million (CAD$108.5 million);
- Concurrent with the above offering, US$15 million of outstanding indebtedness was automatically converted into 32,885,000 common shares of the Company.

## Description of Business

Nevada Copper Corp. (the "Company" or "Nevada Copper" or "NCU") was incorporated on June 16, 1999 under the Business Corporations Act (Yukon). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "NCU". The principal asset of the Company is the 100%-owned Pumpkin Hollow copper project ("the Project") located in north-western Nevada, approximately ninety road miles southeast of Reno. The property consists of a contiguous 27 square mile land package comprising private lands, patented and unpatented mineral claims.

Nevada Copper is engaged in the development of the Pumpkin Hollow project. The Project is fully permitted for the underground mine project ("Underground Project"), the copper concentrator and associated infrastructure. The Company filed a technical report on SEDAR on January 9, 2018 ("the Technical Report"). The Technical Report discloses the proposed development of a 5,000 tons/day underground project at a preliminary feasibility ("PFS") level. This is the primary focus of the Technical Report. This Technical Report also includes feasibility-level information on the potential development of a large 70,000 tons/day mine at Pumpkin Hollow with feed mainly from the nearby open pit deposits, which is from the same Mineral Resources as accessed in the Underground Project. This is referred to within the Technical Report as the Integrated Project (the "Integrated Project").

The Integrated Project, that was originally disclosed in a NI 43-101 2015 Feasibility Study Technical Report ("2015 IFS") for which the scientific and technical information is materially unchanged, remained a viable development

option as of the date of that report. However, the focus in 2018 is to advance the Underground Project and to assess a staged mining approach for a separate open pit mine development. Over time during 2018, these activities will gradually eliminate the Integrated Project as a development option for Pumpkin Hollow.

The Project is located entirely on private lands owned or controlled by Nevada Copper. No Federal permits are required for construction or operations.

**Project Activities**

*Underground Project Activities*

In preparation for a re-start of full-scale construction, the Company has advanced pre-construction activities through transitioning infrastructure from care and maintenance to active status, signing the underground pre-works contract, ordered long-lead underground mining equipment and made a number of key operations and site team hires.

Site preparation and pre-construction activities included:

- Ordering of new auxiliary hoist and main ventilation fans;
- Ordering of Galloway ropes and winches;
- Galloway structural refurbishment;
- Surface road upgrades and building site preparation;
- Testing of equipment, ventilation, and pumps; and
- In July, resumption of shaft sinking activities from 1,900 foot level toward 1990 foot level

In addition to the above, the Company has signed a pre-works contract with Cementation USA Inc. The scope of the contract allows for the preparation of the existing shaft and hoist infrastructure prior to the re-start of underground construction activities. Cementation USA Inc. was previously engaged by the Company in 2013 to commence shaft sinking and underground development and therefore has comprehensive, existing knowledge of the Underground Project.

The Company has initiated procurement of certain key long-lead items, including:

- SAG, Ball and Tower Mill's for the process plant;
- Letters of intent ("LOI") signed with Caterpillar Financial Services Corporation for a lease on certain Caterpillar underground mining equipment; and
- LOI signed with Epiroc, for a lease on certain underground mining equipment.

Furthermore, the Interim Services and Procurement Agreements signed with Sedgman Limited in Q1 2018 were in place during the negotiation and finalization of ongoing EPC contract discussions in order to continue detailed engineering design and procurement of long-lead items for the surface process plant.

The Company also continued under a technical services contract with Mining Plus for pre-construction mine design work and key areas of detailed engineering. The scope also includes the facilitation and administration of the ongoing tender process to appoint an underground mining contractor.

Drilling has continued on site, focused on select underground geotechnical targets intended to provide additional information for detailed mine planning, including the location of the secondary vent shaft, and to further de-risk the commencement of underground development and mining.

*Open Pit Development Activities*

Concurrent with the above developments in the Underground Project, drilling continued on high value open pit targets an initial 10,000-meter surface drilling campaign is focused on high-value targets which Nevada Copper believes have significant upside potential, including:

- Expanding areas of high-grade mineralisation primarily in the North deposit; and
- Converting waste and inferred material into proven and probable reserves.

The Company announced results to date of the above program:

- Multiple new zones of mineralization encountered: 20 drill holes completed to-date, with all holes encountering multiple zones of mineralization. Importantly, newly discovered mineralization sits within the existing open pit shell design and may convert areas that have been classified as waste into ore. This has the potential to further reduce waste stripping ratios and enhance project economics.
- Mineralization expanded in Northern Extension Zone: New zones of mineralization encountered in the Open Pit Northern Extension. Hole NC18-04 intersected multiple zones of copper mineralization, including 38.2 meters true thickness averaging 1.11% copper.
- Core Zone expanded to west: Drilling to the west of the currently defined limit of the North Pit ore body has intersected new mineralization in areas adjacent to the North Pit Core Zone currently classified as waste, and could indicate a further extension of the ore body to the west

In Q1 2018 , the Company has engaged two leading global mining engineering companies, Golder Associates and Sedgman, to evaluate the opportunity to significantly enhance the economics of an open pit project development. The concept study is focused on the potential for a reduced-capital, staged-development approach focused initially on the high-grade North Pit.

To date, the results of the study indicate:

- Focus on phased development approach: The ongoing work targets a reduced-capital, higher-return initial open pit phase.
- Increased mining grades: The engineering work targets a first phase of the Open Pit with potential mined grades of approximately 0.55% over a long mine life.
- Reduced waste stripping: Additional pit shell engineering design work would prioritize project returns over scale, including a reduced stripping ratio which if successful would allow for significant improvements to pre-production capital and related operating costs.
- Reduced capital: The ongoing work targets a reduced initial production scale of approximately 30,000 to 40,000 tonnes per day and a smaller mining fleet, with the objective of significantly reducing capital expenditures to around half of the amount contemplated in the existing technical study.
- Growth optionality retained: It is intended that the first phase of the Open Pit would not sterilize remaining mineral resources, and that optionality would be retained over a second phase extension and potential expansion.
- Further upside being defined: The success of the ongoing 2018 drill program has the potential to provide further upside to the work completed to-date.

Based on the above progress, the Company is working to prepare a study for release in the coming months.

**Corporate Developments**

*CEO Appointment*

In Q2 2018, Matthew Gili was appointed as President and Chief Executive Officer of the Company effective May 1, 2018. Mr. Gili has over 20 years of experience in the mining industry, having served in a variety of senior executive roles at Barrick and Rio Tinto. During his 15-year career with Rio Tinto, his appointments included Chief Operating Officer and Vice President of Resource Strategy for the Oyu Tolgoi project in Mongolia, Managing Director of Palabora Mining Company in South Africa, and Mine Manager at Greens Creek, Alaska.

Prior to joining Nevada Copper, he was with Barrick Gold corporation for the last five years.

*Director Appointments*

In Q2 2018, Matthew Gili, Tom Albanese, Ernie Nutter and Justin Cochrane were appointed to the Board of Directors at the Company's Annual General Meeting held on May 4, 2018.

Mr. Albanese is currently a Director of Franco-Nevada Company. He was previously Chief Executive Officer and a Director of Vedanta Resources plc and Vedanta Limited from 2014 to 2017. Mr. Albanese was Chief Executive Officer of Rio Tinto plc from 2007 to 2013, and previously served on the Boards of Ivanhoe Mines Limited, Palabora Mining Company and Turquoise Hill Resources Limited. Mr. Albanese holds a Master of Science degree in Mining Engineering and a Bachelor of Science degree in Mineral Economics both from the University of Alaska Fairbanks.

Mr. Nutter is a highly regarded mining analyst, formerly with one of the world's largest money managers, Capital Group, from 2004 until his retirement in 2017. Prior to this, he spent over 13 years with the Royal Bank of Canada (RBC) where he was Managing Director of RBC Capital Markets, Director of RBC's Global Mining Research team and former Chairman of RBC Dominion Securities' (now RBC Capital Markets) Strategic Planning Committee. Mr. Nutter holds a Bachelor of Science degree in Geology from Dalhousie University.

Mr. Cochrane is currently President and COO of Cobalt27 with over sixteen years of royalty and stream financing, M&A and corporate finance. He previously served as Executive VP and Head of Corporate Development for Sandstorm Gold Ltd. Prior to Sandstorm, Mr. Cochrane was a Vice President with National Bank Financial Inc., having spent 9 years in their investment banking group. Mr. Cochrane is a CFA charterholder and graduated from the University of British Columbia with a Bachelor of Commerce with honours with a major in Finance.

**Outlook**

With the second stage of financing completed, the Company will continue the advancement of engineering and construction of the Underground Project with the focus on the following activities:

1.) Underground mine development:
    - complete the main shaft to its final depth and equip the shaft for haulage of materials;
    - sink a secondary shaft for ventilation and emergency egress; and
    - start lateral underground development and establishment of the initial necessary underground infrastructure and stope development to allow for sustained mining operations.
2.) Surface plant and infrastructure development:
    - complete detailed engineering of the process plant;
    - paste plant and tails dewatering facilities; and
    - the associated surface earthworks, electrical and other infrastructure.
3.) Determining and ordering long lead-time processing equipment and other equipment.

The expenditure program above will continue throughout 2018. Subject to the completion of a subsequent equity offering and other financings, the Company anticipates that initial production from the Underground Project will be in the second half of 2019.

In addition, additional drilling and engineering optimisations of the Open Pit Project will include:

- definition and extension drilling on the North deposit; and
- engineering and scoping level economic evaluations related to a reduced-tonnage, higher grade mine design as compared with that contemplated by previous studies.

This program is expected to be completed by Q4 2018.

**Pumpkin Hollow Project**

The Pumpkin Hollow Property (the "Pumpkin Hollow Property" or "the Property")is the principal mining asset of the Company. The Property, located approximately 60 miles southeast of Reno Nevada near Yerington, consists of approximately 17,500 acres of contiguous mineral rights including approximately 10,700 acres of private land and leased patented claims. The Property contains two adjacent but unconnected copper gold and silver deposits separated by approximately two miles. Since the Property was acquired by Nevada Copper in 2006, these deposits have been extensively drilled and the subject of several previous technical reports.

The eastern-most ("Eastern Area") deposits are too deep for open pit mining and modelling by previous engineering studies has presented them as being amenable to mining by underground methods. The western-most ("Western Area") deposits are larger and shallower, and modelling by previous engineering studies has presented them as being amenable to mining by open pit methods.

In July 2015, a Technical Report feasibility study was completed and filed on SEDAR. This 2015 study evaluated the development of a 70,000 short tons per day (stpd) mine with open pit and underground mining of both deposits, providing mill feed to single large concentrator ("2015 IFS"). The technical and scientific information in the 2015 study is materially unchanged and relevant and remains as one of the viable development options (cases) for the Property.

In early 2017 Nevada Copper retained Sedgman Canada Limited (SDM) and Mining Plus Pty Ltd (MP) to complete a Prefeasibility Study ("PFS") for a 5,000 stpd that evaluates a potential underground copper mine, processing plant and associated infrastructure, accessing the Eastern Area underground deposits. This PFS was disclosed as "Case A" in a Technical Report filed on SEDAR in December 2017 and as amended in January 2018. This Technical Report which supercedes and replaced all previous technical reports, also disclosed the 2015 IFS as "Case B".

The mining plans, capital and operating costs, metallurgical resouveries, financial assumptions, Mineral Resources and Mineral Reserves and economic results of Cases A and B are disclosed in the Technical Report filed in SEDAR in Janaury 2018 and are qualified in their entirety by the Technical Report. Readers should rely upon the Technical Report for further details and assumptions made.

Case A

The primary purpose of Case A is to disclose the PFS information regarding the feasibility of advancing the Pumpkin Hollow Property through mining the Eastern Area at 5,000 stpd using underground mining techniques. This project is referred to as Case A ("Case A").

Case B

In 2015, TetraTech prepared a Feasibility Study ("2015 IFS") on an "Integrated" 70,000 stpd process plant and associated infrastructure, an average of 63,500 stpd of mill feed was from an open pit mine, with the remaining 6,500 stpd from an underground mine. This integrated project is described in a NI 43-101 report issued on July 9, 2015. This "Integrated Project" is referred to as Case B ("Case B"). The scientific and technical information and assumptions contained in the 2015 NI 43-101 report relating to Case B have not changed to any material degree and Case B remains a relevant and viable development option for the Property as at the date of that report.

The Pumpkin Hollow Property encompasses both the Case A and Case B development options referred to as Projects. Both Case A and Case B projects have been fully permitted since Nevada Copper desired retention of optionality for the Pumpkin Hollow Property development.

**Technical Report Economic Results Summary**

*Case A*

***Base Case***

Base case metal prices employed the mean of analyst's consensus prices for copper gold and silver from 2017 to 2021, thereafter the prices were held constant. These base case metals prices are shown in the table below:

Table 1-1: Base Case Metal Prices

| | | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022+ |
|---|---|---|---|---|---|---|---|---|
| Consensus Copper Prices | | $/lb | $2.62 | $2.66 | $2.83 | $3.05 | $3.14 | $3.20 |
| Consensus Gold Prices | | $/oz | $1,254 | $1,268 | $1,276 | $1,285 | $1,284 | $1,325 |
| *Consensus Silver Prices* | | $/oz | $17.31 | $18.21 | $18.77 | $19.40 | $19.53 | $20.01 |
| *Source: Consensus Economics Inc. - August 2017* | | | | | | | | |

In addition to the base case prices, the economics were also examined with alternate metals price scenarios with copper prices lower and higher than current spot prices as shown below. Gold and silver prices were held constant at the levels show due to their low importance relative to copper. All prices were held constant.

Table 1-2: Alternate Metal Price Scenarios

| | | Low | High |
|---|---|---|---|
| Copper | $/lb | $2.60 | $3.50 |
| Gold | $/oz | $1,300 | $1,300 |
| Silver | $/oz | $17.00 | $17.00 |

The economic analysis of the Case A development at a copper price of $3.00/lb, results in an after tax Net Present Value as a discount rate of 5% (NPV5%) of $247 million; an Internal Rate of Return of 22.9% and a capital payback period of 4.9 years. The life of the mine is 13.1 years. Other metal price sensitivity cases are summarized below.

Table 1-3: Comparison of economic analysis

| | | Low Case | Base Case | High Case |
|---|---|---|---|---|
| Copper Price | $/lb | $2.60 | Consensus** | $3.50 |
| Gold Price | $/oz | $1,300 | Consensus** | $1,300 |
| Silver Price | $/oz | $17 | Consensus** | $17 |
| | | **US$M** | **US$M** | **US$M** |
| Net Smelter Revenue*, after royalty | LOM | $1,582 | $1,941 | $2,150 |
| Operating Margin | LOM | $518 | $876 | $1,085 |
| Operating Margin | Avg/Yr | $40 | $67 | $83 |
| Undiscounted Net Cashflow | Pre-tax | $224 | $582 | $791 |
| NPV 0% | After-tax | $212 | $496 | $658 |
| NPV 5% | Pre-tax | $108 | $356 | $510 |
| NPV 5% | After-tax | $100 | $301 | $421 |
| IRR | Pre-tax | 13.4% | 27.2% | 36.8% |
| IRR | After-tax | 12.8% | 25.2% | 33.6% |
| Payback - years | After-tax | 6.50 | 4.75 | 4.00 |

* Note: Net revenues less smelter charges, concentrate transport and site operating costs.
** Consensus prices as shown on Table 1-12

*Case B*

The Case B development option is at a Feasibility level of study and the cost estimates and economics are prepared on a quarterly basis for the calendar years for production years 1 -4 and annually thereafter. Based upon design criteria presented in this report, the level of accuracy of the estimate is considered ±15%.

Case B economics are summarised below based upon the inputs disclosed:

| | | Low Case | **Base Case** | High Case |
|---|---|---|---|---|
| Copper Price | $/lb | $2.85 | **$3.15** | $3.75 |
| Gold Price | $/oz | $1,200 | **$1,200** | $1,200 |
| Silver Price | $/oz | $18 | **$18** | $18 |
| (In Millions of US Dollars) | | | | |
| Net Smelter Revenue, after royalty | | $10,768 | **$11,990** | $14,434 |
| Net Cash Flow | Pre-tax | $1,831 | **$2,992** | $5,315 |
| Net Cash Flow | After-tax | $1,584 | **$2,514** | $4,249 |
| Annual Net Cash Flow | Yr. 1-5 avg. | $204 | **$262** | $366 |
| Pre-tax Operating Margin* | Yr. 1-5 avg. | $300 | **$380** | $540 |
| | | | | |
| NPV 5% | Pre-tax | $659 | **$1,362** | $2,768 |
| NPV 5% | After-tax | $534 | **$1,100** | $2,155 |
| | | | | |
| IRR | Pre-tax | 11.30% | **17.50%** | 28.80% |
| IRR | After-tax | 10.40% | **15.60%** | 24.60% |
| | | | | |
| Payback - years | Pre-tax | 7.9 | **4.2** | 2.8 |
| Payback - years | After-tax | 8.2 | **4.7** | 3.2 |

## Financial Results

| (in thousands of US dollars except per share amounts) | **Three Months Ended June 30, 2018** | Three Months Ended June 30, 2017 | **Six Months Ended June 30, 2018** | Six Months Ended June 30, 2017 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Consulting and remuneration | **$306** | $134 | **$1,394** | $282 |
| Public company expenses | **736** | 144 | **1,153** | 265 |
| Office expenses | **374** | 64 | **505** | 139 |
| Professional fees | **531** | 29 | **770** | 64 |
| Business development | **31** | 43 | **73** | 104 |
| Stock-based compensation | **1,715** | (96) | **1,742** | 25 |
| | **(3,693)** | (318) | **(5,637)** | (879) |
| Interest income | **187** | 2 | **328** | 8 |
| Interest and finance expenses | **(963)** | (1,262) | **(991)** | (2,295) |
| Derivative fair value change | **413** | 6,840 | **(1,746)** | 8,123 |
| Other income | **-** | - | **(549)** | 1 |
| Debt extinguishment loss, net | **-** | - | **(7,737)** | - |
| Foreign exchange loss | **(117)** | 15 | **(441)** | 23 |
| **Net loss and comprehensive loss** | **$(4,173)** | $5,277 | **$(16,773)** | $4,981 |
| **Income (loss) per common share** | | | | |
| Basic and diluted | **$(0.01)** | $ 0.06 | **$ (0.05)** | $ 0.06 |

For the three months ended June 30, 2018. The Company reported a net loss of $4.2 million (or $0.01 basic and diluted loss per common share) compared to a net income of $5.3 million for the corresponding period in 2017 (or $0.06 basic and diluted earning per common share).

The $9.5 million increase in net loss period to period is driven by the Company's refinancing and restructuring initiatives in 2018:

- $0.4 million was recorded as a derivative fair value gain compared 2017 gain of $6.8 million relating to the derivatives of the Pala Convertible Debt
- $0.2 million increase in consulting and remuneration from $0.1 million in Q2 2017 to $0.3 million in Q2 2018 due to the payment of benefits under the employment contracts of certain senior officers during the period;
- $1.4 million increase in public company, office and professional fee expenses related to Company's restructuring initiatives; and
- $1.7 million increase is related to the stock options granted and vested during the period. No options were granted during the comparable period in 2017.

For the six months ended June 30, 2018, the Company reported a net loss of $16.8 million (or $0.05 basic and diluted loss per common share) compared to a net income of $5 million for the corresponding period in 2017 (or $0.06 basic and diluted earning per common share).

The $21.8 million increase in net loss period to period is driven by the Company's refinancing and restructuring initiatives in 2018:

- $7.7 million was recorded as a debt extinguishment loss as a result of the refinancing of the Red Kite long term debt (2017 - $Nil);
- $1.7 million was recorded as a derivative fair value loss (2017 gain of $8.1 million) as a result of recognizing a new embedded derivative liability in the refinanced Red Kite long-term loan that had a fair value of $0.9 million as at June 30, 2018 and $1 million was recorded as a derivative fair value loss on the convertible derivative option in the Company's Convertible Debt Facility prior to its conversion to common shares;
- $1.1 million increase in consulting and remuneration from $0.3 million for the six month ended June 30, 2017 to $1.4 million for the six month ended June 30, 2018 due to the payment of benefits under the employment contracts of certain senior officers during the period;
- $0.5 million increase in other expenses resulting from a settlement of a claim related to an expired option agreement;
- $1.9 million increase in public company, office and professional fee expenses related to the Company's restructuring initiatives;
- $1.7 million increase related to the stock options granted and vested during the period. No options were granted during the comparable period in 2017; and
- The above increases were offset by the decrease in interest expense from $2.3 million during the six months ended June 30, 2017 to $1 million due to the conversion of the Convertible debt and the extinguishment of the Bridge Loan.

*Pumpkin Hollow Project Expenditures*

Project costs capitalised for the six months ended June 30, 2018 on the Pumpkin Hollow Copper Development Property consists of the following:

| (in thousands of US dollars) | **June 30, 2018** | **2018 Expenditures** | Dec. 31, 2017 | **June 30, 2017** | 2017 Expenditures | Dec. 31, 2016 |
|---|---|---|---|---|---|---|
| Property payments | **$1,961** | $- | $1,961 | **$1,961** | $- | $1,961 |
| Advance royalty payments | **3,895** | 732 | 3,163 | **3,163** | - | 3,163 |
| Water rights | **2,388** | 138 | 2,250 | **2,112** | 141 | 1,971 |
| Drilling | **42,582** | 1,425 | 41,157 | **41,157** | - | 41,157 |
| Geological consulting, exploration & related | **9,705** | 1,782 | 7,923 | **7,923** | - | 7,923 |
| Feasibility, engineering & related studies | **22,674** | 1,312 | 21,362 | **20,568** | 985 | 19,583 |
| Permits/ environmental | **11,987** | 343 | 11,644 | **11,681** | 100 | 11,581 |
| East deposit underground project | | | | | | |
| Underground access, hoist, head frame, power, & related | **82,415** | 3,514 | 78,901 | **78,329** | 568 | 77,761 |
| Engineering procurement | **13,262** | 2,712 | 10,550 | **10,550** | - | 10,550 |
| Surface infrastructure | **3,976** | 172 | 3,804 | **3,804** | - | 3,804 |
| Site costs | **18,195** | 2,851 | 15,344 | **14,607** | 757 | 13,850 |
| | **213,040** | 14,981 | 198,059 | **195,855** | 2,551 | 193,304 |
| Depreciation | **715** | 25 | 690 | **664** | 27 | 637 |
| Capitalised interest | **51,678** | 3,719 | 47,959 | **39,625** | 7,641 | 31,984 |
| Stock-based compensation | **5,160** | 663 | 4,498 | **4,498** | 103 | 4,395 |
| **Total Development Costs** | **$270,593** | $19,388 | $251,206 | **$240,642** | $10,322 | $230,320 |

For the six month period ended June 30, 2018, the Company incurred $19.4 million of project expenditures compared to $10.3 million for the same period in 2017. The $9.1 million increase reflects the resumption of the advance royalty payments which was deferred in 2017, commencement of drilling activities, engineering design work and site preparation / pre-works activities. The focus during the comparative period ended June 30, 2018 was care and maintenance activities only.

Capitalised interest costs were $3.7 million for the period ended June 30, 2018 compared to the capitalised interest costs for the period ended June 30, 2017 of $7.7 million.

**Summary of Quarterly Results**

Selected consolidated financial information for the most recent eight financial quarters is as follows:

| (In thousands of US dollars except amounts per share) | **2018 Jun 30** | **2018 Mar 31** | **2017 Dec 31** | **2017 Sep 30** | **2017 Jun 30** | **2017 Mar 31** | **2016 Dec 31** | **2016 Sep 30** |
|---|---|---|---|---|---|---|---|---|
| Working capital | 29,335 | 41,923 | (73,917) | (2,717) | (1,032) | 2,114 | 2,435 | 4,566 |
| Total assets | 313,076 | 307,827 | 262,255 | 255,544 | 250,936 | 248,955 | 244,516 | 240,719 |
| Development property | 270,593 | 258,501 | 251,206 | 245,740 | 240,642 | 234,966 | 230,320 | 225,067 |
| Total noncurrent liabilities | 100,424 | 98,524 | 114,427 | 171,702 | 164,968 | 170,247 | 165,600 | 158,587 |
| Shareholders' equity | 204,481 | 206,205 | 72,336 | 80,784 | 83,906 | 76,112 | 76,408 | 80,324 |
| Net profit (loss) | (4,173) | (12,601) | (8,448) | (3,122) | 5,277 | (296) | (4,842) | (1,356) |
| Net profit (loss) per share | (0.01) | (0.05) | (0.09) | (0.03) | 0.06 | (0.01) | (0.05) | (0.02) |

Liquidity and Capital Resources

As of June 30, 2018, the Company had a cash balance of $37.2 million, excluding restricted cash. The Company's working capital as at June 30, 2018, was $29.3 million compared with a working capital deficit of $73.9 million as at December 31, 2017.

The increase in the Company's working capital during the period ended June 30, 2018 is due to the Equity Offering completed in January 2018 with gross proceeds of $102.9 million through the issuance of 256,410,256 common shares at a price of $0.50 CDN per share.

Concurrent with completion of the Offering above, $42 million was repaid to Red Kite from proceeds of the Offering. The refinancing reduced the Red Kite long-term debt outstanding to $95 million (the "Refinanced Loan"). $80 million of the Refinanced Loan balance consists of two tranches of $40 million each. Subject to completion of another equity offering in 2018 another $15 million of outstanding Refinanced Loan will be converted into shares at a conversion price to be set based on the price per the subsequent equity offering.

During the period, the Company also repaid the entire Pala Bridge Loan balance of $3.5 million including interest upon completion of the above Offering. In addition, the Pala Convertible debt Facility was converted into shares at a conversion price of $0.50 CAD per share. The Facility balance at the time of conversion was $38.5 million ($47.8 million CAD). This resulted in the issuance of 95,561,944 shares to Pala.

Subsequent to period end in July 2018, the Company completed a Second Offering ("the Second Offering") raising gross proceeds of approximately $82.5 million ($108.5 million CAD) through the issuance of 180,771,021 Common Shares at a price of $0.60 CAN per share.

The Company, and Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag") have entered into a metals purchase and sale agreement dated December 21, 2017 (the "Stream Agreement") whereby Triple Flag has committed to fund a deposit of $70 million (the "Stream Deposit") against future sale and delivery by Nevada Copper of 90% of the gold and silver production from the underground of the Company's Project, calculated based on a fixed ratio of 162.5 ounces of gold for each 1 million pounds of copper in concentrate produced and 3,131 ounces of silver for each 1 million pounds of copper in concentrate produced. The Company will receive an ongoing payment of 10% of the spot price for each ounce of gold and silver delivered to Triple Flag. The Company has a one-time option on March 31, 2020 to reduce the amount of gold and silver to be delivered under the Stream Agreement to 55% of the gold and silver production from the underground project (based on the fixed ratios noted above) by making a payment of $36 million to Triple Flag, subject to certain adjustments. The Company and its subsidiaries have provided security for the performance of the obligations under the Stream Agreement over all of their respective assets. To date no monies have been received under this arrangement. Funding of the Stream Deposit is conditional on, among other things, a decision to proceed with construction of the underground project on a fully funded basis (excluding working capital).

The Company is currently in the development stage and as result it is not yet generating revenue. The Company is reliant upon its existing cash, the availability of the deposit under the Stream Agreement and other sources of potential funding to:

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

The Company continuously assesses its cash requirements and sources of funds in order to optimize its financing strategy. The Board of Directors is confident that, based on its existing cash and financing sources and through access to additional debt and equity capital that may be available to it in the future, the Company should have access to sufficient funds to meet its requirements.

**Transactions with Related Parties**

Pala is a related party because as at June 30, 2018 it held 53.5% of Nevada Copper shares. Subsequent equity issuances in July 2018 reduced Pala's share ownership in the Company to 36.6% Additionally, two Pala executives, Evgenij Iorich and Stephen Gill, are on the Company's Board of Directors as at June 30, 2018.

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

- Offering subscription in the amount of $39.5 million ($49.2 CAD);
- Repayment of the Pala Bridge Loan in the amount of $3.5 million;
- Conversion of the Pala convertible debt into shares at a conversion price of $0.50 CAD per share. The Facility balance at the time of conversion was $38.5 million ($47.8 million CAD). This resulted in the issuance of 95,561,944 shares to Pala;
- Back stop fees of $1.8 million;
- Repayment of accounts payable of $2.1 million; and
- Interest paid or accrued of $1.2 million.

The Company has entered into management agreements with certain senior officers. In the event that there is a change of control, the Company may be required to pay severance payments ranging from three months to eighteen months of salary for these senior officers. The amount of this contingent liability is $0.6 million (2017 -$1.6 million) and is not recorded in the consolidated statements of financial position. Pala exercising their conversion rights under the convertible debt triggered the change in control clauses. During the period, $1 million was paid to a senior officer pertaining to this management agreement.

During the quarter, $0.2 million (2017-$Nil) was paid in director fees. As of June 30, 2018, accounts payable and accrued liabilities include director fees payable of $0.1 million (2017- $nil).

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.

**Contractual Obligations**

The following table sets forth the Company's known contractual obligations as at June 30, 2018:

| (in thousands of USD) | Payments due by period | | | | |
|---|---|---|---|---|---|
| Contractual obligations | Total | 1 year | 2-3 years | 4-5 years | 5 years+ |
| Accounts payable and accrued liabilities | $7,500 | $7,500 | $- | $- | $- |
| DCU and DSU payable | 406 | 406 | - | - | - |
| Long-term debt | 165,684 | - | 8,470 | 31,809 | 125,405 |
| Total USD obligations | $173,590 | $7,906 | $8,470 | $31,809 | $125,405 |
| | CAD | CAD | CAD | CAD | CAD |
| Office lease | $98 | $98 | - | - | - |
| Total CAD obligations | $98 | $98 | - | - | - |

(*i*) The commitment in the table above is the obligation if the Company does not renew the Pumpkin Hollow property lease. The Company can pay quarterly instalments to the lessor if the lease is renewed.

(*ii*) These values reflect accrued interest through loan maturity.

Previously, the Company had entered into certain construction and engineering contracts relating to the construction of the underground shaft. Work incurred on these contracts were billed monthly and therefore are not listed as commitments. There are currently no material construction or engineering contracts in force.

**Off-Balance Sheet Arrangements**

The Company has no Off-Balance Sheet arrangements that are not disclosed in the Commitment section above.

**Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Management is responsible for establishing and maintaining adequate ICFR. Any system of ICFR, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There were no material changes in the Company's ICFR during the six months June 30, 2018.

**New Accounting Pronouncements**

Certain recent accounting pronouncements have been included under Note 2c in the Company's June 30, 2018 unaudited interim consolidated financial statements.

The Company adopted the new IFRS 9 accounting standard that became effective as of January 1, 2018. Modifications to financial liabilities are treated differently under IFRS 9 as compared to IAS 39. The Company's Red Kite long-term debt has been modified 4 times since inception. Under IAS 39, the Company did not recognise a gain or loss at the date of modification of the loan as these prior modifications were not considered significant enough to constitute an extinguishment. Under IFRS 9, a gain or loss at the date of a modification would be recognized in profit or loss regardless of whether the change in terms are considered significant.

The Company has re-calculated the cash flows under each of the four prior amendments upon adoption of IFRS 9. This analysis resulted in a $4.9 million increase in the carrying value of the loan and a corresponding charge to accumulated deficit as at January 1, 2018.

The Company has not identified any other implications of the transition to IFRS 9.

**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 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 following are areas where significant estimations or where measurements are uncertain are as follows:

i. Mineral property assets. The measurement and impairment of mineral properties are based on various judgments and estimates. These include the determination of the 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. 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 these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

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

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

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

iv. Discount rate of loans. The loans are initially recognised at fair value, calculated as the net present value of the liability based upon discount rate issued by comparable issuers and accounting for at amortised cost using the effective interest rate method.

**Risk Factors**

Th Company and its future business, operations and financial condition are subject to various risks and uncertainties due to the nature of its business and the present stage of development of its mineral properties. Certain of these risks and uncertainties are under the heading "Risk Factors" under the Company's Annual Information Form dated March 28, 2018 which is available on SEDAR at www.sedar.com.

**Share Data**

Capital Structure as of August 13, 2018:

| | |
|---|---:|
| Common shares issued and outstanding: | 659,249,453 |
| Total stock options outstanding: | 22,411,500 |
| Total warrants outstanding: | 5,000,000 |

**Forward-Looking Statements**

Certain of the statements made and information contained herein may contain forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking statements and forward-looking information include, but are not limited to, statements concerning: the Company's ability to secure a strategic partner or other project financing arrangement, plans at the Pumpkin Hollow Project; the assumptions in the financial analysis prepared in connection with the Technical Report on the Pumpkin Hollow Project; the timing of granting of any future permits, estimated metal production and the timing thereof; the possibility of future iron magnetite revenues; the possibility of any solar development at the project; any metal pricing, capital and operating and cash flow estimates contained in the FS; and the access to financing and appropriate equipment and sufficient labour. Forward-looking statements or 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", "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 include, but are not limited to, statements or information with respect to known or unknown risks, uncertainties and other factors which may cause the actual industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

Forward-looking statements or information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: history of losses; requirements for additional capital; dilution; loss of its material properties; interest rates increase; global economy; no 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; legal and regulatory proceedings and community actions; title matters; regulatory restrictions; permitting and licensing; volatility of the market price of Common Shares; insurance; competition; hedging activities; currency fluctuations; loss of key employees; as well as those factors discussed in the section entitled "Risk Factors" in this MD&A and the Company's Annual Information Form dated March 28, 2018. Should one or more of these risks and uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements or information. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information. The Company disclaims any intent or obligation to update forward-looking statements or information except as required by law, and you are referred to the full discussion of the Company's business contained in the Company's reports filed with the securities regulatory authorities in Canada.