# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## August 12, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Nevada Copper Corp. (the "Company" or "Nevada Copper") has been prepared by management as of August 12, 2022. Information herein is provided as of June 30, 2022, unless otherwise noted. The following discussion of performance, financial condition and outlook should be read in conjunction with the unaudited condensed consolidated interim financial statements for the quarter ended June 30, 2022 and 2021 ("consolidated interim financial statements") and the notes thereto, prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and International Accounting Standard 34 – Interim Financial Reporting.

Additional information relevant to the Company's activities, including the Company's Annual Information Form dated March 31, 2022 (the "AIF"), can be found on SEDAR at www.sedar.com. All amounts expressed herein are in US Dollars unless otherwise indicated.

Greg French, CPG, VP Head of Exploration of the Company and Steven Newman, Registered Member - SME, VP Technical Services of the Company both non-independent Qualified Persons under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, approved the scientific and technical information in this MD&A.

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

## HIGHLIGHTS, RECENT DEVELOPMENTS, AND OUTLOOK

### Q2 2022 Highlights

Set out below are highlights for the quarter ended June 30, 2022 ("Q2 2022") relating to the Company's operations at its Pumpkin Hollow Underground Mine ("the Underground Mine"), and activities related to its Pumpkin Hollow Open Pit Project (the "Open Pit Project") and broader exploration properties.

The consolidated financial and operational results discussed below and throughout this MD&A reflect the adjustments from the adoption of "Amendments to International Accounting Standards 16, Property, Plant & Equipment, Proceeds before Intended Use" ("Amendments to IAS 16") as discussed in detail in the "Financial Results" and " New Accounting Pronouncements" sections of this MD&A. As required by the Amendments to IAS 16, these adjustments were applied retrospectively and the comparatives have been restated.

An overview of certain key events that occurred subsequent to June 30, 2022 are also discussed below.

**Underground Mine Operations**

- **Suspension of Mining Activities** - During the quarter, the underground mine encountered an unidentified weak rock structure in the main ramp to the East South Zone ("ES Zone") which delayed access to planned stopes and required additional drilling and geotechnical mitigation work. In response to this event, as well as the liquidity constraints, the Company's development and mining activities were reduced during the month of June 2022. Subsequent to the end of Q2

2022, due to liquidity constraints, the Company took measures to significantly reduce Underground Mine site and operation expenditures with only limited operational activities being undertaken to protect the Company's assets. This suspension of mining activities is expected to continue until the Company is able to obtain a long-term restart funding package. There can be no assurance that a restart funding package will be completed on terms satisfactory to the Company and within the required timeframe, or at all. If a restart funding package is not completed, absent other financing, the Company will not be able to continue carrying on business in the ordinary course and may need to pursue proceedings for creditor protection.

- **Underground Mining Operations** – During Q2 2022, the Company hoisted approximately 88,471 tons of ore, a 9% decrease from the first quarter of 2022 ("Q1 2022"). Included in the material hoisted was approximately 16,686 tons of stope ore at an average grade of 1.6% copper mined from two stopes including ore mined from stopes in the Sugar Cube zone.
- **Lateral Development** – Lateral development rates reduced during Q2-2022 over previous quarters. During Q2 2022, 3,044 feet ("ft") were developed, a 3% decrease from Q1 2022. Ore tons mined from development during Q2 2022 were 71,785 tons, at an average grade of 0.6% copper.
- **Capital Projects** – During Q2 2022, the installation of the paste fill reticulation was advanced to the Alphabet and Sugar Cube stopes and the commissioning of the paste fill system was completed. Items identified during commissioning are being addressed. The dry commissioning of the surface ventilation fans was completed in early April. Initial excavation of the third ore pass is complete.
- **Processing Plant** – During Q2 2022, 93,144 tons of ore were processed, representing no significant change from Q1 2022. Processing plant recovery improved by 7% to 90% from Q1 2022. Copper concentrate sales increased by 14% to approximately 2,402 tons of concentrate at an average copper grade of 22%, compared to 2,099 tons of concentrate at an average copper grade of 23% in Q1 2022. The Company continued to batch process ore during Q2 2022, however the number of operating days increased by 8% from 36 operating days in Q1 2022 to 39 operating days in Q2 2022.

**Corporate**

- **Funding** –
    - During Q2 2022, the Company drew the full $15 million under the accordion feature of the 2021 Credit Facility ("Accordion") of its amended and restated credit facility with Pala Investments Limited ("Pala") entered into on November 30, 2021 ("the 2021 Credit Facility").
    - During Q2 2022, Pala agreed to provide additional funding of up to $20 million pursuant to a promissory note (the "May 2022 Promissory Note"). The May 2022 Promissory Note has a maturity date of December 31, 2023 and bears interest at 8% per annum on amounts drawn. During Q2 2022, the Company drew $11.5 million under the May 2022 Promissory Note. Subsequent to the end of Q2 2022, the Company drew the remaining $8.5 million under the May 2022 promissory note.
    - Subsequent to the end of Q2, 2022, the Company has been in active and ongoing discussions with its key financing partners with respect to a restart funding package for the restart and ramp-up of the Underground Mine. In the interim, Pala has indicated that it is willing to provide up to an additional $20 million through further

promissory notes ($4.5 million of which has already been advanced as of the date hereof) while the Company continues discussions with its financing partners.

## Recent Developments and Outlook

### Underground Mine

*Mine Development*

Development rates reduced slightly in Q2 2022. Approximately 3,044 ft of lateral development was achieved in Q2 2022, a 3% decrease over the 3,126 ft of development achieved during Q1 2022. Development was significantly lower than the Company's expectations. Development was mainly impacted by an unidentified weak rock structure being encountered in the main ramp to the East South Zone which restricted access to the Company's planned East South stoping zones. Based on additional geotechnical core drilling that was completed in Q2 2022, the ramp was re-designed and had begun advancing prior to the end of Q2 2022, with approximately 250 ft remaining to access the first stope.

The second dike crossing advanced with grouting curtains and installation of grouted spiling. A final grout curtain utilizing a 2-part expanding grout was approximately 50% complete at the end of Q2 2022. At the end of Q2 2022, completion of the second dike crossing is pending finishing the remaining 50% of the final grout and advancing approximately 20 ft under steel sets. Further, the third dike crossing geotechnical drilling was completed during Q2 2022 and, at the time of suspension of mining activities in early July 2022, required geological, geotechnical, and hydrological information from the core drilling is being assessed in final design.

As announced in the Company's July 4, 2022 press release, due to the aforementioned geotechnical challenges that restricted access to the Company's planned East South Zone stopes, coupled with reduced ore delivery and the Company's liquidity constraints, the Company made the decision to temporarily suspend underground mining and development activities, as well as milling activities. The Underground Mine contractor significantly reduced their workforce, with only a small crew retained for management of hoist operations and pump management.

*Restart Plan*

If the Company secures sufficient funding to resume operations at the Underground Mine, the Company will approach the restart of the Underground Mine in two phases.

- Phase 1 is intended to address the bulk of the technical issues through extensive engineering and planning.
- Phase 2 is the execution of the agreed upon plan.

The following is a roadmap of the key components for a restart -

*Completion of Detailed LOM Mine Plan*

John Wood Group PLC ("Wood") has been engaged to optimize the Underground Mine life-of-mine ("LOM") plan. This plan, which focuses on the higher grade and larger stopes of the East North Zone ("EN Zone"), is expected to be complete in Q3 2022. This area is accessed through the three dike crossings, one of which is completed and the second is almost complete. The EN Zone is the highest value area within the Underground Mine and the mine plan will be optimized to provide access to the highest grade, most profitable ore first.

*Dike Crossing*

Crossing of the dike is critical to future mine development and operations. A core drilling campaign to determine geotechnical properties and develop a plan for advancement through the third dike crossing was completed in Q2 2022 and is now in final design. It is planned that all three dike crossings would be completed during Phase 1 of the restart.

*Capital Projects Reassessment*

There are a suite of capital projects that are necessary to support production once the development of the Underground Mine is complete.

- Permanent de-watering system - The permanent de-watering system through the use of Geho pumps is necessary to meet the expected LOM requirements.
- Paste Plant - Original design on the paste plant was a combination of thickened tails and rehandled dry stack tails. Simple changes in one pipe and the thickener cups would result in a single thickened tails flow sheet, which would potentially lower mill operating costs. It could also lower capital in both rehandle equipment and the need for the rehandle system. This also has the added benefit of potentially increasing mill throughput and availability by reducing the tons of tails that need to be filtered.
- Coarse Ore Bin ("COB") – The COB provides LOM materials handling system. Excavation and ground support was in progress prior to the temporary suspension of the Underground mine. Engineering is nearing final design for inclusion of a jaw crusher into the original civil support structure.
- Mining Equipment Assessment - A full assessment of the mining equipment fleet is required to assess repairs needed to increase and maintain the reliability of the fleet.

*Underground Mine Capital Support Assessment*

To support a sustainable increase in production there are several support projects that must be revisited and completed.

- *Vent Shaft and Fans* – Surface vent fans are in place and commissioned. The shaft work, new hoist and headframe needs to be installed. The Company expects that this work would be sufficient for ventilation over the LOM.
- *Mobile Maintenance Shops* – Minimal work is required to finalize existing mobile maintenance shops, and parts are in place.
- *Support Ventilation Redesign* – A new LOM ventilation plan that simplifies the fans and ducting is ongoing and will be finalized based on the new LOM plan being produced by Wood.
- *Electrical* – The majority of the existing electrical infrastructure has been focused on the ES Zone that is now planned to be mined later in the Underground Mine life. A new electrical development model that matches the Wood LOM plan is needed.
- De-watering – An underground hot water plan is required with permanent sumps and piping to ensure that hot water exits the Underground Mine quickly and does not contribute to the heat and humidity.
- Cold Clean Water – The underground water is too hot to use for equipment. Water that must be transported from the surface into the Underground Mine is currently too turbid and simple sand filters are required to be installed to make the water compatible for use with underground equipment. This filtered water could also be used to lower costs at the mill, which has similar challenges with turbidity in the process water.

*Mine Development Contractor*

The Company is currently in discussions with development contractors to provide underground development services once operations resume at the Underground Mine.

Action on the phased restart is not expected to take place unless a sufficient financing package has been completed.

*Processing Plant*

During Q2 2022, 93,144 tons of ore was processed with an average feed grade of 0.6% copper, compared to 96,414 tons of ore with an average feed grade of 0.7% copper in Q1 2022. The processing plant achieved a recovery rate of 90% in Q2 2022, compared to a recovery rate of 84% in Q1 2022. In Q2 2022 approximately 2,402 tons of concentrate was sold at an average copper grade of 22%, compared to 2,099 tons of concentrate sold at a 23% average copper grade in Q1 2022.

The mill continued to run on a batch processing basis during Q2 2022, the number of operating days increased by 8% over Q1 2022 to 39 days. During Q1, the mill experienced a number of filter press failures due to blow outs of filter cloths and plate gouging. Since these incidents, improvements to the filter press maintenance procedures were implemented and contractors were hired to perform the maintenance. In Q2 2022 the Company started using a new talc depressant which reduces the frother requirement and eliminates lime usage, which ultimately reduces the operating cost for the processing plant. In addition, the SAG mill is achieving the required grind size for the flotation circuit and in consequence, eliminated the requirement to run the verti-mill resulting in further cost savings. No ore was processed after May 2022. The mill will resume operations once sufficient ore inventory is available to run the processing plant more efficiently.

*Open Pit Project*

The Open Pit pre-feasibility study ("PFS"), with an effective date of January 21, 2019, demonstrated enhanced economics for the Open Pit Project. The Open Pit Project reserves currently stand at 3,590 million pounds proven and probable from 385.7 million tons grading 0.47% copper. During Q2 2022, the Company initiated feasibility evaluation for the PFS update. The Open Pit Project has all the material permits required at this time for mine construction and operations. The Company has also progressed the planned studies for a potential solar project, and this work will be incorporated into the Open Pit PFS update. Further updates on the solar studies will be provided upon completion of the next phase of study work and further updates on Open Pit Project advancement plans will be communicated in due course.

*Exploration*

The Company has continued to evaluate its extensive mineral landholdings at and around Pumpkin Hollow. Review of the detailed aeromagnetic surveys and continued surface reconnaissance will provide a broader understanding of the geologic model and targeting across Nevada Copper's land package.

The review will help direct exploration activities in 2022 on newly acquired lands and targets around the existing deposits subject to cash availability. Surface mapping and sampling has begun on the new ground which will target areas for trenching and follow-up drilling. The areas of work include Copper Ridge, Porphyry, Tedeboy, Mountain View and Black Mountain targets. Geophysical and structural targets around the existing deposits are expected to be followed up with drilling.

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

*COVID-19 and Global Supply Chain*

After an initial increase in the number of COVID-19 cases affecting the Company's employees and contractors during 2021, the number of COVID-19 cases has decreased and has had a minimal impact on operations during 2022 to date. There was a small uptick in the number of cases at the end of Q2 2022, but the number of cases have since diminished.

Supply shortages and extended lead times for parts and supplies due to global supply chain challenges continue to impact the Company's operations. The Company is also experiencing inflationary pressures on various commodities including steel and fuel.

## SUBSEQUENT EVENTS

Subsequent to the end of Q2 2022;

- The Company drew the remaining $8.5 million under the May 2022 Promissory Note.
- The Company has not made payments that were due to certain creditors and vendors, including its mining contractor Redpath Mining Inc. ("Redpath"). As a result, the Company has received a notice of default from Redpath and certain other vendors indicating that they intend to pursue their available remedies. Certain of the Company's vendors and creditors have placed liens on the Company's properties. Subsequent to June 30, 2022, the Company has agreed with Redpath to settle the amounts outstanding and interest thereon, at 12% per annum, between August 5, 2022 to February 28, 2023 and made the initial agreed payment of $3 million. The Company is also in discussion with the other creditors regarding the timing of payments and services and supplies.
- Subsequent to the end of Q2, 2022, the Company has been in active and ongoing discussions with its key financing partners with respect to a restart funding package for the restart and ramp-up of the Underground Mine. In the interim, Pala has indicated that it is willing to provide up to an additional $20 million through further promissory notes ($4.5 million of which has already been advanced as of the date hereof) while the Company continues discussions with its financing partners.

## DESCRIPTION OF BUSINESS

Nevada Copper is a mining company whose principal asset is the 100%-owned Pumpkin Hollow Copper Property (the "Property"). The Property is in northwestern Nevada and primarily consists of approximately 24,300 acres of contiguous mineral rights including approximately 10,800 acres of owned private land and leased patented claims. See "Description of Business" in the AIF.

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

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

The Company has completed construction of the processing plant for the Underground Mine. The ramp-up of the Underground Mine continued during the first two quarters of 2022, but subsequent to June

30, 2022, mining, processing and development activities were temporarily suspended to significantly reduce the Underground Mine site and operational expenditures to allow the Company to protect its assets while the Company is seeking additional financing.

## FINANCIAL RESULTS

| *(Expressed in thousands of USD, except per share amounts)* | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **Q2 2022** | **Q2 2021 (Restated)** | **2022** | **2021 (Restated)** |
| **Revenue** | $5,027 | $2,064 | $10,119 | $6,449 |
| **Cost of Sales** | | | | |
| Production costs | 15,574 | 10,679 | 31,117 | 20,441 |
| Transportation | 1,038 | 787 | 2,025 | 1,351 |
| Royalty and stream | 357 | 241 | 512 | 999 |
| **Total cost of sales** | 16,969 | 11,707 | 33,654 | 22,791 |
| **Gross loss** | (11,942) | (9,643) | (23,535) | (16,342) |
| **Operating Expenses** | | | | |
| General and administrative expenses | 1,185 | 1,304 | 2,421 | 2,497 |
| Stock-based compensation | (192) | 278 | (104) | 1,683 |
| Loss on forward sales contract | — | 3,075 | — | 3,075 |
| Fixed assets written off / loss on damaged assets | 352 | — | 632 | — |
| **Loss from operations** | (13,287) | (14,300) | (26,484) | (23,597) |
| Interest income | — | 4 | — | 15 |
| Interest and finance expenses | (8) | 19 | (11) | 14 |
| Derivative fair value gain (loss) | 15,118 | (9,515) | 19,669 | (10,660) |
| Foreign exchange gain (loss) | 498 | 95 | 322 | (64) |
| **Income (loss) and comprehensive income (loss)** | $2,321 | ($23,697) | ($6,504) | ($34,292) |
| **Earnings (loss) per share** | | | | |
| Basic and diluted | $0.01 | ($0.13) | ($0.01) | ($0.19) |

For the six months ended June 30, 2022, the Company reported a net loss of $6.5 million (or $0.01 basic and diluted loss per common share, compared to a net loss of $34.3 million for the six months ended June 30, 2021 (or $0.19 basic and diluted loss per common share). The change in the net loss is primarily due to the following:

- **Revenue -** The Company recognized net pre-operational revenue of $10.1 million for the six months ended June 30, 2022, compared to $6.4 million during the six months ended June 30, 2021. Concentrate sales totaled 4,501 tons of copper concentrate sold in the six months ended June 30, 2022 compared to 4,663 tons of copper concentrate sold in the six months ended June 30, 2021. The average realized copper price (revenue divided by pounds of copper sold during the period) for the six months ended June 30, 2022 was $4.63 per pound of copper compared to $2.90 per pound of copper realized on sales in the six months ended June 30, 2021. During 2021, copper sales were subject to a forward sales contract at approximately $2.90 per pound of copper; whereas in 2022, concentrate sales were based on the prevailing market price of the metal.

- **Cost of sales** - Cost of sales totaled $33.7 million for the six months ended June 30, 2022 compared to $22.8 million for the six months ended June 30, 2021. The higher cost of sales were primarily due to higher mining costs incurred during the six months ended June 30, 2022 due to more material being mined and higher mining contractor and labor costs.
- **General and administrative expenses** - General and administrative expenses totaled $2.4 million for the six months ended June 30, 2022, similar to the six months ended June 30, 2021.
- **Share-based compensation** - Share-based compensation reduced by $1.8 million in the six months ended June 30, 2022, compared to the six months ended June 30, 2021, due to a decrease in the share price of the Company which resulted in lower share based liabilities and the forfeiture of stock options and restricted share units.
- **Derivative fair value gain (loss)** - A non-cash mark to market fair value gain of $19.7 million was recorded for the six months ended June 30, 2022 (June 30, 2021 - loss of $10.7 million), related to the derivative liability of the Company's warrants. The decrease in the fair market value of the warrants as at June 30, 2022 was primarily driven by the decrease in the Company's share price as at June 30, 2022 and the expiration of the warrants issued in July 2020.

For the quarter ended June 30, 2022, the Company reported a net income of $2.3 million (or $0.01 basic and diluted earnings per common share, compared to a net loss of $23.7 million for the quarter ended June 30, 2021 (or $0.13 basic and diluted loss per common share). The change is primarily due to the following:

- **Revenue -** The Company recognized net pre-operational revenue of $5.0 million for the quarter ended June 30, 2022, compared to $2.1 million during the quarter ended June 30, 2021. Concentrate sales totaled 2,402 tons in Q2 2022 compared to 1,372 tons of copper concentrate sold in Q2 2021. Concentrate production was higher in Q2 2022 due to an increase in mining activities compared to Q2 2021. The average realized copper price (revenue divided by pounds of copper sold during the period) for Q2 2022 was $4.66 per pound of copper compared to $2.90 per pound of copper realized on sales in Q2 2021. During Q2 2021, copper sales were subject to a forward sales contract at approximately $2.90 per pound of copper; whereas in Q2 2022, concentrate sales were based on the prevailing market price of the metal.
- **Cost of sales** - Cost of sales totaled $17.0 million for the quarter ended June 30, 2022 compared to $11.7 million for the quarter ended June 30, 2021. The higher cost of sales were primarily due to higher mining costs incurred in Q2 2022 due to more material being mined and higher mining contractor and labor costs.
- **General and administrative expenses** - General and administrative expenses totaled $1.2 million for the quarter ended June 30, 2022, similar to the quarter ended June 30, 2021.
- **Share-based compensation** - Share-based compensation reduced by $0.5 million in Q2 2022 from Q2 2021, due to decrease in share price of the Company which resulted in lower share based liabilities and forfeiture of stock options and restricted share units during the quarter.
- **Derivative fair value gain (loss)** - A non-cash mark to market fair value gain of $15.1 million was recorded for the quarter ended June 30, 2022 (Q2 2021 - loss of $9.5 million), related to the derivative liability of the Company's warrants. The decrease in the fair market value of the warrants as at June 30, 2022 was primarily driven by the decrease in the Company's share price as at June 30, 2022 and the expiration of the warrants issued in July 2020, which resulted in the decrease in the warrant liability and the corresponding recognition of the mark to market fair value gain.

*Pumpkin Hollow Project Expenditures*

Project costs capitalised for the period ended June 30, 2022, on the Project consisted of the following (expressed in $'000):

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

During the first quarter of 2022, Nevada Copper adopted Amendments to IAS 16. The Company adopted the accounting policy retrospectively. The amended standard prohibits the Company from deducting any proceeds from selling items produced from the cost of building an item of mineral interest, plant and equipment, while bringing that asset to be capable of operating in the manner intended by management. With the adoption of the amended standard, revenue from sales of copper concentrate recovered and related costs while bringing a mine in a condition necessary for it to be capable of operating in the manner intended by management are recognized in profit or loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 - Inventories. The restated amounts in the table above reflect the impact of the adjustments required by the Amendments to IAS 16.

For the six months ended June 30, 2022, the Company incurred $66.8 million of Project-related expenditures compared to $131.6 million in the six months ended June 30, 2021. The Company's focus during the period was further advancement of the underground development, ramp-up of production and further advancement of construction and implementation of critical infrastructure.

During the six months ended June 30, 2022, the primary capital projects that were advanced included the dry commissioning of the surface ventilation fans, the completion of phase 1 piping as well as approximately half of phase 2 piping for the underground paste plant, the wet commissioning of the surface paste plant (which identified equipment repairs and modifications needed prior to final commissioning), the completion of the excavation of the third ore pass, the commencement of the excavation and ground support for COB2, and advanced lateral development.

## LIQUIDITY AND GOING CONCERN RISK, CASH FLOW AND FINANCIAL RESOURCES

*Liquidity and going concern risk*

Working capital deficit

| *(Expressed in thousands of US dollars, except per share amounts)* | **As at June 30, 2022** | **As at December 31, 2021 (Restated)** |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | $3,886 | $51,616 |
| Accounts receivable | 36 | 72 |
| Prepaid expenses and advance royalty | 1,787 | 1,046 |
| Inventory | 1,480 | 3,713 |
| **Total Current Assets** | 7,189 | 56,447 |
| | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $55,164 | $45,650 |
| Related party payable | 466 | 38 |
| Share-based compensation liabilities | 1,506 | 1,817 |
| Warrant derivative | 3,705 | 23,374 |
| Current portion of stream and royalty deferral | 111,290 | 6,138 |
| Working Capital Facility | 18,469 | 20,095 |
| Current portion of long-term debt | 175,941 | 8,307 |
| **Total Current Liabilities** | 366,541 | 105,419 |
| **Working capital deficit** | ($359,352) | ($48,972) |

As at June 30, 2022, the Company had cash and cash equivalents of $3.9 million. The Company's working capital (current assets less current liabilities) as at June 30, 2022 was negative $359.4 million compared to negative $48.97 million as at December 31, 2021. The working capital deficit increased from December 31, 2021 primarily due to the decrease in cash and cash equivalents used for the development of the Underground Mine and reclassification of long term liabilities as current due to the breach of certain covenants.

As at June 30, 2022, capital commitments due in the next twelve months are $6.3 million.

In Q2 2022, the Company breached certain of its loan covenants as described below:

- Working Capital Facility: The Company has experienced higher than budgeted net cash outflows because of delays in the ramp-up period of the Underground Mine. The Company, therefore, failed to make a required repayment under the Working Capital Facility for the month of June 2022, which is a breach of the loan covenants. As a result of such defaults, Concord is contractually entitle to cancel the Working Capital Facility and demand all or part of the advance payments. As of the date hereof, the Company has not received any request for cancellation of the Working Capital Facility or demanding all or part of the advance payments. The carrying amount of the Working capital facility in default as at June 30, 2022 is $18.5 million.
- Long-Term Financing Arrangements: The Company's amended and restated senior credit agreement with KfW IPEX-Bank ("the KfW IPEX-Bank Facility"), the 2021 Credit Facility with Pala and the Company's Metal Purchase and Sale Agreement with Triple Flag (the "Stream Agreement") (collectively, the "Long-Term Financing Arrangements") each contain certain

affirmative and restrictive covenants. The Company's default under the Working Capital Facility resulted in cross-defaults under each of the Long-Term Financing Arrangements. As a result of such defaults, lenders to the Long-Term Financing Arrangements are contractually entitled to request, subject to certain steps being taken, repayment of the outstanding amounts thereunder. As such, the outstanding balances under the Long-Term Financing Arrangements have been presented as a current liabilities as at June 30, 2022. None of the lenders to the Long-Term Financing Arrangements have requested early repayment of the amounts outstanding thereunder as of the date hereof. Management is in discussions with the lenders for the defaults described above as part of the longer-term restart financing package.

- Lease payments: Subsequent to June 30, 2022, the Company also defaulted on lease payments to Caterpillar Financial SARL, Epiroc Financial Solutions USA LLC and Normet Americas Inc (collectively the "Lessors"). As a result of such defaults, the Lessors has right to terminate the lease agreement, demand the obligation due under the lease agreement or may take possession of the equipment. To date, none of the lessors have taken any such steps. Since the default occurred subsequent to June 30, 2022, the lease payments payable after 12 months from the end of the reporting period are shown as non-current liabilities.

The Company's liquidity during the period ended June 30, 2022 was impacted by several factors, including:

- Operational and geotechnical challenges resulting in delay in East south stope mining;
- Reduced concentrate production and sales (compared to expectations) as a result of lower than expected development rates achieved; and
- Requirement to repay draws under the Working Capital Facility primarily in cash rather than in concentrate deliveries.

Prior to the end of Q2 2022, while the Company had achieved acceleration of the Underground Mine ramp up, a number of events have occurred since the beginning of the year, which have prevented the Company from achieving its intended growth in levels of development progress and concentrate production. These include lower than planned productivity from its mining contractor, lower than expected equipment availability, the loss of a remote loader caused by the side wall failure of a stope (which has now been replaced), a continued delay with respect to the completion of the second dike crossing, continued supplier delivery issues and an unidentified weak rock structure. The loss of the remote loader both reduced expected revenue in January 2022 and constrained productivity during Q1 2022, and resulted in additional maintenance and rental costs. An unidentified weak rock structure in the main ramp to the East South Zone delayed the access to planned stopes and now requires additional drilling and geotechnical mitigation work to reinforce the area prior to proceeding. As noted herein, subsequent to Q2 2022, due to the cumulative impact of these factors and liquidity issues, the Company temporarily suspended mining activities at the Underground Mine. Management is in discussions with the Company's key financing partners with respect to a funding package for the restart and ramp-up of the Underground Mine. The Company will continue to require interim financing until any restart funding package is secured and closed. In the interim, Pala has indicated that it is willing to provide up to an additional $20 million through further promissory notes ($4.5 of which has already been advanced as of the date hereof) while the Company continues discussions with its financing partners. There can be no assurance that a restart funding package will be completed, or that required interim funding will be available, on terms satisfactory to the Company and within the required timeframe, or at all. If a restart funding package is not completed or sufficient interim funding is not obtained, absent other financing, the Company will not be able to continue carrying on business in the ordinary course and may need to pursue proceedings for creditor protection.

Assuming the Company is able to obtain the required funding to allow it to restart the Underground Mine, the ability of the Company to complete the ramp-up is dependent on, among other things, the ability to complete the ramp-up process in accordance with the Company's timing and cost expectations, an increase in concentrate production and sales, favourable copper market conditions and results from operations. There can be no assurance that these requirements will be achieved. In addition, there can be no assurance that the actual costs to complete the ramp-up will not be greater than expected by the Company or that further significant ramp-up delays will not occur. If the above requirements are not achieved or other material adverse events or breaches of loan covenants are not remedied, in the absence of sufficient financing being arranged, the Company may not be able to continue operations in the ordinary course and may need to pursue proceedings for creditor protection. This may result in, among other things, its secured lenders becoming able to enforce their security over the Company's assets.

*Cash Flow*

During the six months ended June 30, 2022, cash used in operating activities was $28.0 million compared to $20.2 million during the six months ended June 30, 2021.

Cash outflow from investing activities during the six months ended June 30, 2022, was $37.4 million compared to an outflow of $43.3 million in the six months ended June 30, 2021. The Company used $36.7 million of cash for Underground Mine development during the six months ended June 30, 2022. This compares to the $46.2 million of cash used for Underground Mine development during the six months ended June 30, 2021.

Financing activities during the six months ended June 30, 2022 provided $17.6 million, compared to an inflow of $50.9 million for the six months ended June 30, 2021.

During the six months ended June 30, 2022, the financing activities consisted of the following transactions:

- The Company drew down $22.5 million under the Working Capital Facility and delivered 4,501 tons of concentrate at an average grade of 22% copper under the Working Capital Facility and made cash repayments of $16.1 million in lieu of concentrate deliveries.
- The Company drew $15 million under the Accordion of the 2021 Credit Facility.
- Pala agreed to provide additional funding of up to $20 million pursuant to the May 2022 Promissory Note. The May 2022 Promissory Note has a maturity date of December 31, 2023 and bears interest at 8% per annum on amounts drawn. During Q2 2022, the Company drew $11.5 million under the May 2022 Promissory Note. And subsequent to the end of Q2 2022, the Company drew the remaining $8.5 million under the May 2020 promissory note.

During the six months ended June 30, 2021, financing activities consisted of the following transactions:

- The Company received aggregate net proceeds of $27.3 million from its public offering of units in January 2021 (the "the January 2021 Offering").
- Funds advanced under the 2021 Credit Facility during the six months ended June 30, 2021 were $30 million.
- The Company drew $45.3 million under the Working Capital Facility and repaid $46.5 million in cash and concentrate deliveries.
- The Company repaid certain promissory notes owing to Pala in the aggregate amount of approximately $25.3 million, $15.7 million of which was paid in cash from the proceeds of the

January 2021 Offering and the remainder of which was repaid through the private placement of units to Pala completed concurrently with the January 2021 Offering.

Positive cash flows from operations are not expected until the Company has significantly advanced the ramp-up in production rates. The Company anticipates that it will have negative cash flow from operating activities until completion of the ramp-up to a sufficient level at the Underground Mine and the generation of the associated revenues from concentrate sales.

## SUMMARY OF QUARTERLY RESULTS

The summary of the prior periods' selected unaudited quarterly financial information has been restated as a result of the adoption of the Amendment to IAS 16 (See the "New Accounting Pronouncements" section below for more information on the impact of the restatement).

The following table sets forth selected unaudited quarterly financial information for the quarter ending June 30, 2022 and the prior seven most recently completed quarters subsequent to the restatement as a result of the adoption of the Amendments IAS 16 (Expressed in thousands of United States dollars, except per share amounts):

| | | | Selected unaudited quarterly information restated for the adoption of the amendment to IAS 16 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **June 30, 2022** | **March 31, 2022** | **December 31, 2021** | **September 30, 2021** | **June 30, 2021** | **March 31, 2021** | **December 31, 2020** | **September 30, 2020** |
| Working Capital (Deficiency) | ($359,352) | ($95,492) | ($49,960) | ($260,271) | ($255,706) | ($109,400) | ($118,203) | ($103,162) |
| Total Assets | $927,246 | $906,019 | $914,623 | $831,646 | $810,050 | $784,476 | $762,848 | $715,365 |
| Development Property (Project expenditure) | $915,614 | $891,592 | $858,785 | $827,304 | $796,693 | $765,894 | $733,760 | $677,186 |
| Total non-current liabilities | $52,507 | $290,839 | $294,649 | $172,856 | $174,909 | $274,402 | $256,838 | $239,050 |
| Shareholders' Equity | $508,198 | $505,640 | $514,555 | $394,556 | $369,769 | $390,783 | $365,792 | $374,726 |
| Revenue | $5,027 | $5,092 | $2,701 | $1,990 | $2,063 | $4,386 | $4,194 | $1,441 |
| Net Income (Loss) | $2,321 | ($8,825) | ($16,216) | $22,633 | ($23,697) | ($10,595) | ($2,352) | ($4,974) |
| Net Income (Loss) per share | $0.01 | $(0.02) | $(0.06) | $0.12 | $(0.13) | $(0.06) | $(0.02) | $(0.04) |
| Net Income (Loss) per share (diluted basis) | $0.01 | $(0.02) | $(0.06) | $0.12 | $(0.13) | $(0.06) | $(0.02) | $(0.04) |

- Financial results of the last eight quarters include the impact of the timing of previous financing transactions, the variability of copper concentrate sales and capital expenditures incurred.
- During the quarter ended June 30, 2022 and quarter ended September 30, 2021, the Company recognised a non-cash mark to market fair value gain of $15.1 million and $27.3 million respectively. The mark to market fair value gain for both quarters resulted from a decrease in fair market value of warrants.
- For the quarters ended June 30, 2021 and September 30, 2021, the KfW-IPEX Bank Facility was classified as a current liability. During Q4 2021 certain terms of the KfW-IPEX Bank Facility were amended resulting in the liability being classified as long term debt from December 31, 2021 onwards. During the quarter ended June 30, 2022, as a result of non-payment of payment due under the Working Capital Facility, there was a cross-default on the Long-Term Financing Arrangements. Therefore, all these liabilities were classified as current at June 30, 2022.

- The Company's total assets increased throughout these quarters as development property expenditures were incurred. The Company's non-current liabilities and shareholder's equity increased as a result of debt and equity financings undertaken during the last eight quarters.

## RELATED PARTY TRANSACTIONS

Pala is a related party to the Company because of its approximate 37% (Q2 2021 - 37%) shareholding in Nevada Copper as of June 30, 2022. Additionally, three of the seven directors of the Company are Pala executives. The Company has an independent directors committee to review and approve Pala related transactions.

During the six months ended June 30, 2022, the following related party transactions were incurred with Pala:

- Guarantee fee totaling $0.4 million (2021 - $0.7 million);
- Interest charges incurred on the 2021 Credit facility and capitalized to the 2021 Credit Facility totaling $1.9 million (2021 - $0.7 million).
- Technical and other services fees of $0.1 million (Q1 2021 - $0.1 million).
- Proceeds from draws under the 2021 Credit Facility totaling $15 million.
- Proceeds from draws under the May 2022 Promissory Note totaling $11.5 million.

As at June 30, 2022, the Company owed Pala $0.5 million for accrued fees for technical and other services (December 31, 2021 - $0.9 million) relating to fees accrued in connection with the indemnity agreements relating to bonding arrangements and the guarantee provided by Pala in connection with the KfW IPEX-Bank Facility. Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Company and the related party.

Subsequent to the end of Q2 2022, the Company drew the remaining $8.5 million under the May 2020 Promissory Note. Pala has indicated that it is willing to provide up to an additional $20 million through further promissory notes ($4.5 of which has already been advanced as of the date hereof) while the Company continues discussions with its financing partners.

## COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at June 30, 2022, capital commitments due in the next twelve months are $6.3 million.

As at June 30, 2022, the Company had the following consolidated contractual obligations (expressed in thousands of United States dollars):

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

## LEGAL

Subsequent to June 30, 2022, the Company failed to make a payment of $0.5 million pursuant to a settlement agreement dated February 3, 2021 (the "Settlement agreement") with Sedgman USA Inc. (Sedgman). Consequently, Sedgman filed a complaint seeking compensatory damages and pre-judgment writ of attachment against certain property belonging to the Company for the satisfaction of any judgment that may be recovered by Sedgman. The Company intends to file an answer to the Complaint. There were no changes to the settlement agreements reached with Cementation USA, Inc. during the quarter.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Company continually reviews and enhances its systems of controls and procedures. However, because of the inherent limitation in all control systems, management cautions that ICFR will not prevent or detect all misstatements due to error or fraud. There have been no significant changes in the Company's internal control over financial reporting during the three and six months ended June 30, 2022, that materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not currently have any off-balance sheet arrangements.

## NEW ACCOUNTING PRONOUNCEMENTS

*Adoption of New Accounting Pronouncement (Amendments to IAS 16)*

During the first quarter of 2022, Nevada Copper adopted the Amendments to IAS 16. The Company adopted this accounting policy retrospectively. The amended standard prohibits the Company from deducting any proceeds from selling items produced from the cost of building an item of mineral interest, plant and equipment, while bringing that asset to a condition to be capable of operating in the manner intended by management. With the adoption of the amended standard, revenue from sales of copper concentrate recovered and related costs while bringing a mine in a condition necessary for it to be capable of operating in the manner intended by management are recognized in profit or loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2.

The comparative numbers and the opening balance of the deficit for 2021 were restated to reflect the impact of the Amendments to IAS 16. Accordingly, numbers as at January 1, 2021, are restated as follows:

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

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

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

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

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

## CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are presented in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2021. The preparation of consolidated financial statements in accordance with IFRS requires management to establish accounting policies and to make judgements, estimates and assumptions that affect both the amount and timing of assets, liabilities, income and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Mineral reserve and resource estimates
- Provision for reclamation and remediation
- Recoverable amount of mineral properties, plant and equipment
- Going concern
- Achievement of Commercial Production

*New Accounting Policies*

*Revenue recognition*

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

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

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

*Inventory*

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

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

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

## RISKS AND UNCERTAINTIES

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

*Risks associated with the financing of the Underground Mine*

The Company requires a long-term funding package before it can restart and ramp-up the Underground Mine. The Company is currently engaged in discussions with its key financing partners with respect to a substantial funding package for the restart and ramp-up of the Underground Mine. The Company will continue to require interim financing until a restart funding package is secured and closed. As disclosed herein, the Company has not made certain payments due to its creditors and vendors and is in default of its obligations under certain financing agreements and other contractual arrangements. There can be no assurance that the Company will obtain additional interim financing or that a longer-term restart funding package will be agreed or completed on terms satisfactory to the Company and within the required timeframe, or at all. In the absence of securing such arrangements or alternative financing arrangements, the Company will not be able to continue carrying on business in the ordinary course and may need to pursue proceedings for creditor protection. The Company's creditors may also seek to commence enforcement action, including realizing on their security over the Company's assets.

*Ramp-up of operations at the Underground Mine*

Ramp-up activities at the Underground Mine are currently temporarily suspended and are not expected to be restarted until a sufficient long-term financing package is obtained. In addition to challenges associated with restarting mining activities, the ramp-up process is by its nature subject to a variety of operational and technical risks associated with mining projects, including with respect to mine planning as described below. See "Risk Factors – Mine Planning". These activities may also be subject to COVID-19 impacts as described in the section below. As a result, there can be no assurance that the ramp-up process will progress on the currently expected timeline or within expected cost parameters. It is common for projects in the ramp-up phase to experience unanticipated problems and for there to be unexpected costs associated with delays. Delays in ramp-up will likely impact the Company's revenue and cash flow. There are a number of risks and challenges associated with ramp-up, including unforeseen geological formations, the implementation of new mining and recovery processes, unexpected geotechnical conditions, and the underlying characteristics and quality of mineralogy of deposits. In addition, any delay in performance by the Company's contractor will delay the completion of ramp-up at the Underground Mine and may result in additional costs being incurred by the Company beyond those already incurred and budgeted.

The Company has to date experienced negative cash flow from operating activities and has a significant working capital deficiency. Positive operating cash flows are not expected to be achieved until the Company has advanced its ramp-up to a sufficient level at the Underground Mine. The inability to successfully ramp-up production at the Underground Mine on time and within budget expectations is likely to have a material adverse effect on the Company.

The Company has been working to complete multiple crossings of a water-bearing dike structure. While the first crossing has been completed, two other planned crossings have not yet been successfully completed due to challenging and highly variable ground conditions. The Company is performing additional work, including drilling, to improve the understanding of the geological structure and ground conditions in order to successfully complete these crossings. This has delayed the progress of development towards the East North stoping area. The delay in and additional work required to complete the dike crossings has resulted in increased costs and delayed development progress.

The ability of the Company to complete the ramp-up is dependent on, among other things, results from operations, progress in accordance with the Company's timing and cost expectations, an increase in concentrate production and sales, favourable copper market conditions and the ability to obtain additional required financing. There can be no assurance that these requirements will be achieved. In addition, there can be no assurance that the actual costs to complete the ramp-up will not be greater than expected by the Company or that further significant ramp-up delays will not occur. If the above requirements are not achieved or other material adverse events or delays occur then, in the absence of sufficient financing being arranged, the Company may not be able to continue operations. This may result in, among other things, its secured lenders becoming able to enforce their security over the Company's assets.

*Mine Planning*

As previously disclosed, through the geotechnical analysis that the Company has completed at the Underground Mine, it elected to reduce the size of certain early stopes in a localized area where initial ramp-up ore is planned. This reduction in early stopes resulted in an increase to the cost estimates required to complete the ramp-up at the Underground Mine and delayed the ramp-up process. In addition, delays in completing the necessary dike crossing and associated geotechnical conditions indicate that re-sequencing stope extraction near the dike will be required which may require changes to the mine plan and impact ore delivery. The Company also believes that there will not be mineralized material in the dike structure, contrary to previous expectations. The Company is in the process of reviewing and revising the mine plan to most efficiently address these issues and those identified in the section above. Further significant delays in completing the necessary dike crossings may further delay planned mining sequences and may necessitate further mine plan changes.

The Company continues to advance its mine planning analysis, including related costs and timing implications. It is possible that the cost parameters may change over the course of the ramp-up and mine planning process for various reasons, including results relating to geotechnical analysis and further changes to the mine planning. If the Company requires additional funding in the future in light of revised cost projections, such funding may not be available on terms favourable to the Company or at all. In the absence of any required financing, the Company may not be able to continue operations.

*COVID-19*

COVID-19 has caused severe disruptions in regional economies and the world economy and financial and commodity markets in general. The transmission of COVID-19 and efforts to contain its spread resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand, service cancellations, workforce reductions and other changes, significant challenges in healthcare service provision and delivery, mandated closures and quarantines, as well as considerable general concern and uncertainty, all of which have negatively affected the Company's operations and the economic environment in general and may in the future have further impacts. Together with the mining industry as a whole, the Company continues to be significantly impacted by supply chain delays and inflation.

The circumstances relating to the virus are dynamic and its impacts on the Company's business operations, including the timing, duration and extent of the impact on the Company's mine development and ramp-up process at the Underground Mine and future production, cannot be reasonably estimated at this time. The future impacts of COVID-19 may adversely affect the Company's ability to complete the ramp-up and operation of the Underground Mine and to comply with its covenants under its contracts, including under the KfW IPEX-Bank Facility, the Working Capital Facility, the 2021 Credit Facility and other credit facilities/financing arrangements.

The Company has had localized workplace COVID-19 incidents at the Underground Mine affecting its employees and its contractors. While those incidents have been addressed pursuant to the Company's policies, the continued spread of the virus and further infections of COVID-19 may lead to work-stoppages and/or additional protocols and work restrictions at the Underground Mine, which could potentially delay the Company's ramp-up process and lead to suspensions of operations, depending on the nature of any future outbreaks. The Company has also been experiencing labour availability constraints as a result of the pandemic.

## OUTSTANDING SHARE DATA

As of August 11, 2022, there were 448,452,759 common shares of the Company issued and outstanding, 4,523,136 share options outstanding, 3,270,331 deferred share units outstanding, 6,603,622 restricted share units outstanding, 1,376,921 performance share units outstanding warrants outstanding as per the table below:

| **Warrant Tranche** | **Number outstanding** |
|---|---|
| November 2021 Offering Warrants[1] | 132,374,442 |
| Credit Facility Warrants[1] | 15,000,000 |
| Triple Flag Warrants[2] | 15,000,000 |

On September 17, 2021, the Company completed a share consolidation (the "Share Consolidation") of its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares. The common shares began trading on the Toronto Stock Exchange on a post-consolidation basis on September 21, 2021. The common shares, units, per share and per unit amounts have been restated in this MD&A (other than as noted herein) to reflect the Share Consolidation for comparative purposes.

[1] – These warrants were issued after the Share Consolidation. One warrant is required to be exercised to purchase one common share.

[2] – These warrants were issued prior to the Share Consolidation. The number of warrants outstanding following the Share Consolidation did not change. However, as a result of the Share Consolidation, the respective exercise prices of the warrants increased by a factor of 10, and ten (10) warrants are now required to be exercised to purchase one (1) common share (rather than the one (1) for one (1) exchange before the Share Consolidation).

## FORWARD-LOOKING STATEMENTS

This MD&A contains “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian securities laws. All statements in this MD&A, other than statements of historical facts, are forward-looking statements. Such forward-looking information and forward-looking statements specifically include, but are not limited to, statements and information that relate to: financing requirements; discussions with financing partners and vendors; creditors protection proceedings; Nevada Copper’s plans for the Project; the Company’s mine development, production and ramp-up plans (including as may be affected by ongoing future technical work) and the expected timing, costs and results thereof; the need for additional funding; expected commencement of positive cash flow from operating activities; the ongoing exploration activities and the objectives and results thereof; the impacts of the COVID-19 pandemic on the global economy and the Company; future ore and concentrate production rates; and the other plans of Nevada Copper with respect to the exploration, development, construction and commercial production at the Project.

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

Such risks and uncertainties include, without limitation, those relating to: requirements for additional capital and no assurance can be given regarding the availability thereof; the outcome of discussions with creditors and vendors; potential creditor protection proceedings; the ability of the Company to complete the ramp-up of the Underground Mine within the expected cost estimates and timeframe; the impact of the COVID-19 pandemic on the business and operations of the Company; the state of financial markets; history of losses; dilution; adverse events relating to milling operations, construction, development and ramp-up, including the ability of the Company to address underground development and process plant issues; ground conditions; cost overruns relating to development, construction and ramp-up of the Underground Mine; loss of material properties; interest rates increase; global economy; limited history of production; future metals price fluctuations; speculative nature of exploration activities; periodic interruptions to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment to perform as expected; labour disputes; supply problems; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; changes in project parameters as plans continue to be refined; possible variations in ore reserves, grade of mineralization or recovery rates from management's expectations and the difference may be material; legal and regulatory proceedings and community actions; accidents; title matters; regulatory approvals and restrictions; increased costs and physical risks relating to climate change, including extreme weather events, and new or revised regulations relating to climate change; permitting and licensing; dependence on management information systems and cyber security risks; volatility of the market price of the Company's securities; insurance; competition; hedging activities; currency fluctuations; loss of key employees; other risks of the mining industry, as well as those risks discussed in the Company's AIF and in the section "Risk Factors" of this MD&A and the Company's Management's Discussion and Analysis in respect of the year ended December 31, 2021. The forward-looking statements and information contained herein are based upon assumptions management believes to be reasonable, including, without limitation: no adverse developments in respect of the property or operations at the Project; no material changes to applicable laws; the ramp-up of operations at the Underground Mine in accordance with management's plans and expectations; no worsening of the current COVID-19 related work restrictions; reduced impacts of COVID-19 going forward; the Company will be able to obtain sufficient additional funding to complete the ramp-up; no material adverse change to the price of copper from current levels; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended. The forward-looking information and statements are stated as of the date hereof (or as otherwise indicated). The Company disclaims any intent or obligation to update forward-looking statements or information except as required by law. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information and statements, there may be other factors that could cause actions, events or results not to be as anticipated, estimated or intended. Specific reference is made to "Risk Factors" herein, and in the Company's Management's Discussion and Analysis in respect of the year ended December 31, 2021 and "Risk Factors" in the AIF for a discussion of factors that may affect forward-looking statements and information. Should one or more of these risks or uncertainties materialize, should other risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results and events may vary materially from those described in forward-looking statements and information. For more information on the Company and the risks and challenges of its business, investors should review the Company's filings that are available at www.sedar.com. The Company provides no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.