NEVADA COPPER

TEAMWORK. INNOVATION. EXECUTION.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023 and March 31, 2022

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of United States dollars)

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$6,938	$18,506
Accounts receivable	126	37
Prepaid expenses and advance royalty (Note 3)	10,069	5,297
Inventory	5,299	4,908
Total Current Assets	22,432	28,748
Restricted cash	380	380
Mineral properties, plant and equipment (Note 4)	621,296	615,411
Non-current advance royalty	1,027	3,230
Total Assets	$645,135	$647,769
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$23,562	$26,699
Related party payable (Note 8)	551	—
Share-based compensation liabilities (Note 9)	3,993	2,289
Warrant derivative (Note 10)	13,394	9,309
Current portion of stream and royalty deferral (Note 7)	7,241	3,655
Working Capital Facility (Note 5)	21,587	20,687
Current portion of long-term debt (Note 6)	12,058	8,491
Total Current Liabilities	82,386	71,130
Long-term payable (Note 6)	975	975
Share based compensation liabilities (Note 9)	677	546
Stream and royalty deferral (Note 7)	167,273	166,678
Long-term debt (Note 6)	230,722	210,043
Asset retirement obligation	5,316	5,263
Total Liabilities	487,349	454,635
Shareholders' Equity		
Share capital	717,971	717,971
Other equity reserve	32,196	32,144
Accumulated other comprehensive loss	(3,578)	(3,578)
Deficit	(588,803)	(553,403)
Total Shareholders' Equity	157,786	193,134
Total Liabilities and Shareholders' Equity	$645,135	$647,769

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

Commitments and Contractual Obligations (Note 11)

Subsequent Events (Note 18)

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

Approved by the Audit Committee on May 11, 2023

(Signed) "Lucio Genovese", Director **(Signed) "Ernest Nutter", Director**

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in thousands of United States dollars)
Three months ended March 31, 2023 and March 31, 2022

	March 31, 2023	**March 31, 2022**
Revenue (Note 12)	$—	$5,092
Cost of Sales (Note 13)		
Production costs	562	15,543
Transportation	—	987
Royalty and stream	—	155
Total cost of sales	562	16,685
Gross loss	(562)	(11,593)
Operating Expenses		
Care and maintenance (Note 14)	9,789	—
General and administrative	1,783	1,236
Share-based compensation (Note 9)	2,102	88
Plant and equipment written off	—	280
Loss from operations	**(14,236)**	**(13,197)**
Interest income	53	—
Interest and finance expenses (Note 15)	(12,253)	(3)
Derivative fair value (loss) gain (Note 6 and 10)	(9,449)	4,551
Debt modification gain (Note 6)	487	—
Foreign exchange loss	(2)	(176)
Loss and comprehensive loss	**($35,400)**	**($8,825)**
Loss per share		
Basic and diluted	($0.05)	($0.02)
Weighted average number of common shares outstanding		
Basic and diluted	723,508,700	448,452,759

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)
Three months ended March 31, 2023 and March 31, 2022

	Share Capital					
	Number of Shares	**Amount**	**Other Equity Reserve**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total**
Balance at December 31, 2021	**448,437,559**	**$681,690**	**$31,900**	**($3,578)**	**($195,457)**	**$514,555**
Shares issued	15,200	23	—	—	—	23
Shares issuance costs	—	(234)	—	—	—	(234)
Share-based compensation	—	—	121	—	—	121
Comprehensive loss	—	—	—	—	(8,825)	(8,825)
Balance at March 31, 2022	**448,452,759**	**$681,479**	**$32,021**	**($3,578)**	**($204,282)**	**$505,640**

	Share Capital					
	Number of Shares	**Amount**	**Other Equity Reserve**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total**
Balance at December 31, 2022	**723,508,700**	**$717,971**	**$32,144**	**($3,578)**	**($553,403)**	**$193,134**
Share-based compensation	—	—	52	—	—	52
Comprehensive loss	—	—	—	—	(35,400)	(35,400)
Balance at March 31, 2023	**723,508,700**	**$717,971**	**$32,196**	**($3,578)**	**($588,803)**	**$157,786**

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)
Three months ended March 31, 2023 and March 31, 2022

	March 31, 2023	March 31, 2022
Cash flows used in operating activities		
Loss and comprehensive loss	($35,400)	($8,825)
Adjustments and items not affecting cash:		
Derivative fair value gain (loss) (Note 6 and 10)	9,449	(4,551)
Depreciation	658	—
Gain on modification of loan (Note 6)	(487)	—
Interest and finance expenses	11,366	—
Share-based compensation	2,102	88
Unrealized foreign exchange (gain)	—	(73)
	(12,312)	(13,361)
Changes in non-cash working capital items:		
Amounts receivable	(90)	36
Prepaid expenses	(157)	(1,054)
Accounts payable and accrued liabilities	1,184	(1,229)
Cash used in operating activities	(11,375)	(15,608)
Cash flows used in investing activities		
Stream payments (Note 7)	—	(462)
Mineral property development cost, plant and equipment	(13,973)	(22,048)
Cash used in investing activities	(13,973)	(22,510)
Cash flows from financing activities		
Common shares issued	—	23
Costs incurred in relation to financing	—	(234)
Drawdown from KfW Tranche A-2 Loan (Note 6)	15,000	—
Proceeds from Working Capital Facility (Note 5)	—	13,449
Repayment of Working Capital Facility (Note 5)	—	(10,430)
Lease payments	(1,220)	(2,080)
Interest paid	—	(1,974)
Net cash provided by (used in) financing activities	13,780	(1,246)
Effect of exchange rate changes on cash and equivalents	—	73
Decrease in cash and cash equivalents	(11,568)	(39,291)
Cash and cash equivalents, beginning of period	18,506	51,616
Cash and cash equivalents, end of period	$6,938	$12,325

Supplemental cash flow disclosures (Note 16)
The accompanying Notes are an integral part of these condensed consolidated interim financial statements.

1. General Information, Nature of Operations and Going Concern

Nevada Copper Corp. is the parent company of its consolidated group (the "Company" or "Nevada Copper"). The Company was incorporated on June 16, 1999 under the Business Corporations Act (Yukon) and was continued into British Columbia under the Business Corporations Act (British Columbia) on November 16, 2006. Nevada Copper is incorporated and domiciled in Canada, and its registered office is at Suite 250-200 Burrard Street, Vancouver, British Columbia, V6C 3LS. The Company is a mining company engaged in the development, operation and exploration of its copper project (the "Project") at its Pumpkin Hollow Property (the "Property") in Western Nevada, USA, and in particular, the restart of its underground mine at the Property (the "Underground Mine").

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

At March 31, 2023, the Company had a working capital deficiency (current assets less current liabilities) of $59,954 (December 31, 2022 - $42,382). For the three months ended March 31, 2023, the Company recorded a net loss of $35,400 (March 2022 - $8,825) and the cash used in operating activities was $11,375 (March 2022 – $15,608).

The Company's operating activities were reduced during the month of June 2022 including ceasing of ore milling due to liquidity constraints arising from higher than budgeted cash outflows resulting from lower than expected ore tonnes processed and higher costs due to low mining productivity. In July 2022, the Company took measures to significantly reduce underground mine and operating expenditures, with only limited operational activities being undertaken in order to protect the Company's assets. In October 2022, the Company advanced planning for the restart of operations (the "Restart Plan") at its Underground Mine and initiated phase 1 of the Restart Plan which focused on completing the second and third dike crossings and critical capital projects. On October 28, 2022, the Company closed a financing package to support the restart of the Underground Mine (the "Restart Financing Package"). Through the Restart Financing Package, the Company received new cash proceeds of $85 million through March 31, 2023. Cash proceeds received from the Restart Financing Package to date were used for outstanding vendor payments and care and maintenance costs, capital programs and for general corporate purposes. The aggregate amount of the expected Restart Plan costs, combined with residual outstanding vendor payments, debt service costs and corporate costs, exceeds the amount of cash and financing available to the Company.

Subsequent to the end of the period, on May 9, 2023, the Company entered into an agreement with Scotia Capital Inc. ("Scotiabank"), on behalf of a syndicate of underwriters (collectively, the "Underwriters"), to purchase on a bought deal basis 173,705,000 units of the Company (the "Units") at a price of C$0.27 per Unit (the "Offering Price") for aggregate gross proceeds of approximately C$47 million (the "2023 Offering"). The 2023 Offering is subject to the receipt of all necessary regulatory and stock exchange approvals. Additionally, on May 9, 2023, the Company, Pala Investments Limited ("Pala"), Mercuria Energy Holdings (Singapore) PTE. Ltd ("Mercuria") and TF R&S Canada Ltd ("Triple Flag") entered into a financing agreement to support the Restart Plan and ramp-up of the Underground Mine (the "2023 Financing Package") (refer note 18) providing additional liquidity of $80 million to the Company, subject to the Company satisfying certain terms and conditions.

The ability of the Company to continue as a going concern, to realize the carrying value of its assets, and to discharge its liabilities when due, are dependent on, amongst other things, results from operations, the ability to complete the Restart Plan of the Underground Mine in accordance with the Company's timing and cost expectations, a resumption of concentrate production and sales, favorable copper market conditions and the ability of the Company satisfy the terms and conditions applicable to the 2023 Financing Package. 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 Restart Plan will not be greater than expected by the Company or that further significant delays will not occur. If the above requirements are not achieved or in the absence of sufficient financing being arranged, the Company may not be able to complete the Restart Plan or continue to carry on business in the ordinary course. These factors give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities and these adjustments could be material.

2. Significant Accounting Policies

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and do not include all the information required for full financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2022.

These condensed consolidated interim financial statements were approved for issue by the board of directors of the Company on May 11, 2023.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Nevada Copper, Inc. ("NCI") incorporated in Nevada, United States and NCI's wholly owned subsidiaries, NC Ditch Company LLC (inactive) and NC Farms LLC (inactive) incorporated in Nevada, United States, Lion Iron Corp. (inactive) and 607792 British Columbia Ltd. (inactive). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All significant intercompany transactions and balances are eliminated on consolidation.

c) Use of judgments and estimates

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated audited financial statements for the year ended December 31, 2022.

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

3. Prepaid expenses and advance royalty

	March 31, 2023	December 31, 2022
Deferred financing costs (a)	$1,725	$2,372
Advance royalty (b)	4,648	2,295
Other prepayments and vendor deposits	3,696	630
Total	**$10,069**	**$5,297**

(a) On October 28, 2022, Pala provided the Company with a backstop funding commitment of up to $25 million for future funding to be provided in exchange for issuances of common shares of the Company, convertible and/or non-convertible debt of the Company (the "Backstop"). The amount available pursuant to the Backstop will be reduced, from time to time, by amounts raised by the Company pursuant to alternative financings after the closing of the Restart Financing Package. In connection with the Backstop, Pala received 6,271,759 common shares of the Company at a price equal to C$0.2160 representing 4% commitment fee amounting to $1,000, which is included in deferred financing costs. Deferred financing costs also include legal expenses incurred in relation to the Backstop support. It is expected that the Backstop will be satisfied through the public offering that is being completed as part of the Financing Package (see note 18).

(b) As at March 31, 2023, the Company had $5,675 (2022 - $5,525) royalty paid in advance of which $4,648 (2022 - $2,295) was current. Current advance royalty represents the portion of advance royalty payments that the Company expects to utilize against royalties that would be otherwise payable over the next twelve months.

4. Mineral Properties, Plant and Equipment

	Mineral Properties Development Costs	Plant & Equipment	Rights of Use Assets	Deposits	Total
Cost:					
As at December 31, 2021	**$ 829,666**	**$ 3,405**	**$ 38,599**	**$ 67**	**$ 871,737**
Additions	68,023	649	—	(67)	68,605
Plant and equipment written off	—	—	(1,215)	—	(1,215)
Lease modification / reassessment	—	—	(1,082)	—	(1,082)
Balances, December 31, 2022	**$ 897,689**	**$ 4,054**	**$ 36,302**	**$ —**	**$ 938,045**
Additions	7,175	24	—	—	7,199
As at March 31, 2023	**$ 904,864**	**$ 4,078**	**$ 36,302**	**$ —**	**$ 945,244**
Accumulated depreciation and impairment:					
As at December 31, 2021	**$ —**	**$ 1,414**	**$ 16,940**	**$ —**	**$ 18,354**
Additions	—	32	5,856	—	5,888
Impairment	298,865	—	110	—	298,975
Plant and equipment written off	—	—	(583)	—	(583)
As at December 31, 2022	**$ 298,865**	**$ 1,446**	**$ 22,323**	**$ —**	**$ 322,634**
Additions	—	33	1,281	—	1,314
As at March 31, 2023	**$ 298,865**	**$ 1,479**	**$ 23,604**	**$ —**	**$ 323,948**
Net Book Value					
As at December 31, 2021	**$ 829,666**	**$ 1,991**	**$ 21,659**	**$ 67**	**$ 853,383**
As at December 31, 2022	**$ 598,824**	**$ 2,608**	**$ 13,979**	**$ —**	**$ 615,411**
As at March 31, 2023	**$ 605,999**	**$ 2,599**	**$ 12,698**	**$ —**	**$ 621,296**

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

Asset impairments

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

At March 31, 2023, based on its impairment indicator assessment, management determined that there were no new indicators of impairment or reversal of impairment that would require the Company to perform an impairment test. The assessment included an evaluation of any changes to significant assumptions used in the last impairment test at September 30, 2022. Accordingly, no impairment test was required as at March 31, 2023.

5. Working Capital Facility

Balance at December 31, 2021	**$20,095**
Advance	22,533
Interest accrual	2,196
Transaction costs incurred for modification	(319)
Repayments	(23,818)
Balance at December 31, 2022	**$20,687**
Interest accrual	900
Balance at March 31, 2023	**$21,587**

NCI, the Company's wholly owned subsidiary, entered into the revolving working capital facility (the "Working Capital Facility") with Concord Resources Limited ("Concord") for up to $40,000 which provides for advances of up to 85% of the value of expected copper concentrate deliveries up to four months in advance of deliveries prior to commercial production at the Underground Mine, and three months thereafter, on a revolving basis.

Subsequent to the end of quarter, the Company and Concord entered into an amendment agreement to the the Working Capital Facility to extend the term, which originally expired in February 2023, for three years from the mill restart date, upon satisfaction of certain conditions. The outstanding advance amounts of $3,267, $5,768, $6,224 and $2,860, along with interest thereon and outstanding fees, are payable on August 25, 2023, September 25, 2023, October 25, 2023 and November 25, 2023 for respectively. As at March 31, 2023, the Company is in compliance with the covenants under the Working Capital Facility.

6. Long-term Debt

	March 31, 2023	**December 31, 2022**
Current portion of debt:		
Pala Credit Facility (b)	$4,407	$1,784
Lease liabilities (c)	$7,651	$6,707
Total current portion of debt	$12,058	$8,491
KfW IPEX-Bank Facility (a)	$140,460	$123,342
Pala Credit Facility (b)	$83,525	$78,048
Lease liabilities (c)	$6,737	$8,653
Total long-term debt	$230,722	$210,043

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

a) KfW IPEX Bank Facility

	KfW Tranche A Loan	KfW Tranche B Loan	KfW Tranche A-2 Loan	Total
Balance at December 31, 2021	**$105,239**	**$13,540**	**$—**	**$118,779**
Interest and accretion expense	6,237	1,652	—	7,889
Interest payments	(1,134)	(402)	—	(1,536)
Transaction costs incurred for modification	(339)	(78)	—	(417)
Gain on modification	(1,103)	(270)	—	(1,373)
Balance at December 31, 2022	**$108,900**	**$14,442**	**$—**	**$123,342**
Drawdown	—	—	15,000	15,000
Interest and accretion expense	2,413	546	120	3,079
Transaction costs incurred for modification	—	—	(641)	(641)
Gain on modification	(281)	(39)	—	(320)
Closing balance	**$111,032**	**$14,949**	**$14,479**	**$140,460**

The table below shows the short term and long-term portion of KfW IPEX-Bank Facility:

	March 31, 2023	December 31, 2022
Current portion	—	—
Long-term debt	$140,460	$123,342

The Company, through its wholly owned subsidiary NCI, entered into a credit agreement (as amended and restated on October 28, 2022, the “KfW IPEX-Bank Facility”) with KfW IPEX-Bank (“KfW”) for construction and operating costs in respect of the Underground Mine. Pursuant to the KfW IPEX-Bank Facility, KfW funded $115,000 (the "KfW Tranche A Loan") and $15,000 (the "KfW Tranche B Loan") in May 2019 and December 2020 respectively and agreed to expand the KfW IPEX-Bank Facility by $25,000 (the "KfW Tranche A-2 Loan") in October 2022. The first $15,000 of the KfW Tranche A-2 Loan was committed by Pala, Triple Flag and Mercuria and the Company drew this amount during the quarter. Subsequent to the end of quarter, included in the 2023 Financing Package, Pala, Triple Flag and Mercuria committed the remaining $10,000 of the Tranche A-2 Loan and the Company drew this amount.

On March 15, 2023, the Company and KfW entered into an amendment agreement (the “KfW Amendment Agreement”) to change the development completion date of the Project from June 30, 2023 to June 30, 2024 and defer the payment of interest due on January 31, 2024, which shall be added to the principal amount on the interest payment date and shall be paid by adding equal portion to each such repayment installment. The amendments on March 15, 2023 were determined to be modifications in accordance with IFRS. Accordingly, a modification gain of $320 was recognized in the Statement of Operations and Comprehensive Loss.

The KfW IPEX-Bank Facility contains certain financial and non-financial affirmative and restrictive covenants. As at March 31, 2023, the Company is in compliance with these covenants.

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

b) Pala Credit Facility

	Debt Liability	Derivative	Total
December 31, 2021	**33,293**	**—**	**33,293**
Advance	$15,000	—	$15,000
Interest and accretion expense until October 28, 2022	$4,334	—	$4,334
Extinguishment of 2021 A&R Pala Credit Facility	$(52,627)	—	$(52,627)
Recognition of 2022 A&R Pala Credit Facility	$72,456	3,707	$76,163
Interest and accretion expense on 2022 A&R Pala Credit Facility	$1,932	—	
Fair value adjustment	$0	1,737	$1,737
December 31, 2022	**$74,388**	**5,444**	**$79,832**
Interest and accretion expense	$2,903	—	$2,903
Gain on modification	$(167)	—	$(167)
Fair value adjustment	—	$5,364	$5,364
Balance at March 31, 2023	**$77,124**	**$10,808**	**$87,932**

The table below shows the short term and long-term portion of Pala Credit Facility:

		March 31, 2023	December 31, 2022
Current portion	$	4,407	1,784
Long-term debt		$83,525	$78,048

The Company entered into a credit facility (as amended and restated on October 28, 2022, the "2022 A&R Pala Credit Facility") with Pala, which has a principal outstanding amount of $76,163 unpaid accrued interest of $4,835 as at March 31, 2023.

In connection with the 2022 A&R Pala Credit Facility, 398,723,212 common share purchase warrants of the Company were issued to Pala ("Pala 2022 Warrants"), which entitles Pala to acquire one common share at an exercise price equal to Canadian dollar (C$) 0.2592. The Pala 2022 Warrants expire on January 31, 2026 unless all amounts under the 2022 A&R Pala Credit Facility are repaid at an earlier time, in which case the Pala 2022 Warrants would expire. On exercise of the Pala 2022 Warrants, the exercise price would be payable by way of deemed repayment and set-off of outstanding amounts under the 2022 A&R Pala Credit Facility. In connection with the Financing Package, Pala has agreed to exercise all of the Pala 2022 Warrants, subject to the receipt of applicable regulatory approvals (see note 18).

The Company can make voluntary prepayments ("Call option") under the 2022 A&R Pala Credit Facility, which are subject to a 10% prepayment premium.

The Pala 2022 Warrants, together with the Call Option are recognized and accounted for as a derivative liability.

As at March 31, 2023, the fair value of the Pala 2022 Warrants (derivative liability) and the Call Option (derivative asset) was estimated at $37,655 and $26,847, respectively.

The value was determined using the Partial Differential Equation model with the following assumptions:

	March 31, 2023	December 31, 2022
Share price	$0.39	$0.29
US$ to C$ exchange rate	1.3530	1.3534
Share Volatility	67.0%	68.4%
Credit Spread	11.45 %	11.68 %

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

As at March 31, 2023, the Company is in compliance with the financial and non-financial affirmative and restrictive covenants under the 2022 A&R Pala Credit Facility.

c) Lease Liabilities

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

	March 31, 2023	December 31, 2022
Opening balance	**$ 15,360**	**$ 22,762**
Accretion	248	1,232
Lease modification	—	(1,082)
Lease payments	(1,220)	(7,552)
Closing balance	**$ 14,388**	**$ 15,360**
Current portion	7,651	6,707
Long-term portion	6,737	8,653

The undiscounted minimum lease payments in respect of the above lease liabilities are expected to be $8,415 for the next twelve months.

Further, the average term of the Company's lease liabilities ranges from 40 months to 60 months. The undiscounted lease payments exclude leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

7. Stream and Royalty Deferral

	Stream deferral	Royalty deferral
Balance at December 31, 2021	**$107,263**	**$21,118**
Deposit received under the Stream Agreement	3,199	609
Consideration for increase in royalty on the Open Pit Project	—	26,192
Accretion	9,888	2,736
Amounts delivered under the stream	(672)	—
Balance at December 31, 2022	**$119,678**	**$50,655**
Accretion	2,676	1,505
Balance at March 31, 2023	**$122,354**	**$52,160**

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

	March 31, 2023	December 31, 2022
Stream deferral		
Current portion	$ 7,241	$ 3,655
Long-term portion	115,113	116,023
Royalty deferral		
Current portion	$ —	$ —
Long-term portion	52,160	50,655

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

8. Related Party Transactions

Pala is a related party to the Company because of its significant shareholding in the Company. Additionally, as at March 31, 2023, two of the eight directors of the Company were Pala executives.

During the three months ended March 31, 2023, the Company entered into the following transactions with Pala:

- In relation to the 2021 A&R Pala Credit Facility and the 2022 A&R Pala Credit Facility, the Company accrued interest of $2,616 (2022 - $858) and added nil (2022 - $858) to the principal amount of the Pala Credit Facility. Also refer to Note 6(b).
- The Company recognized an expense of $324 (2022 - $304) for guarantee fees and nil (2022 - $36) for technical and other services.
- The Company received $5,000 from Pala, its share of the drawdown under the KfW Tranche A-2 Loan.

As of March 31, 2023, the Company owed Pala $551 for accrued fees for technical and other services and certain guarantees, (2022 - nil) including 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.

Effective October 28, 2022, Mercuria is a related party to the Company because of its increase in shareholding from 10.86% to 17.01% on October 28, 2022 and to 24.28% on December 29, 2022. Also, a Mercuria executive was appointed to the board of directors of the Company.

During the three months ended March 31, 2023, the following transactions were entered with Mercuria:

- The Company received $5,000 from Mercuria, its share of the drawdown under the KfW Tranche A-2 Loan.

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. The Company has a committee of independent directors to review and approve related party transactions.

9. Share-Based Compensation

a) Share Purchase Options

	Number of Options	**Weighted average exercise price (CAD)**
Outstanding December 31, 2021	**4,661,881**	**$4.27**
Granted	821,342	0.64
Forfeited	(1,012,287)	1.16
Outstanding December 31, 2022	**4,470,936**	**$3.02**
Outstanding March 31, 2023	**4,470,936**	**$3.02**
Exercisable March 31, 2023	**2,901,089**	**$4.09**

As at March 31, 2023, there were 69,456,046 stock options available for issuance under the Company's Stock Option Plan.

During the three months ended March 31, 2023, $53 (2022 - $122) in stock-based compensation was recorded related to stock options of which nil (2022 - $25) was capitalized to development costs.

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

The following table summarizes the stock options outstanding and exercisable as at March 31, 2023:

Exercise price (in CAD)	Outstanding		Exercisable	
	Number outstanding	Weighted average remaining life (years)	Number outstanding	Weighted average remaining life (years)
$0.64 - $2.10	2,718,029	2.67	1,148,182	2.03
$4.40-$6.70	1,752,907	0.46	1,752,907	0.46
	4,470,936	1.80	2,901,089	1.08

b) Deferred share units ("DSUs")

	Number of DSUs
Outstanding December 31, 2021	**3,270,331**
Granted	4,135,123
Outstanding December 31, 2022	**7,405,454**
Outstanding March 31, 2023	**7,405,454**

At March 31, 2023, the DSU payable amount was $2,095 compared to $1,586 on December 31, 2022. During the three months ended March 31, 2023, the Company recognized a stock-based compensation expense $510 (March 31, 2022 - Stock based compensation gain of $9) as a result of the fair value adjustment of outstanding DSUs in the consolidated statement of operations and comprehensive loss.

c) Performance and Restricted Share Units

The Company has a Performance Share Unit Plan and a Restricted Share Unit Plan for incentive compensation. PSUs issued under the Performance Share Unit Plan entitle the holder to a cash payment at the end of a three-year performance period equal to the number of PSUs granted, adjusted for a performance factor and multiplied by the quoted market value of a common share. RSUs issued under the Performance Share Unit Plan entitle the holder to a cash payment upon vesting equal to the number of RSUs vested multiplied by the market value of a common share.

Under the Performance Share Unit Plan and the Restricted Share Unit Plan, the following grants and cancellations occurred during the year:

	Number of PSUs
Outstanding December 31, 2021	**1,298,881**
Granted	934,465
Forfeited	(1,011,436)
Outstanding December 31, 2022	**1,221,910**
Forfeited	(61,324)
Outstanding March 31, 2023	**1,160,586**

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

	Number of RSUs
Outstanding December 31, 2021	**4,256,861**
Granted	21,255,157
Settled	(430,588)
Forfeited	(1,485,339)
Outstanding December 31, 2022	**23,596,091**
Settled	(1,607,914)
Forfeited	(195,984)
Outstanding March 31, 2023	**21,792,193**

At March 31, 2023, the RSU payable amount was $2,575 compared to $1,250 on December 31, 2022. During the three months ended March 31, 2023, the Company recognized a stock based compensation expense of $1,539 (2022 - stock-based compensation gain of nil) in relation to these units, of which $1,539 (2022 - nil) was recognized in the Statement of Operations and Comprehensive Loss and nil (2022 - stock-based compensation gain of nil) was capitalized to development costs.

10. Warrants

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

Balance at December 31, 2021	**$23,374**
Initial valuation for warrants issued	6,728
Fair value adjustment	(20,793)
Balance at December 31, 2022	**$9,309**
Fair value adjustment	4,086
Balance at March 31, 2023	**$13,394**

The table below summarizes the activities related to warrants:

	Number of Warrants	Weighted average exercise price [CAD]
Balance at December 31, 2021	**197,044,678**	**$1.26**
Issued	526,443,212	$0.26
Expired	(48,170,236)	$2.06
Balance at December 31, 2022	**675,317,654**	**$0.42**
Balance at March 31, 2023	**675,317,654**	**$0.42**

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

Summary of outstanding warrants as at March 31, 2023:

	Number of outstanding warrants	Exercise price [CAD]
Triple Flag 2020 Warrants	1,500,000	$2.25
November 2021 Offering Warrants	132,374,442	$1.00
Pala Credit Facility November 2021 Warrants	15,000,000	$0.86
Mercuria 2022 Warrants[1]	127,720,000	$0.26
Pala 2022 Warrants[2]	398,723,212	$0.26
	675,317,654	**$0.42**

[1]Mercuria 2022 Warrants are subject to Pala 2022 Warrants exercise condition.

[2]Pala 2022 Warrants are recognized and accounted for as a derivative liability within the 2022 A&R Pala Credit Facility (Refer Note 6(b)).

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

	March 31, 2021	December 31, 2020
Risk-free interest rate	3.12 - 3.40%	4.20%
Expected dividend yield	0	0
Expected stock price volatility	67.0%	68.4%
Expected life in years	2 - 2.8	2.2 - 3.1

11. Commitments and Contractual Obligations

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

	March 31, 2023	December 31, 2022
Property, plant, and equipment	$15,982	$2,540

12. Revenue

	March 31, 2023	March 31, 2022
Metal contained in concentrate	$—	$4,957
Less: Treatment and refining cost	—	(182)
Revenue from contract with customers	—	4,775
Gain on trade receivables at fair value	—	317
Total	**$—**	**$5,092**

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

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

13. Cost of Sales

	March 31, 2023	March 31, 2022
Mining cost	$—	$9,230
Milling cost	—	3,933
Site, general and administrative	—	2,380
Net realizable value adjustment on stockpile inventory	562	—
Transportation	—	987
Royalty and stream payments	—	155
Total Cost of Sales	**$562**	**$16,685**

14. Care and maintenance expenses

In July 2022, the Company temporarily suspended mining and milling operations at the Underground Mine to significantly reduce the Underground Mine site and operational expenditures, with only limited operational activities being undertaken to protect the Company's assets. During this period, the Company carried out limited operations including advancing through the dike crossing, completing the maintenance shop and the rehabilitation of ore passes, which were required to improve the mine beyond its original capabilities. All other site expenditures are recognized as care and maintenance expenses in the statement of operations and comprehensive loss. Expenditures incurred and expensed during this period included:

	March 31, 2023
Salaries and wages	$4,906
Contractor services	1,358
Consumables	1,202
Site costs	1,511
Legal costs	155
Depreciation	658
Total	**$9,790**

15. Interest and finance expense

Interest and finance expense during the period included:

	March 31, 2023	March 31, 2022
KFW IPEX Bank Facility	$3,079	$1,469
Working Capital Facility	900	353
2022 A&R Pala Credit Facility	2,905	876
Stream and Royalty Deferral accretion	4,181	2,855
Lease liabilities	248	366
Pala guarantee fee and other interests	940	61
	$12,253	**$5,980**
Interest and accretion capitalized[1]	**$—**	**($5,980)**
Total	**$12,253**	**$—**

[1]Capitalization of borrowing costs was suspended during the care and maintenance period and borrowing costs incurred during the period.

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

16. Supplemental Cash Flow Information

	March 31, 2023	March 31, 2022
Non-cash investing and financing activities:		
Depreciation capitalized in mineral properties, plant and equipment	$657	$1,804
Stock based compensation included in mineral properties	$—	$24
Accretion on Stream deferral in mineral properties, plant and equipment	$—	$2,855
Interest capitalized in mineral properties, plant and equipment	$—	$3,125
Mineral properties, plant and equipment in accounts payable and accrued liabilities change	($3,984)	($6,028)
Mineral properties, plant and equipment in prepaid expenses change	($3,055)	$—
Asset retirement obligation change	$—	($556)

17. Financial Instruments

a) Fair value measurements

The carrying amounts for cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, approximate fair values due to the immediate or short-term maturities of these financial instruments. The following is a classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

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

The fair value of the Company's debt was determined using Level 2 inputs:

	March 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Working Capital Facility (Note 5)	$21,587	$21,587	$20,687	$20,687
KfW IPEX-Bank Facility (Note 6a)	140,460	154,048	123,342	136,027
Pala Credit Facility (Note 6b)	87,932	92,754	79,832	84,929

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), commodity price risk, credit risk and liquidity risk.

c) Market risks

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The KfW IPEX-Bank Facility (Note 6a), the Working Capital Facility (Note 5) and the 2022 A&R Pala Credit Facility (previously the 2021 A&R Pala Credit Facility) (Note 6b) currently provide for interest at a market rate plus a fixed margin. A 1% decrease or increase in market rates of interest would have an impact of $876 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 March 31, 2023, the Company held C$204 (2022 - C$23) in cash and cash equivalents in its parent entity with a functional currency of U.S. dollars. At March 31, 2023, the Company had C$656 (2022 - C$815) in accounts payable.

A +/- 10% change in the Canadian exchange rate would have had an immaterial impact for the three months ended March 31, 2023.

iii) Commodity price risk

Fluctuations in the market price of copper and other metals may significantly adversely affect the value of the Company's securities and the ability of the Company to develop the Project.

Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances and sales or purchases of copper or other metals by holders in response to such factors.

iv) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, reclamation bond, and amounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents in high quality Canadian and US chartered banks. The Company's maximum exposure to credit risk is $7,420 as at March 31, 2023 (2022 - $18,886), being the carrying value of cash and cash equivalents, restricted cash and amounts receivable.

v) Liquidity risk

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

As at March 31, 2023, the Company had the following consolidated contractual cash flow obligations:

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

	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	$24,113	$24,113	$—	$—	$—
Construction contractual obligations	$15,982	$15,982	$—	$—	$—
Working Capital Facility	$21,587	$21,587	$—	$—	$—
KfW IPEX-Bank Facility	$210,457	$—	$66,707	$68,677	$75,073
Equipment leases	$16,042	$8,442	$6,756	$60	$784
2022 A&R Pala Credit Facility	$110,709	$15,044	$95,665	$—	$—
Asset retirement obligation	$8,604	$—	$—	$—	$8,604
Total obligations	**$407,494**	**$85,168**	**$169,128**	**$68,737**	**$84,461**

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

18. Subsequent events

- Subsequent to the end of quarter, Pala provided $5.55 million through promissory notes. These promissory notes have a maturity date of October 31, 2023 and bear interest at 12% per annum with such amounts being an advance on the 2023 Financing Package.
- On May 9, 2023, the Company entered into an agreement with Scotiabank, on behalf of the Underwriters, to purchase on a bought deal basis 173,705,000 Units at the Offering Price of C$0.27 per Unit for aggregate gross proceeds of approximately C$47 million. Each Unit will consist of one common share of the Company and one-half of one Common Share purchase warrant. Each full warrant entitles the holder to purchase one Common Share at a price of $0.34 per share for a period of 16 months. Pala and Mercuria agreed to purchase C$33.5 million and C$6.7 million of Units, respectively, under the 2023 Offering. If sufficient funds are raised in the 2023 Offering from third-party investors (other than Pala and Mercuria), Pala will not subscribe for its maximum Subscription Commitment, and may not subscribe for any Units if aggregate gross proceeds of C$40.2 million, in the 2023 Offering, are otherwise raised from such other third-party investors. The 2023 Offering is subject to the receipt of all necessary regulatory and stock exchange approvals.
- The Company, Pala, Mercuria and Triple Flag entered into an agreement for the 2023 Financing Package on May 9, 2023. A summary of the key components of the 2023 Financing Package are described below:
  - KfW Tranche A-2 Loan - Pala, Mercuria and Triple Flag committed to provide the remaining $10 million undrawn amount under the KfW Tranche A-2 Loan, in accordance with the terms and conditions. This amount was drawn in full by May 11, 2023. Also, Pala, Mercuria and Triple Flag agreed to support the expansion of the KfW Tranche A-2 Loan by $10 million, subject to other lender consents, to an aggregate amount of $35 million.
  - Debt funding - Pala agreed to provide $10 million in debt funding, of which $5.5 million has been received through promissory notes.
  - Pala 2022 Warrant exercises - Pala has committed to exercise all of its Pala 2022 Warrants in two tranches. Concurrent with the 2023 Offering, Pala will exercise such maximum number of Pala 2022 Warrants such that Pala's ownership interest in the Company will not exceed 49.9%. The exercise price in respect of the Pala Warrant Exercise will be paid through the extinguishment of debt under the 2022 A&R Pala Credit Facility. Promptly following closing of the 2023 Offering, Pala and the Company will submit customary filings to applicable U.S. governmental authorities pursuant to the *United States Hart-Scott-Rodino Antitrust Improvements Act of 1976* to permit Pala to exceed a 49.9% ownership interest in the Company (the "**HSR Filings**"). Following submission of the HSR Filings, an approximate 30-day regulatory review period will commence. Pala has committed to exercise the balance of their remaining outstanding Pala 2022 Warrants promptly following expiry of the review

period or clearance by the applicable regulatory authorities, whichever occurs earliest. On May 10, 2023, Pala exercised 46 million Pala 2022 Warrants, wherein the amount for subscription of warrants was paid by way of deemed repayment and set-off of $8.9 million of the credit facility with Pala.

- 2022 Mercuria Warrant exercises - Mercuria has agreed to exercise $5 million of the 2022 Mercuria Warrants, which Mercuria exercised on May 11, 2023.
- Deferred funding commitment - Pala and Mercuria have agreed to enter into a deferred funding agreement in favor of the Company, pursuant to which Pala and Mercuria will provide up to $15 million and $10 million, respectively, subject to certain conditions, to be drawn pro rata by the Company, if required, until June 30, 2024.
- Mercuria Copper option - the Company has agreed to grant Mercuria an option to acquire, for an aggregate purchase price of $5 million, call options on a portion of the Company's copper production on market terms to be agreed between the Company and Mercuria (the "**Copper Option**"). The Copper Option is subject to compliance with regulatory requirements (including any required approvals by the TSX), any required third-party consents (including the Company's lenders, if required) and the approval by the independent directors of the Company.