NEVADA COPPER

TEAMWORK. INNOVATION. EXECUTION.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2023 and June 30, 2022
(Unaudited)

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited and expressed in thousands of United States dollars)

	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$32,680	$18,506
Accounts receivable	92	37
Prepaid expenses and advance royalty (Note 3)	9,487	5,297
Inventory	6,169	4,908
Total Current Assets	48,428	28,748
Restricted cash	380	380
Mineral properties, plant and equipment (Note 4)	632,865	615,411
Non-current advance royalty	—	3,230
Total Assets	$681,673	$647,769
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$22,347	$26,699
Related party payable (Note 8)	887	—
Share-based compensation liabilities (Note 10)	2,847	2,289
Warrant derivative (Note 11)	7,654	9,309
Current portion of stream and royalty deferral (Note 7)	8,047	3,655
Working Capital Facility (Note 5)	22,543	20,687
Current portion of long-term debt (Note 6)	20,273	8,491
Total Current Liabilities	84,598	71,130
Long-term payable (Note 6)	975	975
Share based compensation liabilities (Note 10)	295	546
Stream and royalty deferral (Note 7)	170,804	166,678
Long-term debt (Note 6)	158,958	210,043
Asset retirement obligation	5,369	5,263
Total Liabilities	420,999	454,635
Shareholders' Equity		
Share capital (Note 9)	820,920	717,971
Other equity reserve	33,449	32,144
Accumulated other comprehensive loss	(3,578)	(3,578)
Deficit	(590,117)	(553,403)
Total Shareholders' Equity	260,674	193,134
Total Liabilities and Shareholders' Equity	$681,673	$647,769

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

Commitments and Contractual Obligations (Note 12)

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

Approved by the Board of Directors on August 10, 2023

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

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
(Unaudited and expressed in thousands of United States dollars)
Three and six months ended June 30, 2023 and June 30, 2022

	Three months ended		Six months ended	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Revenue (Note 13)	$—	$5,027	$—	$10,119
Cost of Sales (Note 14)				
Production costs	3,476	15,574	4,038	31,117
Transportation	—	1,038	—	2,025
Royalty and stream	—	357	—	512
Total cost of sales	3,476	16,969	4,038	33,654
Gross loss	(3,476)	(11,942)	(4,038)	(23,535)
Operating Expenses				
Care and maintenance and restart expenses (Note 15)	11,986	—	21,775	—
General and administrative	1,430	1,185	3,213	2,421
Share-based compensation (Note 10)	42	(192)	2,144	(104)
Impairment of mineral properties development costs (Note 4)	—	—	—	—
Plant and equipment written off	—	352	—	632
Loss from operations	(16,934)	(13,287)	(31,170)	(26,484)
Interest income	196	—	249	—
Interest and finance expenses (Note 16)	(12,733)	(8)	(24,986)	(11)
Derivative fair value gain (Note 6 and 11)	31,220	15,118	21,771	19,669
Debt extinguishment loss (Note 6)	(3,089)	—	(3,089)	—
Debt modification gain (Note 6)	—	—	487	—
Foreign exchange gain	26	498	24	322
	15,620	15,608	(5,544)	19,980
(Loss) income and comprehensive (loss) income	**($1,314)**	**$2,321**	**($36,714)**	**($6,504)**
Earnings (loss) per share				
Basic and diluted	$0.00	$0.01	($0.05)	($0.01)
Weighted average number of common shares outstanding				
Basic and diluted	862,654,403	448,452,759	793,081,551	448,451,033

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
(Unaudited and expressed in thousands of United States dollars)
Three and six months ended June 30, 2023 and June 30, 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	25	—	—	—	25
Shares issuance costs	—	—	—	—	—	—
Share-based compensation	—	—	122	—	—	122
Comprehensive loss	—	—	—	—	(6,504)	(6,504)
Balance at June 30, 2022	**448,452,759**	**$681,715**	**$32,022**	**($3,578)**	**($201,961)**	**$508,198**

	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**
Shares issued	623,174,210	105,699	—	—	—	105,699
Shares issuance costs	—	(2,750)	—	—	—	(2,750)
Share-based compensation	—	—	1,305	—	—	1,305
Comprehensive loss	—	—	—	—	(36,714)	(36,714)
Balance at June 30, 2023	**1,346,682,910**	**$820,920**	**$33,449**	**($3,578)**	**($590,117)**	**$260,674**

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

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited and expressed in thousands of United States dollars)
Three and six months ended June 30, 2023 and June 30, 2022

	Three months ended		Six months ended	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Cash flows used in operating activities				
(Loss) income and comprehensive (loss) income	($1,314)	$2,321	($36,714)	($6,504)
Adjustments and items not affecting cash:				
Derivative fair value gain (Note 6 and 10)	(31,220)	(15,118)	(21,771)	(19,669)
Depreciation	660	—	1,318	—
Gain on modification of loan (Note 6)	—	—	(487)	—
Loss on extinguishment of debt (Note 6)	3,089	—	3,089	—
Interest and finance expenses	11,635	—	23,001	—
Plant and equipment written off	—	352	—	632
Share-based compensation	42	(192)	2,144	(104)
	(17,108)	(12,637)	(29,420)	(25,645)
Changes in non-cash working capital items:				
Amounts receivable	34	—	(56)	36
Prepaid expenses	(651)	662	(808)	(392)
Accounts payable and accrued liabilities	723	(221)	1,907	(1,964)
Cash used in operating activities	(17,002)	(12,196)	(28,377)	(27,965)
Cash flows used in investing activities				
Stream payments (Note 7)	—	(210)	—	(672)
Mineral property development cost, plant and equipment	(13,356)	(14,653)	(27,329)	(36,701)
Cash used in investing activities	(13,356)	(14,863)	(27,329)	(37,373)
Cash flows from financing activities				
Units issued	38,860	—	38,860	25
Shares issuance costs	(1,024)	—	(1,024)	—
Proceeds from promissory notes (Note 6)	5,550	11,500	5,550	11,500
Exercise of warrants	5,000	—	5,000	—
Drawdown from KfW Tranche A-2 Loan (Note 6)	10,000	—	25,000	—
Proceeds from Working Capital Facility	—	9,084	—	22,533
Repayment of Working Capital Facility	—	(13,880)	—	(24,312)
Proceeds from Pala Credit Facility	—	15,000	—	15,000
Lease payments (Note 6)	(2,286)	(2,921)	(3,506)	(5,001)
Interest paid	—	(163)	—	(2,137)
Cash provided by financing activities	56,100	18,620	69,880	17,608
Increase (decrease) in cash and cash equivalents	25,742	(8,439)	14,174	(47,730)
Cash and cash equivalents, beginning of period	6,938	12,325	18,506	51,616
Cash and cash equivalents, end of period	$32,680	$3,886	$32,680	$3,886

Supplemental cash flow disclosures (Note 17)
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 June 30, 2023, the Company had a working capital deficiency (current assets less current liabilities) of $36,170 (December 31, 2022 - $42,382). For the six months ended June 30, 2023, the Company recorded a net loss of $36,714 (June 30, 2022 - $6,504) and the cash used in operating activities was $28,377 (June 30, 2022 – $27,965).

Significant developments in the current reporting period

During the quarter, the Company completed a public offering of units of the Company ("Units") for aggregate gross proceeds of approximately $38,860 ("2023 Units Offering") (refer note 9) and entered into a financing agreement with Pala Investments Limited ("Pala"), Mercuria Energy Holdings (Singapore) PTE. Ltd ("Mercuria") and TF R&S Canada Ltd ("Triple Flag") (the "2023 Financing Package Agreement") to support the restart and ramp-up of copper production from the Underground Mine and for general corporate purposes, including working capital needs.

The 2023 Financing Package Agreement included -

- KfW Tranche A-2 Loan - Pala, Mercuria and Triple Flag committed to provide the remaining $10,000 undrawn amount under the KfW Tranche A-2 Loan (refer note 6(a)), in accordance with its 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 $10,000, subject to other lender consents, to an aggregate amount of $35,000. If such approval is obtained, each of Pala, Mercuria and Triple Flag would provide $3,333 of such extended tranche and any draws under such extension would be made in accordance with the terms and conditions of the KfW IPEX-Bank Facility.
- Pre-offering funding - Pala provided $5,550 in debt funding through promissory notes (refer note 6(c)).
- Pala 2022 Warrant exercises - On May 10, 2023 and June 22, 2023, Pala exercised 46,000,000 and 352,723,212 warrants respectively, wherein the amount for subscription of warrants was paid by way of deemed repayment and set-off of $76,156 payable under the 2022 A&R Pala Credit Facility (refer note 6(b)).
- 2022 Mercuria Warrant exercises - Mercuria exercised 25,848,465 warrants on May 11, 2023 for an exercise amount of $5,000 paid in cash.
- Deferred funding commitment - Pala and Mercuria entered into a deferred funding agreement in favor of the Company, pursuant to which Pala and Mercuria will provide up to $15,000 and $10,000, respectively, subject to certain conditions, to be drawn pro rata by the Company, if required, until June 30, 2024.
- Stream financing - Triple Flag has agreed that certain metal deliveries that become due to Triple Flag under the Company's stream agreement with Triple Flag will be financed through loans or advances committed by Triple Flag under the KfW Tranche A-2 Loan (subject to refreshed draw room becoming available thereunder) up to a maximum of $15,000 for 2023, and, subject to certain conditions, for 2024.

- Mercuria Copper option - The Company agreed to grant Mercuria, an option to acquire for cash, call options with an aggregate purchase price of up to $5,000 on a portion of the Company's copper production (the "**Copper Option**") on market terms to be agreed between the Company and Mercuria. 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.

Going concern

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 restart the Underground Mine in accordance with the Company's timing and cost expectations, a resumption of copper 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 Agreement. 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 will not be greater than expected by the Company or that significant delays will not occur. If the above requirements are not achieved or further financing is required, the Company may not be able to 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 condensed consolidated interim 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 August 10, 2023.

b) Basis of consolidation

These condensed consolidated interim 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.

(Unaudited and expressed in thousands of United States dollars, except share amounts)

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.

3. Prepaid expenses and advance royalty

	June 30, 2023	December 31, 2022
Deferred financing costs (a)	$—	$2,372
Advance royalty (b)	5,825	2,295
Other prepayments and vendor deposits	3,662	630
Total	**$9,487**	**$5,297**

(a) On October 28, 2022, Pala provided the Company with a backstop funding commitment of up to $25,000 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"). In connection with the Backstop, Pala received 6,271,759 common shares of the Company at a price equal to C$0.2160 representing a 4% commitment fee amounting to $1,000, which was included in deferred financing costs. Deferred financing costs also included legal expenses incurred in relation to the Backstop support ($729) and KfW Tranche A-2 Loan ($643). During the quarter, the Backstop was satisfied through Pala's participation in the 2023 Unit Offering.

(b) As at June 30, 2023, the Company had $5,825 (2022 - $5,525) royalty paid in advance of which $5,825 (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.

(Unaudited and expressed in thousands of United States dollars, except share amounts)

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	19,493	146	381	—	20,020
As at June 30, 2023	**$ 917,182**	**$ 4,200**	**$ 36,683**	**$ —**	**$ 958,065**
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	—	100	2,466	—	2,566
As at June 30, 2023	**$ 298,865**	**$ 1,546**	**$ 24,789**	**$ —**	**$ 325,200**
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 June 30, 2023	**$ 618,317**	**$ 2,654**	**$ 11,894**	**$ —**	**$ 632,865**

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 June 30, 2023, based on managements impairment indicator assessment, it was 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 June 30, 2023.

(Unaudited and expressed in thousands of United States dollars, except share amounts)

5. Working Capital Facility

Balance at December 31, 2022	**$20,687**
Interest accrual	1,856
Balance at June 30, 2023	**$22,543**

NCI entered into a revolving working capital facility (the "Working Capital Facility") with Concord Resources Limited ("Concord") for up to $40,000 which provides for advances, subject to certain conditions, 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.

During the quarter, the Company and Concord entered into an amendment agreement to extend the term of the Working Capital Facility, 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 respectively. As at June 30, 2023, the Company is in compliance with the covenants under the Working Capital Facility.

6. Long-term Debt

	June 30, 2023	December 31, 2022
Current portion of long-term debt:		
Pala Credit Facility (b)	$6,755	$1,784
Lease liabilities (d)	$8,010	$6,707
2023 Promissory Notes	$5,508	$—
Total current portion of long-term debt	$20,273	$8,491
KfW IPEX-Bank Facility (a)	$154,228	$123,342
Pala Credit Facility (b)	$—	$78,048
Lease liabilities (d)	$4,730	$8,653
Total long-term debt	$158,958	$210,043

a) KfW IPEX Bank Facility

	KfW Tranche A Loan	KfW Tranche B Loan	KfW Tranche A-2 Loan	Total
Balance at December 31, 2022	**$108,900**	**$14,442**	**$—**	**$123,342**
Drawdown	—	—	25,000	25,000
Interest and accretion expense	5,043	1,137	669	6,849
Transaction costs incurred for modification	—	—	(643)	(643)
Gain on modification	(281)	(39)	—	(320)
Balance at June 30, 2023	**$113,662**	**$15,540**	**$25,026**	**$154,228**

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

	June 30, 2023	December 31, 2022
Current portion	$—	$—
Long-term debt	$154,228	$123,342

(Unaudited and expressed in thousands of United States dollars, except share amounts)

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. During the six months ended June 30, 2023, the Company drew down the amount available under KfW Tranche A-2 Loan, which was committed by Pala, Triple Flag and Mercuria.

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 income (loss).

The KfW IPEX-Bank Facility contains certain financial and non-financial affirmative and restrictive covenants. As at June 30, 2023, the Company is in compliance with these covenants.

b) Pala Credit Facility

	Debt Liability	Derivative	Total
Balance at December 31, 2022	**$74,388**	**$5,444**	**$79,832**
Interest and accretion expense	$5,601	$—	$5,601
Gain on modification	$(167)	$—	$(167)
Fair value adjustment	$—	$(17,234)	$(17,234)
Pala 2022 Warrants exercised	$(76,156)	$11,790	$(64,366)
Loss on settlement	$3,089	$—	$3,089
Balance at June 30, 2023	**$6,755**	**$—**	**$6,755**

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

	June 30, 2023	December 31, 2022
Current portion	$6,755	$1,784
Long-term debt	$—	$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 had a principal outstanding amount of $76,156.

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 entitled Pala to acquire one common share at an exercise price equal to Canadian dollar (C$) 0.2592. 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. The Company could, also, make voluntary prepayments ("Call option") under the 2022 A&R Pala Credit Facility, which were subject to a 10% prepayment premium. The Pala 2022 Warrants, together with the Call Option were recognized and accounted for as a derivative liability.

During the quarter, Pala exercised all of the Pala 2022 Warrants, resulting in the settlement of all of the principal outstanding amount of $76,156. On the date of settlement, the fair value of Pala 2022 Warrants was $11,790 (derivative asset) and the fair value of the Call option was Nil. As at June 30, 2023, accrued interest of $6,755 remains outstanding under the 2022 A&R Pala Credit Facility. Management is in the process of settling the outstanding interest by issuance of interest warrants and conversion to common shares.

(Unaudited and expressed in thousands of United States dollars, except share amounts)

c) 2023 Promissory Notes

During April and May 2023, the Company received $5,550 from Pala pursuant to various promissory notes (the "2023 Promissory Notes"). The 2023 Promissory Notes are repayable on October 31, 2023 and carry interest at 12% per annum. As at June 30, 2023, accrued and unpaid interest on the 2023 Promissory Notes was $120.

d) Lease Liabilities

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

		June 30, 2023
Opening balance	**$**	**15,360**
Additions		381
Accretion		505
Lease payments		(3,506)
Closing balance	**$**	**12,740**
Current portion		8,010
Long-term portion		4,730

The undiscounted minimum lease payments in respect of the above lease liabilities are expected to be $8,701 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, 2022	**$119,678**	**$50,655**
Accretion	5,442	3,076
Balance at June 30, 2023	**$125,120**	**$53,731**

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

		June 30, 2023		December 31, 2022
Stream deferral				
Current portion	$	11,048	$	3,655
Long-term portion		114,072		116,023
Royalty deferral				
Current portion	$	—	$	—
Long-term portion		53,731		50,655

(Unaudited and 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 (62% as at June 30, 2023) in the Company. Additionally, as at June 30, 2023, two of the eight directors of the Company were Pala executives.

During the six months ended June 30, 2023, the Company entered into the following transactions with Pala:

- In relation to the 2022 A&R Pala Credit Facility, the Company accrued interest of $4,958 (2022 - $1,914) and added nil (2022 - $1,914) to the principal amount of the Pala Credit Facility. (Refer Note 6(b))
- The Company received $5,550 pursuant to the 2023 Promissory Notes and accrued interest of $120. During the six months ended June 30, 2022, the Company received $11,500 pursuant to promissory notes (the "2022 Promissory Notes") and accrued interest of $35 on the 2022 Promissory Notes.
- The Company recognized an expense of $660 (2022 - $433) for guarantee fees and nil (2022 - $72) for technical and other services.
- The Company received $8,333 from Pala, its share of the drawdown under the KfW Tranche A-2 Loan.
- Pala purchased 108,442,714 units in the 2023 Unit Offering for gross proceeds of approximately $21,505. Refer note 9.
- Pala exercised 398,723,212 common share purchase warrants resulting in the settlement of principal debt and accrued interest amounting to $76,156 payable to Pala.

As of June 30, 2023, the Company owed Pala $887 (2022 - nil) for fees accrued in connection with the guarantee provided by Pala for the KfW IPEX- Bank Facility.

Effective October 28, 2022, Mercuria is a related party because of its significant shareholding (16% as at June 30, 2023) in the Company. Also, a Mercuria executive is a director of the Company.

During the six months ended June 30, 2023, the following transactions were entered with Mercuria:

- The Company received $8,333 from Mercuria, its share of the drawdown under the KfW Tranche A-2 Loan.
- Mercuria purchased 24,814,814 units in the 2023 Unit Offering for gross proceeds of $5,000. Refer Note 9.
- Mercuria exercised 25,848,465 common share purchase warrants of the Company for the exercise proceeds of $5,000.

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.

Key Management Personnel Compensation

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

	2023	2022
Short-term employee benefits	**$626**	$796
Stock-based compensation	**459**	(164)
Directors fees and director equity awards	**843**	(483)
Total	**$1,928**	$149

(Unaudited and expressed in thousands of United States dollars, except share amounts)

9. Share Capital

Authorized and issued

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

During the six months ended June 30, 2023, the Company issued the following common shares:

	Number of Common Shares	Amount
Outstanding December 31, 2022	**723,508,700**	**$717,971**
2023 Unit Offering	196,038,400	$33,227
Pala 2022 Warrants exercised (Refer note 6(b))	398,723,212	$64,366
Mercuria 2022 Warrants exercised	25,848,765	$5,000
DSUs settled	2,563,833	$356
Issued during the period ended June 30, 2023	**623,174,210**	**$102,949**
Outstanding June 30, 2023	**1,346,682,910**	**$820,920**

i) 2023 Unit Offering

On May 30, 2023, the Company completed the 2023 Unit Offering of 196,038,400 units issued at a price of C$0.27 per unit for aggregate gross proceeds of $38,860. Each unit consisted of one common share and one-half common share purchase warrant of the Company. Share issuance costs totaled $2,750 for the May 2023 Offering resulting in net proceeds of $36,110. Of the total proceeds received, $2,882 was allocated to the warrants.

ii) Mercuria 2022 Warrants

On May 8, 2023, Mercuria exercised 25,848,765 warrants for the exercise proceeds of $5,000.

10. Share-Based Compensation

a) Share Purchase Options

	Number of Options	Weighted average exercise price (CAD)
Outstanding December 31, 2022	**4,470,936**	**$3.02**
Granted	7,369,481	0.20
Expired	(1,094,909)	6.34
Outstanding June 30, 2023	**10,745,508**	**$0.75**
Exercisable June 30, 2023	**2,822,129**	**$2.18**

As at June 30, 2023, there were 111,447,456 stock options available for issuance under the Company's Stock Option Plan.

During the six months ended June 30, 2023, $231 (2022 - $123) in stock-based compensation was recorded related to stock options of which nil (2022 - $24) was capitalized to development costs.

(Unaudited and expressed in thousands of United States dollars, except share amounts)

The following table summarizes the stock options outstanding and exercisable as at June 30, 2023:

Exercise price (in CAD)	Outstanding		Exercisable	
	Number outstanding	Weighted average remaining life (years)	Number outstanding	Weighted average remaining life (years)
$0.20 - $0.95	8,513,931	4.57	590,552	3.34
$1.60-$4.40	2,231,577	1.41	2,231,577	1.41
	10,745,508	3.92	2,822,129	1.81

b) Deferred share units ("DSUs")

	Number of DSUs
Outstanding December 31, 2022	**7,405,454**
Granted	7,673,399
Settled	(2,603,526)
Outstanding June 30, 2023	**12,475,327**

At June 30, 2023, the DSU payable amount was $2,073 compared to $1,585 on December 31, 2022. During the six months ended June 30, 2023, the Company recognized a stock-based compensation expense of $1,227 (June 30, 2022 - $472) for DSUs granted during the period and stock based compensation gain of $383 (June 30, 2022 - Stock based compensation gain of $1,157) as a result of the fair value adjustment of outstanding DSUs in the consolidated statement of operations and comprehensive income (loss). The fair value of DSU settled during the quarter was $356 (June 30, 2022 - Nil).

c) Performance and Restricted Share Units

The Company had a Performance Share Unit Plan and a Restricted Share Unit Plan for incentive compensation. PSUs 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 Restricted 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.

On May 11, 2023, the Performance Share Unit Plan and the Restricted Share Unit Plan were replaced by a new equity incentive plan (the "Omnibus Equity Incentive Plan"). Pursuant to the Omnibus Equity Incentive Plan, the Board can elect to settle vested RSUs or PSUs granted under the Omnibus Equity Incentive Plan through issuance of the common shares of the Company or cash payment or a combination of the common shares of the Company and cash payment.

The following grants and cancellations occurred during the year:

	Cash settled PSU's (Note 1)	**Omnibus Plan PSU's (Note 2)**
Outstanding December 31, 2022	**1,221,910**	**—**
Granted	—	2,865,184
Settled	—	—
Forfeited	(198,911)	—
Outstanding June 30, 2023	**1,022,999**	**2,865,184**

(Unaudited and expressed in thousands of United States dollars, except share amounts)

	Cash settled RSU's (Note 1)	Equity settled RSU's (Note 3)	Omnibus Plan RSU's (Note 2)
Outstanding December 31, 2022	**23,596,091**	**—**	**—**
Granted	—	—	13,952,323
Reclassed	(15,664,017)	15,664,017	—
Settled	(2,068,022)	—	(2,068,022)
Forfeited	(890,684)	—	(890,684)
Outstanding June 30, 2023	**4,973,368**	**15,664,017**	**10,993,617**

Note 1 - Cash settled PSUs and Cash settled RSUs are granted under the Performance Share Unit Plan and the Restricted Share Unit Plan.

Note 2 - Omnibus Plan PSUs and RSUs are granted under the Omnibus Equity Incentive Plan.

Note 3 - During the quarter, the Company modified the option to settle 15,664,017 RSUs granted in October 2022 (the "Equity settled RSUs") from cash to common shares. As a result, the fair value of the October 2022 RSU amounting to $1,074 on the date of modification was reclassed from share-based compensation liability to other equity reserve.

At June 30, 2023, the payable amount related to cash settled RSUs and the Omnibus Plan RSUs was $1,069 compared to $1,250 on December 31, 2022.

During the six months ended June 30, 2023, the Company recognized a stock-based compensation expense of $1,106 (2022 - stock-based compensation expense of $694) in relation to RSUs, of which $1,071 (2022 - $484) was recognized in the statement of operations and comprehensive income (loss) and $92 (2022 - stock-based compensation expense of $210) was capitalized to development costs.

11. Warrants

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

Balance at December 31, 2022	**$9,309**
Initial valuation for warrants issued	2,882
Fair value adjustment	(4,537)
Balance at June 30, 2023	**$7,654**

The table below summarizes the activities related to warrants:

	Number of Warrants	Weighted average exercise price [CAD]
Balance at December 31, 2022	**675,317,654**	**$0.42**
Issued	98,019,200	$0.34
Exercised	(424,571,677)	$0.26
Expired	(132,374,442)	$1.00
Balance at June 30, 2023	**216,390,735**	**$0.35**

(Unaudited and expressed in thousands of United States dollars, except share amounts)

Summary of outstanding warrants as at June 30, 2023:

	Number of outstanding warrants	**Exercise price [CAD]**
Triple Flag 2020 Warrants	1,500,000	$2.25
Pala Credit Facility November 2021 Warrants	15,000,000	$0.86
Mercuria 2022 Warrants	101,871,535	$0.26
2023 Unit Offering Warrants	98,019,200	$0.34
	216,390,735	**$0.35**

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

	June 30, 2023	**December 31, 2022**
Risk-free interest rate	4.25 - 4.62%	4.20%
Expected dividend yield	0	0
Expected stock price volatility	64.0%	68.4%
Expected life in years	1.7 - 2.6	2.2 - 3.1

12. Commitments and Contractual Obligations

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

	June 30, 2023	**December 31, 2022**
Property, plant, and equipment	$15,982	$2,540

13. Revenue

	Three months ended		**Six months ended**	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
Metal contained in concentrate	$—	$5,256	$—	$10,213
Less: Treatment and refining cost	—	(229)	—	(411)
Revenue from contract with customers	—	5,027	—	9,802
Gain on trade receivables at fair value	—	—	—	317
Total	**$—**	$5,027	**$—**	$10,119

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

(Unaudited and expressed in thousands of United States dollars, except share amounts)

14. Cost of Sales

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
Mining cost	$—	$6,363	$—	$15,593
Milling cost	—	3,247	—	7,180
Site, general and administrative	—	3,691	—	6,071
Net realizable value adjustment on stockpile inventory	3,476	2,273	4,038	2,273
Transportation	—	1,038	—	2,025
Royalty and stream payments	—	357	—	512
Total Cost of Sales	**$3,476**	$16,969	**$4,038**	$33,654

15. Care and maintenance and restart 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. Effective September 2022, the Company carried out limited operations focusing on dike crossings and certain critical capital projects necessary to support production once the development of the Underground Mine is complete. A contractor retained to perform underground lateral development, began mobilizing in May 2023 and commenced development activities in June 2023. Also, during the quarter, the Company performed testing of its processing equipment in preparation for the restart of processing operations. Site expenditures including restart expenditures, which are not eligible for capitalization in accordance with IAS 16 - Property, plant and equipment, are recognized as expenses in the statement of operations and comprehensive income (loss). Expenditures incurred and expensed during the period included:

	Three months ended	**Six months ended**
	June 30, 2023	**June 30, 2023**
Salaries and wages	$4,453	$9,359
Contractor services	1,513	2,871
Consumables	2,488	3,690
Site costs	2,581	4,091
Legal costs	291	446
Depreciation	660	1,318
Total	**$11,986**	**$21,775**

(Unaudited and expressed in thousands of United States dollars, except share amounts)

16. Interest and finance expense

Interest and finance expense during the period included:

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
KFW IPEX Bank Facility	$3,768	$1,498	$6,847	$2,967
Working Capital Facility	957	401	1,857	754
2022 A&R Pala Credit Facility	2,699	1,240	5,604	2,115
2022 Promissory Notes	120	35	120	35
Stream and Royalty Deferral accretion	4,337	2,881	8,518	5,736
Lease liabilities	257	394	505	764
Pala guarantee fee and other interests	986	—	1,926	58
	$13,124	$6,449	**$25,377**	$12,429
Interest and accretion capitalized	**($391)**	($6,449)	**($391)**	($12,429)
Total	**$12,733**	$—	**$24,986**	$—

17. Supplemental Cash Flow Information

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
Non-cash investing and financing activities:				
Depreciation capitalized in mineral properties, plant and equipment	$660	$2,039	$1,317	$3,843
Stock based compensation included in mineral properties	$92	$—	$92	$24
Accretion on stream deferral in mineral properties, plant and equipment	$391	$2,881	$391	$5,736
Interest capitalized in mineral properties, plant and equipment	$—	$3,433	$—	$6,558
Mineral properties, plant and equipment in accounts payable and accrued liabilities change	($1,656)	$24,372	($5,640)	$18,344
Mineral properties, plant and equipment in prepaid expenses change	$3,055	$—	$—	$—
Asset retirement obligation change	$—	$618	$—	$62
Share issue costs in prepaid change	($796)	$—	($796)	$—
Share issue costs in accounts payable and accrued liabilities change	$317	$—	$317	$—

18. 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.

(Unaudited and expressed in thousands of United States dollars, except share amounts)

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:

	June 30, 2023		**December 31, 2022**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Working Capital Facility (Note 5)	$22,543	$22,543	$20,687	$20,687
KfW IPEX-Bank Facility (Note 6a)	$154,228	$167,258	$123,342	$136,027
Pala Credit Facility (Note 6b)	$6,755	$6,755	$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 June 30, 2023, the Company held C$1,297 (2022 - C$23) in cash and cash equivalents in its parent entity with a functional currency of U.S. dollars. At June 30, 2023, the Company had C$1,252 (2022 - C$815) in accounts payable.

A +/- 10% change in the Canadian exchange rate would have had an immaterial impact for the three and six months ended June 30, 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.

(Unaudited and expressed in thousands of United States dollars, except share amounts)

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 $33,152 as at June 30, 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 June 30, 2023, the Company had the following consolidated contractual cash flow obligations:

		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	$23,234	$23,234	$—	$—	$—
Construction contractual obligations	$15,982	$15,982	$—	$—	$—
Working Capital Facility	$22,543	$22,543	$—	$—	$—
KfW IPEX-Bank Facility	$229,422	$—	$66,707	$68,677	$94,038
Equipment leases	$13,299	$8,701	$4,598	$—	$—
2022 A&R Pala Credit Facility	$6,755	$6,755	$—	$—	$—
2023 Pala Promissory Notes	$5,894	$5,894	$—	$—	$—
Asset retirement obligation	$8,604	$—	$—	$—	$8,604
Total obligations	**$325,733**	**$83,109**	**$71,305**	**$68,677**	**$102,642**

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