



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**For the three and six months ended June 30, 2023**

**August 10, 2023**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**  
**For the three and six months ended June 30, 2023**

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

### For the three and six months ended June 30, 2023

#### INTRODUCTION

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This Management's Discussion and Analysis ("MD&A") of Nevada Copper Corp. (the "Company" or "Nevada Copper") has been prepared by management as of August 10, 2023. Information herein is provided as of June 30, 2023, unless otherwise noted. The following discussion of performance, financial condition and outlook should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and 2022 ("Consolidated Interim Financial Statements") and the notes thereto, prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and International Accounting Standard 34 – Interim Financial Reporting.

Additional information relevant to the Company's activities, including the Company's Annual Information Form dated March 20, 2023 (the "AIF"), can be found on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca). All amounts expressed herein are in United States Dollars unless otherwise indicated. Amounts expressed in C\$ refer to Canadian dollars.

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

Readers are cautioned that this MD&A contains forward-looking statements and that actual results may vary from management's expectations. See "Forward-Looking Statements" at the end of this MD&A and the various risk factors and other matters discussed in the Company's AIF at [www.sedarplus.ca](http://www.sedarplus.ca).

#### HIGHLIGHTS

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Highlights for the quarter ended June 30, 2023 ("Q2 2023") relating to the Company's Pumpkin Hollow underground copper mine (the "Underground Mine") include:

- **Restart activities at the Underground Mine**
  - **Capital Projects** - Dumas Contracting USA Inc. ("Dumas"), a leading mining construction company, made significant progress on critical underground capital projects including completing and commissioning the vent shaft project on budget. All vertical and lateral excavation was completed for the underground ore handling project and, as a result, the project has been turned over to RAM Enterprise, Inc. ("RAM"), for the installation and commissioning of all mechanical and electrical components, including the conveyors and crusher. Dumas also advanced the project for the life of mine ("LOM") de-watering system past 50% completion and, with the transition of the ore handling project to RAM, is fully focused on completing and commissioning this LOM de-watering system. As of the date of this MD&A, the underground ore handling system was approximately 64% complete and the Geho de-watering system was approximately 67% complete.

Paterson & Cooke Canada Inc. ("Patterson & Cooke") delivered all design and specifications for alterations to the surface paste plant. Modifications, which focused on utilizing thickened tails in the paste systems were 75% complete as of the date of this MD&A. Paterson & Cooke has advanced the final design and operating standards for the underground paste distribution system.

- **Underground Development** - During Q2 2023, 1,424 feet ("ft") of lateral development was completed by the Company, an increase from 496 ft in the first quarter of 2023 ("Q1 2023"). Ground conditions beyond the dike crossings are competent and consistent with the geotechnical model, enabling conventional development and ground support. Additionally, 46,605 tons of material were hoisted during Q2 2023, including approximately 27,316 tons of development ore.
- **Lateral Development Contractor** - During Q2 2023, the Company awarded a 24-month contract to Small Mine Development, LLC ("SMD") to complete 66,000 feet of primary and stope development, and install associated utilities. The agreement is a fixed cost per foot of development, thereby providing risk sharing between SMD and the Company. SMD commenced development on June 1, 2023.
- **EN Zone Ventilation Raise** - During Q2 2023, the Company completed the first EN Zone ventilation raise. This raise provides ventilation to the first level of stopes to be mined in the EN Zone.
- **Final Dike Crossing** - The Company advanced on the third and final dike crossing for the current LOM plan. This dike crossing is not critical for 2023 ore delivery. The crossing is expected to be completed in the third quarter of 2023 ("Q3 2023").
- **Technical and Mining Team** - During Q2 2023, Nevada Copper continued to fill out its technical and mining engineering and operating capabilities through hiring of new employees, as part of its restart planning to build the internal management and supervision skills to support lateral development and the restart of stope mining.
- **Corporate**
  - **Public equity offering** - On May 30, 2023, the Company completed a public offering of units of the Company ("Units") for aggregate gross proceeds of approximately \$38.9 million (the "2023 Unit Offering"). Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant. Further details are provided in the "Business Development" section of this MD&A.
  - **2023 Financing Package Agreement** - On May 9, 2023, in connection with the 2023 Unit Offering, the Company 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"), an affiliate of Triple Flag Precious Metals Corp., to support the restart and ramp-up of copper production from the Underground Mine (the "2023 Financing Package Agreement"). Further details are provided in the "Business Development" section of this MD&A.

## DESCRIPTION OF BUSINESS

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

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

The Company completed construction of the production shaft and plant for the Underground Mine in the third quarter of 2019 and the first concentrate was shipped in December 2019. Mining operations at the Underground Mine were suspended in April 2020, in part, due to the COVID pandemic. The Underground Mine was restarted in August 2020 and continued during 2021 and through the first two quarters of 2022. However, in response to operational inefficiencies and liquidity constraints, during the third quarter of 2022 ("Q3 2022"), mining, processing and development activities were suspended at the Underground Mine to significantly reduce operational expenditures. The plan for the restart of operations at the Underground Mine (the "Restart Plan") was developed through Q3 2022 and the fourth quarter of 2022 ("Q4 2022") to identify critical projects required to address operational inefficiencies and to achieve full production. Work related to the Restart Plan commenced with the close of the Restart Financing Package (as defined below) in Q4 2022 and has continued through 2023.

## BUSINESS DEVELOPMENT

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### Underground Mine

#### *Mine Development*

As of the date hereof, the Underground Mine is in restart of operations with construction of critical infrastructure prior to the restart of stope mining and milling activities late in Q3 2023.

#### **Restart Plan**

During Q3 2022 and Q4 2022, the Company advanced planning for the restart of operations at the Underground Mine. Restart activities began in Q4 2022 and are being executed in three phases:

- Phase 1 - Completion of the remaining dike crossings, construction of certain critical underground capital projects and workforce development;
- Phase 2 - Resumption of underground lateral development and the establishment of developed stope inventory; and
- Phase 3 - Commencement of stope mining and mill start-up.

The Company completed the detailed Restart Plan in Q3 2022 that outlines this phased approach to the restart of the Underground Mine, the recruitment plan, capital projects management, and risks mitigation, including key learnings from the previous operating periods.

During Q2 2023, the Company transitioned to Phase 2 of the Restart Plan

## **Phase 2 - Restart Plan**

### *Underground Lateral Development*

During Q2 2023, the Company awarded a lateral development contract to SMD. SMD has a strong reputation for safe and productive development in Nevada hard rock mines. Key components of the development contract include:

- 66,000 feet of lateral capital development over a 24-month contract period;
- Delivery of fully developed ore stopes in 2023 to restart and maintain nameplate milling operations (approximately 5,000 tons per day ("stpd")); and
- Unit rate agreement for development and installation of associated services to align SMD and the Company for success on the Restart Plan.

SMD started mobilizing at site in May 2023 and worked with the Company to efficiently establish and onboard their crews and move equipment underground to support the commencement of SMD's development activities on June 1, 2023. Six working faces were made available to SMD to accelerate primary and secondary lateral development beyond the completed dike crossings, in the EN Zone. As of the date of this MD&A, SMD is substantially mobilized for lateral development mining.

### *Surface Ore Stockpile*

As at June 30, 2023, the surface ore stockpile was approximately 59,652 tons with average grade of 0.50% Cu with the majority of ore crushed and ready for commencement of milling operations. As at July 31, 2023, the surface stockpile was approximately 72,281 tons with average grade of 0.50% Cu. With the mobilization of SMD significantly complete and accelerating mining rates, it is expected that the surface stockpile will continue to increase on an accelerated basis, positioning the Company well for the planned restart of milling operations in Q3 2023.

### *Ventilation Raise*

During Q2 2023, the Company completed a ventilation raise to open a ventilation loop in the 2798 level. This ventilation raise is critical to providing air circulation to all active areas of the Underground Mine for continued development, as well as for starting stope mining.

### *Ore pass*

During Q2 2023, the Company rehabilitated first and second ore passes in preparation for planned sustained production increases. The third ore pass is also being prepared to support material handling prior to the commissioning of the underground crushing and loading system.

## **Phase 1 - Restart Plan**

The following are the key updates for Phase 1 of the Restart Plan:

### *Dike Crossings*

In Q4 2022, the Company completed the second dike crossing. The Company advanced development beyond the dike structure into the EN Zone, which provides access to larger ore stopes and is expected to significantly improve operating efficiencies. The rock quality being encountered beyond the dike, as development headings are progressed into the EN Zone, is competent and consistent with the geotechnical model.

During Q1 2023 and Q2 2023, the Company made progress on the third and final dike crossing for the current LOM plan, which is expected to be completed in Q3 2023. The Company commenced grouting programs and installations of spiles and steel sets, as it advances through this final dike crossing. Similar to the previous two dike crossings, mining will be advanced under the grouted spiling and steel sets.

#### *Capital Projects*

Certain capital projects are necessary to support sustained production once the Underground Mine is restarted.

- *Vent shaft stripping and surface fans* – This project established the required LOM ventilation capacity by stripping remnant construction materials from the vent shaft, commissioning permanent surface fans, and completing the original design for the shaft. During Q1 2023, Dumas completed the vent shaft stripping and during Q2 2023, the project was completed with the installation and commissioning of a new secondary escape hoist system, head frame and surface fans. The completion of this project provides infrastructure for fresh air circulation to all active areas of the Underground Mine, particularly into the EN Zone.
- *Underground crusher and ore handling system* – Final engineering design was completed for the ore handling project, which includes ore storage, ore crushing utilizing a conventional jaw crusher and conveyance to hoist loading. The jaw crusher and feeder were received in February 2023. During Q2 2023, Dumas completed excavation work for both the coarse ore bin and the conveyor drift and mechanical and electrical installation has now been transferred to RAM, a local contractor with relevant expertise.
- *LOM de-watering system* - This system provides pumping capacity from the mine bottom to handle expected LOM water volumes and integrates into the existing infrastructure. During Q2 2023, Dumas completed installation of the monorail and crane and construction of pump bases, and initiated work for the pipe routing to the shaft.
- *Surface paste plant* - During Q2 2023, Patterson & Cooke completed engineering work in relation to the surface paste plant, installation of the dry feed system and significantly advanced the thickened tails feed system. This project is expected to be completed in Q3 2023 in advance of the mill restart. Patterson & Cooke also advanced the final design and operating standards for the underground paste delivery system.

#### *Definition Drilling*

The 2023 East North (EN) and East South (ES) underground drill program began in Q1 2023 and is focused on stope definition drilling and near-mine resource expansion targets. During 2023, to date, the Company completed approximately 4,900 feet of drilling with one drill rig. Results of drilling indicate mineralization extension in the ES zone. A second drill rig was deployed in July 2023 and approximately 18,000 feet of drilling is planned through the remainder of 2023. The deposit remains open in all directions.

#### **Phase 3 - Restart Plan**

##### *Processing Plant Readiness*

During Q2 2023, the Company completed the following key tasks in preparation for a smooth restart of the processing operations in Q3 2023:-

- relining of the ball mill, testing of key mill and process systems, and calibration of all process control instruments,

- changes to the reagent scheme and distribution system, which are expected to demonstrate further improvements in metallurgical performance such as primary recovery and concentrate grade,
- refurbished the tail filters to the original equipment manufacturer's specification, and
- refurbished the dry stack material handling system.

### **Open Pit Project**

The Company has paused work on the Open Pit Project as it dedicates all of its management and financial resources to the successful restart of the Underground Mine. The Open Pit Project remains one of the largest permitted copper development projects in the continental United States with estimated proven and probable copper mineral reserves of 3,590 million pounds from 385.7 million tons grading 0.47% copper.

### **Exploration**

The Property has not been extensively explored in the past as the Company was focused on developing the known mineral resources, resulting in the development of the Underground Mine and advancement of the Open Pit Project. Recent drone magnetic surveys have identified several high-quality targets of interest and surface reconnaissance targeting these high-quality areas demonstrates that these targets have the potential to host additional independent mineralized systems, outside of the existing deposits.

The Company has identified a new exploration target, the Dimples target, located just south of the proposed open pit area in the southern area of the Property. Analysis of recent surface grab samples has returned encouraging results.

Surface sampling results from surface outcrops and prospect pits in the Copper Ridge area have indicated a potential for high-grade copper, highlighted by grades including 5.03% and 5.43% Cu. The Copper Ridge property is located north of the main Property covered by 103 hectares through unpatented and patented claims. The target was mined for high-grade copper in the early 1900's through several adits, as well as a 122-meter inclined shaft.

The 2023 program is designed to follow-up on historic reconnaissance work completed in the early 1990s by a major copper company and has the potential to provide additional high-grade feed for the existing underground mill. A total of 70 historic and new rock samples were collected to confirm and extend the known mineralization along the vein and dike structures in the Yerington Batholith granodiorites.

Follow-up trenching and a reverse circulation drill program is planned for the Copper Ridge and Dimple targets later this year.

### **Corporate**

On May 30, 2023, the Company completed the 2023 Unit Offering of 196,038,400 Units of the Company, at a price of C\$0.27 per Unit, for aggregate gross proceeds of approximately \$38.9 million. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant (each full warrant, a "2023 Warrant"). Each 2023 Warrant is exercisable for one common share at a price of C\$0.34 per common share until September 30, 2024. Pala, the Company's largest shareholder, purchased an aggregate of 108,442,714 Units and Mercuria, another significant shareholder of the Company, purchased 24,814,814 Units under the 2023 Unit Offering.



On May 9, 2023, in connection with the 2023 Unit Offering, the Company entered into the 2023 Financing Package Agreement with Pala, Mercuria and Triple Flag. A summary of the key components of the 2023 Financing Package Agreement are described below:

- KfW Tranche A-2 Loan - Pala, Mercuria and Triple Flag committed to provide the remaining \$10 million undrawn amount under the new tranche (the "KfW Tranche A-2 Loan") of the Company's senior credit facility (the "KfW IPEX-Bank Facility") with KfW IPEX-Bank ("KfW"), in accordance with the terms and conditions of the KfW IPEX-Bank Facility. 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, subject to KfW and other lender consents, by \$10 million, to an aggregate amount of \$35 million. If such approval is obtained, each of Pala, Mercuria and Triple Flag would provide \$3.33 million of such extended tranche and any draws under the expanded KfW Tranche A-2 Loan would be made in accordance with the terms and conditions of the KfW IPEX-Bank facility.
- Pre-offering funding - Prior to the 2023 Unit Offering, Pala provided \$5.5 million in debt funding through promissory notes (the "2023 Promissory Notes"). The 2023 Promissory Notes are repayable on October 31, 2023 and carry interest at 12% per annum.
- Pala 2022 Warrants exercises - On May 10, 2023 and June 22, 2023, Pala exercised 46,000,000 warrants and 352,723,212 warrants, respectively, that were issued on October 28, 2022 (the "Pala 2022 Warrants"). The amount for subscription of warrants was paid by way of deemed repayment and set-off of \$76.1 million payable under the Company's credit facility with Pala.
- Mercuria 2022 Warrants exercises - On May 11, 2023, Mercuria exercised 25,848,765 warrants that were issued on October 28, 2022 (the "Mercuria 2022 Warrants") for exercise proceeds of \$5 million 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 agreed to 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.
- Stream financing - Triple Flag 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 million 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 million on a portion of the Company's copper production (the "**Copper Option**") on market terms to be agreed between the Company and Mercuria. The granting of the Copper Option is subject to compliance with regulatory requirements (including any required approvals by the Toronto Stock Exchange), any required third-party consents (including the Company's lenders, if required) and the approval by the independent directors of the Company.

## OUTLOOK

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Nevada Copper's principal objective for 2023 is to have the Underground Mine operating at nameplate milling capacity of 5,000 tons per day by year end with all critical underground infrastructure complete and sufficient advance development to support sustained operations at such capacity.

With the vent shaft project complete, underground lateral development continues to ramp up as SMD increases staffing levels to meet with mine plan. Lateral development over the second half of 2023 is scheduled at 16,000 ft of combined primary and stope development. Commissioning of the underground crush and convey system is now scheduled for late October 2023 reflecting delays in underground excavation. To support the start of stope mining by the Company in September, existing ore passes and surface crusher will be utilized until commissioning of the underground crusher is complete.

Mill restart is scheduled in September 2023 at an expected rate of approximately 3,500 tons per day. The mill and paste plant will be re-commissioned on low-grade stockpiled ore. Mill capacity and grade are expected to increase through the balance of 2023, however, milled grades will remain lower than stope mined grades, as lower grade development ore constitutes a higher percentage of mill feed through these early months. The Company expects to truck its first concentrate in late September with first revenues expected in the fourth quarter.

## DISCUSSION OF OPERATIONS

*(Expressed in thousands of USD, except per share amounts)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Revenue</b>	\$—	\$5,027	\$—	\$10,119
<b>Cost of Sales</b>				
Production costs	3,476	15,574	4,038	31,117
Transportation	—	1,038	—	2,025
Royalty and stream	—	357	—	512
<b>Total cost of sales</b>	3,476	16,969	4,038	33,654
<b>Gross loss</b>	(3,476)	(11,942)	(4,038)	(23,535)
<b>Operating Expenses</b>				
Care and maintenance and restart expenses	11,986	—	21,775	—
General and administrative expenses	1,430	1,185	3,213	2,421
Stock-based compensation	42	(192)	2,144	(104)
Plant and equipment written off	—	352	—	632
<b>Loss from operations</b>	(16,934)	(13,287)	(31,170)	(26,484)
Interest income	196	—	249	—
Interest and finance expenses	(12,733)	(8)	(24,986)	(11)
Derivative fair value gain	31,220	15,118	21,771	19,669
Debt extinguishment loss	(3,089)	—	(3,089)	—
Debt modification gain	—	—	487	—
Foreign exchange gain	26	498	24	322
<b>(Loss) income and comprehensive (loss) income</b>	(\$1,314)	\$2,321	(\$36,714)	(\$6,504)
<b>Earnings (loss) per share</b>				
Basic and diluted	\$0.00	\$0.01	(\$0.05)	(\$0.01)

In Q2 2023, the Company reported a net loss of \$1.3 million (or \$0.00 basic and diluted loss per common share), compared to a net income of \$2.3 million in the second quarter of 2022 ("Q2 2022") (or \$0.01 basic and diluted earnings per common share). The change is primarily due to the following:

- **Revenue** - As milling operations at the Underground Mine were suspended during the second half of 2022, there were no concentrate sales during Q2 2023. During Q2 2022, the Company sold 2,402 tons of copper concentrate for a net revenue of \$5.0 million.
- **Cost of sales** - During Q2 2023, the Company recognized a net realizable value ("NRV") adjustment of \$3.5 million for development ore mined during the quarter. During Q2 2022, the Company recognized cost of sales of \$14.7 million for concentrate sold and \$2.3 million for an NRV adjustment.
- **Care and maintenance and restart expenses** - Effective July 1, 2022, mining and milling operations at the Underground Mine were suspended. As discussed in the "Business Development" section, the Company is currently focused on the Restart Plan and therefore only expenditures which are eligible to be capitalized in accordance with IAS 16 - Property, plant and equipment ("IAS-16") were capitalized. During Q2 2023, the Company incurred \$12.0 million of site and restart expenditures, which were not eligible to be capitalized in accordance with IAS-16. No similar costs were recognized in Q2 2022 as the Underground Mine was in development.
- **General and administrative expenses** - General and administrative expenses totaled \$1.4 million during Q2 2023, a small increase from \$1.2 million during Q2 2022 due to an increase in legal fees.
- **Share-based compensation** - During Q2 2023, the Company recognized a share-based compensation expense of \$0.04 million, compared to a share-based compensation gain of \$0.2 million during Q2 2022. The increase in stock-based compensation expense resulted from the granting of restricted share units and deferred share units, offset by a decrease in the share price of the Company's common shares from March 31, 2023 to June 30, 2023. During Q2 2022, the share price of the Company's common shares decreased significantly which resulted in a share-based compensation gain for the Company's restricted share units and deferred share units.
- **Derivative fair value gain** - A non-cash mark to market fair value gain of \$31.2 million was recorded during Q2 2023 as compared to \$15.1 million in Q2 2022, related to the derivative liability of the Company's warrants and embedded derivatives in the Company's credit facility with Pala. The derivative fair value gain was driven by a decrease in the share price of the Company's common shares in both periods.
- **Interest and finance expenses** - As development of the Underground Mine was temporarily suspended, interest and finance expenses incurred during Q2 2023 were recognized as an expense in the statement of operations and comprehensive income (loss).
- **Debt extinguishment loss** - During Q2 2023, the repayment of debt under the Company's credit facility with Pala through exercise of the Pala 2022 Warrants resulted in recognition of loss on extinguishment of \$3.1 million.

For the six months ended June 30, 2023, the Company reported a net loss of \$36.7 million (or \$0.05 basic and diluted loss per common share), compared to a net loss of \$6.5 million for the six months ended June 30, 2022 (or \$0.01 basic and diluted loss per common share). The change in the net loss was primarily due to the following:

- **Revenue** - With milling operations at the Underground Mine suspended, there were no concentrate sales during the six months ended June 30, 2023. During the six months ended June 30, 2022, the Company sold 4,501 tons of copper concentrate for a net revenue of \$10.1 million.
- **Cost of sales** - During the six months ended June 30, 2023, the Company recognized an NRV adjustment of \$4.0 million for development ore mined during the period. During the six months ended June 30, 2022, the Company recognized cost of sales of \$31.4 million for concentrate sold and \$2.3 million for an NRV adjustment.
- **Care and maintenance and restart expenses** - During the six months ended June 30, 2023, the Company incurred \$21.8 million, which were not eligible to be capitalized in accordance with IAS-16. No similar costs were recognized in the comparative quarter as the Underground Mine was in development.
- **General and administrative expenses** - General and administrative expenses totaled \$3.2 million for the six months ended June 30, 2023, an increase from \$2.4 million for the six months ended June 30, 2022 on account of increase in legal and general corporate expenses.
- **Share-based compensation** - During the six months ended June 30, 2023, the Company recognized share-based compensation expenses totaling \$2.1 million compared to a gain of \$0.1 million for the six months ended June 30, 2022. During the six months ended June 30, 2023, share-based compensation increased on account of restricted share units and deferred share units granted during Q2 2023 and there was no significant decrease in the share price of the Company's common shares from December 31, 2022 to June 30, 2023. During the six months ended June 30, 2022, the share price of the Company's common shares decreased significantly from December 31, 2021 which resulted in a share-based compensation gain for the Company's restricted share units and deferred share units.
- **Derivative fair value gain** - A non-cash mark-to-market fair value gain of \$21.8 million was recorded for the six months ended June 30, 2023 (June 30, 2022 - gain of \$19.7 million). Derivative fair value gain recognized during the six months ended June 30, 2023 was related to the derivative liability of the Company's warrants and embedded derivatives in the Company's credit facility with Pala and was primarily driven by a decrease in the share price of the Company's common shares and the expiration of the warrants issued in January 2021. The derivative fair value gain recognized during the six months ended June 30, 2022 was related to the derivative liability of the Company's warrants and was driven by a decrease in the share price of the Company's common shares and the expiration of the warrants issued in July 2020.
- **Interest and finance expenses** - Commencing in Q3 2022, as the Underground Mine was temporarily suspended, the interest and finance expenses incurred were recognized as an expense in the statement of operations and comprehensive income (loss). The interest and finance expenses incurred during the six months ended June 30, 2022 were capitalized to the Project.
- **Debt extinguishment loss** - Debt extinguishment loss, during the six months ended June 30, 2023, was related to settlement of the amounts payable under the credit facility with Pala.

- **Debt modification gain** - Debt modification gain during the six months ended June 30, 2023, related to the amendment to capitalize interest due on January 31, 2024 into the principal amount under the KfW IPEX-Bank Facility and the deferral of an interest payment under the credit facility with Pala from March 31, 2023 to June 30, 2023 .

#### *Pumpkin Hollow Project Expenditures*

For the six months ended June 30, 2023, the Company incurred \$19.5 million of project expenditures compared to \$35.4 million during the six months ended June 30, 2022. During the six months ended June 30, 2023, the Company focused on restart related capital projects, the final dike crossing and lateral development beyond the dike.

#### *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 management's 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.

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited quarterly financial information for Q2 2023 and the prior seven most recently completed quarters:

Expressed in thousands of United States dollars, except per share amounts

	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Revenue	\$—	\$—	\$—	(\$1,033)	\$5,027	\$5,092	\$2,701	\$1,990
Net Income (Loss)	(\$1,314)	(\$35,400)	(\$26,014)	(\$325,428)	\$2,321	(\$8,825)	(\$16,216)	\$22,633
Net Income (Loss) per share (Basic and Diluted)	\$0.00	\$(0.05)	\$(0.04)	\$(0.73)	\$0.01	\$(0.02)	\$(0.06)	\$0.12
Mineral properties, plant and equipment	\$632,865	\$621,296	\$615,411	\$614,332	\$915,614	\$891,592	\$853,383	\$892,500
Total Assets	\$681,673	\$645,135	\$647,769	\$629,717	\$927,246	\$906,019	\$914,623	\$831,646
Working Capital Deficit	(\$36,170)	(\$59,954)	(\$42,382)	(\$380,143)	(\$359,352)	(\$95,492)	(\$48,972)	(\$260,271)
Total non-current liabilities	\$336,401	\$404,963	\$383,505	\$56,580	\$52,507	\$290,839	\$294,649	\$172,856
Shareholders' Equity	\$260,674	\$157,786	\$193,134	\$182,838	\$508,198	\$505,640	\$514,555	\$394,556

- Financial results of the last eight quarters include the impact of the timing of previous financing transactions, variability of copper concentrate sales and capital expenditures incurred.

- During Q2 2023:
  - the Company recognized a derivative fair value gain of \$31.2 million driven by a decrease in the share price of the Company's common shares, and
  - the Company incurred care and maintenance and restart expenses of \$12.0 million and interest and finance costs of \$12.7 million, which were not eligible to be capitalized in accordance with IAS-16.
- During Q1 2023:
  - the Company recognized a derivative fair value loss of \$9.4 million driven by an increase in the share price of the Company's common shares, and
  - the Company incurred care and maintenance expenses of \$9.8 million and interest and finance costs of \$12.3 million, which were not eligible to be capitalized in accordance with IAS-16.
- During Q4 2022:
  - the Company recognized a debt extinguishment loss of \$3 million related to the amendment in the Company's credit facility with Pala,
  - the Company recognized a derivative fair value loss of \$1.5 million on fair valuation of warrants, and
  - the Company incurred care and maintenance expenses of \$6.8 million and interest and finance costs of \$11.2 million, which were not eligible to be capitalized in accordance with IAS-16.
- During Q3 2022, the Company recognized an impairment of \$298.8 million. The Company incurred care and maintenance expenses of \$16.2 million and interest and finance costs of \$9.1 million, which were not capitalized, as the operations at the Underground Mine had ceased.
- During Q2 2022 and the quarter ended September 30, 2021 ("Q3 2021"), the Company recognized a non-cash mark to market fair value gain of \$15.1 million and \$27.3 million, respectively. The mark to market fair value gain for both quarters resulted from a decrease in the fair market value of warrants.
- For Q3 2021, the KfW-IPEX Bank Facility was classified as a current liability. During the quarter ended December 31, 2021 certain terms of the KfW-IPEX Bank Facility were amended resulting in the liability being classified as long-term debt from December 31, 2021 onwards.
- During Q2 2022 and Q3 2022, as a result of non-payment of amounts due under the Working Capital Facility and other matters, there was a default under the working capital facility with Concord Resource Limited ("Concord") and cross-defaults under KfW IPEX-Bank Facility, the credit facility with Pala and the stream agreement with Triple Flag Precious Metals Corp. (collectively the "Long-Term Financing Arrangements"). Therefore, all liabilities related to the Long-Term Financing Arrangements were classified as current at June 30, 2022 and at September 30, 2022.

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

### Liquidity and going concern risk

#### Working capital deficit

<i>(Expressed in thousands of US dollars, except per share amounts)</i>	<b>As at June 30, 2023</b>	<b>As at December 31, 2022</b>
<b>Current assets</b>		
Cash and cash equivalents	\$32,680	\$18,506
Accounts receivable	92	37
Prepaid expenses and advance royalty	9,487	5,297
Inventory	6,169	4,908
<b>Total Current Assets</b>	<b>48,428</b>	<b>28,748</b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$22,347	\$26,699
Related party payable	887	—
Share-based compensation liabilities	2,847	2,289
Warrant derivative	7,654	9,309
Current portion of stream and royalty deferral	8,047	3,655
Working Capital Facility	22,543	20,687
Current portion of long-term debt	20,273	8,491
<b>Total Current Liabilities</b>	<b>84,598</b>	<b>71,130</b>
<b>Working capital deficit</b>	<b>(\$36,170)</b>	<b>(\$42,382)</b>
<b>Adjusted working capital deficit (See Non IFRS Measures section)</b>	<b>(\$28,516)</b>	<b>(\$33,073)</b>

As at June 30, 2023, the Company had cash and cash equivalents of \$32.7 million. The Company's working capital (current assets less current liabilities) as at June 30, 2023 was negative \$36.2 million compared to negative \$42.4 million as at December 31, 2022. The working capital deficit decreased from December 31, 2022 due to cash received from the 2023 Unit Offering and the 2023 Financing Package Agreement.

The warrant derivative liability arises as warrants outstanding are priced in Canadian dollars, whereas the Company's functional currency is U.S. dollars, leading to the warrants being classified, for accounting purposes, as a derivative. However, the warrants can only be converted into equity and the Company has no obligation to settle the liability. As such, while classified as current due to the exercise rights of the warrant holder, the warrant derivative liability is a non-cash liability. If the working capital is adjusted for this non-cash warrant derivative liability, the working capital deficit (the "Adjusted Working Capital Deficit") as at June 30, 2023 and December 31, 2022 was \$28.5 million and \$33.1 million, respectively. See the "Non IFRS Measures" section.

During Q2 2023, the Company and Concord entered into an amendment agreement to the revolving working capital facility to extend the term for three years from the mill restart date, upon satisfaction of certain conditions.

On October 28, 2022, the Company and its key financing partners closed a financing package (the "Restart Financing Package") to support the Restart Plan and settle certain outstanding liabilities. As at June 30, 2023, the Company had received all of the committed funds from the Restart Financing

Package. Pala obligation under the backstop commitment, provided under the Restart Financing Package, was satisfied through its participation in the 2023 Unit Offering.

On May 30, 2023, the Company completed the 2023 Unit Offering, whereby it issued 196,038,400 Units of the Company for aggregate gross proceeds of approximately \$38.9 million. Refer to the "Business Development" section of this MD&A for details.

Also, on May 9, 2023, the Company, Pala, Mercuria and Triple Flag entered into the 2023 Financing Package Agreement. The Company received \$20.5 million during Q2 2023 in accordance with the 2023 Financing Package Agreement. Refer to the "Business Development" section of this MD&A for details.

The ability of the Company to complete the Restart Plan is dependent on the remaining funds expected to be received in the 2023 Financing Package Agreement. There can be no assurance that the Company will be able to complete the Restart Plan of the Underground Mine in accordance with the Company's timing and cost expectations, resume concentrate production and sales in line with current timing estimates, and satisfy the applicable terms and conditions required to draw the remaining available amounts under the 2023 Financing Package Agreement. The foregoing gives rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

## **Cash Flow**

### *Quarterly cash flow*

During Q2 2023, cash used in operating activities was \$17.1 million compared to \$12.6 million used during Q2 2022.

Cash used in investing activities during Q2 2023, was \$13.4 million compared to \$14.9 million used in Q2 2022.

Financing activities during Q2 2023 provided \$56.1 million, compared to \$18.6 million for Q2 2022.

During Q2 2023, financing activities consisted of the draw of the remaining \$10 million available under the KfW Tranche A-2 Loan, the receipt of approximately \$38.9 million received through the 2023 Unit Offering, \$5 million received from the exercise of the Mercuria 2022 Warrants and \$5.5 million received from Pala pursuant to the promissory notes.

### *Year to date cash flow*

During the six months ended June 30, 2023, cash used in operating activities was \$28.4 million compared to \$28.0 million used during the six months ended June 30, 2022.

Cash used in investing activities during the six months ended June 30, 2023, was \$27.3 million compared to \$37.4 million used in the six months ended June 30, 2022.

Financing activities during the six months ended June 30, 2023 provided \$69.9 million, compared to \$17.6 million for the six months ended June 30, 2022.

During the six months ended June 30, 2023, financing activities consisted of, other than the financing activities explained in "Quarterly cash flow" section above, the draw of \$15 million under the KfW Tranche A-2 Loan.



## COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at June 30, 2023, the Company had the following consolidated obligations (expressed in thousands of United States dollars):

Contractual obligations	Payments due by period				
	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
<b>Total obligations</b>	<b>\$325,733</b>	<b>\$83,109</b>	<b>\$71,305</b>	<b>\$68,677</b>	<b>\$102,642</b>

The Company's cash and cash equivalents balance and the remaining capital available to the Company under the 2023 Financing Package Agreement (Refer to the "Business Development" section of this MD&A for details) is expected to be sufficient to complete the Restart Plan. However, there can be no assurance that the Company will be able to complete the Restart Plan of the Underground Mine in accordance with the Company's timing and cost expectations, resume concentrate production and sales in line with current timing estimates, and satisfy the applicable conditions applicable conditions required to draw the remaining available amounts under the 2023 Financing Package Agreement.

## RELATED PARTY TRANSACTIONS

Pala is a related party to the Company because of its significant shareholding (approximately 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 Company's credit facility with Pala, the Company accrued interest of \$5.0 million (2022 - \$1.9 million) and added nil (2022 - \$1.9 million) to the principal amount of the credit facility.
- The Company received \$5.6 million pursuant to the various promissory notes and accrued interest of \$0.1 million. During the six months ended June 30, 2022, the Company received \$11.5 million pursuant to promissory notes and accrued interest of \$0.04 million on the 2022 Promissory Notes.
- The Company recognized an expense of \$0.7 million (2022 - \$0.4 million) for guarantee fees and nil (2022 - \$0.1 million) for technical and other services.
- The Company received \$8.3 million from Pala, its share of the drawdown under the KfW Tranche A-2 Loan.
- Pala purchased 108,442,714 Units in the 2023 Units Offering for aggregate gross proceeds of approximately \$21.5 million.

- Pala exercised 398,723,212 common share purchase warrants resulting in the settlement of principal debt and accrued interest amounting to \$76.1 million payable to Pala under the credit facility with Pala.

As of June 30, 2023, the Company owed Pala \$0.9 million (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 to the Company because of its significant shareholding (approximately 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 \$8.3 million 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 aggregate proceeds of approximately \$5.0 million.
- Mercuria exercised 25,848,465 common share purchase warrants of the Company for the exercise proceeds of \$5.0 million in cash.

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 (expressed in thousands of United States dollars):

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

## LEGAL

There are no material active litigation or regulatory enforcement proceedings as to the Company.

As to historical actions, during Q2 2023, the Company made the final payment of \$1.2 million to Sedgman USA Inc. ("Sedgman") relating to a prior dispute and, in June 2023, Sedgman and the Company filed a stipulation to the state district court to dismiss all claims. Accordingly, the Court issued an order dismissing the action and releasing the attached bond.

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

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

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

The Company continually reviews and enhances its systems of controls and procedures. However, because of the inherent limitation in all control systems, management cautions that ICFR will not prevent or detect all misstatements due to error or fraud. There have been no significant changes in the Company's internal control over financial reporting during the three and six months ended June 30, 2023, that materially affect or are reasonably likely to materially affect the Company's internal control over financial reporting.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **CRITICAL ACCOUNTING ESTIMATES**

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The Company’s significant accounting policies are presented in Note 2 of the Company’s audited Consolidated Financial Statements for the year ended December 31, 2022. The preparation of Consolidated Interim Financial Statements in accordance with IFRS requires management to establish accounting policies and to make judgements, estimates and assumptions that affect both the amount and timing of assets, liabilities, income and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

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

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

- Mineral reserve and resource estimates
- Recoverable amount of mineral properties, plant and equipment
- Fair valuation of warrants

## FINANCIAL INSTRUMENTS

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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.

a) Market risks:

i) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The KfW IPEX-Bank Facility, the working capital facility with Concord and the credit facility with Pala 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 +/- \$0.9 million 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\$1.3 million (2022 - C\$0.02 million) 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\$1.3 million (2022 - C\$0.8 million) in accounts payable. A +/- 10% change in the Canadian exchange rate would have had an immaterial impact for the six months ended June 30, 2023.

b) 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.

c) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, reclamation bond, and amounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents in high quality Canadian chartered banks. The Company's maximum exposure to credit risk is \$33.2 million as at June 30, 2023 (2022 - \$18.9 million), being the carrying value of cash and cash equivalents, restricted cash and amounts receivable.

d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. 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 (including additional financings, if required) 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.

## RISKS AND UNCERTAINTIES

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The Company and its future business, operations and financial condition are subject to various risks and uncertainties, including due to the nature of its business and the present stage of development of its mineral properties. Risks and uncertainties are described in this MD&A and under the heading "Risk Factors" in the AIF, which is available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

### *Financing the ramp-up of the Underground Mine*

The ability of the Company to complete the Restart Plan is dependent on the remaining funds expected to be received under the 2023 Financing Package Agreement. However, the Company may require further funding in addition to these funds to complete the ramp-up of the Underground Mine, including due to cost overruns, delays, inflationary pressures and other factors. If further funding is required to complete the ramp-up, there can be no assurance that the Company will be able to obtain such financing on terms favourable to the Company or at all.

The ability of the Company to complete the ramp-up of the Underground Mine is dependent on, among other things, results from operations, progress in accordance with the Company's timing and cost expectations, an increase in concentrate production and sales and favourable copper market conditions. There can be no assurance that these requirements will be achieved.

If the requirements described in the paragraphs above are not achieved or other material adverse events or delays occur, in the absence of sufficient financing being arranged, the Company may not be able to complete the ramp-up of the Underground Mine or continue to carry on business in the ordinary course. This may result in, among other things, the Company's secured lenders enforcing their security over the Company's assets.

### *Restart of operations at the Underground Mine*

In addition to challenges associated with restarting mining activities at the Underground Mine, the restart process is by its nature subject to a variety of operational and technical risks associated with mining projects, including with respect to mine planning as described below. See “Risk and Uncertainties”. As a result, there can be no assurance that the restart process will progress on the currently expected timeline or within expected cost parameters. It is common for projects in the restart phase to experience unanticipated problems and for there to be unexpected costs associated with delays. Delays in restart will likely impact the Company’s revenue and cash flow. There are a number of risks and challenges associated with restart, including unforeseen geological formations, the implementation of new mining and recovery processes, unexpected geotechnical conditions, and the underlying characteristics and quality of mineralogy of deposits. In addition, any delay in performance by the Company’s contractor will delay the completion of restart at the Underground Mine and may result in additional costs being incurred by the Company beyond those already incurred and budgeted.

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

The Company has been working to complete the final crossing of a water-bearing dike structure. While the first and second crossings have been completed, the third crossings has not yet been successfully completed. The dike crossings have delayed the progress of development towards the EN Zone and resulted in increased costs.

### *Mine Planning*

In 2022, the Company utilized Wood to review and revise the development and mine plan. The new Wood plan is the basis for the Restart Plan.

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

## **OUTSTANDING SHARE DATA**

As of August 10, 2023, there were 1,347,868,184 common shares of the Company issued and outstanding, 10,592,775 share options outstanding, 12,475,327 deferred share units outstanding, 30,050,168 restricted share units outstanding, 3,864,323 performance share units outstanding and common share purchase warrants outstanding as per the table below:

<b>Warrant Tranche</b>	<b>Number outstanding</b>	<b>Exercise Price [C\$]</b>
2023 Unit Offering	98,019,200	\$0.3400
Credit Facility Warrants	15,000,000	\$0.8553
Triple Flag Warrants	1,500,000	\$2.2500
Mercuria 2022 Warrants	101,871,535	\$0.2592
<b>Total</b>	<b>216,390,735</b>	

## NON-IFRS MEASURES

The Adjusted Working Capital Deficit is a Non-IFRS financial measure included in this MD&A to supplement the Company's financial statements which are presented in accordance with IFRS. The Company believes that these measures provide investors with an alternate view to evaluate the liquidity of the Company. Non-IFRS financial measures do not have any standardized meaning prescribed under IFRS. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following table provides a reconciliation of working capital per the financial statements to the Adjusted Working Capital Deficit (expressed in thousands of United States dollars):

<b>Adjusted Working Capital Deficit</b>	<b>As at June 30, 2023</b>	<b>As at December 31, 2022</b>
Working capital deficit per financial statements (refer table in section "Liquidity and going concern risk" above)	\$(36,170)	\$(42,382)
Adjustments		
Non-cash Warrant derivative liability	\$7,654	\$9,309
<b>Adjusted working capital deficit</b>	<b>\$(28,516)</b>	<b>\$(33,073)</b>

## FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws. All statements in this MD&A, other than statements of historical facts, are forward-looking statements. Such forward-looking information and forward-looking statements specifically include, but are not limited to, statements and information that relate to: financing requirements; the need for additional funding; Nevada Copper's plans for the Project, including the Restart Plan; the Company's mine development, production and restart plans and activities (including as may be affected by ongoing future technical work) and the expected timing, costs and results thereof; expected commencement of positive cash flow from operating activities; the ongoing and future exploration activities and the objectives and results thereof; future ore and concentrate production rates; and the other plans of Nevada Copper with respect to the exploration, development, construction and commercial production at the Project.

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

Such risks and uncertainties include, without limitation, those relating to: the potential need for additional capital and no assurance can be given regarding the availability thereof; the ability of the Company to complete the restart and ramp-up of the Underground Mine within the expected cost estimates and timeframe; the state of financial markets; history of losses; dilution; adverse events

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