



NEVADA COPPER CORP.

2011 ANNUAL REPORT

NEVADA COPPER CORP.
Management's Discussion & Analysis
For the year ended June 30, 2011, as of September 26, 2011

General

This Management's Discussion and Analysis ("MD&A") of Nevada Copper Corp. (the "Corporation" or "Nevada Copper") has been prepared by management as of September 26, 2011 and should be read in conjunction with the Corporation's audited annual financial statements and related notes for the year ended June 30, 2011. All amounts are expressed in Canadian Dollars unless otherwise indicated.

Description of Business

Nevada Copper Corp. (the "Corporation" or "Nevada Copper"), is a development stage mining company engaged in the exploration and development of the Pumpkin Hollow copper project.

Nevada Copper was incorporated on June 16, 1999 under the Business Corporations Act of the Yukon as African Venture Corporation and changed its name to Astron Resources Corporation on July 26, 1999, and subsequently to Nevada Copper Corp. on November 16, 2006. The Corporation's common shares are listed on the Toronto Stock Exchange ("TSX") under the NCU symbol.

The principal asset of the Corporation is a 100% interest in the Pumpkin Hollow property located in north-western Nevada, approximately one hundred miles southeast of Reno. The property is located within a contiguous 22 square mile land package held by the Corporation comprised of patented and unpatented claims.

Pumpkin Hollow Project

Since acquiring the advanced stage Pumpkin Hollow property located in Nevada, the Corporation has embarked on a program to advance the project towards definitive feasibility. During 2007, a 19,000 meters drill program was completed and in November 2007 the Corporation completed an updated independent National Instrument ("NI") 43-101 compliant resource estimate with copper and iron resources increased while adding gold and silver to the overall resource. On March 17, 2008 the Corporation completed a 43-101 compliant Preliminary Economic Assessment (the "PEA") of its Pumpkin Hollow property. The PEA was filed on SEDAR on April 3, 2008.

The Corporation completed the 2008 drilling program which totaled over 26,000 meters of resource, geotechnical and hydrological drilling and 16,000 meters of re-assaying the historic drill core.

An updated NI 43-101 compliant resource estimate was completed in July 2009 adding significant copper, gold and iron resources and showing substantial increase in the Measured and Indicated categories. As a result of the significant increases in the updated resource estimate, the Corporation updated its PEA in December 2009 with a phased mine development approach which largely reduced the initial capital costs creating a project which would be resilient to lower copper prices while still allowing for the transition to the large integrated open pit-underground operation. The updated PEA was filed on SEDAR on January 13, 2010. The initial capital costs were reduced to approximately 25% of that required for a larger 60,000 tons per day integrated open pit-underground operation.

During December 2009, the Corporation announced the commencement of a Pre-Feasibility Study. On November 2010, the Corporation announced that it was proceeding directly to a Definitive Feasibility Study ("DFS") with all pre-feasibility engineering work to be incorporated into the DFS. This decision was based on the success of the delineation drilling program and the substantial progress made in feasibility-related engineering studies. The results of drilling, metallurgical and geotechnical programs will contribute to the DFS, which will also include an updated resource estimate reflecting the result of the 2010 drilling program of approximately 50,000 meters.

Definitive Feasibility Study

The DFS is being prepared by Tetra Tech Inc., and based upon an updated resource, trade off studies, preliminary economic assessments and prefeasibility-related engineering work Nevada Copper elected to proceed directly to definitive feasibility in November 2010.

The updated mineral resource estimate incorporated a further 50,000 meters of resource delineation drilling program completed in 2010. Management of the Corporation determined that, while the updated mineral resource was a milestone towards commencing a DFS that in the context of an update to the mineral resource was not considered to be material to the Corporation. As the overall global in-situ copper mineral resource and grades (in all categories) had not significantly changed from the previous resource estimate there was no requirement to complete a National Instrument 43-101 compliant technical report.

The DFS was initially focussed on a Phased Development approach (“**Phased Development Plan**”) with an underground mine developed first and feeding a 7,500 tons per day mill, followed by construction of an open pit operation and a separate 60,000 tons per day (“tpd”) mill.

On September 19, 2011, the Company announced a proposed land transfer described in detail below, and as a result Nevada Copper elected to expand the scope of its DFS to include an integrated operation that includes both an open pit and underground mine feeding a single large nominal 60,000 ton per day mill (“**Integrated Operation**”). The Integrated Operation is expected to result in lower capital requirements by elimination of the smaller 7,500 ton per day mill and the related duplicate infrastructure, and lower operating costs due to a simpler more efficient operation.

Land Transfer from the Bureau of Land Management (“BLM”)

The City of Yerington and Lyon County, in cooperation with Nevada Copper will be moving forward with a transfer of Bureau of Land Management administered federal lands to the City of Yerington. This land transfer would both expand economic development opportunities for the City and accelerate the permitting timeline of the Pumpkin Hollow project under a local and State permitting process with production targeted to commence in 2015. Without the land transfer, the Integrated Operation could be permitted and developed under a federal and state permitting process with production targeted to commence in early 2017.

Over the past four years, management had been advancing discussions with the City of Yerington (“City”) for a plan that considers a proposal to transfer 11,630 acres of Bureau of Land Management (“BLM”) administered land to City control. The City and Lyon County have both indicated formal support for this proposal, along with indications of support from the State of Nevada and its congressional delegation (see September 19, 2011 News Release).

These 11,630 acres proposed for transfer are adjacent to, and contiguous with, the City boundaries and encompasses the Pumpkin Hollow project area. Of this land, 3,800 acres, over which the Nevada Copper already has valid unpatented mineral claims, surrounds the Company’s 1,560 acres of existing private patented land. The City would make this additional land available to Nevada Copper to consolidate its mineral land package. This consolidated package of 5,360 acres of mineral claims would allow for a single State and local permitting process for the combined underground and open pit operations, and for concurrent development of both projects, once permits are granted. The Integrated Operation would receive permits faster under the State process, leading to a production start in 2015, which would be two years earlier than under a complex dual State and Federal process for a Phased Development Plan.

The remainder of the lands to be transferred (7,830 acres) would be set aside for general industrial, mining, commercial and renewable energy development multi-purpose recreational and open space buffer.

Project Development Plans

For purposes of the DFS currently underway, Nevada Copper initially elected to evaluate the Phased Development Plan build-out to allow for earlier production from an underground operation located entirely on private, patented claims. The earlier Phase 1 underground mine and mill operation could be developed on its own and would not be dependent upon subsequent phases of the project. A subsequent Phase 2 would involve two open pits and a second larger mill, which would require additional environmental design, amendments to local and State permits and Federal approvals. Under the phased plan, the stand-alone underground project could be in operation as early as late 2014 while additional environmental studies are performed to secure Federal approvals for Phase 2. The following sections describe both the Integrated Operation and Phased Development plan.

Integrated Operation

The Integrated Operation is now the preferred development option. This development plan includes an underground and an open pit mine permitted and constructed concurrently to allow for production to come on stream together. The timeline established for the State and Federal permitting process results in a projected 2017 production start. A successful land transfer means only State and local permitting is required, and an earlier production start of 2015 is projected. The Integrated Operation is expected to result in significantly reduced capital costs and lowered overall operating cost due to the elimination of the smaller mill, the elimination of duplicated infrastructure, and the lowering of operating costs due to the efficiencies of a single large mill facility. If the land transfer is successful, it will also potentially allow for production start two years earlier, in 2015.

Further metallurgical test work is required to confirm process throughputs and mill recoveries from the blended ore stream. The expanded DFS will incorporate this additional work.

Phased Development Plan

Phase 1 - Underground Operation on Private Land

- Phase 1 development includes a nominal 7,500 ton per day mine/mill operation with ore feed from the high grade East and E2 underground deposits. Phase 1 mining and milling rates will be optimized and determined as part of the DFS.
- Phase 1 operation is expected to have a small environmental footprint with the development contained entirely within private patented mining claims - requiring State and County permits only (no Federal permits). The Nevada Division of Environmental Protection (“NDEP”) has finalized the three permits needed to commence development of underground access to the Eastern deposits of the Project. This access will then be further developed for possible future mining as the project advances. The Corporation has posted a US\$505,915 reclamation bond as a part of the permitting process. Final permits for the Phase 1 development are expected to be received by the fourth quarter of 2012.
- Phase 1 include plans for the ore from the East and E2 deposits to be transported to surface by two vertical shafts – one to each of the deposits, which will also be linked underground by a conveyor-equipped decline. Compared to access via a decline, this configuration allows for the earliest possible access to the ore zones, maximizes operational flexibility and minimizes the potential for cost overruns due to any adverse near-surface ground conditions.

Phase 2 - Open Pit Mine/Mill on Private and BLM Land

- A Phase 2 expansion includes a 60,000 tons per day open pit mine feeding a separate mill facility with grind size optimized for maximum copper recovery from the open pit ores. Phase 2 mining and milling rates will be optimized and determined as part of the Definitive Feasibility Study. The mining sequence will likely start with pre-stripping of the North Deposit and move later towards the coincident mining of both the North and South Deposits.
- Phase 2 would require BLM Plan of Operations and an Environmental Impact Statement since the project would extend onto unpatented claims held by Nevada Copper on BLM lands. Phase 2 development timeline allows for more time for detailed engineering and environmental design associated with the larger open pits, mine rock storage facilities, tailings storage facilities and the groundwater studies needed to support County, State and Federal permitting.

Phase 2 approvals are expected to be received approximately 27 months after submission of a complete BLM Plan of Operations. The BLM Plan of Operations is targeted for submission in Q3 of 2012.

Projected Copper Production

Annual copper production for the Phased option is for Phase 1 underground operation, based on previous studies, is expected to be up to 120 million pounds with a life-of-mine average of approximately 90 million pounds at full production, including underground and Phase 2 open-pit copper production profiles to build at approximately the same time. The DFS will confirm an actual annual copper production schedule based on the mining rates and grades from open pit and underground operations, sequencing of production from these operations, the blended mill feed grades, and the mill throughput and metal recoveries determined by some additional process test work.

Other key elements of the DFS are summarized below:

- **Water Rights.** Subsequent to June 30, 2011, the City of Yerington has amended an existing water service agreement with the Corporation to provide for additional water for the Project. The amended agreement brings the total water volumes available from the City of Yerington and other sources to 4,224 acre-feet, which considerably exceeds the expected net water requirements of the Project.
- **Tails Storage.** For maximizing the water recycling and minimizing overall water usage, dry stacked/dewatered tailings has been selected for long term tailings storage.
- **Power Supply.** For the Integrated Operation, all power would be brought from a single high voltage power line located 5 miles east of the Project. For a phased development, Phase 1 would upgrade of existing lines and substations from the town of Yerington followed, for Phase 2, by the line accessing the high voltage line described above. Energy availability in the area comes from the NV Energy's Fort Churchill gas-fired power plant 10 miles north of Yerington.
- **Concentrates Transportation.** Copper concentrates are to be transported by truck to a rail loading facility located close to Yerington and then by Union Pacific rail to a west coast port. Direct truck-to-port transportation is being evaluated as a backup in times where there may be rail disruptions. The overall transportation plan has been developed by specialist consultants and will be incorporated into the DFS.
- **Segregated Magnetite Tailings.** The current process flow sheets do not require magnetic separation of magnetite before the copper flotation circuits. Future studies will determine whether the magnetite tails and the high grade magnetite mined as open pit waste rock can be processed for sale as a magnetite product. Nevada Copper anticipated initiating further studies starting later in 2011 and 2012 to determine how best to extract value from this considerable high grade iron resource.
- **Advanced Underground Exploration Permits.** The Nevada Division of Environmental Protection ("NDEP") finalized the three permits needed to move forward on the advanced underground exploration work of the project. These are:
 1. Water Pollution Control Permit for underground development and storage of mine rock on the surface;
 2. Second Water Pollution Control Permit for dewatering and re-infiltration of the groundwater that is pumped from underground workings; and,
 3. Reclamation permit.
- **Groundwater from dewatering must be re-infiltrated** until any future mining and processing begins, at which time water will be used in any future operations, subject to the recommendations of the Definitive Feasibility Study ("DFS") due for delivery at the end of December 31, 2011. Lyon County had previously issued the Special Use Permit for Advanced Exploration in October 2010.

Shaft Construction

Shaft diameters, depth, initial geotechnical ground support requirements have been determined. The shaft bid packages have been sent out to bidders and preliminary responses received. Evaluation of equipment needs for shaft construction has also begun in conjunction with the potential shaft bids. Selection of a hoist will start with an assessment of the availability of used and new hoist equipment, equipment to be supplied by the shaft contractor, timelines for the supply of equipment, and an evaluation of options to establish a temporary hoist and head frame, or a permanent production hoist and head frame. Actual shaft sinking is expected to begin in Q1 of 2012 following final contractor negotiations and selection. Mobilization, required site upgrades, and shaft sinking will take approximately 24 to 36 months.

Mining

The Whittle open pit mine designs are complete. Work continues on location of the in-pit crusher, truck haul profiles and productivities. Underground detailed mine designs, including paste backfill systems, are largely complete. Testing of paste backfill sample mixtures and strengths is ongoing. Paste backfill plant locations and delivery systems are well advanced. Mine equipment selection, including capital and operating costs is largely complete. The open pit ore mining schedules and equipment selections may be modified, as part of the expanded scope of the DFS, in order to accommodate the underground ore stream to the mill facility.

Process

Crushing and grinding test work has been completed and design criteria were established for equipment selection. Wardrop Engineers, a Tetra Tech subsidiary, is providing process design services for the DFS. Some additional test work is required as part of the expanded DFS scope and it is possible that process equipment sizes may be modified for a blended underground/open pit ore stream.

Civil, Surface Geotechnical and Tailings

Preliminary layouts of a dry stack tailings storage facility (TSF) for the combined Integrated underground and open pit developments have been prepared. The combined TSF footprint has been sized to store 100% of the tailings produced for the life-of-mine. Geotechnical laboratory testing of tailings samples is largely completed. The test results will be used to refine stability analyses for the TSF and for water flow modeling. Tailings are delivered to the TSF by a conveyor tailings delivery system.

Construction Management

Nevada Copper has engaged Merit Consultants International Inc. ("Merit") to provide pre-construction services in support of advancement of the Project. Merit focuses on mine construction management and has extensive worldwide experience in this specialty, including shaft sinking. Initially, their work will concentrate on the critical shaft sinking activity, and include:

- Preparing a request for proposals ("RFP") for the advanced exploration, underground development work including the review and analysis as well as award recommendation;
- Identify and coordinate with a head frame consultant for the identification of a permanent hoist;
- Working with the selected underground contractor to set up the work program and prepare for construction as early as possible;
- Review design drawings for constructability for the head frame and winch buildings;
- Other work including concrete and QA/QC specifications and supply; and,
- Establish a cost control system that will take the DFS costs and convert them to a workable budget for site use in reporting costs.

Merit will also review the DFS capital cost estimates developed by Tetra Tech and develop a detailed project implementation timeline including key project milestones.

Step out Drilling Program

The Corporation started a new 20,000 meter step out and expansion drilling program in December 2010 of which thirty drill holes for a total of 16,700 meters has been completed. Currently three drill rigs are on the project with the program expected to finish the remaining 3,300 meters of drilling in the fall of 2011.

The 2011 resource drill program is focused on expansion and step-out drilling around the known deposits as well as other targets within the claim block and include:

- The North Deposit continues to have multiple areas of open mineralization. The areas include: the lower stacked mineralization area, the north and northwest areas, and the open mineralization along the eastern and southeastern edge of the deposit.
- The South deposit drilling will focus on expanding mineralization in two areas: along the northern and northeastern boundary of the South Deposit and the deeper center core. Open lower grade mineralization (0.20% -0.80% Cu) is found within hornfels and endoskarn along the northern edge of the deposit. This target area falls within the proposed pit boundary and could have a positive impact on the pit economics.
- The East Deposit remains open in several directions. Within the deposit there are several recognized higher grade trends. The trend in the northern part of the deposit while thinning extends to the east and west. The southwest portion of the deposit is also open and contains wide spaced holes with high grade mineralization.
- Drilling in the E-2 deposit will focus on extending the mineralization down dip and mineral zoning target to the northeast.
- Section 11 mineralization is very similar in both character and depth to the E-2 Deposit and is thought to be a faulted off extension. Most of the previous holes were drilled below the mineralized horizon in the footwall.
- The BC and eastern targets are located on BLM ground a little over a mile east of the East and E-2 deposits. Detailed ground magnetic surveys have been completed and surface mapping and sampling is ongoing. Skarn altered limestone with visible oxide copper mineralization crop out and is coincident with weak magnetic and IP anomalies.

Funds have been budgeted for several other targets within the claim block. The targets require additional geologic data compilation and data review before drill holes can be proposed.

More detailed information can be found in the Corporation's News Releases filed on www.sedar.com

Project Expenditures

Project expenditures capitalized as of June 30, 2011 and 2010 consisted of the following:

Description	June 30,	2010	June 30,	2011	June 30,
	2009	Expenditures	2010	Expenditures	2011
	\$	\$	\$	\$	\$
Property payments	603,605	332,800	936,405	348,830	1,285,235
Water rights	212,680	249,002	461,682	189,351	651,033
Exploration	3,017,533	852,680	3,870,213	1,247,225	5,117,438
Engineering and feasibility related studies	1,951,827	1,359,156	3,310,983	5,466,893	8,777,876
Drilling	11,598,292	6,823,207	18,421,499	3,897,870	22,319,369
Definitive feasibility	-	-	-	4,005,735	4,005,735
Permit/Environmental	337,374	37,573	374,947	548,727	923,674
Equipment	194,417	17,822	212,239	-	212,239
Property Caretaking	119,819	58,936	178,755	86,864	265,619
Asset retirement obligation	-	-	-	56,000	56,000
Amortization	75,897	48,915	124,812	41,510	166,322
Stock-based compensation	-	-	-	781,458	781,458
Administration	267,124	92,805	359,929	325,361	685,290
Total	18,378,568	9,872,896	28,251,464	16,995,824	45,247,288

As discussed in the previous sections, a significant amount of work has been put into the project. The Corporation has invested \$16,995,824 in 2011 compared to \$9,872,896 in 2010. The focus of the work has changed from drilling, preliminary economic analysis and pre-feasibility work in the fiscal year 2010 to definitive feasibility work and the associated detailed engineering and geological work in the fiscal year 2011.

Exploration expenses include geological consulting work. More detailed work of approximately \$1,210,000 was needed in 2011 for the DFS compared to \$780,000 in 2010 for the other studies.

Engineering expenses include several different areas but included geotechnical and hydrological drilling. In 2011, these expenses totaled approximately \$4,100,000 compared to \$nil in 2010.

Drilling expenses in 2010 were mainly for a 50,000 meter drilling program. In fiscal year 2011, drilling costs included approximately \$1,635,000 of costs for the same program. The 2011 costs also included approximately \$2,265,000 of costs for the 20,000 meter step out program for the planned open pit areas.

The Definitive Feasibility study commenced in December 2010 and is targeted for completion by December 31, 2011.

Permit and environmental costs in 2011 of \$548,727 were up significantly from 2010. Significant costs were spent on consultants and technical studies to satisfy the permit applications to the NDEP. Permits were granted for advanced development underground exploration in 2011.

A portion of the stock-based compensation expense relating to individuals that work directly on the technical aspects of the mineral property have been capitalized.

Administration costs of \$325,361 were higher resulting from extra legal work to assist the Corporation with permit applications and land registry issues as well as included increased project administration for on-site activity.

Qualified Person

The Project is under the supervision of Gregory French, CPG#10708. Mr. Robert McKnight, P.Eng. and Mr. French are both Qualified Persons as defined in Canadian National Instrument 43-101 and are responsible for the preparation of the technical information in this document.

Selected Annual Information

The following table sets forth selected consolidated quarterly and annual financial information of the Corporation for and as of the end of the last three fiscal years. The selected consolidated annual financial information should be read in conjunction with the Consolidated Financial Statements of the Corporation.

	Year ended June 30,		
	2011	2010	2009
	\$	\$	\$
Net loss	(7,238,803)	(4,364,555)	(2,589,017)
Net loss per share	(0.13)	(0.10)	(0.06)
Total cash and cash equivalents	19,666,712	25,253,454	2,567,280
Working capital	16,909,514	22,069,402	2,263,278
Total liabilities	2,921,060	3,254,638	2,526,143
Total assets	65,785,539	53,771,885	21,172,451
Shareholders' equity	62,808,479	50,517,247	18,646,308

Results of Operations

	Three months ending		Year ending	
	June 30,		June 30,	
	2011	2010	2011	2010
EXPENSES				
General and administration	594,281	250,261	1,604,452	1,203,213
Business development	107,003	37,280	272,808	110,612
Stock-based compensation	(711,630)	1,935,000	5,554,860	2,917,600
	<u>(10,346)</u>	<u>2,222,541</u>	<u>7,432,120</u>	<u>4,231,425</u>
OTHER				
Interest income	66,602	27,480	329,465	44,548
Foreign exchange gain (loss)	(7,787)	6,794	41,628	155,520
Interest on convertible debenture	-	(43,390)	(69,703)	(148,484)
Debenture accretion expense	-	42,481	(108,073)	(184,714)
	<u>58,815</u>	<u>33,365</u>	<u>193,317</u>	<u>(133,130)</u>
NET LOSS (PROFIT)	<u>(69,161)</u>	<u>2,189,176</u>	<u>7,238,803</u>	<u>4,364,555</u>

For the three months ended June 30, 2011

For the three months ended June 30, 2011 (the “fourth quarter”), the Corporation had a net profit of \$69,161 or \$0.00 per share compared to a net loss of \$2,189,176 or \$0.04 per share with the corresponding period of 2010. The most significant component for the difference was related to stock-based compensation of \$1,935,000 in 2010 compared to a credit of \$711,630 in 2011. The difference is due to different timing of the stock-based awards in fiscal 2011 and 2010 and a reclassification of stock-based compensation to mineral property expenditures in 2011 for the expenses related to individuals directly working on the mineral project. See discussions below on annual comparisons of stock based compensation. General administrative expenses for the three months ending June 30, 2011 increased from \$250,261 in 2010 to \$594,281 in 2011. The increase was due to the hiring of a senior officer , increased business activity and personnel, , management bonuses and the capitalization of expenses to share issue costs in 2010 for the activity related to that period’s financings. Business development costs of \$107,003 for the three months ending June 30, 2011 were higher than the 2010 comparable period \$37,280 which was the result of management looking at business and financing opportunities as the current business plan progresses.

For the three months ended June 30, 2011, the Corporation incurred \$6,764,522 of expenditures on the Mineral Property. Approximately \$1.2 million related to the 2011 step out drilling program, \$780,000 related to capitalized stock-based compensation and the remainder related to work on the DFS and permitting.

For the year ended June 30, 2011

For the year ended June 30, 2011, the net loss of \$7,238,803 was higher than the net loss of \$4,364,555 of the previous year. The largest component for the difference was stock-based compensation of \$5,554,860 (2010 – 2,917,600). The Company issued 1,665,000 stock options during 2011 fiscal year compared to 1,445,000 during 2010. The increase in compensation is directly related to the Black-Scholes valuation model and how it calculates the value of options issued.

General administrative expenses increased by \$401,239. The main increase in this category occurred in the fourth quarter of 2011. The difference is explained above. Legal expenses during the year ended June 30, 2011, were higher resulting from an increase in the number of transactions undertaken or contemplated by the Company, reviews of the Corporation’s governance policies, stock option policies and general corporate matters.

Business development activities increased in the third and fourth quarter of fiscal year 2011 as the Pumpkin Hollow project moved through its definitive feasibility study. The Corporation investigated business and financing

opportunities as they arose. Expenses in 2011 included trips to Europe and Asia. Some of the activity resulted in the bought deal equity financing which was announced and closed subsequent to June 30, 2011.

Foreign exchange gains in 2011 were less than in 2010. The Corporation purchased US dollars in December 2010 but did not spend them until April 2011. The US dollar devalued against the CDN dollar during that period which resulted in a foreign exchange loss of \$128,143 being recorded in the quarter ending March 31, 2011

Interest income was higher in 2011 from holding larger cash balances throughout the year resulting from the financing that closed in the fourth quarter of 2010 and the exercising of warrants and options during the 2011 fiscal year.

Interest expense and accretion on the convertible debenture was lower in 2011 resulting from the conversion of the debenture into shares in December 2010 which was halfway through the 2011 fiscal year compared to being expensed for the entire 2010 fiscal year.

Summary of Quarterly Results

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

(In thousands of dollars except amounts per share)	2011				2010			2009	
	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	
		\$	\$	\$	\$	\$	\$	\$	
Working capital	16,910	21,333	25,452	19,843	22,069	3,973	10,756	1,421	
Mineral properties	45,247	38,483	34,586	31,533	28,251	24,688	20,308	18,836	
Shareholder's equity	62,808	59,979	60,211	51,560	50,517	28,847	29,220	18,412	
Expenses	702	325	395	455	288	485	310	232	
Share-based comp.	(711)	4,303	1,963	-	1,935	983	-	-	
Net profit (loss)	69	(4,684)	(2,258)	(366)	(2,189)	(1,621)	(320)	(234)	
Net loss per share	0.00	(0.08)	(0.04)	(0.01)	(0.04)	(0.04)	(0.01)	(0.01)	

Liquidity and Capital Resources

The Corporation's working capital as at June 30, 2011, was \$16,909,514 compared with a working capital position of \$22,069,402 as at June 30, 2010. During the 2011 fiscal year, \$11,046,235 was received from the exercise of stock options and warrants (\$2,690,620 during the three months ended June 30, 2011). Mineral property costs for this period totalled \$16,995,824 (2010 - \$9,872,896) at the Pumpkin Hollow project.

The convertible debenture matured on December 25, 2010, and Zhongtiaoshan Non-ferrous Metals Group Co. ("ZTS") elected to convert the debenture to 2,012,800 of the Corporation's common shares. The interest accrued at a rate of 7% per annum totaling US\$210,000 and was paid by the Corporation in January of 2011. As part of the agreement, ZTS also received from the Corporation 100,000 share purchase warrants exercisable at a purchase price of CDN\$1.00 per share until January 6, 2011. ZTS also elected to exercise these warrants in January of 2011.

On November 3, 2009, the Corporation entered into an investment agreement (the "Agreement") with Capstone Mining Corp. ("Capstone") whereby the Corporation issued 4,500,000 shares and 2,250,000 share purchase warrants at a price of \$2.50 per share which generated gross proceeds of \$11,250,000 and incurred \$108,888 in issue costs. Capstone elected to exercise all its warrants in November, 2010 at \$3.00 per warrant which generated gross proceed of \$6,750,000.

On April 27, 2010, the Corporation closed a bought-deal private placement whereby 7,762,500 common shares of the Corporation were issued at a price of \$3.05 per share for gross proceeds of \$23,675,625. All securities issued in connection with the offering were subject to a four month hold period expiring August 28, 2010. Professional and regulatory fees totalling \$343,505 were incurred in connection with the financing. The Corporation paid \$1,420,538 cash and issued 465,750 share purchase warrants to an agent as commission. Each warrant is exercisable into one common share of the Corporation at a price of \$3.30 per share until April 27, 2012.

The combined financings in the year ending June 30, 2010 raised \$34,925,625 gross proceeds which was planned to be used in connection with the completion of the pre-feasibility study, development of the Pumpkin Hollow project after paying for share issue costs of \$1,872,931 (net \$33,052,694). As of June 30, 2011, the Corporation has spent approximately \$23,600,000 of the proceeds on the development and maintenance of the Pumpkin Hollow project and on its pre and definitive feasibility study.

Subsequent to June 30, 2011, the Corporation closed a common share bought deal equity financing ("Bought Deal Financing"). A syndicate of underwriters, led by Canaccord Genuity Corp. and Scotia Capital Inc., and including GMP securities L.P., Cormark Securities Inc., Macquarie Capital Markets Canada Ltd., Paradigm Capital Inc. Desjardins Securities Inc. and M Partners Inc. purchased an aggregate of 12,050,000 common shares of the Corporation at a purchase price of \$5.40 per common share for gross proceeds of \$65,070,000. The group of underwriters received a cash commission of \$3,578,850 and 301,250 broker warrants exercisable to purchase one common share of the Company at a price of \$6.00 up to August 2, 2013 and were granted an over-allotment option which was exercisable in whole or in part until September 1, 2011 to purchase an additional 1,807,500 common shares. None of the over-allotment options were exercised. The net proceeds from the financing will be used primarily to fund underground access, and the development and exploration of the Pumpkin Hollow deposit.

Working capital available as of June 30, 2011 along with the net proceeds from the Bought Deal Financing will be utilized to complete both the 20,000 meter resource expansion drilling program, the DFS, which is expected to be completed by the end of the fourth quarter of 2011, and the underground access for further underground development. Management believes that the Corporation has adequate funding to achieve its current business objectives and milestones.

Transactions with Related Parties

The Corporation shares certain premises and facilities with American Bonanza Gold Corp which has certain directors in common, under a cost sharing agreement. During the three and twelve months ended June 30, 2011, the Corporation incurred expenses of \$51,323 (2010 - \$37,500) and \$220,754 (2010 - \$144,000) respectively related to the shared premises. As of June 30, 2011, accounts payable and accrued liabilities include amounts owed to the same company of \$23,356 (2010-\$Nil).

As of June 30, 2011, accounts payable and accrued liabilities include a director fee payable of \$15,000 and an amount owing of \$10,800 to the Corporation's law firm, Axium Law Corporation, of which one of its partners serves as a director of the Corporation.

The Corporation entered into management agreements with certain members of senior management. In the event that there is a change of control, the Corporation is committed to pay severance payments equivalent ranging from one to three years of salary

Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Corporation and the related party.

Commitments

The Corporation entered into an Option Agreement to acquire a ten-year lease for mining rights (the "Lease"), effective May 4, 2006 and expiring May 4, 2016, to the Pumpkin Hollow Copper Development Property. The Corporation may extend the Lease for up to three additional terms of ten years each, subject to performing continuous mining activities, payment of advance royalty payments of at least US\$3,000,000 in the first ten-year term and payment of production royalties and minimum royalty payments of US\$10,000,000 in each subsequent ten-year term.

Under the terms of the Lease, the Corporation is required to make the following lease payments:

<u>Due Date</u>	<u>US\$</u>	
May 4, 2007	75,000	(Paid)
May 4, 2008	100,000	(Paid)
May 4, 2009	125,000	(Paid)
May 4, 2010	150,000	(Paid)
May 4, 2011	150,000	(Paid)
	<u>600,000</u>	

Following May 4, 2011, the Corporation is required to pay advance royalty payments of US\$600,000 annually until the expiry of the Lease on May 4, 2016. Total advance royalty payments under this obligation are US\$2,550,000. An additional US\$450,000 in advance royalties must be paid by May 4, 2016 to enable the Corporation to renew the lease term an additional 10 years for a total advance royalties payments of US\$3,000,000.

The Corporation is obligated to make exploration and development expenditures on the Property of at least US\$4,000,000 during the first three years of the Lease, with expenditures of at least US\$500,000 each year, and an additional US\$4,000,000 during the 4th through 6th years of the Lease, with expenditures of at least US\$500,000 each year. The Corporation fully satisfied these expenditure obligations by 2008.

Pursuant to the First Amendment to Lease Agreement to the Lease dated April 10, 2008, the Corporation agreed to acquire from the optionor of the Lease, certain water rights to consume a maximum of 724 acre feet of water for its mining operations on the Property in exchange for making 80 quarterly payments payable over a period of 20 years with US\$47,262 each from July 1, 2008 to April 1, 2028. At June 30, 2011, payments totaling US\$614,411 had been paid. The first Amendment to the Lease Agreement also contains provisions allowing the Corporation to accelerate and reduce the payments required.

In August of 2009, the Corporation entered into an agreement with the City of Yerington, Nevada to reserve 2,000 acre feet of water for a term of 30 years. As consideration the Corporation will pay to the City of Yerington annual reservation fees of US\$50,000 which reverts to user fees based on usage at US\$100 per acre foot for year 1 to year 15; US\$125 for year 16 to 20; US\$150 for year 21 to 25; and US\$175 per acre foot for year 26 to year 30. Subsequent to June 30, 2011, the Corporation amended its water service agreement to include additional water capacity of 1,500 acre feet of water under the same terms of the initial agreement for an additional fee of US\$37,500. The City of Yerington does have the right to terminate up to 500 acre feet in increments of 100 acre feet upon 6 months notice and the right to terminate up to 1,000 acre feet in increments of 100 acre feet upon one year's notice.

The Corporation has entered into a sublease for its corporate offices until November 29, 2013. The sublease payments are payable monthly and include a proportionate share of the operating expenses. As of June 30, 2011, the total commitment by the Corporation is estimated to be \$533,647 which is subject to a cost sharing agreement with a related party.

The Corporation also entered into management agreements with certain members of senior management as noted in Transactions with Related Parties. In the event that there is a change of control, the Corporation is committed to pay severance payments equivalent of one to three years of salary.

The following table sets forth the Corporation's known contractual obligations as at June 30, 2011:

	Payments due by period			
	Total	Less than	2-3 years	4-5 years
Contractual Obligations	\$	1 year	\$	\$
Lease Obligation – US\$ Payment on Pumpkin Hollow Property * (a)	2,550,000	150,000	1,200,000	1,200,000
First Amendment to Lease – US\$ Payment of water rights on property *(b)	2,387,253	189,050	378,099	1,820,104
City of Yerington – US\$ Payment of advanced water service payments* (c)	250,000	50,000	100,000	100,000
Total US\$ obligations	5,187,253	389,050	1,678,099	3,120,104
Accounts payable and accrued liabilities	2,921,060	2,921,060	-	-
Office Lease	533,647	218,464	315,183	-
Less: office sharing agreement	(266,823)	(109,232)	(157,591)	-
Total CDN\$ obligations	3,187,884	3,030,292	157,592	-

- (a) See above for renewal terms.
- (b) The commitment in the table is the amount owing if the Corporation does not renew the Pumpkin Hollow property lease. The Corporation can pay quarterly instalments to the lessor if the lease is renewed. See above for details of the payment schedule.
- (c) Subsequent to June 30, 2011, the Corporation amended its water service agreement with the City of Yerington to include additional water capacity. The additional water will add US\$37,500 a year to the Corporation's obligations.

* The amounts are stated in the currency in which they are payable.

Off-Balance Sheet Arrangements

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

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer (the "CEO"), and the Chief Financial Officer (the "CFO") of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures ("DCP") including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Corporation 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 issue 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 to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with Canadian generally accepted accounting standards, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The relatively small size of the company makes the identification and authorization process relatively efficient and a process for reviewing ICFR has been developed. To the extent possible given the Corporation's small size, the internal control procedures provide for separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, writing checks and wire requests and also require two signers on all payments.

The CEO and CFO evaluated the effectiveness of the Corporation's DCP and ICFR as required by National Instrument 52-109 issued by the Canadian Securities Administrators. They concluded that as of June 30, 2011, the Corporation's design and operation of its DCP and ICFR were effective in providing reasonable assurance that material information regarding this report, and the annual consolidated financial statements and other disclosures

was made known to them on a timely basis and reported as required and that the financial statements present fairly, in all material aspects, the financial condition, results of operations and cash flows of the Corporation as of June 30, 2011. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

The Corporation continually reviews and enhances its system of controls and procedures. However, because of the inherent limitation in all control system, management acknowledges that ICFR will not prevent or detect all misstatements due to error or fraud.

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the recoverability of mineral property deferred costs, valuation of investments, calculation of the asset retirement allowance, future income tax assets and liabilities, assumptions used in valuing options and warrants in stock-based compensation calculations and assumptions used in valuing the liability and variable conversion feature of convertible debenture.

Risk Factors

Mineral exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Corporation may be affected by numerous factors which are beyond the control of the Corporation and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, any of which could result in the Corporation not receiving an adequate return on invested capital.

- ***The business of exploration for minerals and mining involves a high degree of risk, as few properties that are explored are ultimately developed into producing mines.***
Mineral exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Corporation may be affected by numerous factors which are beyond the control of the Corporation and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, any of which could result in the Corporation not receiving an adequate return on invested capital.
- ***There are significant risks associated with exploration and development activities including industrial accidents, flooding, environmental hazards, technical problems and labour disputes which could materially adversely affect future mining operations and the Corporation's financial position.***
There is no certainty that the expenditures made or to be made by the Corporation in the exploration of its properties will result in discoveries of mineralized material in commercially viable quantities. Most exploration projects do not result in the discovery of commercially mineable ore deposits. Mining operations generally involve a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The business of mining is subject to a variety of risks such as industrial accidents, flooding, environmental hazards such as fires, technical failures, labour disputes and other accidents at the mine facilities. Such occurrences, against which the Corporation cannot or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material adverse effect on the Corporation's financial position.

- ***Marketability of natural resources which may be discovered by the Corporation will be affected by numerous factors beyond its control.***

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for the sale of same. Factors beyond the control of the Corporation may affect the marketability of any mineral occurrences discovered. The price of minerals has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the control of the Corporation, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the United States dollar relative to the Canadian dollar and other currencies), interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

- ***If the Corporation's programs are successful, additional funds will be required for the development of an economic ore body and to place it into commercial production.***

The business of mineral exploration and extraction involves a high degree of risk with very few properties that are explored ultimately achieving commercial production. As a mining company in the development stage, the future ability of the Corporation to conduct exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means. In turn, the Corporation's ability to raise such funding depends in part upon the market's perception of its management and properties, but to a great degree upon the mineral prices and the marketability of securities of speculative exploration and development mining companies.

The development of any ore deposits found on the Corporation's exploration properties depends upon the Corporation's ability to obtain financing through any or all of equity financing, debt financing, the joint venturing of projects, or other means. There is no guarantee that additional funds will be available on terms acceptable to the Corporation or at all. In the event that the Corporation's operating cash flow is negative this may have a material adverse affect on the Corporation and its stock price.

- ***Title Matters***

In those jurisdictions where the Corporation has property interests, the Corporation makes a search of mining records in accordance with mining industry practices to confirm satisfactory title to properties in which it holds or intends to acquire an interest, but does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, or concessions. The ownership and validity of mining claims and concessions are often uncertain and may be contested. There is, however, no guarantee that title to the Corporation's properties and concessions will not be challenged or impugned in the future. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects.

- ***The Corporation has a lack of operating history and has no history of earnings.***

The Corporation and its predecessor companies have no history of earnings nor positive operating cash flows. The Corporation has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Corporation is through the sale of its equity shares or by way of debt facilities. While the Corporation may generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that any such funds will be generated.

- ***Currency risk***

The Corporation is exposed to currency fluctuations in the acquisition of foreign currencies. The Corporation holds balances in cash and cash equivalents, accounts payable, accrued liabilities and leases in foreign currencies (US dollars) and is therefore exposed to gain or losses on foreign exchange.

- ***The Corporation's activities on the Pumpkin Hollow Property are subject to environmental regulations.***

All phases of the Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely

affect the Corporation's operations, or its ability to develop its properties economically. Before production may commence on any property, the Corporation must obtain regulatory and environmental approvals and permits. There is no assurance such approvals and permits will be obtained on a timely basis, if at all. Compliance with environmental and other regulations may reduce profitability, or preclude economic development of a property entirely.

- ***The Corporation is in competition with other mining companies that have greater resources and experience.***
The resource industry is intensely competitive in all of its phases, and the Corporation competes with many companies possessing greater financial resources and technical facilities. Competition could adversely affect the Corporation's ability to acquire suitable producing properties or prospects for exploration in the future.
- ***The Corporation is dependent on key personnel and the absence of any of these individuals could result in a significantly negative effect on the Corporation.***
The success of the Corporation and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Corporation may have a material adverse effect on the Corporation. The Corporation does not presently have "key person" life insurance for any of its officers.
- ***Some of the directors of the Corporation are involved with other mineral resource companies and may have a conflict of interest in negotiations on a project that is also of interest to the Corporation.***
Certain of the directors of the Corporation are directors of other mineral resource companies and, to the extent that such other companies may be interested in a project also of interest to the Corporation, or may in the future participate in one or more ventures in which the Corporation participates, such directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises, at a meeting of the directors of the Corporation, a director who has such a conflict will abstain from voting for or against the approval of such acquisition or participation. In the appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participating in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program.
- ***Legal Proceedings Against Foreign Directors.***
The Corporation is incorporated under the laws of British Columbia, Canada, and some of the Corporation's directors and officers are residents of Canada. Consequently, it may be difficult for United States investors to effect service of process within the United States upon the Corporation or upon its directors or officers, or to realize in the United States upon judgments of United States courts predicated upon civil liabilities under the United States Securities Exchange Act of 1934, as amended. Furthermore, it may be difficult for investors to enforce judgments of U.S. courts based on civil liability provisions of the U.S. federal securities laws in a foreign court against the Corporation or any of the Corporation's non-U.S. resident officers or directors.
- ***Shareholder Dilution***
It is likely that additional capital required by the Corporation will be raised through the issuance of additional equity securities, resulting in dilution to the Corporation's shareholders.

Changes in Accounting Policy

Recent Accounting Pronouncements

Adoption of International Financial Reporting Standards

The Canadian Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective July 1, 2011 for the Corporation. The Corporation has completed its initial analysis of key areas for which changes in accounting policies may be required and is in the process of developing a plan for the implementation of IFRS and assessing the impact of the differences in accounting standards on the Corporation's consolidated financial statements.

The following summarizes the Corporation's IFRS changeover plan.

The Corporation's IFRS implementation project consists of three primary phases which will be completed by a combination of in-house resources and external consultants.

- Initial diagnostic phase ("Phase I") – Involves preparing a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact on our financial reporting and the overall difficulty of the conversion effort.
- Impact analysis, evaluation and solution development phase ("Phase II") – Involves the selection of IFRS accounting policies by senior management and review by the audit committee, the quantification of the impact of changes on our existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements.
- Implementation and review phase ("Phase III") – Involves training key finance and other personnel and implementation of the required changes to our information systems and business policies and procedures. It will enable the Corporation to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

The table below summarizes the expected timing of activities related to the Corporation's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	In progress
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	In progress
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress, completion expected during Q1 2012
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress, completion expected during Q1 2012;
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2010/2011/2012

Financial reporting expertise and communication to stakeholders

The Corporation has retained external consultants to establish appropriate IFRS financial reporting expertise at all levels of the business. The external consultants began to train key finance and operational staff during the second quarter of 2010. Information regarding IFRS implications will be communicated in the normal course of the Corporation's continuous disclosure filings. The Audit Committee will continue to receive periodic presentations and project status updates from management. The Corporation will also ensure that its key stakeholders are informed about the anticipated effects of the IFRS transition.

The Corporation has completed the initial diagnostic phase and has continued to review and evaluate the differences during 2010 - 2011 fiscal periods.

The differences that have been identified in the diagnostic phase are summarized below.

(a) Transitional Impact on Financial statement presentation and classification

The Corporation's financial statements will have a different format upon transition to IFRS.

The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies.

Impact on the Corporation: The Corporation will reformat the financial statements in compliance with IAS 1.

(b) IFRS-1 Transitional policy choices and exceptions for retrospective application

IFRS-1 contains the following policy choices with respect to first-time adoption that are applicable to the Corporation.

Property, plant & equipment:

IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical cost basis under Canadian GAAP.

Impact on Corporation: The Corporation will elect to use the historical cost carrying values as they approximate IFRS basis for transitional purposes.

(c) Mandatorily applicable standards with retrospective application (i.e., not specifically exempt under IFRS - 1)

Deferred mineral exploration costs

Upon adoption of IFRS, the Corporation will have a choice between retaining its existing policy of capitalizing all pre-feasibility evaluation and exploration expenditures and electing to change its policy retrospectively to expense some or all pre-feasibility costs.

Impact on Corporation: The Corporation is currently assessing its choices and the overall impact on financial reporting.

Property, plant and equipment - cost

IFRS: IAS 16 contains more extensive guidance with respect to components within PP&E. When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). Canadian GAAP: Section 3061 essentially contains similar guidance but is less extensive.

Impact on the Corporation: The Corporation is looking into amortization methods for its mining assets that are used directly for mining operations. The Corporation will identify any major component upon inspection or overhaul or upon purchase of such equipment. The Corporation is assessing if there will be any material impact upon transition.

Property, plant and equipment - impairment

IFRS: Under IAS 36 an asset is impaired if the recoverable amount is lower than the asset's carrying amount. The recoverable amount is defined as the higher of the asset's fair value less cost to sell and its value-in-use. The value-in-use calculation involves discounting the expected future cash flows to be generated by the asset to their net present value. Canadian companies should (i) determine the existence of any impairment loss, and (ii) measure and recognize such impairment, if any at July 1, 2010. Canadian GAAP: A two-step approach is used to measure impairment. In step 1, a recoverability test is performed by comparing the expected undiscounted future cash flows to be derived from the asset with its carrying amount. If the asset fails the recoverability test, step 2 is triggered, and the entity must record an impairment loss calculated as the excess of the asset's carrying amount over its fair value.

Impact on the Corporation: Based on its review so far, the Corporation does not expect any significant impact.

Convertible debt - Transaction costs

The Corporation had certain U.S. dollar denominated convertible debt at July 1, 2010. The debt was fully converted on December 25, 2010.

IFRS: IAS 39 does not allow a choice of accounting policy for transaction costs – thus must be recognized as part of the financial liabilities. Canadian GAAP: Permits a choice.

Impact on the Corporation: The Corporation does not expect any material transitional impact in this area.

Convertible debt – valuation methodology

IFRS: Under IAS 32 the liability component of a compound instrument is measured on initial recognition by measuring any financial asset or financial liability components at fair value and applying the residual amount to equity. Canadian GAAP: Section 3863 permits an additional "relative fair value" method.

Impact on the Corporation: The Corporation has used the residual method to measure the initial recognition of the convertible debt instrument. Consequently the Corporation does not expect any impact on this change.

Provision for environmental rehabilitation

IFRS – IFRS 37 applies to a constructive obligation, where the event creates valid expectations that the entity will discharge the obligation, as well as a legal obligation. The amount recognized should be the best estimate of the expenditure required to settle the obligation at the balance sheet date. Present value should be used where the effect of the time value of money is material. Canadian GAAP: Section 3110, applies to legal obligations associated with the retirement of a tangible long-lived asset. Such an obligation is to be initially measured at fair value in the period in which the obligation is incurred, unless it cannot be reliably measured at that date.

Impact on the Corporation: The Corporation believes that there is no material impact in this area.

Functional currency

Under CGAAP, the functional currency of the Corporation and its integrated U.S. subsidiary is CAD. Under IFRS, determination of functional currency is based on entity-specific factors with primary importance given to the denomination of revenues and expenditures.

The Corporation is currently assessing the implementation of the IFRS rules.

Share based compensation

IFRS: Under IFRS 2, graded vesting awards must be accounted for as though each installment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis, it requires graded vesting. Canadian GAAP: Straight line basis is permissible under Canadian GAAP.

Impact on the Corporation: The Corporation has recognized option expense immediately as all options were vested. Consequently the Corporation does not expect any impact on this change

Impact on information systems and processes and controls

Based on findings from the diagnostic phase of the project the Corporation does not expect that adoption of International Accounting Standards will have a pervasive impact on its present systems and processes. The Corporation expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as asset impairment, and share based compensation. As the accounting policies are selected, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. For example, any changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements.

At this point, the Corporation has not finalized all its accounting policy choices. The Corporation planned to complete the design, and initially evaluate the effectiveness of, any significant changes to controls in the first quarter of 2011-2012 fiscal year.

Impact on the Corporation's business activities and key performance measurements

Based on findings from the diagnostic phase of the project, the Corporation does not expect that adoption of International Accounting Standards will have a pervasive impact on its business activities or its key performance measurements. Both its business activities and key performance measurements at the present time revolve around the measurement of the Pumpkin Hollow resource and the results from the definitive feasibility study which will not be affected by IFRS reporting requirements.

Outlook

The Corporation will continue to focus the majority of its exploration and development efforts in the United States for purposes of the acquiring, exploring and developing high-grade copper projects.

As a development stage company the future liquidity of the Corporation will be affected principally by the level of its development expenditures and by its ability to raise an adequate level of capital through the capital markets. In management's opinion the Corporation's current working capital position (including bought deal financing that closed subsequent to June 30, 2011) will be sufficient for purposes of completing its current development program at the Pumpkin Hollow property which includes the completion of a DFS, the completion of the 20,000 meter step out drilling program, and the advancement of the underground exploration program. The results of current drilling, metallurgical, and geotechnical programs will contribute to the DFS, which will also include an updated resource estimate reflecting the results of the 2010 drilling program totalling 50,000 meters and the recently announced integrated operation. The DFS will advance Pumpkin Hollow toward production by building on the results of the two previous Preliminary Economic Assessment studies (previously announced and filed on SEDAR in April 2008 and January 2010) and recent engineering studies. The DFS will also evaluate alternative project development options for the large and high grade copper deposits at Pumpkin Hollow.

The Corporation will continue to evaluate its funding requirements on a going forward basis in an effort to meet its future development and growth initiatives.

Share Data

Capital Structure as of September 26, 2011:

Common shares issued and outstanding:	72,751,458
Total stock options outstanding:	6,335,000
Total warrants outstanding:	163,012

Subsequent Events

Subsequent to June 30, 2011, the Corporation closed a common share bought deal equity financing with a syndicate of underwriters co-led by Canaccord Genuity Corp. and Scotia Capital Inc. (the "Underwriters"). The Underwriters purchased an aggregate of 12,050,000 common shares of the Corporation at a purchase price of CDN\$5.40 per share for gross proceeds of \$65,070,000. The Underwriters received a cash commission of \$3,578,850 and 301,250 Broker Warrants exercisable to purchase one common share of the Company at a price of \$6.00 per share up to August 2, 2013.

In addition, the Underwriters were granted an over-allotment option, which is exercisable in whole or in part until September 1, 2011, to purchase up to an additional 1,807,500 common shares of the Corporation at a purchase price of CDN\$5.40 per common share. The over-allotment option was not exercised and expired on September 1, 2011.

Subsequent to June 30, 2011, the Corporation granted 2,175,000 common share options to employees, consultants, officers and directors of the Corporation exercisable at \$4.24 and expiring August 18, 2021. 93,333 of the stock options will vest over two years.

Forward-Looking Statements

Certain of the statements made and information contained herein may contain forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking statements and forward-looking information include, but are not limited to, statements concerning: the Company's plans at the Pumpkin Hollow Project; the assumptions in the financial analysis prepared in connection with the Preliminary Economic Assessment (the "PEA") report on the Pumpkin Hollow Project; the timing of granting of key permits, timing of delivery of key technical reports such as the Definitive Feasibility Study, estimated metal production and the timing thereof; any capital and operating and cash flow estimates; and the access to financing and appropriate equipment and sufficient labour. Forward-looking statements or information include statements regarding the expectations and beliefs of management. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "anticipated", "is targeted", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements or information include, but are not limited to, statements or information with respect to known or unknown risks, uncertainties and other factors which may cause the actual industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

Forward-looking statements or information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: history of losses; requirements for additional capital; dilution; loss of its material properties; interest rates increase; global economy; no history of production; future metals price fluctuations, speculative nature of exploration activities; periodic interruptions to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment to perform as expected; labour disputes; supply problems; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; legal and regulatory proceedings and community actions; title matters; regulatory restrictions; permitting and licensing; volatility of the market price of Common Shares; insurance; competition; hedging activities; currency fluctuations; loss of key employees; as well as those factors discussed in the section entitled "Risk Factors" in this MD&A and the Company's Annual Information Form dated September 26, 2011. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements or information. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information. The Company disclaims any intent or obligation to update forward-looking statements or information except as required by law, and you are referred to the full discussion of the Company's business contained in the Company's reports filed with the securities regulatory authorities in Canada.



NEVADA COPPER CORP.

Consolidated Financial Statements
Years ended June 30, 2011 and 2010



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Nevada Copper Corp.

We have audited the accompanying consolidated financial statements of Nevada Copper Corp., which comprise the consolidated balance sheet as at June 30, 2011, the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nevada Copper Corp. as at June 30, 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The consolidated financial statements of Nevada Copper Corp. as at and for the year ended June 30, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on July 30, 2010.

Chartered Accountants
September 26, 2011
Vancouver, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

NEVADA COPPER CORP.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

June 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,666,712	\$ 25,253,454
Amounts receivable	64,605	48,675
Prepaid expenses	99,257	21,911
	<u>19,830,574</u>	<u>25,324,040</u>
Reclamation bond (note 4)	487,955	-
Property and equipment (note 5)	219,722	196,381
Mineral properties (note 6)	45,247,288	28,251,464
	<u>\$ 65,785,539</u>	<u>\$ 53,771,885</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,921,060	\$ 932,530
Convertible debenture (note 8)	-	2,019,327
Variable conversion feature (note 8)	-	302,781
	<u>2,921,060</u>	<u>3,254,638</u>
Asset retirement obligation (note 9)	56,000	-
Shareholders' equity:		
Share capital (note 10)	70,974,409	54,997,705
Contributed surplus (note 11)	11,888,909	8,335,578
Deficit	(20,054,839)	(12,816,036)
	<u>62,808,479</u>	<u>50,517,247</u>
	<u>\$ 65,785,539</u>	<u>\$ 53,771,885</u>

Nature of operations (note 1)
Commitments (notes 6, 7, and 14)
Subsequent events (notes 6 and 16)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Giulio Bonifacio"

Director

"Brian Kirwin"

Director

NEVADA COPPER CORP.

Consolidated Statements of Operations, Comprehensive Loss and Deficit
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

	2011	2010
Expenses:		
General and administrative (note 13)	\$ 1,604,452	\$ 1,203,213
Business development	272,808	110,612
Stock-based compensation (note 10)	5,554,860	2,917,600
	<u>7,432,120</u>	<u>4,231,425</u>
Other income (expenses):		
Interest income	329,465	44,548
Foreign exchange gain	41,628	155,520
Interest on convertible debt (note 8)	(69,703)	(148,484)
Accretion expense on convertible debt (note 8)	(108,073)	(184,714)
	<u>193,317</u>	<u>(133,130)</u>
Loss and comprehensive loss for the year	(7,238,803)	(4,364,555)
Deficit, beginning of the year	(12,816,036)	(8,451,481)
Deficit, end of the year	<u>\$ (20,054,839)</u>	<u>\$ (12,816,036)</u>
Loss per common share:		
Basic and diluted	\$ (0.13)	\$ (0.10)
Weighted average number of shares outstanding	56,760,285	44,988,790

See accompanying notes to consolidated financial statements.

NEVADA COPPER CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (7,238,803)	\$ (4,364,555)
Items not affecting cash:		
Interest on convertible debt	-	148,484
Accretion expense on convertible debt	108,073	184,714
Non-cash foreign exchange gain on convertible debt	(129,772)	(202,443)
Stock-based compensation	5,554,860	2,917,600
	(1,705,642)	(1,316,200)
Changes in non-cash working capital items:		
Amounts receivable	(15,930)	(40,637)
Prepaid expenses	(77,346)	839
Accounts payable and accrued liabilities	203,894	597,740
	(1,595,024)	(758,258)
Investments:		
Reclamation bond	(487,955)	-
Property and equipment (note 5)	(64,851)	(49,482)
Mineral properties (note 6)	(14,332,220)	(9,823,980)
	(14,885,026)	(9,873,462)
Financing:		
Payment of accrued interest on convertible debenture	(140,592)	-
Issuance of common shares, net of issue costs (note 10)	11,033,900	33,317,894
	10,893,308	33,317,894
Increase (decrease) in cash and cash equivalents	(5,586,742)	22,686,174
Cash and cash equivalents, beginning of the year	25,253,454	2,567,280
Cash and cash equivalents, end of the year	\$ 19,666,712	\$ 25,253,454
Supplementary information:		
Interest paid	\$ 210,294	\$ -
Interest received	329,465	44,548
Income tax paid	-	-
Stock-based compensation included in mineral properties	781,458	-
Common shares issued on debt conversion	2,159,818	-

See accompanying notes to consolidated financial statements.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

1. Nature of operations:

Nevada Copper Corp. (the "Corporation" or "Nevada Copper"), is a development stage mining company engaged in the development of the Pumpkin Hollow Copper Project based in Nevada. The recoverability of amounts capitalized is dependent upon maintaining the lease and titles to the properties, obtaining the necessary financing and permits to complete the development of these properties and the attainment of future profitable production. The amounts capitalized as mineral properties represent costs to date, and do not necessarily represent present or future values.

Nevada Copper was incorporated on June 16, 1999 under the Business Corporations Act of the Yukon as African Venture Corporation and changed its name to Astron Resources Corporation on July 26, 1999, and subsequently to Nevada Copper Corp. on November 16, 2006. The Corporation's common shares are listed on the Toronto Stock Exchange ("TSX") under the NCU symbol.

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The Corporation will be required to raise additional funding to complete its long-term business objectives (note 16(a)). Failure to raise additional funding may require the Corporation to reduce operations.

2. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries 607792 British Columbia Ltd. ("607792 BC") and Nevada Copper, Inc. (formerly "Pumpkin Copper Inc.") incorporated in Nevada, United States. All significant inter-company transactions and balances have been eliminated.

(b) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the recoverability of mineral property costs, determination of income tax assets and liabilities, assumptions used in valuing the liability and equity components of convertible debentures, assumptions used in estimating the fair values of options and warrants in stock-based compensation calculations, and estimating accrued liabilities.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

2. Significant accounting policies (continued):

(c) Foreign currency translation:

The reporting and functional currency of the Corporation and its Canadian subsidiary 607792 BC is the Canadian dollar. The Corporation's foreign subsidiary (Nevada Copper, Inc.) is dependent on funding from the Corporation.

Accordingly, the temporal method of translating the accounts of the foreign subsidiary has been adopted. Under this method, monetary assets and liabilities are translated to Canadian dollars at the prevailing period end exchange rate. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rates of exchange in effect at the time of the transactions. Translation gains and losses are included in the statement of operations and deficit.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired.

(e) Financial instruments:

The Corporation's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, convertible debenture and commitments. The fair values of cash and cash equivalents and accounts payable approximate their carrying values due to the relatively short-term maturity of these instruments.

The Corporation classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3840, *Related Party Transactions*.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

The Corporation classified its cash and cash equivalents as held-for-trading and its accounts payable and accrued liabilities and convertible debenture as other financial liabilities.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial instruments that potentially subject the Corporation to concentration of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Corporation places these instruments with high credit quality financial institutions.

The Corporation has operations in the United States which are transacted in U.S. dollars. Accordingly, the Corporation is exposed to foreign exchange risk in respect to these transactions. The Corporation has not undertaken hedging activities to mitigate this risk.

(f) Mineral properties and deferred exploration costs:

Costs related to mineral activities, which include the investigation, acquisition, exploration, and development of mining properties, are capitalized on a property-by-property basis until such time as the Corporation determines that economically recoverable reserves are established or the property is evaluated as non productive or uneconomical.

Costs relating to non-productive or uneconomic properties are charged to earnings and written down to their net recoverable amounts. The recovery of the carrying amount of mineral properties is dependent upon the future commercial success of the properties or from proceeds of disposition. The amounts shown for mineral properties represent costs incurred to date and are not intended to reflect present or future values.

(g) Asset retirement obligations and reclamation costs:

The Corporation recognizes and records the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related asset using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and the increase in the carrying value of the asset is amortized on the same basis as exploration properties.

The operations of the Corporation may be affected from time to time by changes in environmental regulations, including those for future rehabilitation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Corporation may vary from region to region and are not entirely predictable. The Corporation's policy is to meet standards set by relevant legislation, by application of technically proven and economically feasible measures. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against the statements of operations as incurred or capitalized and amortized depending upon their future economic benefits.

(h) Deferred acquisition costs:

The Corporation defers costs of proposed acquisitions if such acquisitions are considered more than likely to be completed. Deferred acquisition costs are applied towards the cost of the acquisition when it is completed or expensed if the acquisition is abandoned.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

2. Significant accounting policies (continued):

(i) Property and equipment:

Property and equipment are stated at cost which includes the acquisition price and any direct costs to bring the asset into productive use at its intended location.

Amortization of property and equipment is calculated using the straight-line method to write off the cost, net of any estimated residual value, over their estimated useful lives as follows:

Building	10 years
Equipment	5 years
Mobile equipment	3 years
Computer equipment	2 years

(j) Impairment of long-lived assets:

The Corporation monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Corporation's policy is to record an impairment loss in the period when it is determined that the carrying amount of the assets may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the discounted estimate of future cash flows from use or disposal of assets.

(k) Income taxes:

The Corporation accounts for future income taxes under the asset and liability method. Under this method, temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are measured using tax rates anticipated to be in effect in the periods that the temporary differences are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

(l) Stock-based compensation:

The Corporation applies the fair value method to stock-based payments for all awards including grants of options, and direct awards of stock, or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the related contributed surplus amounts are credited to share capital.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

2. Significant accounting policies (continued):

(m) Loss per share:

Basic loss per share is calculated by dividing net loss available to the shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options and warrants by application of the treasury stock method. Outstanding stock options and share purchase warrants that would potentially dilute basic loss per share have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

(o) Segmented information:

The Corporation conducts its business in a single geographic segment being the acquisition, exploration and development of mineral properties. All mineral properties are located in the United States.

3. Recent accounting pronouncements:

The Canadian Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective July 1, 2011 for the Corporation. The Corporation has completed its initial analysis of key areas for which changes in accounting policies may be required and is in the process of developing a plan for the implementation of IFRS and assessing the impact of the differences in accounting standards on the Corporation's consolidated financial statements.

4. Reclamation Bond:

The Corporation has deposited \$487,955 (US\$505,915) with the State of Nevada as a performance bond for the Pumpkin Hollow reclamation work for the advanced exploration program on the property.

5. Property and equipment:

	2011			2010		
	Cost	Accumulated amortization	Net carrying amount	Cost	Accumulated amortization	Net carrying amount
Building	\$ 180,644	\$ 41,774	\$ 138,870	\$ 115,792	\$ 30,195	\$ 85,597
Equipment	79,830	42,249	37,581	79,830	26,180	53,650
Mobile equipment	51,768	45,495	6,273	51,768	39,010	12,758
Computer equipment	73,803	36,805	36,998	73,803	29,427	44,376
Balance, end of year	\$ 386,045	\$ 166,323	\$ 219,722	\$ 321,193	\$ 124,812	\$ 196,381

During the year ended June 30, 2011, the Corporation added \$64,852 in buildings (2010 - nil) and had amortization of property and equipment of \$41,511 (2010 - \$48,915) which was included in capitalized mineral property expenditures.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

6. Mineral properties:

Pumpkin Hollow Copper Development Property:

On December 1, 2005, the Corporation entered into an Option Agreement to acquire a ten-year lease for mining rights (the "Lease"), effective May 4, 2006 and expiring May 4, 2016, for the Pumpkin Hollow Copper Development Property (the "Property") located in north-western Nevada, United States, approximately one hundred miles southeast of Reno. The Property is located within a contiguous 22 square mile land package comprised of patented and unpatented claims. During the 2006 fiscal year, the Corporation paid \$90,722 (US\$80,000) to the optionor in full payment for the option and obtained a 100% interest in the Property pursuant to the lease terms. A small non-core portion of the unpatented claims is subject to an assertion of a prior claim by a third party. In March 2011, the District court in Nevada ruled in favour of the Corporation pending third party appeal.

Under the terms of the Lease, the Corporation is required to make the following Lease payments:

Due date	US
May 4, 2007	\$ 75,000 (Paid)
May 4, 2008	100,000 (Paid)
May 4, 2009	125,000 (Paid)
May 4, 2010	150,000 (Paid)
May 4, 2011	150,000 (Paid)
	\$ 600,000

Following May 4, 2011, the Corporation is required to pay advance royalty payments of US\$600,000 annually until the first expiry date of the Lease on May 4, 2016. Total advance royalty payments under this obligation are US\$2,550,000. An additional advance royalty payment of US\$450,000 will be required to renew the lease for another ten years.

The Property is subject to a 5% royalty on the net return value of products other than copper, and a sliding scale royalty of 4% to 6% on the net return value of copper based on the copper price per pound. The advance royalty payments are to be offset against this royalty obligation.

The Corporation was obligated to make exploration and development expenditures on the Property of at least US\$4,000,000 during the first three years of the Lease, with expenditures of at least US\$500,000 each year, and an additional US\$4,000,000 during the 4th through 6th years of the Lease, with expenditures of at least US\$500,000 each year. During 2008, the Corporation satisfied this obligation.

The Corporation may extend the Lease for up to three additional terms of ten years each, subject to performing continuous mining activities, payment of advance royalty payments of at least US\$3,000,000 in the first ten-year term and payment of production royalties and minimum royalty payments of US\$10,000,000 in each subsequent ten-year term.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

6. Mineral properties (continued):

Pumpkin Hollow Copper Development Property (continued):

Project expenditures capitalized as of June 30, 2011 and 2010 on the Pumpkin Hollow Copper Development Property consist of the following:

	June 30, 2009	2010 Expenditures	June 30, 2010	2011 Expenditures	June 30, 2011
Property payments	\$ 603,605	\$ 332,800	\$ 936,405	\$ 348,830	\$ 1,285,235
Water rights	212,680	249,002	461,682	189,351	651,033
Exploration	3,017,533	852,680	3,870,213	1,247,225	5,117,438
Engineering and feasibility related studies	1,951,827	1,359,156	3,310,983	5,466,893	8,777,876
Drilling	11,598,292	6,823,207	18,421,499	3,897,870	22,319,369
Definitive feasibility	-	-	-	4,005,735	4,005,735
Permit/environmental	337,374	37,573	374,947	548,727	923,674
Equipment	194,417	17,822	212,239	-	212,239
Property caretaking	119,819	58,936	178,755	86,864	265,619
Asset retirement obligation	-	-	-	56,000	56,000
Amortization	75,897	48,915	124,812	41,510	166,322
Stock-based compensation	-	-	-	781,458	781,458
Administration	267,124	92,805	359,929	325,361	685,290
Total	\$ 18,378,568	\$ 9,872,896	\$ 28,251,464	\$ 16,995,824	\$ 45,247,288

Pumpkin Hollow Copper Development Property – Water Rights:

Pursuant to the First Amendment to the Lease dated April 10, 2008, the Corporation agreed to acquire from the optionor of the Lease, certain water rights to consume a maximum of 724 acre feet of water for its mining operations on the Property in exchange for making 80 quarterly payments of US\$47,262 each payable over a period of 20 years from July 1, 2008 to April 1, 2028. The First Amendment to the Lease also contains provisions allowing the Corporation to accelerate and reduce the payments required.

In August of 2009, the Corporation entered into an agreement with the City of Yerington, Nevada to reserve 2,000 acre feet of water for a term of 30 years. As consideration, the Corporation will pay to the City of Yerington annual reservation fees of US\$50,000 which revert to user fees based on usage at US\$100 per acre foot for year 1 to year 15; US\$125 for year 16 to 20; US\$150 for year 21 to 25; and US\$175 per acre foot for year 26 to year 30.

Subsequent to June 30, 2011, the Corporation amended its agreement with the City of Yerington, to increase its reserve from 2,000 acre feet of water to 3,500 acre feet of water under the same terms of the original agreement. As consideration, the Corporation will pay to the City of Yerington additional annual reservation fees of US\$37,500. The Corporation has total water rights under agreements amounting to 4,224 acre feet of water.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

7. Related party transactions:

The Corporation entered into management agreements with certain senior officers. In the event that there is a change of control, the Corporation is committed to pay severance payments equivalent ranging from one to three years of salary.

During the year ended June 30, 2011, the Corporation incurred general and administration services expenses of net \$220,758 (2010 - \$144,000) to a company with common directors. As of June 30, 2011, accounts payable and accrued liabilities include amounts owed to the same company of \$23,356 (2010 - nil).

As of June 30, 2011, accounts payable and accrued liabilities include a director fee payable of \$15,000 and an amount owing of \$10,800 to the Corporation's law firm of which one of its partners serves as a director of the Corporation. Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Corporation and the related party.

8. Convertible debenture:

On June 25, 2009, with the approval of the TSX, the Corporation entered into an agreement (the "Agreement") with Zhongtiao Shan Non-ferrous Metals Group Co., Ltd. ("ZTS") whereby gross proceeds of US\$2,000,000 (the "Principal") were received for issuance of a convertible debenture (the "Convertible Debenture").

The Principal outstanding under the Convertible Debenture was convertible into common shares at a price of \$1.00 per share by ZTS at any time up to the day immediately preceding the Maturity Date. If the Corporation's common shares trade at a price greater than \$1.35 per share for a period of 20 consecutive trading days, the Corporation was, at its option any time after October 26, 2009, able to force conversion of the Principal outstanding under the Convertible Debenture in whole or in part into common shares at a deemed price of \$1.00 per share.

The terms of the Convertible Debenture also limited the shares that could be issued under the conversion feature to the number of shares that can be issued on conversion of US\$2,000,000 using the specified June 25, 2009 US dollar foreign exchange rate, with any additional shares that would otherwise be issuable based on a higher actual foreign exchange rate at the conversion date, to be settled in cash.

The Corporation determined that the convertible debenture contains an embedded derivative in the form of a contractual obligation to deliver a variable number of its own equity instruments because the foreign exchange effect of the conversion feature is uncertain. Accordingly this conversion feature has been treated as a liability and not as an equity instrument. The Corporation estimated the fair value of the debt element using an effective interest rate of 17% which resulted in \$1,978,548 (US\$1,716,000) being initially recognized as debt, with the balance of \$327,452 (US\$284,000) being initially recorded as a variable conversion feature.

The Corporation also determined that the Convertible Debenture contained an embedded derivative related to the cash settlement amount for any additional shares that would otherwise be required to be issued should the conversion date foreign exchange rate exceed the specified June 25, 2009 foreign exchange rate. This element is dependent on an underlying variable not specific to any party to the contract.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

8. Convertible debenture (continued):

The Corporation recognized and recorded the carrying value of this embedded derivative liability to its fair value at each reporting date. As at June 30, 2010, exchange rates were lower than the specified June 25, 2009 exchange rate and no additional embedded derivative liability was recognized.

The Convertible Debenture matured on December 25, 2010 (the "Maturity Date"). The Corporation paid interest of \$211,344 (US\$210,000) which was calculated at a rate of 7% per annum. The holder elected to convert the entire Convertible Debenture into 2,012,800 common shares, resulting in \$2,189,818 being transferred to share capital.

The Convertible Debenture, which includes accrued interest, is comprised as follows:

	2011	2010
Recognized as debt on issue date	\$ 1,978,548	\$ 1,978,548
Cash debt issuance costs	(104,400)	(104,400)
Warrants granted as issuance cost	(34,400)	(34,400)
Accrued interest	-	153,979
Accumulated accretion expense	285,818	184,714
Foreign exchange gain on translation	(251,566)	(159,114)
	1,874,000	2,019,327
Common shares issued on conversion	(1,874,000)	-
Amounts outstanding	\$ -	\$ 2,019,327

The variable conversion feature was comprised as follows:

	2011	2010
Variable conversion feature on issue	\$ 327,452	\$ 327,452
Foreign exchange gain on translation	(41,634)	(24,671)
Transferred to share capital on conversion	(285,818)	-
	\$ -	\$ 302,781

9. Asset retirement obligation:

The asset retirement obligations have been recorded as a liability at fair value, assuming a credit adjusted risk-free discount rate of 7% and an inflation factor of 3%. The liability for retirement and remediation on an undiscounted basis before an inflation factor of 3% is estimated to be approximately US\$150,000 as of June 30, 2011.

NEVADA COPPER CORP.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

10. Share capital:

(a) Authorized:

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

(b) Issued:

	Number of common shares	Amount
Balance, June 30, 2009	40,578,420	\$ 22,319,346
Private placement financing, gross proceeds	12,262,500	34,925,625
Exercise of options	265,000	453,565
Share issue cost	-	(2,700,831)
Balance, June 30, 2010	53,105,920	54,997,705
Conversion of debenture, net of issue costs (note 7)	2,012,800	2,159,818
Exercise of options	2,605,000	4,846,020
Exercise of warrants	2,902,738	8,983,201
Share issue cost	-	(12,335)
Balance, June 30, 2011	60,626,458	\$ 70,974,409

During the year ended June 30, 2011, the Corporation issued 2,605,000 common shares for gross proceeds of \$2,672,199 on stock options exercised, and issued 2,902,738 common shares for gross proceeds of \$8,374,035 on warrants exercised. The Corporation reclassified \$2,173,821 from contribution surplus to share capital for stock options and \$609,166 for warrants as a result.

On December 25, 2010, the convertible debenture for US\$2,000,000 matured. The holder elected to convert the debenture into common shares at a price of CDN\$1.00 per common share, resulting in 2,012,800 common shares and \$2,159,818 being reclassified to share capital (note 8).

During the year ended June 30, 2010, the Corporation issued 265,000 common shares for gross proceeds of \$265,000 on stock options exercised. The Corporation reclassified \$188,565 from contributed surplus to share capital as a result.

On November 3, 2009, the Corporation entered into an investment agreement (the "Agreement") with Capstone Mining Corp. ("Capstone") whereby the Corporation issued 4,500,000 units at a price of \$2.50 per unit for gross proceeds of \$11,250,000. Each unit consisted of one common share and one-half of a transferable common share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$3.00 per common share until November 3, 2011. Share issuance costs totaling \$108,888 were incurred in connection with the financing. No fair value was assigned to warrants attached to the units.

In connection with the Agreement, the Corporation granted Capstone a pre-emptive right to participate in any future share offerings by the Corporation so that Capstone can maintain its ownership percentage of the Corporation as long as Capstone's ownership interest in the Corporation is above 9%. As of June 30, 2011, management believes Capstone no longer has an interest in the Corporation.

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Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

10. Share capital (continued):

(b) Issued (continued):

On April 27, 2010, the Corporation closed a bought-deal private placement whereby 7,762,500 common shares of the Corporation were issued at a price of \$3.05 per share for gross proceeds of \$23,675,625. All securities issued in connection with the offering were subject to a four month hold period expiring August 28, 2010. Professional and regulatory fees totalling \$343,305 were incurred in connection with the financing. The Corporation paid \$1,420,538 cash and issued 465,750 share purchase warrants to an agent as commission. Each warrant is exercisable into one common share of the Corporation at a price of \$3.30 per share until April 27, 2012. Fair value of these agent warrants have been determined using the Black-Scholes option pricing model. For purposes the calculation, the following weighted average assumptions were used in deriving the weighted average grant date fair value of \$1.78 per warrant for a total fair value of \$828,100.

Risk free interest rate	1.91%
Expected dividend yield	0%
Expected stock price volatility	125%
Expected life in years	2

(c) Options:

The Corporation grants incentive stock options as permitted pursuant to the Corporation's Stock Option Plan (the "Plan") approved by the shareholders on November 16, 2007 which complies with the rules and policies of the TSX. Under the Plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Corporation as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of ten years, and the term will be reduced to one year following the date of death of the optionee. If the Optionee ceases to be qualified to receive options from the Corporation those options shall immediately expire. All options vest when granted unless otherwise specified by the Board of Directors.

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Notes to Consolidated Financial Statements
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Years ended June 30, 2011 and 2010

10. Share capital (continued):

(c) Options (continued):

As of June 30, 2011, the Corporation has stock options outstanding to directors, officers, employees and consultants and exercisable to acquire an aggregate of 4,235,000 common shares summarized as follows. All of these options vested upon grant except for 93,333 which vest over two years. The options have a weighted average remaining life of 7.86 years.

	Number of options	Weighted average exercise price	Expiry date
Balance, June 30, 2009	4,045,000	\$ 1.16	
Granted	355,000	3.27	January 14, 2020
Granted	1,090,000	2.12	May 31, 2020
Exercised	(265,000)	1.00	
Balance, June 30, 2010	5,225,000	1.51	
Granted	610,000	3.74	October 13, 2020
Granted	265,000	4.55	January 6, 2021
Granted	790,000	5.37	February 22, 2021
Cancelled	(50,000)	2.12	
Exercised	(2,605,000)	1.00	
Balance, June 30, 2011	4,235,000	\$ 2.87	

During the year ended June 30, 2011, 1,665,000 (fiscal year June 2010 - 1,445,000) stock options were granted which resulted in compensation expense of \$5,554,860 (fiscal year, June 2010 - \$2,917,600) being charged to operations and \$781,458 charged to mineral property (fiscal year June 2010 - nil). The full amount was related to directors, consultants and officers of the Corporation. The Corporation uses the Black-Scholes option pricing model to value stock options which requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used in deriving the weighted average grant date fair value of \$3.93 (2010 - \$2.08) per option.

	2011	2010
Risk free interest rate	2.24%	2.65%
Expected dividend yield	0%	0%
Expected stock price volatility	109%	119%
Expected life in years	8.0	5.0

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Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

10. Share capital (continued):

(c) Options (continued):

The following table summarizes the stock options outstanding and exercisable as at June 30, 2011:

Number of options	Exercise price	Expiry dates
70,000	\$ 1.00	August 15, 2011
30,000	1.00	December 19, 2011
85,000	1.00	May 2, 2012
320,000	1.00	August 30, 2012
520,000	1.00	July 2, 2018
210,000	0.75	November 13, 2018
355,000	3.27	January 14, 2020
980,000	2.12	May 31, 2020
610,000	3.74	October 13, 2020
265,000	4.55	January 6, 2021
790,000	5.37	February 22, 2021
4,235,000	\$ 2.87	

(d) Warrants:

As of June 30, 2011, the Corporation has share purchase warrants outstanding for an aggregate of 163,012 common shares. The warrants have a weighted average remaining life of 0.83 years:

	Number of warrants	Weighted average exercise price	Expiry date
Balance, June 30, 2009	1,718,000	\$ 2.86	
Warrants expired	(1,368,000)	3.14	October 30, 2009
Warrants granted on financing	2,250,000	3.00	November 3, 2011
Warrants granted on financing	465,750	3.30	April 27, 2012
Balance, June 30, 2010	3,065,750	2.91	
Warrants exercised	(2,902,738)	2.88	
Balance, June 30, 2011	163,012	\$ 3.30	

The following table summarizes the share purchase warrants outstanding and exercisable as at June 30, 2011:

Number of warrants	Exercise price	Expiry dates
163,012	\$3.30	April 27, 2012

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Notes to Consolidated Financial Statements
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Years ended June 30, 2011 and 2010

11. Contributed surplus:

The continuity of the Corporation's contributed surplus is as following:

Balance, June 30, 2009	\$ 4,778,443
Reclassification for stock option exercised	(188,565)
Fair value of stock options granted	2,917,600
Fair value of warrants issued as commission (note 9)	828,100
Balance, June 30, 2010	8,335,578
Reclassification for stock option exercised	(609,166)
Fair value of stock options granted	6,336,318
Reclassification for warrants exercised	(2,173,821)
Balance, June 30, 2011	\$ 11,888,909

12. Income taxes:

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2011	2010
Canadian statutory income tax rate	27.50%	29.3%
Income tax recovery at statutory rate	\$ 1,990,671	\$ 1,274,924
Increase (decrease) resulting from:		
Permanent differences	(1,505,046)	(305,689)
Other	(115,016)	-
Decrease in income tax rates	(151,779)	(23,101)
Valuation allowance	(218,829)	(946,134)
Income tax recoverable	\$ -	\$ -

The tax effects of temporary differences that give rise to significant portions of the future income tax assets (liabilities) at June 30, 2011 and 2010 are as follows:

	2011	2010
Non-capital losses carried forward	\$ 2,174,900	\$ 1,699,800
Share issue costs	322,700	512,500
Property and equipment	(17,600)	(1,900)
Mineral properties	(50,800)	-
Valuation allowance	(2,429,200)	(2,210,400)
	\$ -	\$ -

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Notes to Consolidated Financial Statements
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Years ended June 30, 2011 and 2010

12. Income taxes (continued):

The Corporation has approximately \$8,327,000 (2010 - \$6,257,689) in non-capital losses carried forward, which can be applied to reduce future taxable income. If unused, these losses expire as follows:

2014	\$	39,000
2015		47,000
2026		71,000
2027		780,000
2028		2,111,000
2029		1,030,000
2030		1,867,000
2031		2,382,000
	\$	8,327,000

As at June 30, 2011, the Corporation has U.S. net-operating losses carried forward of approximately \$266,000 which expire between 2026 and 2030, which are available to offset taxable income earned in the United States.

The Corporation has recognized a valuation allowance against all of its future income tax assets because it is unlikely that sufficient taxable income will be realized during the carry-forward periods to utilize all future income tax assets.

All previously filed Canadian tax returns are open to examination by the tax authorities. The U.S. tax returns filed for the years 2007 and forward are open to examination by the tax authorities.

As of June 30, 2011, there were no tax audits scheduled or in progress.

13. General and administration:

	2011	2010
Personnel expenses	\$ 621,228	\$ 568,488
Director's fees	124,750	94,554
Public company expenses	491,641	288,520
Professional fees	203,267	115,739
Office expenses	118,041	87,012
Insurance	45,525	48,900
	\$ 1,604,452	\$ 1,203,213

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Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

14. Financial instruments:

(a) Fair values in the consolidated balance sheet:

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

Following is a classification of fair value measurements recognized in the consolidated balance sheet using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

	Fair value measurement at reporting date using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
June 30, 2011			

Assets

Cash and cash equivalents	\$ 19,666,712	\$ 19,666,712	\$ -	\$ -
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Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

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

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

Cash and cash equivalents are classified as held for trading and therefore are recorded at fair value.

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Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

14. Financial instruments (continued):

(b) Contractual obligations:

The following table sets forth the Corporation's know contractual obligations as at June 30, 2011:

Contractual obligations	Payments due by period			
	Total	Less than 1 year	2-3 years	4-5 years
Lease obligation - \$US payment on Pumpkin Hollow Property * (i)	\$ 2,550,000	\$ 150,000	\$ 1,200,000	\$ 1,200,000
First amendment to lease - \$US payment of water rights on property *(ii)	2,387,253	189,050	378,099	1,820,104
City of Yerington - \$US payment of advanced water service payments*(iii)	250,000	50,000	100,000	100,000
Total \$US obligations	\$ 5,187,253	\$ 389,050	\$ 1,678,099	\$ 3,120,104
Accounts payable and accrued liabilities	\$ 2,921,060	\$ 2,921,060	\$ -	\$ -
Office lease	533,647	218,464	315,183	-
Less office sharing agreement	(266,823)	(109,232)	(157,591)	-
Total \$CDN obligations	\$ 3,187,884	\$ 3,030,292	\$ 157,592	\$ -

(i) See note 5 for renewal terms.

(ii) The commitment in the table is the amount owing if the Corporation does not renew the Pumpkin Hollow property lease. The Corporation can pay quarterly instalments to the lessor if the lease is renewed. See note 5 for details of the payment schedule.

(iii) Subsequent to June 30, 2011, the Corporation amended its water service agreement with the City of Yerington to include additional water capacity. The additional water will add US\$37,500 a year to the Corporation's obligations.

* The amounts are stated in the currency in which they are payable.

(c) Financial risk factors:

The Corporation 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 Corporation's ongoing business and the Corporation does not acquire or issue derivative financial instruments for trading or speculative purposes. The Corporation's Board of Directors oversees management's risk management practices by setting trading parameters and reporting requirements.

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

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Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2011 and 2010

14. Financial instruments (continued):

(d) 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. Cash and cash equivalents bear interest at market rates. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature and non-interest bearing.

(ii) Currency risk:

The Corporation is exposed to currency fluctuations on its foreign currency monetary assets and liabilities. The Corporation holds balances in cash and cash equivalents, accounts payable and accrued liabilities and convertible debenture in foreign currencies (US dollars) and is therefore exposed to gain or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the U.S. dollar could have an effect on the Corporation's results of operations, financial position and/or cash flows. The Corporation has not hedged its exposure to currency fluctuations.

As at June 30, 2011, the Corporation held the following US\$ financial instruments:

Cash and cash equivalents	\$ 1,053,414
Accounts payable and accrued liabilities	(2,623,699)
Net \$US financial instruments	\$ (1,570,285)

A change in +/- 10% change in the U.S. exchange rate would have had an impact of approximately +/- \$157,000 on the comprehensive loss for the year ended June 30, 2011.

(e) 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 Corporation to credit risk consist of cash and cash equivalents and accounts receivable. The Corporation has reduced its credit risk by investing its cash and cash equivalents in high quality Canadian and US chartered banks.

(f) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. Subsequent to June 30, 2011 (note 15), the Corporation completed an equity financing. The Corporation has enough funds available to meet its financial liabilities and future financial liabilities under its current commitments over the next twelve months ending June 30, 2012. The Corporation handles liquidity risk through the management of its capital structure.

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Notes to Consolidated Financial Statements
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Years ended June 30, 2011 and 2010

15. Management of capital:

The Corporation's objectives of capital management are intended to safeguard the entity's ability to support the Corporation's development and exploration of its mineral properties and support any expansionary plans.

The capital of the Corporation consists of the items included in shareholders' equity and debt obligations net of cash and cash equivalents. The Corporation manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Corporation's underlying assets.

To effectively manage the entity's capital requirements, the Corporation has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its objectives. The Corporation may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Corporation is not subject to externally imposed capital requirements.

16. Subsequent events:

(a) Subsequent to June 30, 2011, the Corporation closed a common share bought deal equity financing with a syndicate of underwriters co-led by Canaccord Genuity Corp. and Scotia Capital Inc. (the "Underwriters"). The Underwriters purchased an aggregate of 12,050,000 common shares of the Corporation at a purchase price of \$5.40 per share for gross proceeds of \$65,070,000. The Underwriters received a cash commission of \$3,578,850 and 301,250 Broker Warrants exercisable to purchase one common share of the Corporation at a price of \$6.00 per share up to August 2, 2013.

In addition, the Underwriters were granted an over-allotment option, which is exercisable in whole or in part until September 1, 2011, to purchase up to an additional 1,807,500 common shares of the Corporation at a purchase price of CDN\$5.40 per common share. The over-allotment option was not exercised and expired on September 1, 2011.

(b) Subsequent to June 30, 2011, the Corporation granted 2,175,000 common share options to employees, consultants, officers and directors of the Corporation exercisable at \$4.24 and expiring August 18, 2021. 93,333 of the stock options will vest over two years.

CORPORATE INFORMATION

DIRECTORS

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Switzerland

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Brian P. Kirwin
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Foster Wilson
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OFFICERS

Giulio T. Bonifacio
President and Chief Executive Officer

Robert McKnight
Executive Vice President

Joe Chan
Vice President and Chief Financial Officer

Greg French
Vice President and Senior Project Manager

Catherine Tanaka
Corporate Secretary

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada
Vancouver, Canada

SHARES LISTED

TSX Exchange: NCU

CAPITALIZATION

(As at September 28, 2011)
Shares Issued and Outstanding: 72,751,458

AUDITOR

KPMG, Chartered Accountants
Vancouver, Canada

LEGAL COUNSEL

Axium Law Corporation
Vancouver, Canada

WEBSITE

Additional information about the Corporation can be found at our website www.nevadacopper.com

INVESTOR RELATIONS CONTACT

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