



**NEVADA COPPER CORP.**

**QUARTERLY REPORT FOR THE NINE MONTHS ENDED MARCH 31, 2011**

## **NEVADA COPPER CORP.**

### **Management's Discussion & Analysis**

**For the nine months ended March 31, 2011, as of May 12, 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 May 12, 2011 and should be read in conjunction with the Corporation's audited annual financial statements and related notes for the year ended June 30, 2010 and the unaudited consolidated financial statements of the Corporation for the nine months ended March 31, 2011 and 2010. All amounts are expressed in Canadian Dollars unless otherwise indicated.

#### **Forward-Looking Statements**

Certain statements contained in the following MD&A constitute forward-looking information within the meaning provided by Canadian securities laws. All statements other than statements of historical facts, are forward looking information. The following information provided in this MD&A include statements regarding: the Phased Project Development, Copper Production and Other Key Elements of Definitive Feasibility Study ("DFS"), under the heading "Overview of Performance"; advancing Pumpkin Hollow to production and sufficiency of working capital set out under the heading "Outlook"; are considered forward-looking information. Although the Corporation believes the expectations expressed in such forward-looking information are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Forward looking information in this MD&A is based on various assumptions including, but not limited to: the expectations and beliefs of management; the assumed long term price of copper; that the Corporation will complete and receive required permits and licenses as required to develop 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; that the Corporation will be able to access financing; the Corporation will be able to access appropriate equipment and sufficient labour; and the Corporation's capital and operating costs will not increase significantly. These assumptions should be considered carefully by investors. Investors are cautioned not to place undue reliance on forward-looking information or the assumptions on which the Corporation's forward-looking information is based. Factors that could cause actual results to differ materially from those in forward-looking statements include unsuccessful exploration results, changes in metals prices, changes in the availability of funding for mineral exploration, changes in the availability of labour, equipment and personnel, unanticipated changes in laws governing mining projects and operations, unanticipated changes in key management personnel and general economic conditions. Mining is an inherently risky business. Investors should carefully review and consider the risk factors identified in this MD&A and in the Corporation's Annual Report for the year ended June 30, 2010. Accordingly the actual events may differ materially from those projected in the forward-looking statements. The Corporation does not undertake to update any forward-looking information, except as, and to the extent, required by applicable securities laws.

#### **Description of Business**

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

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.

#### **Overview of Performance**

Since acquiring the advanced stage Pumpkin Hollow property located in Nevada, the Corporation has embarked on a systematic fast-track program to develop the project. 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 largely reduced capital costs and 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. Capital costs were reduced to approximately 25% of that required for a larger 60,000 tons per day integrated open pit-underground operation. More importantly, the High Grade Case did not compromise the integrity of the large open pit project envisioned in the 2008 PEA, and allows for transition to the large integrated open pit underground operation on a staged basis.

During December, 2009 the Corporation announced the commencement of a Pre-Feasibility Study, however, in 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.

The DFS team, led by Tetra Tech Inc., is building upon previous Preliminary Economic Assessments completed in March 2008 and December 2009 (both filed on SEDAR) and the previous prefeasibility-related engineering work completed. The DFS is scheduled for completion by June 30, 2011.

Tetra Tech's team in December focussed on updating the mineral estimate and completing a number of trade-off studies prior to commencement of detailed engineering. The recently completed definition drilling program totalling 50,000 meters was very successful in achieving its objective of moving additional mineral resources into the Measured and Indicated categories as well as discovering "stacked" mineralization below the existing North deposit. The DFS will use this updated resource estimate to develop mine plans and, ultimately, a categorized mining reserve.

The trade-off studies covered such areas as staging of mine development from underground and the larger scale open-pits; tailings storage alternatives; reviewing potential production rates; methods of accessing the underground East and E2 deposits and ore transport from underground comparing decline versus shaft options; for the open pits, truck vs. in-pit crushing and conveying; and power supply alternatives.

With the results of the trade-off studies, Nevada Copper has directed Tetra Tech to proceed with detailed engineering and costing on the basis of the following project development parameters:

### **Phased Project Development**

For purposes of the DFS, Nevada Copper has elected to evaluate a phased project development 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 can be developed economically on its own and would not be dependent upon subsequent phases of the project. A subsequent Phase 2 would involve two open pits, which would require additional environmental design, amendments to local and State permits and Federal approvals. This phased plan means that the stand-alone underground project could be in operation as early as late 2013 while additional environmental studies are performed to secure Federal approvals for Phase 2.

Nevada Copper believes that Phase 1 operations will generate early cash flows that will provide lower cost financing options for the larger Phase 2 development and construction.

### **Phase 1 - Underground Operation on Private Land**

- Phase 1 development includes a 8,000 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 highly attractive because of its small environmental footprint with the development contained entirely within private patented mining claims - requiring no Federal permits. This phase would require State and County permits only and result in faster permitting and earlier initial copper production. Final permits for the Phase 1 development are expected to be received by the third quarter of 2012.
- Ore from the East and E2 deposits will 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 later move 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.

### **Copper Production**

Annual copper production for Phase 1, 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 Phases 1 and 2, annual copper production, based on previous studies, is expected to be up to 270 million pounds with a life-of-mine average of approximately 190 million pounds. The DFS will confirm the actual annual copper production schedule based on the sequencing of Phase 1 and 2 mine production, mining rates, mill recoveries and mill feed grades.

### **Other key elements of the DFS are discussed as follows:**

- **Water Rights.** Nevada Copper already owns water rights well in excess of Phase 1 requirements and is currently working on the acquisition, or lease of, additional water rights that would be adequate for the larger combined operation.
- **Tails Storage.** For maximizing the potential for water recycling, dry stacked tailings has been selected for Phase 1, and dewatered tails for the larger Phase 2 expansion.
- **Power Supply.** Supply of line power to the Project will require upgrading of existing distribution lines and substations. Energy availability nearby in the City of Yerington is considered sufficient, with upgrading, for Phase 1 power requirements. A high voltage power line is located 5 miles east of the property is the likely source of energy for the larger Phase 2 requirements. On-site natural gas generation is also under consideration with existing natural gas lines in place approximately 8 miles west of the Project.

- Concentrates Transportation. Copper concentrates will 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 is under development by specialist consultants and will be incorporated into the DFS.
- Segregated Magnetite Tailings. The process flow sheets for both Phase 1 and 2 require magnetic separation of magnetite before the copper flotation circuits. The magnetite tails will be segregated for future processing and, although not considered in this DFS, possible future sale of an iron magnetite concentrate. Nevada Copper will initiate further studies to determine how best to extract value from this considerable high grade resource.

### **Update to the Definitive Feasibility Study Status**

In April, 2011 – the Corporation received all the State and County permits (“the Advanced Exploration permits”) required to commence development of underground access to the Eastern deposits of the Pumpkin Hollow Project. This underground access will then be further developed for possible future mining as the project advances.

The Nevada Division of Environmental Protection (“NDEP”) finalized the three permits needed to move forward on this phase of the project. These are:

- Water Pollution Control Permit for underground development and storage of mine rock on the surface;
- Second Water Pollution Control Permit for dewatering and re-infiltration of the groundwater that is pumped from underground workings; and,
- 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 on June 30, 2011. Lyon County had previously issued the Special Use Permit for Advanced Exploration in October 2010.

Detailed decline and shaft planning for the Advanced Exploration program have been going on in conjunction with the DFS. These detailed plans are expected to be completed within the next month after which Nevada Copper plans to issue a Request for Proposals to construct the shafts and internal decline. Actual shaft sinking is expected to begin by the end of Q4 of 2011 after contractor selection, mobilization and required site upgrades, and will take approximately 24 to 27 months which includes time to equip the shafts for possible future production.

The Advanced Exploration program is a key part of the integrated strategy to permit and develop the Pumpkin Hollow Property. The three phases of the proposed project are:

- 1) Advanced exploration,
- 2) 8,000 ton per day mine/mill operation located entirely on private, patented claims; and
- 3) 60,000 ton per day open pit mine feeding a separate mill facility optimized for maximum copper recovery from the open pit.

The DFS is progressing well on detailed mine process plant design and capital and operating cost estimates. General surface layouts are largely complete with the locations of Phase 1 and 2 process plants, underground shaft facilities along with the ultimate pit outlines, waste rock and dry stack tailings storage facility (“TSF”) areas, as well as conveyor connections. The DFS is being prepared by Tetra Tech and targeted for completion by June 30, 2011.

### **Construction Management**

Nevada Copper has engaged Merit Consultants International Inc. (“Merit”- See below) to provide pre-construction services in support of rapid 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 and develop a detailed project implementation timeline including key project milestones. Additionally, Merit may assist Nevada Copper in developing a RFP for the design of the Phase 1-8,000 tons per day processing plant as well as the procurement of the required capital equipment.

### **Mining**

The Whittle open pit mine designs are complete. Work continues on location of the in-pit crusher, truck haul profiles and productivities. On the Phase 1 underground mine and mill on private lands, detailed mine designs are underway that incorporate rock mechanics information and backfill design. 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 underway.

### **Shaft Design**

Shaft diameters, depth, initial geotechnical ground support requirements have been determined. Quantity take-offs for the shaft construction are approximately 90% complete. Equipment selection for shaft construction has also begun. Selection of a hoist will start with an assessment of the availability of used hoist equipment, timelines for the supply of new equipment, and an evaluation of options to establish a temporary hoist and head frame, or a permanent production hoist and head frame.

### **Process**

Crushing and grinding test work has been completed and design criteria are being established with equipment selection underway. Wardrop Engineers, a TetraTech subsidiary, is providing process design services for the DFS.

### **Civil, Surface Geotechnical and Tailings**

Preliminary layouts of the TSF for the Phase 1 underground and the Phase 2 open pit developments have been prepared. The combined Phase 1 and Phase 2 TSF footprint has been sized to store 400 metric tonnes of tailings. Geotechnical laboratory testing of tailings samples is currently in progress. Laboratory test results will be used to refine stability analyses for the TSF and for water flow modeling. TSF layouts will form the basis to develop the conveyor tailings delivery system.

### **Selected 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 financial information should be read in conjunction with the Consolidated Financial Statements of the Corporation.

	<b>Nine months ended</b>		<b>Year ended June 30,</b>		
	<b>March 31,</b>				
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net loss	<b>(7,307,964)</b>	(2,175,379)	(4,364,555)	(2,589,017)	(2,575,910)
Net loss per share	<b>(0.13)</b>	(0.05)	(0.01)	(0.06)	(0.07)
Total cash and cash equivalents	<b>23,521,976</b>	7,653,831	25,253,454	2,567,280	6,307,602
Working capital	<b>21,332,656</b>	3,973,439	22,069,402	2,263,278	5,704,453
Total liabilities	<b>2,528,967</b>	3,731,552	3,254,638	2,526,143	660,689
Total assets	<b>62,507,838</b>	32,578,066	53,771,885	21,172,451	20,497,696
Shareholders' equity	<b>59,978,871</b>	28,846,514	50,517,247	18,646,308	19,837,007

## Results of Operations

For the nine months ended March 31, 2011, the Corporation had a net loss of \$7,307,964 or \$0.13 per share compared to a net loss of \$2,175,379 or \$0.05 per share with the corresponding period of 2010. The most significant component for the loss in the current period was related to stock-based compensation of \$6,266,490 (2010-\$983,600). The increase in general administrative expenses totaled \$1,010,171 (2010 - \$952,952) and business development totalled \$165,805 (2010 - \$73,332) reflecting increases in business activities during the current period. Correspondingly, a total of \$10,198,370 (2010 - \$6,272,347) was spent in property acquisition and exploration related activities. Short-term investments interest income also increased to \$262,863 (2010 - \$17,068) resulting from higher cash balances.

On a year-to-date basis, the increase in general administrative expense was in line with previous year with a slight increase of \$57,219. The main component of increase in this category was professional fees resulting from increase legal consultations. The increase in professional fees, however was offset by the reduction in office expense due to normalization of the office sharing obligations. There was also a slight increase in public company expenses due to increase in business activities.

## 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			
	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec.31	Sept. 30	Jun. 30
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	23,522	26,188	23,342	25,253	7,654	11,190	1,541	2,567
Working capital	21,333	25,452	19,843	22,069	3,973	10,756	1,421	2,263
Total assets	62,508	61,197	55,225	53,772	32,578	31,722	20,605	21,172
Shareholder's equity	59,979	60,211	51,560	50,517	28,847	29,220	18,412	18,646
Net loss	(4,684)	(2,258)	(366)	(2,189)	(1,621)	(320)	(234)	(1,303)
Net loss per share	(0.09)	(0.04)	(0.01)	(0.10)	(0.04)	(0.01)	(0.01)	(0.03)

During the quarter ended March 31, 2011 the Corporation's cash balance and working capital increased approximately \$16 million from the same quarter ended March 31, 2010 resulting from the 2011 year-to-date financing. Source of funds from options exercised was \$150,000 for the current three months compared to \$265,000 in 2010. Use of funds to support operation totalled to \$381,633 during the current quarter compared to \$451,127 in 2010 and investment in mineral properties was \$3,888,078 compared to \$4,367,661 in the same period in 2010.

Loss for the three months ended March 31, 2011 was \$4,684,823 (2010 - \$1,620,709) or \$0.09 per share (2010 - \$0.04). The main component for the loss in the current quarter was related to stock-based compensation for \$4,303,190 (2010 - \$982,600) and loss on foreign exchange of \$128,143 (2010 - gain of \$95,720). General and administrative expenses for period was lowered to \$263,906 from 2010 of \$447,643 as there was no special salaries related payout this year.

## Liquidity and Capital Resources

The Corporation's working capital as at March 31, 2011 was \$21,332,656 compared with a working capital position of \$3,973,439 as at March 31, 2010. During the current period funding of \$8,343,280 was received from financing and exercise of stock options and warrants (2010 - \$11,392,982). Exploration expenditures for this period totalled to \$10,198,370 (2010 - \$6,272,347) at the Pumpkin Hollow project. Funding to support operating activities was \$994,898 (2010 - \$1,154,928).

In June, 2009 the Corporation successfully closed a US\$2,000,000 convertible debenture agreement with Zhongtiaoshan Non-ferrous Metals Group Co. ("ZTS"). The convertible debenture matured on December 25, 2010 and 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 issue cost. 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 Corporation raised the following funds during the period from November 1, 2009 to March 31, 2011 as summarized below:

	CDN\$ (Million)	
<b>Cash</b>		
Cash available November 1, 2009:		1.2
Financing: non-brokered private placement:		11.2
Financing: brokered private placement:		23.7
Less: Share issue costs:		(1.8)
Warrants exercised:		6.7
Options exercised:		1.9
<b>Total Funds raised and available:</b>		<b>42.9</b>
<b>Feasibility:</b>		
Mineral property	(0.6)	
Exploration	(1.1)	
Engineering	(6.7)	
Resource Drilling	(9.3)	
Permit/Environment	(0.5)	
Plant, equipment & property care taking	(0.1)	
Project administration	(0.4)	
Change in working capital	1.7	<b>(17.0)</b>
<b>General Corporate expenses:</b>		<b>(2.4)</b>
<b>Funds available, March 31, 2011</b>		<b>23.5</b>

Funds available as of March 31, 2011 will be utilized to complete both the 20,000 meter resource expansion drilling program and the DFS which is expected to be completed by June 30, 2011. We have adequate funding to achieve our current business objectives and milestones.

#### **Transactions with Related Parties**

The Corporation shares certain premises and facilities with a company which has certain directors in common, under a cost sharing agreement. During the three and nine months ended March 31, 2011, the Corporation incurred expenses of \$59,218 (2010 - \$37,500) and \$178,431 (2010 - \$106,500) respectively related to the shared premises.

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 of 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-Subsequently to March 31, 2011)
	<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\$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 4<sup>th</sup> through 6<sup>th</sup> 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 March 31, 2011, payments totaling US\$593,106 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 \$50,000 which reverts to user fees based on usage at \$100 per acre foot for year 1 to year 15; \$125 for year 16 to 20; \$150 for year 21 to 25; and \$175 per acre foot for year 26 to year 30.

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.

### **Off-Balance Sheet Arrangements**

The Corporation has no off-balance sheet arrangement.

### **Internal Controls over Financial Reporting**

The Chief Executive Officer and Chief Financial Officer have instituted a system of controls for the Corporation to provide reasonable assurance as to the reliability of the financial information and that the financial statements are prepared, for external purpose, in accordance with GAAP. The limited number of employees within the Corporation facilitates access to real time information about developments in the business for the person responsible for drafting disclosure documents. All documents are circulated to responsible members of management and the board of

directors according to the disclosure time-lines contained within the disclosure policy. The disclosure controls conform with the Corporation's Corporate Governance policies.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures have concluded that, as of such date, the Corporation's disclosure controls and procedures were effective to ensure that material information relating to the Corporation was made known to them by others within the Corporation during the period.

### **Disclosure Controls and Procedures**

The Chief Executive Officer and the Chief Financial Officer have concluded, based on an evaluation as of March 31, 2011, that the disclosure controls and procedures for the Corporation was effective to provide reasonable assurance that material information related to the Corporation is made known. It should be noted that while the Corporation's Chief Executive Officer and the Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that the system of internal control are effective, they do not guarantee that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### **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, 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 assurance that the Corporation will be successful in obtaining the required financing.

- ***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. 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 convertible debenture 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

### *Accounting standards newly adopted*

Effective July 1, 2009, the Corporation adopted new accounting standards as follows:

#### *EIC-174, Mining exploration costs*

In March 2009, the CICA issued EIC-174, Mining Exploration Costs. The EIC provides guidance on the accounting and the impairment review of exploration costs. This EIC abstract applies to financial statements issued after March 27, 2009. Adoption of this EIC did not have any effect on the Corporation's financial statements.

#### *Financial Instruments, Disclosure and Presentation*

Effective July 1, 2009, the Corporation has adopted the enhanced disclosure requirements of amended CICA Section 3862, Financial Instruments - Disclosures. Refer to note 11 for fair value measurement disclosures using a fair value hierarchy that reflects the significance of the inputs in making the measurements.

### ***Recent Accounting Pronouncements***

The following summarises the Corporation's IFRS changeover plan.

#### Adoption of International Accounting Standards

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 Q4 2011

Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress, completion expected during Q4 2011;
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2010/2011

#### 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 the second quarter of 2010-2011 fiscal period. The Corporation will continue to update its disclosures throughout the remainder of 2011 to reflect specific actions taken to facilitate adoption of IFRS effective July 1, 2011.

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 will elect to defer (i.e. retain its existing policy of capitalizing all pre feasibility evaluation and exploration expenditures) its mineral exploration costs.

### 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 has planned to apply the units-of-production amortization method to all of 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. Accordingly, the Corporation does not expect that this will have a 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 analysis is as follows:

Parent: functional currency is CAD as the vast majority of the parent's expenditures are CAD-denominated.

Subsidiary: functional currency is USD as all the subsidiary's expenditures are USD-denominated. The subsidiary's change in functional currency from CAD to USD impacts the foreign exchange translation of subsidiary balances for consolidated reporting purposes. Under CGAAP, monetary balance sheet items are translated at the period-end exchange rate; non-monetary balance sheet items are translated at historical exchange rates. Under IFRS, all balance sheet items, whether monetary or non-monetary, will be translated at the period-end rate. This will therefore introduce exchange rate volatility into the consolidated measurement of items such as the Pumpkin Copper mineral property.

Functional currency of parent Corporation remains the CAD. However the functional currency of the subsidiary under IFRS is USD. This leads to a change in foreign exchange translation of subsidiary balances on consolidation and a resulting change in measurement on transition to IFRS.

### 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 third quarter of 2010-2011 fiscal year to prepare for certification under IFRS in June of 2011.

### 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.

### **Business Combination**

In December 2008, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, Business Combinations, which is converged with International Financial Reporting Standards ("IFRS") 3, Business Combinations, and replaces CICA Handbook Section 1581, Business Combinations. Section 1582 provides guidance on the application of the purchase method of accounting for business combinations. In particular, Section 1582 addresses the determination of the carrying amount of the assets and liabilities of a subsidiary company,

goodwill and accounting for a non-controlling interest at the time of the business combination. The new standard is effective on a prospective basis to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. If an entity applies this Section before January 1, 2011, it shall also adopt CICA Handbook Section 1601 and CICA Handbook Section 1602. This new standard will only have an impact on the Corporation's financial statements for future acquisitions if the Corporation early adopts the standard.

### **Consolidated Financial Statements and Non-controlling Interests**

In December 2008, the AcSB issued CICA Handbook Section 1601, Consolidated Financial Statements, which replaces CICA Handbook Section 1602, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting CICA Handbook Section 1601 for a fiscal year beginning before January 1, 2011 also must adopt CICA Handbook Section 1582, and CICA Handbook Section 1602.

### **Non-controlling Interests**

In December 2008, the AcSB issued CICA Handbook Section 1602, Non-controlling Interests, which establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting CICA Handbook Section 1602 for a fiscal year beginning before January 1, 2011 also must adopt CICA Handbook Section 1582, and CICA Handbook Section 1601.

### **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 will be sufficient for purposes of completing its current development program at the Pumpkin Hollow property which includes the decision to proceed directly to completion of a DFS based on the success of the delineation drilling program and the substantial progress made in feasibility-related engineering studies. 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. 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 May 12, 2011:

Common shares issued and outstanding: 58,997,458

Total stock options outstanding: 5,864,000

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,586,000	\$1.00	August 15, 2011
30,000	\$1.00	December 19, 2011
105,000	\$1.00	May 2, 2012
343,000	\$1.00	August 30, 2012
530,000	\$1.00	July 2, 2018
210,000	\$0.75	November 13, 2018
355,000	\$3.27	January 14, 2020
1,040,000	\$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
<b>5,864,000</b>		

Total share purchase warrants outstanding: 163,012

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
163,012	\$3.30	April 27, 2012
<b>163,012</b>		

#### **Subsequent Event**

Subsequent to March 31, 2011, 302,738 warrants were exercised for common shares at a price of \$3.30 per share.



**NEVADA COPPER CORP.**

Consolidated Financial Statements  
For the nine months ended March 31, 2011  
(Unaudited – Prepared by Management)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, “Continuous Disclosure Obligations”, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by management and approved by the Audit Committee and Board of Directors of the Corporation.

The Corporation’s independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditors.

**NEVADA COPPER CORP.****CONSOLIDATED BALANCE SHEETS**

(In Canadian Dollars)

(Unaudited - Prepared by Management)

**March 31,  
2011****June 30,  
2010**

	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	<b>23,521,976</b>	25,253,454
Amounts receivable	<b>305,005</b>	48,675
Prepaid expenses	<b>34,642</b>	21,911
	<b>23,861,623</b>	25,324,040
PROPERTY AND EQUIPMENT (note 4)	<b>163,451</b>	196,381
MINERAL PROPERTIES (note 5)	<b>38,482,764</b>	28,251,464
	<b>62,507,838</b>	53,771,885
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>2,528,967</b>	932,530
Convertible debenture (note 7)	-	2,019,327
Variable conversion feature (note 7)	-	302,781
	<b>2,528,967</b>	3,254,638
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	<b>66,508,667</b>	54,997,705
Contributed surplus (note 9)	<b>13,594,204</b>	8,335,578
Deficit	<b>(20,124,000)</b>	(12,816,036)
	<b>59,978,871</b>	50,517,247
	<b>62,507,838</b>	53,771,885

COMMITMENTS (notes 5 and 6)

SUBSEQUENT EVENTS (notes 5 and 8)

**APPROVED ON BEHALF OF THE BOARD,**Signed: Giulio T. Bonifacio

Director

Signed: Brian Kirwin

Director

The accompanying notes are an integral part of these consolidated financial statements

**NEVADA COPPER CORP.****CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**

(In Canadian Dollars)

(Unaudited - Prepared by Management)

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended March 31,</b>	<b>2010</b>	<b>Ended March 31,</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>				
General and administrative (note 10)	<b>263,906</b>	447,643	<b>1,010,171</b>	952,952
Business development	<b>61,510</b>	36,875	<b>165,805</b>	73,332
Stock-based compensation	<b>4,303,190</b>	982,600	<b>6,266,490</b>	982,600
Foreign exchange gains	<b>128,143</b>	(95,720)	<b>(49,415)</b>	(148,726)
	<b>4,756,749</b>	1,371,398	<b>7,393,051</b>	1,860,158
<b>OTHER</b>				
Interest on convertible debenture	-	34,904	<b>69,703</b>	105,094
Debenture accretion expense	-	224,293	<b>108,073</b>	227,195
Interest income	<b>(71,926)</b>	(9,886)	<b>(262,863)</b>	(17,068)
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(4,684,823)</b>	(1,620,709)	<b>(7,307,964)</b>	(2,175,379)
<b>DEFICIT</b> , beginning of the period	<b>(15,439,177)</b>	(9,006,151)	<b>(12,816,036)</b>	(8,451,481)
<b>DEFICIT</b> , end of the period	<b>(20,124,000)</b>	(10,626,860)	<b>(20,124,000)</b>	(10,626,860)
<b>LOSS PER COMMON SHARE</b>				
Basic and diluted	<b>(0.09)</b>	(0.04)	<b>(0.13)</b>	(0.05)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>58,669,164</b>	43,563,932	<b>55,948,448</b>	42,511,617

The accompanying notes are an integral part of these consolidated financial statements

**NEVADA COPPER CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Canadian Dollars)  
(Unaudited – Prepared by Management)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Loss for the period	(4,684,823)	(1,620,709)	(7,307,964)	(2,175,379)
Items not affecting cash				
Interest on convertible debenture (note 7)	(6,164)	34,904	63,539	105,094
Debenture accretion expense (note 7)	(125,036)	224,293	(16,963)	228,972
Stock-based compensation	4,303,190	982,600	6,266,490	982,600
Foreign exchange on convertible debenture	131,200	(72,215)	-	(296,215)
	<b>(381,633)</b>	<b>(451,127)</b>	<b>(994,898)</b>	<b>(1,154,928)</b>
Changes in non-cash working capital items				
Amounts receivable	(79,540)	1,011	(256,330)	(9,908)
Prepaid expenses	(9,767)	(10,615)	(12,731)	(10,464)
Accounts payable and accrued liabilities	1,751,686	1,041,906	1,596,437	1,183,102
	<b>1,280,746</b>	<b>581,175</b>	<b>332,478</b>	<b>7,802</b>
<b>INVESTING ACTIVITIES</b>				
Property and equipment	-	(14,716)	-	(26,345)
Mineral properties (note 5)	(3,888,078)	(4,367,661)	(10,198,370)	(6,272,347)
Interest payment	(208,866)	-	(208,866)	-
	<b>(4,096,944)</b>	<b>(4,382,377)</b>	<b>(10,407,236)</b>	<b>(6,298,692)</b>
<b>FINANCING ACTIVITIES</b>				
Issue cost on convertible debt (note 7)	-	-	-	(15,544)
Issuance of common shares, net of issue costs (note 8)	150,000	265,000	8,343,280	11,392,985
	<b>150,000</b>	<b>265,000</b>	<b>8,343,280</b>	<b>11,377,441</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(2,666,198)</b>	<b>(3,536,202)</b>	<b>(1,731,478)</b>	<b>5,086,551</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the period</b>	<b>26,188,174</b>	<b>11,190,033</b>	<b>25,253,454</b>	<b>2,567,280</b>
<b>CASH AND CASH EQUIVALENTS, end of the period</b>	<b>23,521,976</b>	<b>7,653,831</b>	<b>23,521,976</b>	<b>7,653,831</b>
<b>SUPPLEMENTARY INFORMATION:</b>				
Interest Paid	208,866	-	208,866	-
Interest Received	71,926	9,886	262,863	17,068
Common shares issued on debt conversion	-	-	2,012,800	-
Income Tax Paid	-	-	-	-

The accompanying notes are an integral part of these consolidated financial statements

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

For the nine months ended March 31, 2011 and 2010 (Unaudited – Prepared by Management)

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### 1. NATURE OF OPERATIONS

Nevada Copper Corp. (the “Corporation” or “Nevada Copper”), is an exploration stage mining company engaged in the identification, acquisition and exploration of copper and other mineral properties located in the United States.

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. Failure to raise additional funding may require the Corporation to reduce operations.

### 2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) using standards for interim financial statements and do not contain all of the information required for annual financial statements. These statements follow the same accounting policies and methods of application of the most recent annual audited financial statements. Accordingly, they should be read in conjunction with the most recent annual audited financial statements of the Corporation. In the opinion of management, all of the adjustments necessary to fairly present the interim consolidated financial statement have been made.

### 3. ADOPTION OF NEW ACCOUNTING STANDARDS

#### *Accounting standards newly adopted*

Effective July 1, 2009, the Corporation adopted new accounting standards as follows:

#### *EIC-174, Mining exploration costs*

In March 2009, the CICA issued EIC-174, Mining Exploration Costs. The EIC provides guidance on the accounting and the impairment review of exploration costs. This EIC abstract applies to financial statements issued after March 27, 2009. Adoption of this EIC did not have any effect on the Corporation’s financial statements.

#### *Financial Instruments, Disclosure and Presentation*

Effective July 1, 2009, the Corporation has adopted the enhanced disclosure requirements of amended CICA Section 3862, Financial Instruments - Disclosures. Refer to Note 11 for fair value measurement disclosures using a fair value hierarchy that reflects the significance of the inputs in making the measurements.

#### *Recent Accounting Pronouncements*

#### **Adoption of International Financial Reporting Standards (“IFRS”)**

The Canadian Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective January 1, 2011. The Corporation is in the process of implementing IFRS and will assess the impact of the differences in accounting standards on the Corporation's consolidated financial statements. The Corporation expects to make changes to processes and systems before the 2011 fiscal year, in time to enable the Corporation to record transactions under IFRS, including 2010 fiscal period financial statements presented for comparative purposes in the 2011 financial year.

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 3. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

#### Business Combination

In December 2008, the Accounting Standards Board (“AcSB”) issued CICA Handbook Section 1582, Business Combinations, which converged with IFRS 3, Business Combinations, and replaces CICA Handbook Section 1581, Business Combinations. Section 1582 provides guidance on the application of the purchase method of accounting for business combinations. In particular, Section 1582 addresses the determination of the carrying amount of the assets and liabilities of a subsidiary company, goodwill and accounting for a non-controlling interest at the time of the business combination. The new standard is effective on a prospective basis to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. If an entity applies this Section before January 1, 2011, it shall also adopt CICA Handbook Section 1601 and CICA Handbook Section 1602. This new standard will only have an impact on the Corporation’s financial statements for future acquisitions if the Corporation early adopts the standard.

#### Consolidated Financial Statements and Non-controlling Interests

In December 2008, the AcSB issued CICA Handbook Section 1601, Consolidated Financial Statements, which replaces CICA Handbook Section 1602, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting CICA Handbook Section 1601 for a fiscal year beginning before January 1, 2011 also must adopt CICA Handbook Section 1582, and CICA Handbook Section 1602.

#### Non-controlling Interests

In December 2008, the AcSB issued CICA Handbook Section 1602, Non-controlling Interests, which establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting CICA Handbook Section 1602 for a fiscal year beginning before January 1, 2011 also must adopt CICA Handbook Section 1582, and CICA Handbook Section 1601.

### 4. PROPERTY AND EQUIPMENT

			March 31, 2011	June 30, 2010
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
	\$	\$	\$	\$
Building	115,792	38,879	<b>76,913</b>	85,597
Equipment	79,830	38,231	<b>41,599</b>	53,650
Mobile equipment	51,768	44,418	<b>7,350</b>	12,758
Computer equipment	73,803	36,214	<b>37,589</b>	44,376
Balance, end of period	321,193	157,742	<b>163,451</b>	196,381

### 5. 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, to 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.

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

For the nine months ended March 31, 2011 and 2010 (Unaudited – Prepared by Management)

### 5. MINERAL PROPERTIES (continued)

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. The Corporation has the option to extend this lease for up to three additional ten-year terms. A small non-core portion of the unpatented claims is subject to an assertion of a prior claim by a third party. The count 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:

<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 subsequent to March 31, 2011)
	<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\$3,000,000.

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 offset against this royalty obligation.

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 4<sup>th</sup> through 6<sup>th</sup> years of the Lease, with expenditures of at least US\$500,000 each year. The Corporation fully satisfied these expenditures obligations by 2008.

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.

Project expenditures capitalized as of March 31, 2011 and June 30, 2010 consisted of the following:

	<u>June 30,</u>	<u>Expenditures</u>	<u>March 31,</u>
	<u>2010</u>		<u>2011</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Property payments	936,405	127,603	1,064,008
Water rights	461,682	143,620	605,302
Exploration	3,870,213	662,001	4,532,214
Engineering	3,310,983	4,800,012	8,110,995
Drilling	18,421,499	2,713,319	21,134,818
Definitive feasibility	-	1,110,805	1,110,805
Permit/Environmental	374,947	350,210	725,157
Equipment	212,239	-	212,239
Property Caretaking	178,755	51,640	230,395
Amortization	124,812	32,931	157,743
Administration	359,929	239,159	599,088
<b>Total</b>	<b>28,251,464</b>	<b>10,231,300</b>	<b>38,482,764</b>

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

For the nine months ended March 31, 2011 and 2010 (Unaudited – Prepared by Management)

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### 5. MINERAL PROPERTIES (continued)

#### *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 \$50,000 which revert to user fees based on usage at \$100 per acre foot for year 1 to year 15; \$125 per acre foot for year 16 to 20; \$150 per acre foot for year 21 to 25; and \$175 per acre foot for year 26 to year 30.

### 6. RELATED PARTY TRANSACTIONS

The Corporation shares certain premises and facilities with a company which has certain directors in common, under a cost sharing agreement. During the three and nine months ended March 31, 2011, the Corporation incurred expenses of \$59,218 (2010 - \$37,500) and \$178,431 (2010 - \$106,500) respectively related to the shared premises.

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 of 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.

### 7. 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 Convertible Debenture matured on December 25, 2010 (the “Maturity Date”) bearing interest at a rate of 7% per annum calculated monthly and payable in full on the Maturity Date. The Principal outstanding under the Convertible Debenture was convertible into common shares at a deemed price of CAD\$1.00 per share by ZTS at any time up to the day immediately preceding the Maturity Date.

The terms of the Convertible Debenture also limit the shares that can 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 contained 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 (USD \$1,716,000), net of issue costs of \$138,800, being initially recognized as debt, with the balance of \$327,452 (US\$284,000) being initially recorded as variable conversion feature.

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

For the nine months ended March 31, 2011 and 2010 (Unaudited – Prepared by Management)

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### 7. CONVERTIBLE DEBENTURE (continued)

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 dependant on an underlying variable not specific to any party to the contract. The Corporation recognized and recorded the value of this embedded derivative liability to its fair value at each reporting date. As at December 25, 2010, exchange rates were lower than the specified June 25, 2009 exchange rate, no additional embedded derivative liability was recognized.

On December 24, 2010 the Corporation received notice from ZTS and converted the outstanding principal of the US\$2,000,000 Convertible Debenture to 2,012,800 common shares of the Corporation based on the exchange rate of 1.0064. The previously recorded variable conversion features and its related foreign exchange were fully accreted and were converted as part of the principal. Interest accrued to December 25, 2010 at coupon rate of 7% totaling to US\$210,000 was fully paid as of March 31, 2011.

The Convertible Debenture is comprised as follows:

	<b>March 31, 2011</b>	<b>June 30, 2010</b>
	\$	\$
Recognized as debt on issue date	-	1,978,548
Cash debt issuance costs	-	(104,400)
Warrants granted as issuance cost	-	(34,400)
Accrued interest	-	153,979
Accretion expense	-	184,714
Foreign exchange (gain)/loss on translation	-	(159,114)
	<u>-</u>	<u>2,019,327</u>

The variable conversion feature is comprised as follows:

	<b>March 31, 2011</b>	<b>June 30, 2010</b>
	\$	\$
Variable conversion feature on issue	-	327,452
Foreign exchange (gain)/loss on translation	-	(24,671)
	<u>-</u>	<u>302,781</u>

### 8. SHARE CAPITAL

#### Authorized and issued

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

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

For the nine months ended March 31, 2011 and 2010 (Unaudited – Prepared by Management)

### 8. SHARE CAPITAL (continued)

#### Authorized & Issued (continued)

	Number of Common Shares	Amount \$
<b>Balance, June 30, 2009</b>	<b>40,578,420</b>	<b>22,319,346</b>
Private placement financing, gross proceeds	12,262,500	34,925,625
Exercise of options	265,000	453,565
Share issue cost	-	(2,700,831)
<b>Balance, June 30, 2010</b>	<b>53,105,920</b>	<b>54,997,705</b>
Exercise of warrants	2,600,000	7,411,500
Exercise options	976,000	1,947,364
Conversion of debenture, net of issue costs	2,012,800	2,159,818
Share issue cost	-	(7,720)
<b>Balance, March 31, 2011</b>	<b>58,694,720</b>	<b>66,508,667</b>

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 was exercisable into one common share at an exercise price of \$3.00 per common share until November 3, 2011. All securities issued in connection with this financing were subject to a four month hold period, expiring March 4, 2010. Share issuance costs totaling \$108,888 were incurred in connection with the financing. No fair value was assigned to warrants attached to the units.

On November 17, 2010, Capstone converted its 2,250,000 common share purchase warrants at \$3.00 per share and subsequently disposed all of its shares of the Corporation in the open market.

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

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

For the nine months ended March 31, 2011 and 2010 (Unaudited – Prepared by Management)

### 8. SHARE CAPITAL (continued)

#### Options

The Corporation grants incentive stock options as permitted pursuant to the Corporation's Stock Option Plan (the "Plan") approved by the shareholders on August 27, 2010 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 10 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.

As of March 31, 2011 the Corporation has stock options outstanding to directors, officers, employees and consultants and exercisable to acquire an aggregate of 5,864,000 common shares summarized as follows. All of these options vested upon grant. The options have a weighted average remaining life of 6.07 years.

	Number of Options	Weighted Average Exercise Price	Expiry Date
<b>Balance, June 30, 2009</b>	<b>4,045,000</b>	<b>\$1.16</b>	
Granted	355,000	\$3.27	January 14, 2020
Granted	1,090,000	\$2.12	May 31, 2020
Exercised	(265,000)	\$1.00	
<b>Balance, June 30, 2010</b>	<b>5,225,000</b>	<b>\$1.51</b>	
Granted	610,000	\$3.74	October 13, 2020
Granted	265,000	\$4.55	January 6, 2021
Granted	790,000	\$5.37	February 22, 2021
Exercised	(976,000)	\$1.00	
Cancelled	(50,000)	\$2.12	
<b>Balance, March 31, 2011</b>	<b>5,864,000</b>	<b>\$2.36</b>	

During the nine months ended March 31, 2011, 1,665,000 (fiscal year June 2010 – 1,445,000) stock options were granted which resulted in compensation expense of \$6,266,490 (nine months ended March 31, 2010 - \$982,600) being charged to operations. The full amount was related to directors 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 \$3.99 (2010 – \$2.08) per option.

	2011	2010
Risk free interest rate	2.36%	2.65%
Expected dividend yield	0%	0%
Expected stock price volatility	137%	119%
Expected life in years	4.50	5.0

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

For the nine months ended March 31, 2011 and 2010 (Unaudited – Prepared by Management)

### 8. SHARE CAPITAL (continued)

#### Options (continued)

The following table summarizes the stock options outstanding and exercisable as at March 31, 2011:

Number of Options	Exercise Price	Expiry Dates
1,586,000	\$1.00	August 15, 2011
30,000	\$1.00	December 19, 2011
105,000	\$1.00	May 2, 2012
343,000	\$1.00	August 30, 2012
530,000	\$1.00	July 2, 2018
210,000	\$0.75	November 13, 2018
355,000	\$3.27	January 14, 2020
1,040,000	\$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
<b>5,864,000</b>	<b>\$2.36</b>	

#### Warrants

As of March 31, 2011 the Corporation has share purchase warrants outstanding for an aggregate of 465,750 common shares. The warrants have a weighted average remaining life of 1.09 years:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
<b>Balance, June 30, 2009</b>	<b>1,718,000</b>		
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
<b>Balance, June 30, 2010</b>	<b>3,065,750</b>	\$2.91	
Warrants exercised - Macquarie	(250,000)	\$2.10	October 1, 2010
Warrants exercised - Capstone	(2,250,000)	\$3.00	November 3, 2011
Warrants exercised - ZTS	(100,000)	\$1.00	January 8, 2011
<b>Balance, March 31, 2010</b>	<b>465,750</b>	<b>\$3.30</b>	

During the nine months ended March 31, 2011, Macquarie exercised the 250,000 warrants at \$2.10; Capstone exercised the 2,250,000 warrants at \$3.00 and ZTS exercised 100,000 warrants at \$1.00 to acquire common shares of the Corporation.

The following table summarizes the share purchase warrants outstanding and exercisable as at March 31, 2011:

Number of Warrants	Exercise Price	Expiry Dates
465,750	\$3.30	April 27, 2012
<b>465,750</b>	<b>\$3.30</b>	

Subsequent to March 31, 2011, 302,738 warrants were exercised for common shares at a price of \$3.30 per share.

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

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### 9. CONTRIBUTED SURPLUS

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

	<u>Amount</u>
	\$
<b>Balance, June 30, 2009</b>	<b>4,778,443</b>
Stock options exercised	(188,565)
Fair value of stock options granted	2,917,600
Fair value of warrants issued as commission (Note 8)	828,100
<b>Balance, June 30, 2010</b>	<b>8,335,578</b>
Stock options and warrants exercised	(1,007,864)
Fair value of stock options granted (Note 8)	6,266,490
<b>Balance, March 31, 2011</b>	<b>13,594,204</b>

### 10. GENERAL AND ADMINISTRATION

	March 31, 2011		March 31, 2010	
	Three months	Nine Months	Three months	Nine Months
	\$	\$	\$	\$
Salaries and benefits	97,421	405,116	263,217	413,521
Public company expenses	127,410	375,864	92,214	304,588
Professional fees	6,372	116,914	23,303	51,955
Office expenses	20,870	78,660	56,791	145,916
Insurance	11,833	33,617	12,118	36,972
	<b>263,906</b>	<b>1,010,171</b>	447,643	952,952

### 11. FINANCIAL INSTRUMENTS

#### Fair values in the consolidated balance sheet:

The carrying amounts reported in the consolidated balance sheet for short term financial assets and liabilities, which includes cash and cash equivalents, accounts receivable and accounts payable 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:			
	March 31, 2011	Quoted prices in active markets identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>				
Cash and cash equivalents	<b>23,521,976</b>	23,521,976	-	-

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

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### 11. FINANCIAL INSTRUMENTS (continued)

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.

The carrying amounts of marketable securities are equal to fair value, which is based on active market obtained from the closing stock price. Receivables and accounts payables were determined by face value of invoices.

#### Contractual Obligations

The following table sets forth the Corporation's known contractual obligations as of March 31, 2011:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
	\$	\$	\$	\$	\$
Lease Obligation – Payment on Pumpkin Hollow Property *	3,150,000	150,000	1,200,000	1,200,000	600,000
<b>Total</b>	<b>\$3,150,000</b>	<b>\$150,000</b>	<b>\$1,200,000</b>	<b>\$1,200,000</b>	<b>\$600,000</b>

\*Amount in US dollars

#### 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.

#### a) Market risks

##### i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. 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.

# NEVADA COPPER CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

For the nine months ended March 31, 2011 and 2010 (Unaudited – Prepared by Management)

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### 11. FINANCIAL INSTRUMENTS (continued)

#### ii) 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 and accrued liabilities 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 US 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.

#### b) 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 equivalent. The Corporation has reduced its credit risk by investing its cash and cash equivalents in high quality Canadian and US chartered banks.

#### c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. As of March 31, 2011, the Corporation had enough funds available to meet its financial liabilities and future financial liabilities under its current commitments. The Corporation handles liquidity risk through the management of its capital structure.

### 12. 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.

## **CORPORATE INFORMATION**

### **DIRECTORS**

Giulio T. Bonifacio  
*Vancouver, Canada*

Jan Castro  
*Switzerland*

Joseph Giuffre  
*Vancouver, Canada*

Brian P. Kirwin  
*Reno, United States*

Paul Matysek  
*Vancouver, Canada*

Foster Wilson  
*Reno, United States*

### **OFFICES**

Corporate Office  
*Suite 305 – 675 West Hastings St.  
Vancouver, British Columbia  
Canada, V6B 1N2*

*Telephone (604) 683-8992  
Fax (604) 681-0122*

Exploration Office  
*61 E. Pursel Lane  
P.O. Box 1640  
Yerington, Nevada 89447*

*Telephone (775) 463-3510  
Fax: (775) 463-4130*

### **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 May 15, 2011)  
Shares Issued and Outstanding: 58,997,458

### **AUDITOR**

Manning Elliott LLP, 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](http://www.nevadacopper.com)

### **INVESTOR RELATIONS CONTACT**

Eugene Toffolo  
*Telephone 604-683-8992  
Email [info@nevadacopper.com](mailto:info@nevadacopper.com)*