NEVADA COPPER

TEAMWORK. INNOVATION. EXECUTION.

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021 and 2020

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of United States dollars)
(Unaudited – Prepared by Management)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$3,329	$21,839
Accounts receivable	123	88
Prepaid expenses	511	88
Total Current Assets	**3,963**	**22,015**
Restricted cash	379	7,073
Mineral properties, plant, and equipment (note 3)	854,116	738,761
	$858,458	**$767,849**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$43,730	$43,969
Related party payable (note 7)	311	2,837
Stock-based compensation liabilities – current portion (note 10)	1,561	581
Warrant derivative (note 9)	801	12,477
Stream and royalty deferral – current portion (note 6)	6,635	15,487
Working Capital Facility (note 4)	27,490	32,880
Debt – current portion (note 5)	183,706	31,035
Total Current Liabilities	**$264,234**	**$139,266**
Settlement payable – long term portion (note 11b and c)	-	8,029
Stock based compensation liabilities - long term portion (note 10)	497	895
Stream and royalty deferral (note 6)	118,984	102,168
Long term debt (note 5)	46,985	140,479
Asset retirement obligation	6,390	6,219
Total Liabilities	**$437,090**	**$397,056**
Shareholders' Equity		
Share capital	545,562	505,370
Other equity reserve	31,813	31,582
Accumulated other comprehensive loss	(3,578)	(3,578)
Deficit	(152,429)	(162,581)
Total Shareholders' Equity	**$421,368**	**$370,793**
Total Liabilities and Shareholders' Equity	**$858,458**	**$767,849**

General Information, Nature of Operations and Going Concern (note 1)
Commitments and Contractual Obligations (note 11)
Subsequent Events (note 1)

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

Approved on behalf of the Audit Committee on November 9, 2021:

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

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
(Expressed in thousands of United States dollars except per share amounts which are in United States dollars)
Three months and nine months ended September 30, 2021 and 2020
(Unaudited – Prepared by Management)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Expenses				
Consulting and remuneration	$52	$192	$372	$1,361
Public company expenses	457	325	1,145	1,573
Administration Expenses	243	62	375	261
Professional fees	258	642	1,615	3,784
Depreciation expense	-	(9)	-	31
Loss on hedged positions (note 11d)	-	-	3,075	-
Stock-based compensation	(1,805)	(290)	(122)	845
	795	(922)	**(6,460)**	(7,855)
Interest income	26	2	41	5
Interest and finance expenses	(2)	(803)	12	(837)
Derivative fair value gain (loss) (note 9)	27,258	(4,568)	16,598	(4,763)
Other income	-	51	-	62
Gain (loss) on debt extinguishment, net	-	-	-	(4,112)
Foreign exchange gain (loss)	25	47	(39)	89
Convertible loan derivative fair value change	-	9,994	-	6,763
Gain on extinguishment of convertible loan	-	(6,383)	-	(6,383)
	27,307	(1,660)	**16,612**	(9,176)
Net income (loss) and comprehensive income (loss)	**$28,102**	$(2,582)	**$10,152**	$(17,031)
Income (loss) per common share				
Basic and diluted	**$0.15**	$(0.02)	**$0.06**	$(0.18)
Weighted average number of common shares outstanding (note 2a and 8c)				
Basic	**184,791,770**	134,468,588	**181,034,086**	95,760,377
Diluted	**185,390,529**	134,468,588	**182,197,884**	95,760,377

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in thousands of United States dollars)
Nine months ended September 30,2021 and 2020
(Unaudited – Prepared by Management)

	Share Capital					
	Number of Shares (note 2a)	Amount	Other Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
Balances, December 31, 2019	76,193,590	$431,069	$33,308	$(3,578)	$(142,238)	$318,561
Shares issued (note 8)	72,632,709	76,810	-	-	-	76,810
Shares issuance costs	-	(2,433)	-	-	-	(2,433)
Stock-based compensation (note 10a)	-	-	1,247	-	-	1,247
Comprehensive loss	-	-	-	-	(17,031)	(17,031)
Balances, September 30, 2020	**148,826,299**	**$505,446**	**$34,555**	**$(3,578)**	**$(159,269)**	**$377,154**

	Share Capital					
	Number of Shares (note 2a)	Amount	Other Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
Balances, December 31, 2020	148,826,300	$505,370	$31,582	$(3,578)	$(162,581)	$370,792
Shares issued (note 8b)	36,306,129	42,458	-	-	-	42,458
Shares issuance costs (note 8b(i))	-	(2,266)	-	-	-	(2,266)
Stock-based compensation (note 10a)	-	-	231	-	-	231
Comprehensive income (loss)	-	-	-	-	10,152	10,152
Balances, September 30, 2021	**185,132,429**	**$545,562**	**$31,813**	**$(3,578)**	**$(152,429)**	**$421,368**

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

NEVADA COPPER CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of United States dollars)
Nine months ended September 30, 2021 and 2020
(Unaudited – Prepared by Management)

	September 30, 2021	September 30, 2020
Cash flows used in operating activities		
Income (loss) for the period	**$10,152**	$(17,031)
Adjustments for:		
Derivatives fair value change	**(16,598)**	4,763
Debt extinguishment loss	**-**	4,112
Convertible Loan derivative fair value change	**-**	(6,763)
Gain on extinguishment of Convertible Loan)	**-**	6,383
Stock-based compensation	**(122)**	852
Unrealized foreign exchange loss (gain)	**-**	(86)
Interest and finance charges	**-**	846
Interest income	**(41)**	(5)
Depreciation and accretion expense	**-**	31
	(6,609)	(6,898)
Changes in non-cash working capital items:		
Amounts receivable	**(35)**	(122)
Prepaid expenses	**(423)**	(850)
Accounts payable and accrued liabilities	**591**	1,393
Net cash used in operating activities	**(6,476)**	(6,477)
Cash flows used in investing activities		
Proceeds received upon sale of royalties and stream amendment (note 6)	**-**	29,741
Interest received	**41**	5
Cash moved from/(to) restricted cash	**6,694**	(5,018)
Stream payments (note 6)	**(563)**	(400)
Proceeds from pre-production sales (note 3)	**8,439**	3,017
Development costs for mineral properties and purchase of plant and equipment	**(108,798)**	(75,561)
Net cash used in investing activities	**(94,200)**	(48,216)
Cash flows from financing activities		
Issuance of common shares	**31,632**	27,034
Share issuance costs incurred	**(2,266)**	-
Proceeds from promissory notes (note 5d)	**54,500**	15,100
Repayment of promissory notes (note 5d)	**(15,747)**	(5,868)
Proceeds from Payroll Protection Program loan	**-**	2,348
Proceeds from Working Capital Facility (note 4)	**65,250**	33,655
Working Capital Facility repayment (note 4)	**(70,650)**	(27,622)
Proceeds from 2019 Credit Facility	**-**	14,550
Proceeds from 2021 Credit Facility (note 5b)	**30,000**	-
Proceeds from Convertible Loan	**-**	450
Lease payments	**(6,583)**	-
Interest paid	**(3,970)**	(5,287)
Net cash provided by financing activities	**82,166**	54,360
Effect of exchange rate changes on cash and cash equivalents	**-**	86
Decrease in cash and cash equivalents	**(18,510)**	(247)
Cash and cash equivalents, beginning of the period	**21,839**	1,041
Cash and cash equivalents, end of the period	**$3,329**	$794

Supplemental cash flow disclosures (note 12)
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. General Information, Nature of Operations and Going Concern:

Nevada Copper Corp. is the parent company of its consolidated group (the "Company" or "Nevada Copper"). The Company was incorporated on June 16, 1999 under the Business Corporations Act (Yukon) and was continued into British Columbia under the Business Corporations Act (British Columbia) on November 16, 2006. Nevada Copper is incorporated and domiciled in Canada, and its registered office is at Suite 910-800 West Pender Street, Vancouver, British Columbia, V6C 2V6. The Company is a mining company engaged in the exploration, development and operation of its copper project (the "Project") at its Pumpkin Hollow Property (the "Property") in Western Nevada, USA, and in particular, the construction and commissioning ("ramp-up") of its underground mine at the Property (the "Underground Mine").

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern.

At September 30, 2021, the Company had a working capital deficiency (current assets less current liabilities) of $260,271 (December 31, 2020 - $117,251).

The primary reason for the increase in the Company's working capital deficiency since December 31, 2020 is the reclassification of the Existing KfW Facility (as defined below) as a current liability, pending the effectiveness of the KfW Amendment Agreement (as defined below), and the resulting extension of the Project Completion Longstop Date (as defined below).

Subsequent to the end of the period, on October 11, 2021, the Company, the Company's wholly-owned subsidiary, Nevada Copper, Inc. ("NCI") and KfW IPEX-Bank ("KfW"), the lender under the Company's amended and restated senior credit agreement (the "Existing KfW Facility"), entered into an amendment agreement (the "KfW Amendment Agreement") in respect of the Existing KfW Facility providing for a long term extension of the project longstop date (the final date to meet the requirements of the project completion test under the Existing KfW Facility) (the "Project Completion Longstop Date") until June 2023 and significant payment deferrals. A condition precedent to the effectiveness of the KfW Amendment Agreement is the receipt by NCI of at least $40,000 in net proceeds from debt or equity financings prior to March 31, 2022 (the "KfW Condition"). The KfW Amendment Agreement becomes effective once the KfW Condition is satisfied, the Company is required under IFRS to record the Existing KfW Facility as a current liability.

Concurrently with entering into the KfW Amendment Agreement, the Company entered into a non-binding term sheet (the "Non-Binding Term Sheet") with Pala Investments Limited ("Pala"), the Company's largest shareholder, providing for additional financing of up to $41,000 to be made available by Pala and the consolidation of all then outstanding loans owing under the 2021 Credit Facility (as defined below), the Amended June Promissory Note (as defined below) and the Amended October Promissory Notes (as defined below) under an amended 2021 Credit Facility (as amended, the "Amended Credit Facility"). In addition, pursuant to the Non-Binding Term Sheet, the original maturity date of the 2021 Credit Facility will be extended until 2026 under the Amended Credit Facility, with no scheduled payments before the final maturity date.

There can be no assurance that such extension and amendments will be finalized as outlined above. Failure to finalize the amendments would result in the Company being in default under the Amended KfW Facility. Until the Amended Credit Facility is finalized, the Company is required under IFRS to record the Amended June Promissory Note and the Amended October Promissory Note as current liabilities.

For the nine-months ended September 30, 2021 the Company recorded net income of $10,152 income (2020 loss - $17,031) and the cash used in operating activities was $6,476 (2020 – $6,477). The primary driver for the increase in income during the period was the derivative fair value gain of $16,598 recorded during the period. As at September 30, 2021, capital commitments due in the next twelve months are $3,868.

During the first nine months of 2021, the Company had the following significant transactions:

- The Company completed a bought deal public equity offering (the "January 2021 Offering") (see note 8 below). The net proceeds from the January 2021 Offering were $27,348. From the total net proceeds, the Company used $15,747 to repay a 2020 promissory note issued by the Company to Pala (the "November Promissory Note") and $5,000 was used to fund the COF (defined below).
- On February 3, 2021, the Company entered a credit facility with Pala for $15,000 to be drawn by the Company (the "2021 Credit Facility"). The 2021 Credit Facility also provided $15,000 under an accordion feature. The full $30,000 has been drawn by the Company.
- Development expenditures of $106,900 to progress the advancement of the Underground Mine and proceeds from pre-production sales of $6,528 were incurred and received during the nine months ended September 30, 2021, respectively.
- The Company continued to repay amounts under its revolving working capital facility (the "Working Capital Facility") with Concord Resources Limited ("Concord") during the period and received new advances. Repayments were made through cash and concentrate deliveries in accordance with the Working Capital Facility. Due to the revolving nature of the facility, additional amounts were advanced subsequent to September 30, 2021 (note 4).
- The Company received a loan of $15,000 under a promissory note with Pala in June 2021 (the "June Promissory Note") providing additional liquidity for the ramp-up of the Underground Mine and addressing the reduced development rates associated with crossing the water-bearing dike structure. The June Promissory Note has a maturity date of June 30, 2022 and bears interest at 8% per annum on amounts drawn. From July through September, 2021, Pala provided the Company with additional loans of $40,000 in the aggregate pursuant to a series of amendments and restatements of the June Promissory Note (the "Amended June Promissory Note") on the same terms and conditions as the original June Promissory Note, except that the Amended June Promissory Note provided for an arrangement fee of 6% on the full commitment amount of $55,000, which was capitalized. As at September 30, 2021, $57,800 outstanding principal amount was owing under the Amended June Promissory Note.

Subsequent to the end of the period, Pala provided the Company with an additional loan of up to $12,000 pursuant to a new promissory note entered into between Pala and the Company (the "October Promissory Note"). The October Promissory Note has substantially the same terms as the Amended June Promissory Note, however, no arrangement fee is payable to Pala under the October Promissory Note. On November 1, 2021, Pala provided the Company with an additional loan of up to $15,000 pursuant to an amendment and restatement of the October Promissory Note (the "Amended October Promissory Note") on the same terms and conditions as the original October Promissory Note. As of the date hereof, $19,000 has been drawn by the Company under the Amended October Promissory Note.

Increased costs during the ramp-up period in light of geotechnical changes, as well as unexpected issues and delays encountered at the Underground Mine during the first half of the year, the Company's working capital deficiency, the need to re-negotiate and enter into new financing agreements and/or amendments of existing agreements with the Company's primary lenders, revised timing estimates in the Company's revised mine plan and the potential for additional unforeseen issues and delays give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern, to realise the carrying value of its assets, and to discharge its liabilities when due, are dependent on results from operations, the ability to complete the ramp-up process at the Underground Mine in accordance with the current schedule and within the current cost expectations, favourable copper market conditions, the ability to obtain additional required financing and the KfW Amendment Agreement becoming effective. There can be no assurance that these requirements will be achieved. In addition, there can be no assurance that the actual costs to complete the ramp-up will not be greater than expected by the Company or that further significant ramp-up delays will not occur. The Company may not be able to satisfy the KfW Condition, in which case, the amendments to the Existing KfW Facility provided for in the KfW Amendment Agreement will not become effective. If the KfW Amendment Agreement does not become effective, in the absence of alternative financing arrangements being arranged, the Company may not be able to continue operations and its secured lenders may be able to enforce on their security over the Company's and NCI's assets.

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

2. Significant Accounting Policies:

a) Share consolidation

On September 17, 2021, the Company completed a share consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares (the "Share Consolidation"). The Company's common shares began trading on the Toronto Stock Exchange on a post-consolidation basis on September 21, 2021. The common shares, units and per share amounts in the comparative periods have been restated in these financial statements and the notes hereto to reflect the Share Consolidation for comparative purposes.

The number of warrants outstanding post Share Consolidation did not change. Post Share Consolidation, the exercise prices of the warrants increased by a factor of 10, and ten (10) warrants are now required to be exercised to purchase one (1) common share (rather than the 1 for 1 exchange before the Share Consolidation).

b) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance and in compliance with IFRS as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and do not include all the information required for full financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ending December 31, 2020.

These consolidated financial statements were approved for issue by the Audit Committee on November 9, 2021.

c) Use of judgments and estimates

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated audited financial statements for the year ended December 31, 2020.

d) New accounting standards not yet adopted

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16): The amendments prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This amendment is effective for the Company's annual reporting period beginning January 1, 2022, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of this amendment. None of the remaining standards and amendments to standards and interpretations, which have been issued but are not yet effective, are expected to have a significant effect on the consolidated financial statements of the Company.

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

e) **Accounting standards adopted during the period**

Interest Rate Benchmark Reform: The Company adopted Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 (the "Phase 2 Amendments") effective on January 1, 2021. Interest rate benchmark reform (the "Reform") refers to a global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates with alternative benchmark rates.

The Phase 2 Amendments provide a practical expedient requiring the effective interest rate to be adjusted when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities that relate directly to the Reform rather than applying modification accounting which might have resulted in a gain or loss. In addition, the Phase 2 Amendments require disclosures to assist users in understanding the effect of the Reform on the Company's financial instruments and risk management strategy. The 2021 Credit Facility, the Working Capital Facility and the Existing KfW Facility are indexed to London interbank offered rates that have not yet transitioned to alternative benchmark rates at the end of the current reporting period.

3. Mineral Properties, Plant and Equipment:

	Mineral Properties Development Costs	Plant & Equipment	Rights of Use Assets	Deposits	Total
Cost:					
As at December 31, 2019	**$573,316**	**$2,917**	**$29,167**	**$3,455**	**$608,855**
Additions	135,579		6,961	(1,917)	140,623
As at December 31, 2020	**$708,895**	**$2,917**	**$36,128**	**1,538**	**749,478**
Additions	119,667	11	2,472	(962)	121,188
As at September 30, 2021	**$828,562**	**$2,928**	**$38,600**	**$576**	**$870,666**
Accumulated depreciation:					
As at December 31, 2020	**$-**	**$1,414**	**$9,303**	**$-**	**$10,717**
Additions	-	-	5,833	-	5,833
As at September 30, 2021	**$-**	**$1,414**	**$15,136**	**$-**	**$16,550**
Net Book Value					
As at December 31, 2020	**$708,895**	**$1,503**	**$26,825**	**$1,538**	**$738,761**
As at September 30, 2021	**$828,562**	**$1,514**	**$23,464**	**$576**	**$854,116**

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

Project costs capitalised for the nine months ended September 30, 2021 on the Property consists of the following:

	September 30, 2021	2021 Additions	December 31, 2020	2020 Additions	December 31, 2019
Property payments	$1,961	$-	$1,961	-	$1,961
Advance royalty payments	6,276	450	5,826	600	5,226
Water rights	2,908	141	2,767	188	2,579
Drilling	42,302	-	42,302	-	42,302
Geological consulting, exploration & related	8,459	-	8,459	-	8,459
Feasibility, engineering & related studies	27,605	-	27,605	368	27,237
Permits/environmental	14,235	506	13,729	620	13,109
Underground access, hoist, head frame, power & related	345,777	68,844	276,933	77,683	199,250
Processing plant - engineering procurement	148,153	10,884	137,269	10,172	127,098
Surface infrastructure	31,177	1,458	29,717	9,160	20,557
Site costs	60,608	16,454	44,156	13,772	30,384
	689,461	**98,737**	**590,724**	**112,563**	**478,162**
Depreciation	16,394	5,963	10,401	6,751	3,650
Asset retirement obligation	5,476	171	5,305	321	4,984
Capitalised interest	97,757	14,548	83,238	16,072	67,166
Stock-based compensation	5,371	(700)	6,071	(2,305)	8,376
Stream accretion	28,416	8,227	20,189	9,211	10,978
Pre-production sales	(14,313)	(7,280)	(7,033)	(7,033)	-
Total	**$828,562**	**$119,666**	**$708,895**	**135,580**	**$573,316**

Asset impairments

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

The recoverable amount of the CGU was based on a fair value less cost of disposal method using a discounted cash flow model. The determination of the recoverable amounts included the following significant assumptions: quantities of recoverable reserves and resources, future metal prices, capital and operating costs and discount rate.

During the period, the Company performed an impairment analysis to test the recoverable amount of the Project due to the significant drop of the Company's market capitalization at September 30, 2021 relative to net assets in addition to other factors described in Note 1.

The impairment analysis performed did not result in the recognition of an impairment loss for the period ending September 30, 2021.

The cash flow model for the impairment analysis is based on detailed forecasts for the Project and is prepared using life-of-mine plans considering expected future production based on estimates of recoverable reserves and resources. The model is most sensitive to the estimated long-term copper prices, the discount rate, and the delays in ramp up of the production of the Project. Based on the Company's sensitivity analysis, an approximate 9% decrease in the long term copper prices, an approximate increase in the discount rate to 13% or a delay of the Project by approximately two years to the third quarter of 2024 (based on current consensus copper prices) in the currently forecasted ramp up of production would result in the recoverable amount of the CGU equalling the net asset value of the CGU.

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

Other than pricing, discount rate assumptions and timing of the ramp up of the Project, the negative impacts of COVID-19 could have a material adverse impact on the recoverable amount of the CGU.

Key assumptions

The Company's key assumptions used in determining the recoverable amount of the Project are metal prices, operation costs, capital costs, reserves and resources, discount rates and ramp-up completion, as noted below.

Metal prices

The metal prices used to calculate recoverable amounts at September 30, 2021 are based on analysts' consensus prices and are summarised in the following table:

Metal prices	2021 average	Long term
Copper price ($/lb)	$4.15	$3.45
Gold price ($/oz)	$1,750	$1,600
Silver price ($/oz)	$24	$20

Operating and capital costs

Underground Mine operating costs and capital expenditures are based on life-of-mine plans and forecasts using management's best estimates as at September 30, 2021. Operating costs and capital expenditures at the open pit mining project at the Property (the "Open Pit Project") are based on life-of-mine plans and forecasts using management's best estimates from the Company's most recently filed technical report.

Reserves and resources
Future mineral production is included in projected cash flows, based on mineral reserve and resources estimates and exploration and evaluation work undertaken by qualified persons when preparing the technical report.

Discount rate
Discount rates used for determining the present value of the life-of-mine cash flows are based on the weighted average cost of capital for similar companies and adjusted for risk and current market information. The Company has used a 10% discount rate for the period ended September 30, 2021.

4. Working Capital Facility:

Balance at December 31, 2020	**$32,880**
Advance	65,250
Interest accrual, net of accrual reversal	10
Repayment	(70,650)
Balance at September 30, 2021	**$27,490**

The Working Capital Facility provides the Company the ability to be prepaid for 85% of expected concentrate deliveries four months before the expected delivery. Once the concentrate has been delivered or the amounts drawn repaid such amounts may be redrawn. The interest rate on the outstanding balance is LIBOR plus 7.5% and reduces to LIBOR plus 5% once a certain production level is reached. The availability of funds under the Working Capital Facility was increased from $35,000 to $40,000 on April 1, 2021, which will become available upon attaining certain defined production rates.

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

During the nine months ended September 30, 2021, the Company drew $65,250 under the Working Capital Facility and accrued interest of $10. It repaid the $70,650 of which $8,439 was in concentrate deliveries and $62,211 was settled in cash.

Subsequent to September 30, 2021, the Company drew an additional $5,110 under the Working Capital Facility and repaid $7,220 of which $1,076 was in concentrate deliveries and $6,144 was settled in cash.

5. Long Term Debt:

	September 30, 2021	December 31, 2020
Current portion of debt:		
Existing KfW Facility (a)	**$119,860**	$-
Promissory notes (d)	**55,476**	$23,790
Current portion of lease liabilities (c)	**8,370**	7,245
Total current portion of other debt	**$183,706**	$31,035
Existing KfW Facility (a)	**$-**	$117,968
Lease liabilities (c)	**16,138**	20,146
2021 Credit Facility (b)	**30,847**	-
Payroll Protection Program Loan (e)	**-**	2,365
Total long-term debt	**$46,985**	$140,479

a) Existing KfW Facility:

Tranche A Loan:

	Loan facility – amortised cost	Deferred financing fee	Total
Balance at December 31, 2019	**$116,855**	**$(11,371)**	**$105,484**
Advance	3,293	-	3,293
Interest expense	(4,196)	-	(4,196)
Interest payment	(1,865)	-	(1,865)
Accretion expense	-	2,181	2,181
Balance at December 31, 2020	**$114,087**	**$(9,190)**	**$104,897**
Interest expense	1,591	-	1,591
Interest payment	(2,176)	-	(2,176)
Accretion expense	-	1,630	1,630
Balance at September 30, 2021	**$113,502**	**$(7,560)**	**$105,942**

Tranche B Loan:

	Loan facility – amortised cost	Deferred financing fee	Total
Balance at December 31, 2019	**$-**	**$-**	**$-**
Advance	15,000	(1,929)	13,071
Accretion expense	-	-	-
Balance at December 31, 2020	**15,000**	**(1,929)**	**$13,071**
Interest expense	582	-	582
Interest payment	(389)		(389)
Accretion expense	-	654	654
Balance at September 30, 2021	**$15,193**	**$(1,275)**	**$13,918**

In May 2019, the Company, through its wholly owned subsidiary NCI, entered into a credit agreement (the "KfW IPEX-Bank Facility") with KfW pursuant to which KfW agreed to fund up to $115,000 for construction and operating costs in respect of the Underground Mine. In 2019, the Company drew down the KfW IPEX-Bank Facility's total amount of $115,000. This advance is referred to as the KfW Tranche A Loan in the above chart. Initial repayments under the KfW IPEX-Bank Facility were originally scheduled to start in July 2022 with a back-weighted repayment profile, with final payment due in July 2028.

On December 8, 2020, the Company, NCI and KfW entered into the Existing KfW Facility by amending and restating the KfW IPEX-Bank Facility, whereby KfW agreed to provide an additional loan of $15,000 with a three-year term (the "KfW Tranche B Loan"). The KfW Tranche B Loan bears interest of LIBOR plus 4.9% and there is a 12-month grace period for principal payments and cash sweeps under the KfW Tranche B Loan. The funding of the full amount of the KfW Tranche B Loan occurred on December 30, 2020. This advance is referred to as the KfW Tranche B Loan in the above chart.

Interest accrued is payable every six months at July 31 and January 31 until the final principal payment on July 31, 2028. Interest of $2,565 was paid during the nine months ended September 30, 2021.

Subsequent to the end of the period, on October 11, 2021, the Company entered into the KfW Amendment Agreement, which, provided that the KfW Condition is satisfied, provides for the following amendments to the Existing KfW Facility:

Tranche A Loan:

- The first debt repayment is to be deferred by two years to July 31, 2025, with the debt service reserve account to be funded six months prior;
- The final repayment is to be deferred to July 31, 2029;
- The interest margin on the loan will increase by 0.5% to 2.1%, reflective of the extended loan term; and
- Commencement of the project cash sweep under the Existing KfW Facility is to be deferred by two years to January 31, 2024. A one-time extraordinary cash sweep of excess cash is also to be deferred by two years to July 31, 2025.

Tranche B Loan:

- The first debt repayment is to be deferred two years to July 31, 2024, with no debt service reserve account requirement;
- The final repayment is to be deferred to July 31, 2025; and
- The interest margin on the loan will increase by 0.5% to 5.4%, reflective of the extended loan term.

In addition, the KfW Amendment Agreement will extend the Project Completion Longstop Date until June 2023 and provide for certain minimum liquidity and liquidity reporting requirements.

The effectiveness of the amendments in the KfW Amendment Agreement are subject to the Company satisfying the KfW Condition, being the receipt by the Company's wholly-owned subsidiary, NCI, of at least $40,000 in net proceeds from debt or equity financings prior to March 31, 2022. To date, $19,000 has been funded to meet this requirement pursuant to the Amended October Promissory Note. Until the KfW Amendment Agreement becomes effective, the Company is required under IFRS to record the Existing KfW Facility as a current liability.

b) 2021 Credit Facility

The Company entered into the 2021 Credit Facility with Pala on February 3, 2021 providing for $15,000 to be drawn by the Company. The 2021 Credit Facility also provided $15,000 under an accordion feature. The 2021 Credit Facility is a direct obligation of the Company and is not guaranteed or secured by any of the Company's subsidiaries.

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

	Credit facility – amortised cost	Deferred financing fees	Total
Balance at December 31, 2020	**$-**	**$-**	**$-**
Advances	32,160	(2,160)	30,000
Interest expense	1,424	42	1,466
Interest payment	(619)		(619)
Balance at September 30, 2021	**$32,965**	**$(2,118)**	**$30,847**

The 2021 Credit Facility bears interest at LIBOR plus 9% per annum on outstanding amounts and is subject to a 3% arrangement fee on the total amount of the facility and a 4% disbursement fee on amounts drawn. There are no common shares, warrants or other convertible securities of the Company issuable in connection with the 2021 Credit Facility, other than the potential for interest and the Commitment Fee (as defined below) to be paid in common shares rather than paid in cash or capitalized.

The 2021 Credit Facility included an accordion feature whereby, subject to the agreement of the parties and the satisfaction of other applicable conditions, additional drawings of up to $15,000 were permitted at any time prior to the maturity date. The Company drew $15,000 under the 2021 Credit Facility in the first quarter of 2021 and the full $15,000 under the accordion feature in the second quarter of 2021. As a result, the full $30,000 has been drawn by the Company.

On October 11, 2021, concurrent with entering into the KfW Amendment Agreement, the Company and Pala entered into the Non-Binding Term Sheet providing for additional financing of up to $41,000 to be made available by Pala and the consolidation of then outstanding amounts under the 2021 Credit Facility, the Amended June Promissory Note (note 5d) and the Amended October Promissory Note under the Amended Credit Facility. In addition, pursuant to the Non-Binding Term Sheet, the original maturity date of the 2021 Credit Facility will be extended until 2026 under the Amended Credit Facility, with no scheduled payments before the final maturity date. The interest rate and other material terms will remain the same.

c) Lease Liabilities

The following table relates to all leases under IFRS 16:

Balance at December 31, 2019	**$25,011**
Additions	6,961
Principal payments	(4,581)
Balance at December 31, 2020	**$27,391**
Additions	2,488
Principal payments	(5,371)
Less: Current Portion	(8,370)
Balance at September 30, 2021	**$16,138**

Minimum lease payments in respect of the above lease liabilities and the effects of discounting are expected to be $2,300 for the remainder of 2021.

The undiscounted lease payments exclude leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

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

d) Promissory Notes

	Amortised cost	Deferred financing fees	Total
Balance at December 31, 2020	**$23,790**	**$-**	**$23,790**
Interest expense	151	-	151
Repayments	(23,941)	-	(23,941)
Amended June Promissory Note advances	57,800	(3,300)	54,500
Interest expense	722	254	976
Balance at September 30, 2021	**$58,522**	**$(3,046)**	**$55,476**

The principal and accrued interest balance of $23,790 outstanding at December 31, 2020 owing under certain promissory notes to Pala was repaid in full with proceeds of the January 2021 Offering (note 8b).

On June 10, 2021 the Company entered the June Promissory Note with Pala, for $15,000. From July through September, 2021, Pala provided the Company with additional loans of $41,000 pursuant to the Amended June Promissory Note, on the same terms and conditions as the original June Promissory Note, except that the Amended June Promissory Note provided for an arrangement fee of 6% on the full commitment amount of $55,000, which was capitalized. As at September 30, 2021, a total balance of $57,000 and $700 of accrued interest was outstanding under the Amended June Promissory Note, and the Company had drawn $54,500.

The Amended June Promissory Note has a maturity date of June 30,2022 and bears interest at 8% per annum on amounts drawn. If the principal amount of the Amended June Promissory Note, plus any accrued interest, is not paid by June 30, 2022, the maturity date, the interest rate applicable thereunder increases to 10% per annum.

Subsequent to period end, Pala provided the Company with additional loans of up to $27,000 pursuant to the Amended October Promissory Note. Further, on October 11, 2021, the Company entered into the Non-Binding Term Sheet with Pala providing for all then outstanding loans under the 2021 Credit Facility, the Amended June Promissory Note and the Amended October Promissory Note to be consolidated under the Amended Credit Facility (note 5b.)

e) Payroll Protection Program Loan

On April 17, 2020, the Company received a loan under the Payroll Protection Program ("PPP Loan") in the amount of $2,348. During the period, the Company received confirmation for the approval of the forgiveness of the full amount of the PPP Loan. The PPP Loan was received in 2020 as part of the United States government COVID-19 pandemic program to assist companies to retain their employees.

6. Stream and Royalty Deferral

Balance at December 31, 2019	**$80,978**
Accretion	9,211
Amounts delivered under the stream	(435)
Proceeds allocated from royalty and stream transactions, net of transactions costs	27,901
Balance at December 31, 2020	**$117,655**
Accretion	8,227
Amounts delivered under the stream	(263)
Balance at September 30, 2021	**$125,619**

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

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

	September 30, 2021	**December 31, 2020**
Current portion	**$6,635**	$15,487
Long term portion	**118,984**	102,168
Total stream and royalty deferral	**$125,619**	$117,655

7. Related Party Transactions:

Pala is a related party to the Company because of its 38% (2020 – 40%) shareholding in Nevada Copper as of September 30,2021. Additionally, three Pala executives form part of the Company's Board of Directors on which there are currently seven individuals.

During the nine months ended September 30, 2021, the Company entered into the following transactions with Pala:

- The 2021 Credit Facility (note 5b).
- Technical and other services fees of $108 (2020 - $229).
- Issuance of 7,969,697 units in the Concurrent Private Placement. The consideration for these units was the repayment of certain outstanding indebtedness owing to Pala by the Company (note 5d and 8b).
- Repayment with the proceeds of the January 2021 Offering of all amounts owing under the November Promissory Note (note 5d).
- Issuance of 2,121,617 shares to Pala to settle interest, indemnity and guarantee fees in shares (in the amount of $3,495 (note 8biv)
- The 2021 Promissory Note and amendments (note 5d).

As at September 30, 2021, the Company owed Pala $311 (2020 - $2,837) relating to fees accrued in connection with the Indemnity Agreements, the guarantee provided by Pala in connection with the Existing KfW Facility (the "KfW Guarantee"), and accrued fees for technical and other services.

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

8. Share Capital:

a) Authorised and issued:

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

On September 17, 2021, the Company completed the Share Consolidation on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares. The Company's common shares began trading on the Toronto Stock Exchange on a post-consolidation basis on September 21, 2021. The common share and per share amounts and unit amounts in the comparative periods have been restated in this note 8 to reflect the Share Consolidation for comparative purposes.

b) During the nine months ended September 30, 2021, the Company issued the following common shares:

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

	Number of Common Shares	Amount
Outstanding December 31, 2020	**148,826,299**	**$505,370**
January 2021 Offering (i)	23,000,000	23,294
Pala private placement (ii)	7,969,697	8,869
Sedgman settlement (iii)	2,036,732	2,800
Pala interest, indemnity and guarantee fees (iv)	2,121,617	3,495
Warrants exercised (note 9)	739,309	1,080
Summit share issuance (v)	347,171	500
Stock option exercised	47,707	93
DSUs exercised	43,897	61
Issued during the nine months ended September 30, 2021	36,306,129	$40,192
Outstanding September 30, 2021	**185,132,429**	**$545,562**

i) January 2021 Offering

On January 29, 2021, the Company completed the January 2021 Offering, whereby 23,000,000 units (on a post Share Consolidation basis) were issued at a price of CAD$1.65 per unit (the "January Offering Price"). Each unit consisted of one common share and five common share purchase warrants of the Company. Ten warrants entitle the holder thereof to purchase one common share at a price of CAD$2.20 per common share, for a period of 18 months following the closing of the January 2021 Offering (until July 29, 2022). The underwriters of the January 2021 Offering exercised their over-allotment option in full, which resulted in 3,000,000 additional units being issued at the January Offering Price. Including the over-allotment option, a total of 23,000,000 units were issued in the January 2021 Offering for aggregate gross proceeds of $29,614 of which $25,560 was allocated to share capital and $4,054 allocated to the warrants issued as part of the January 2021 Offering. The residual method was used to value the warrants.

From the proceeds of the January 2021 Offering, the Company used $15,747 to repay the November Promissory Note which was due in January 2021 and $5,000 was used to fund the COF (note 11a).

ii) Concurrently with the closing of the January 2021 Offering, the Company completed a private placement of 7,969,697 units to Pala (the "Concurrent Private Placement") at the January Offering Price for aggregate gross proceeds of approximately CAD$13,150 ($10,273). Each unit consisted of one common share and five common share purchase warrants of the Company. Ten warrants entitle Pala to purchase one common share at a price of CAD$2.20 per common share, for a period of 18 months following the closing of the January 2021 Offering (until July 29, 2022).

iii) As part of the Sedgman USA Inc. ("Sedgman") settlement (note 11c), in February 2021, the Company issued 1,599,251 common shares to Sedgman at a price of CAD$1.603 per common share, the market price of the common shares at the time that the settlement agreement was entered into, totalling $2,000.

As part of the Sedgman settlement (note 11c), in July 2021, the Company issued 437,481 common shares to Sedgman totalling $800 upon certain performance thresholds being met under the settlement agreement at a price of CAD$2.271 per common share, the market price of the common shares at the time the performance thresholds were met. Another $1,200 in common shares will be issued to Sedgman upon it meeting additional performance thresholds. The Company's consolidated financial statements at September 30, 2021 reflect the terms of the settlement agreement.

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

iv) Concurrently with the closing of the January 2021 Offering and the Concurrent Private Placement, the Company issued 702,461 common shares to Pala at a price of CAD$1.65 per share (the "Fee Shares"), the January Offering Price, in the aggregate amount of approximately CAD$1,159 ($910) as repayment of fees owing to Pala in connection with certain indemnity agreements entered into by Pala and the Company relating to the Company's bonding arrangements (the "Indemnity Agreements").

In February 2021, the Company issued 356,002 common shares to Pala for the settlement of guarantee fees relating to the Cementation USA Inc. ("Cementation") settlement (the "Guarantee Shares") (note 11b).

In May 2021, the Company issued 386,692 common shares to Pala at a price of CAD$2.74, the market price at the time of issuance (the "May Fee Shares"), for payment of fees owing in connection with the Indemnity Agreements and the KfW Guarantee.

In August 2021, the Company issued 676,460 common shares to Pala at a price of CAD$2.30, the market price of the common shares at the end of the second quarter (the "August Fee Shares"), for payment of fees owing in connection with the Indemnity Agreements and the KfW Guarantee and interest owing under the 2021 Credit Facility.

v) On April 29, 2021, Nevada Copper issued 347,171 common shares to Summit Partners Credit Advisors, L.P. ("Summit") for services provided by Summit in connection with financing arrangements in 2020.

c) Earnings (Loss) per Share

	September 30, 2021	September, 30 2020
Net income (loss)	**$10,152**	$(17,031)
Net income (loss) – diluted	**$10,152**	$(17,031)
Weighted-average number of common shares	**181,034,086**	95,760,377
Effect of share options	**1,163,798**	-
Weighted-average number of diluted common shares	**182,197,884**	95,760,377
Basic earnings per share	**$0.15**	$(0.18)
Diluted earnings per share	**$0.15**	$(0.18)

9. Warrants:

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

Balance at December 31, 2019	**$ -**
Triple Flag warrants initial valuation	865
July 2020 Offering warrants initial valuation	3,736
Fair value adjustment	7,876
Balance at December 31, 2020	**$12,477**
January 2021 Offering warrants initial valuation	**5,223**
Warrants exercised	**(301)**
Fair value adjustment	**(16,598)**
Balance at September 30, 2021	**$801**

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

The number of warrants outstanding post Share Consolidation did not change. Post Share Consolidation, the exercise prices of the warrants increased by a factor of 10, and ten (10) warrants are now required to be exercised to purchase one (1) common share (rather than the 1 for 1 exchange before the Share Consolidation). Details of warrants issued, exercised, expired and outstanding as at and during the period ended September 30, 2021, and December 31, 2020 are as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Outstanding Balance – December 31, 2020	**348,750,776**	**$2.00**
Exercised	(6,704,400)	$2.00
Issued	154,848,485	$2.20
Outstanding Balance – September 30, 2021	**496,894,861**	**$2.20**

In January 2021, the Company issued 115,000,000 warrants as part of the January 2021 Offering and 39,848,485 warrants under the Concurrent Private Placement. Ten purchase warrants (after giving effect to the Share Consolidation) entitles the holder thereof to purchase one common share at a price of CAD$2.20 per common share, for a period of 18 months following the closing of the January 2021 Offering (until July 29, 2022). At issuance, the value of the warrants was determined to be $5,459 based on a Level 1 fair value quoted in the active market and was recorded as a liability. The fair value of the warrants was $405 at September 30, 2021 based on a closing price of CAD$0.01. The change in the fair value of the warrants for the nine months ended September 30, 2021 of $5,054 was recorded as a derivative fair value gain in the Statement of Operations and Comprehensive Loss.

10. Share-Based Compensation:

a) Share Purchase Options:

	Number of Options	Weighted average exercise price (CAD)
Outstanding December 31, 2020	**4,151,217**	**$0.50**
Granted	2,458,857	0.95
Cancelled	(878,585)	3.97
Outstanding September 30, 2021	**5,731,489**	**2.98**
Exercisable September 30, 2021	**1,361,250**	**$6.74**

On August 24, 2021, 2,458,857 options were granted at a weighted-average exercise price of CAD$0.95 to officers and employees exercisable for a period of five years with a three-year vesting period. The weighted-average fair value attributable to options granted was CAD$0.90.

As at September 30, 2021, there were 10,546,804 stock options available for issuance under the Plan.

During the nine months ended September 30, 2021, $231 (2020 - $1,247) in stock-based compensation was recorded upon options vesting to officers and employees, of which $81 (2020 - $658) was charged to operations.

The Company 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:

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

	September 30, 2021	**December 31, 2020**
Risk free interest rate	0.89%	0.48%
Expected dividend yield	0%	0%
Expected stock price volatility	74%	62%
Expected life in years	5.0	5.0
Expected forfeitures	10%	10%

The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected volatility is based on the Company's historical common share prices. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. Expected forfeitures are based on historical forfeitures of the Company's options.

The following table summarises the stock options outstanding and exercisable as at September 30, 2021

	Outstanding		Exercisable	
Exercise price (in CAD)	Number outstanding	Weighted average remaining life (years)	Number outstanding	Weighted average remaining life (years)
\$0.95-\$2.10	2,105,956	3.6	-	-
\$4.40-\$6.90	3,625,532	1.5	1,361,250	1.12
	5,731,488	2.2	1,361,250	1.12

b) Deferred share units ("DSUs"):

	Number of DSUs
Outstanding December 31, 2020	**584,644**
Issued	3,140,525
Cancelled	(156,660)
Outstanding September 30, 2021	**3,568,509**

On August 24, 2021, 3,140,525 DSUs were granted at a weighted-average exercise price of CAD \$0.95 to directors and advisors. The weighted-average fair value attributable to DSUs granted was CAD \$0.90. All the DSUs vested immediately at grant date and the Company recorded a stock-based compensation expense of \$2,347 at the grant date.

At September 30, 2021, the DSU payable amount was \$1,561 compared to \$581 on December 31, 2020. Valuation on September 30,2021 resulted in a stock-based compensation gain of \$1,729 compared to a \$384 loss for the period ended December 31, 2020. The change in value is recognized in the consolidated statements of operations.

c) Performance and Restricted Share Units:

The Company established a Performance and Restricted Share Unit Plan that allows employees to receive short term and long-term incentive plan compensation in the form of performance share units ("PSUs") and restricted share units ("RSUs"). PSUs and RSUs issued under the Performance and Restricted Share Unit Plan entitle the holder to a cash payment at the end of a three-year performance period equal to the number of RSUs or PSUs granted, adjusted for a performance factor and multiplied by the quoted market value of a common share.

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

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

	Number of PSUs
Outstanding December 31, 2020	**383,448**
Granted	1,743,650
Cancelled	(283,592)
Outstanding September 30, 2021	**1,843,506**

	Number of RSUs
Outstanding December 31, 2020	**2,586,653**
Granted	2,005,824
Cancelled	(105,500)
Outstanding September 30, 2021	**4,486,977**

On August 24, 2021, 2,005,824 RSUs were granted at a weighted-average exercise price of CAD $0.95 to directors and advisors. The weighted-average fair value attributable to DSUs granted was CAD $0.90.

During the period ended September 30, 2021, a decrease of $704 (2020 - increase $692) in stock-based compensation was recorded in relation to these units, of which $780 (2020 - $447) was charged to operations and $555 (2020 - $$245) was capitalised to development costs. The RSU payable amount is $649 (2020 - $895) which was classified as long term.

11. Commitments and Contractual Obligations:

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

	September 30, 2021	December 31, 2020
Property, plant, and equipment	$3,868	$4,133

a) 2020 Cost Overrun Facility

In connection with the amendments made to the KfW IPEX-Bank Facility in December 2020 (note 5a), the Company provided a cost overrun facility (the "COF") to NCI of $5,000 on substantially the same terms as the cost overrun facility that was provided by the Company to NCI in May 2019 when the KfW IPEX-Bank Facility was originally entered into. The COF was funded from proceeds of the January 2021 Offering. In April 2021, NCI utilized the full $5,000 available under the COF.

b) Cementation Claim

In February 2021, the Company entered into a settlement agreement with its former contractor, Cementation, to resolve litigation relating to the mining development contract for the Underground Mine. As part of the settlement, NCI paid Cementation $1,000 upon release of the related bond and will pay Cementation $9,000 in instalments beginning September 2021, of which $9,000 is guaranteed by Pala. Under a fee agreement between Pala and the Company (the "Guarantee Agreement"), a 5% fee of this guaranteed amount, being $450, was payable by the Company to Pala. This fee was satisfied by the Company through the issuance of 356,002 common shares to Pala in February 2021, representing a price per common share of CAD$1.60, being the current market price of the common shares when the Guarantee Agreement was entered into.

The court has dismissed all claims and the $3,382 bond issued in connection with the dispute has been released. The Company's consolidated financial statements at September 30, 2021 reflect the terms of the settlement agreement. All required instalments are up to date as of the date of the Financial Statements.

c) Sedgman Claim

In February 2021, the Company entered into a settlement agreement with Sedgman, the primary contractor for construction and commissioning of the processing plant at the Underground Mine, in order to resolve the litigation. The dispute related to Sedgman's delay in the ramp-up of commissioning of the plant and the parties' contractual obligations. As part of the settlement, the Company issued 1,599,251 common shares to Sedgman at CAD$1.60 per common share, the market price of the common shares at the time that the settlement agreement was entered into, totalling $2,000. In addition, the Company agreed to pay $5,000 in instalments beginning December 31, 2021.

During the third quarter, the Company issued 437,481 common shares to Sedgman totalling $800 upon certain performance thresholds being met under the settlement agreement with Sedgman at a price of CAD$2.27 per common share, the market price of the common shares at the time the performance thresholds were met. Another $1,200 in common shares may be issued to Sedgman upon it meeting additional performance thresholds in the second half of 2021. This amount has been accrued for as at September 30, 2021.

d) Hedging Arrangements

Under the Working Capital Facility (note 4), the Company has the ability to fix the price of payable copper for monthly volumes to be delivered to Concord under its offtake arrangements with Concord on a rolling basis, allowing the Company to fix the price of copper to be delivered for an agreed period of time. Under these arrangements, the Company will be required to provide cash collateral to Concord in the event that during the course of such arrangements, as tested on a weekly basis, the variation margin exposure to Concord is over an agreed threshold amount, currently fixed at $3,500. The Company fixed the pricing of 325 metric tonnes of payable copper delivered per month totalling 1,950 metric tonnes for the first six months of 2021 with prices ranging between $6,394 and $6,402 per metric tonne of payable copper. During the six months ending June 30, 2021, the Company delivered 945 metric tonnes of copper under this hedging arrangement and recognized a loss of $3,075 due to the delivery shortfall. Since June 30, 2021 the Company has had no outstanding hedge positions. As at September 30, 2021, the Company has no outstanding hedge positions.

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

12. Supplemental Cash Flow Information

Non-cash investing and financing activities:	**September 30, 2021**	September 30, 2020
Depreciation capitalized in mineral properties	**$5,964**	$5,065
2019 Credit Facility refinancing	**-**	$31,950
Stock-based compensation included in mineral properties	**$(700)**	$345
Mineral properties, plant, and equipment in accounts payable and accrued liabilities change	**$10,371**	$12,193
Rights of use assets acquired under finance lease	**$2,471**	$4,836
Accretion on stream deferral	**$8,227**	$6,580
Interest capitalised in mineral properties, plant and equipment	**$14,548**	$12,353
Repayment of a Pala promissory note	**$8,194**	$-
Settlement of Pala interest, indemnity and guarantee fees in common shares (notes 8b(iv))	**$3,495**	$6,300
Units issued to settle amounts owing under the Working Capital Facility	**$-**	$1,500
Units issued to settle Convertible Loan	**$-**	$40,252
Units issued to settle Short Term Loans	**$-**	$9,328
Forgiveness of PPP Loan (note 5e)	**$2,376**	$-
Shares issued in Sedgman settlement (note 11c)	**$2,800**	$-

13. Financial Instruments:

(a) Fair value measurements:

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

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

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

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

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

	September 30, 2021		Dec. 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Working Capital Facility (note 4)	$27,490	27,490	$32,880	$32,880
Existing KfW Facility (note 5a)	119,860	130,490	117,968	130,953
2021 Credit Facility (note 5b)	30,847	30,847	-	-
PPP loan (note 5e)	-	-	2,364	2,364
Amended June Promissory Note (note 5d)	55,476	58,500	-	-
	$233,673	**$247,327**	**$153,212**	**$166,197**

(b) Financial risk factors:

The Company manages its exposure to financial risks, including foreign exchange risk and interest rate risk, based on a conservative framework to protect itself against adverse rate movements. All transactions undertaken are to support the Company's ongoing business and the Company does not acquire or issue derivative financial instruments for trading or speculative purposes. The Company's Board of Directors oversees management's risk management practices by setting trading parameters and reporting requirements.

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

(c) Market risks:

i) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Existing KfW Facility (note 5a) and the Working Capital Facility (note 4) provide for interest at a market rate plus a fixed margin. Due to the capitalisation of borrowing, the Company's sensitivity to a 1% decrease or increase in market rates of interest would have an immaterial effect on the Company's interest expense.

ii) Foreign currency risk:

The Company is exposed to currency fluctuations on its foreign currency monetary assets and liabilities. A significant change in the currency exchange rate between the U.S. dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At September 30, 2021, the Company held CAD$48 (2020 -CAD$671) in cash and cash equivalents in a company with a functional currency of U.S. dollars. At September 30, 2021, the Company had CAD$103 (2020 - CAD$1,296) in accounts payable in a company with a functional currency of U.S. dollars.

A +/- 10% change in the Canadian exchange rate would have had an immaterial impact for the quarter ended September 30, 2021.

iii) Commodity price risk:

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

Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances and sales or purchases of copper or other metals by holders in response to such factors. The Chinese market is a significant source of global demand for commodities, including copper. A slowing in China's economic growth could result in lower copper prices and could negatively impact the value of the Company's securities. Prolonged decreases in the price of copper or other metals could adversely impact the ability of the Company to proceed with the development, ramp-up and/or construction of the Project. If there are low copper prices during the ramp-up of the Underground Mine, then the Company may need to obtain additional financing to complete the ramp-up. The Company may need to curtail or suspend some or all of its other proposed mining activities on the Project in the future in response to lower copper or other metals prices.

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

(d) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, reclamation bond, and amounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents in high quality Canadian chartered banks. The Company's maximum exposure to credit risk is $3,831 as at September 30, 2021 (2020 - $7,577), being the carrying value of cash and cash equivalents, restricted cash and amounts receivable.

(e) Liquidity risk (note 1):

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Underground Mine is in the ramp-up stage and as a result has not yet generated sufficient revenue to support the Company's obligations. The Company is reliant on its current cash balance, cash flow from pre-commercial production revenue and cash inflows from its financing transactions to:

1.) Fund the completion of the construction and commissioning of the Underground Mine, and to take it into commercial production with positive steady state cashflow; and

2.) Fund other corporate costs.

As at September 30, 2021, the Company had the following consolidated contractual obligations:

		Payments due by period			
Contractual obligations	**Total**	**1 year**	**2-3 years**	**4-5 years**	**5 years+**
Accounts payable, accrued liabilities and related party payables	$44,041	$44,041	-	-	-
Construction contractual obligations	$3,868	$3,868	-	-	-
Working Capital Facility	$27,490	$27,490	-	-	-
Existing KfW Facility	$140,352	$140,352	-	-	-
Equipment leases	$24,214	$6,196	$17,473	$545	$-
Asset Retirement obligation	$6,390	-	-	-	$6,390
Office lease	$12	$12	-	-	-
Total obligations	**$246,367**	**$221,959**	**$17,473**	**$545**	**$6,390**

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