

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended November 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number: 1-35447

**NOVACOPPER INC.**

(Exact Name of Registrant as Specified in Its Charter)

**British Columbia**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**98-1006991**  
(I.R.S. Employer  
Identification No.)

**Suite 1950, 777 Dunsmuir Street**  
**Vancouver, British Columbia**  
**Canada**  
(Address of Principal Executive Offices)

**V7Y 1K4**  
(Zip Code)

**(604) 638-8088**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Shares, no par value	NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting  
company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As at May 31, 2014, the aggregate market value of the registrant’s Common Shares held by non-affiliates was approximately \$32.9 million. As of February 2, 2015, the registrant had 60,633,701 Common Shares, no par value, outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than March 30, 2015, in connection with the registrant’s 2015 annual meeting of stockholders, are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

NOVACOPPER INC.

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*Unless the context otherwise requires, the words “we,” “us,” “our,” the “Company” and “NovaCopper” refer to NovaCopper Inc., a British Columbia corporation, either alone or together with its subsidiaries as the context requires, as of November 30, 2014.*

## **CURRENCY**

All dollar amounts are in United States currency unless otherwise stated. References to C\$ or CDN\$ refer to Canadian currency, and \$ or US\$ to United States currency. All dollar amounts are expressed in thousands of dollars, except references to per share amounts.

## **FORWARD-LOOKING STATEMENTS**

The information discussed in this annual report on Form 10-K includes “forward-looking information” and “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), and applicable Canadian securities laws. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including our plans and expectations relating to the Upper Kobuk Mineral Projects, completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning mineral resource estimates may also be deemed to constitute “forward-looking statements” to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- risks related to inability to define proven and probable reserves;
- risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- none of the Company’s mineral properties are in production or are under development;
- uncertainties relating to the assumptions underlying our resource estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;
- uncertainty as to whether there will ever be production at any of our Upper Kobuk Mineral Projects;
- uncertainty as to estimates of capital costs, operating costs, production and economic returns;
- risks related to our ability to commence production and generate material revenues or obtain adequate financing for our planned exploration and development activities;
- risks related to lack of infrastructure including but not limited to the risk whether or not the Ambler Mining District Industrial Access Road (“AMDIAR”) will receive the requisite permits and, if it does, whether the Alaska Industrial Development and Export Authority (“AIDEA”) will build the AMDIAR;
- risks related to future sales or issuances of equity securities decreasing the value of existing common shares, diluting voting power and reducing future earnings per share;

- risks related to market events and general economic conditions;
- uncertainty related to inferred mineral resources;
- uncertainty related to the economic projections contained herein derived from the Preliminary Economic Assessment titled “Preliminary Economic Assessment Report on the Arctic Project, Ambler Mining District, Northwest Alaska” dated effective July 31, 2013 (the “PEA”);
- risks related to inclement weather which may delay or hinder exploration activities at the Upper Kobuk Mineral Projects;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production;
- the risk that permits and governmental approvals necessary to develop and operate mines at the Upper Kobuk Mineral Projects will not be available on a timely basis or at all;
- commodity price fluctuations;
- risks related to governmental regulation and permits, including environmental regulation, including the risk that more stringent requirements or standards may be adopted or applied due to circumstances unrelated to the Company and outside of its control;
- risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;
- uncertainty related to title to our mineral properties;
- our history of losses and expectation of future losses;
- risks inherent in the acquisition of new businesses or properties;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- our need to attract and retain qualified management and technical personnel;
- risks related to conflicts of interests of some of our directors;
- risks related to potential future litigation;
- risks related to the voting power of our major shareholders and the impact that a sale by such shareholders may have on our share price;
- risks related to global climate change;
- risks related to adverse publicity from non-governmental organizations;
- uncertainty as to the volatility in the price of the Company’s shares;
- the Company’s expectation of not paying cash dividends;

- adverse federal income tax consequences for U.S. shareholders should the Company be a passive foreign investment company;
- uncertainty as to our ability to maintain the adequacy of internal control over financial reporting as per the requirements of Section 404 of the Sarbanes-Oxley Act (“SOX”); and
- increased regulatory compliance costs, associated with rules and regulations promulgated by the SEC, Canadian Securities Administrators, the NYSE MKT, the TSX, and the Financial Accounting Standards Boards, and more specifically, our efforts to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”).

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this report under the heading “Risk Factors” and elsewhere.

Our forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and we do not assume any obligation to update forward-looking statements if circumstances or management’s beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

#### **CAUTIONARY NOTE TO UNITED STATES INVESTORS**

Unless otherwise indicated, all resource estimates, and any future reserve estimates, included or incorporated by reference in this annual report on Form 10-K have been, and will be, prepared in accordance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves (“CIM Definition Standards”). NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. NI 43-101 permits the disclosure of an historical estimate made prior to the adoption of NI 43-101 that does not comply with NI 43-101 to be disclosed using the historical terminology if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) to the extent known, provides the key assumptions, parameters and methods used to prepare the historical estimate; (d) states whether the historical estimate uses categories other than those prescribed by NI 43-101; and (e) includes any more recent estimates or data available.

Canadian standards, including NI 43-101, differ significantly from the requirements of the SEC, and reserve and resource information contained or incorporated by reference into this annual report on Form 10-K may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term “resource” does not equate to the term “reserves”. Under SEC Industry Guide 7, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. SEC Industry Guide 7 does not define and the SEC’s disclosure standards normally do not permit the inclusion of information concerning “measured mineral resources”, “indicated mineral resources” or “inferred mineral resources” or other descriptions of the amount of mineralization in mineral deposits that do not constitute “reserves” by U.S. standards in documents filed with the SEC. U.S. investors should also understand that “inferred mineral resources” have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an “inferred mineral resource” will ever be upgraded to a higher category. Under Canadian rules, estimated “inferred mineral resources” may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an “inferred mineral resource” exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of “reserves” are also not the same as those of the SEC, and any reserves reported by us in the future in compliance with NI 43-101 may not qualify as “reserves” under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable to information made public by companies that report in accordance with United States standards.

**CAUTIONARY NOTE TO ALL INVESTORS CONCERNING ECONOMIC ASSESSMENTS  
THAT INCLUDE INFERRED RESOURCES**

Mineral resources that are not mineral reserves have no demonstrated economic viability. The preliminary assessment on the Arctic project is preliminary in nature and includes “inferred mineral resources” that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the feasibility studies or preliminary assessments at the Arctic project will ever be realized.

## GLOSSARY OF TECHNICAL

We estimate and report our resources and we will estimate and report our reserves according to the definitions set forth in NI 43-101. We will modify and reconcile the reserves as appropriate to conform to SEC Industry Guide 7 for reporting in the U.S. The definitions for each reporting standard are presented below with supplementary explanation and descriptions of the parallels and differences.

The following technical terms defined in this section are used throughout this Form 10-K:

### **NI 43-101 Definitions:**

“**AA**” is atomic absorption.

“**Ag**” is the chemical symbol for silver.

“**AMT**” is audiomagnetotelluric.

“**ARD**” is acid rock drainage.

“**Au**” is the chemical symbol for gold.

“**Ba**” is barium.

“**CIM**” is the Canadian Institute of Mining, Metallurgy and Petroleum.

“**Co**” is the chemical symbol for cobalt.

“**CO2**” is carbon dioxide.

“**CS-AMT**” is controlled source audio-frequency magnetotelluric.

“**Cu**” is the chemical symbol for copper.

“**DIGHEM**” is a proprietary geophysical survey system.

“**dilution**” is waste, which is unavoidably mined with ore.

“**dip**” is the angle of inclination of a geological feature/rock from the horizontal.

“**EM**” is electromagnetic.

“**fault**” is the surface of a fracture along which movement has occurred.

“**Fe**” is the surface of a fracture along which movement has occurred.

“**gangue**” are non-valuable components of the ore.

“**grade**” is the measure of concentration of gold within mineralized rock.

“**g**” is a gram.

“**g/t**” is grams per metric tonne.

“**ha**” is a Hectare.

“**ICP**” is induced couple plasma.



“**ICP-AES**” is inductively coupled plasma atomic emission spectroscopy.

“**indicated mineral resource**” means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

“**inferred mineral resource**” means that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence, limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

“**IRR**” is internal rate of return.

“**km**” is a kilometer.

“**m**” is a meter.

“**Mg**” is the chemical symbol for magnesium.

“**micron**” or “**µm**” is 0.000001 meters.

“**measured mineral resource**” means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for both geological and grade continuity to be reasonably assured.

“**mineral reserve**” means the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

“**mineral resource**” means a concentration or occurrence of natural solid inorganic material, or natural solid fossilized organic material in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

“**mm**” is a millimeter.

“**MS**” is massive sulfide.

“**MW**” is million watts.

“**NPV**” is net present value

“**ounce**” or “**oz**” is a troy ounce.

“**Pb**” is the chemical symbol for lead.

“**ppm**” is parts per million.

“**probable mineral reserve**” means the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

“**proven mineral reserve**” means the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

“**QA/QC**” is quality assurance and quality control.

“**SG**” is specific gravity.

“**SRM**” is standard reference material.

“**strike**” is the duration of line formed by the intersection of strata surfaces within the horizontal plane, always perpendicular to the dip direction.

“**tailings**” is the finely ground waste rock from which valuable minerals or metals have been extracted.

“**tonne**” is a metric tonne: 1,000 kilograms or 2,204.6 pounds.

“**t/d**” is tonnes per day.

“**XRF**” is x-ray fluorescence spectroscopy.

“**Zn**” is the chemical symbol for zinc.

#### **SEC Industry Guide 7 Definitions:**

“**exploration stage**” deposit is one which is not in either the development or production stage.

“**development stage**” project is one which is undergoing preparation of an established commercially mineable deposit for its extraction but which is not yet in production. This stage occurs after completion of a feasibility study.

“**mineralized material**” refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.

“**probable reserve**” refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

“**production stage**” project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

“**proven reserve**” refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

“**reserve**” refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study done to bankable standards that demonstrates the economic extraction. (“Bankable standards” implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tonnes and grade to include diluting materials and allowances for losses that might occur when the material is mined.

## PART I

### Item 1. BUSINESS

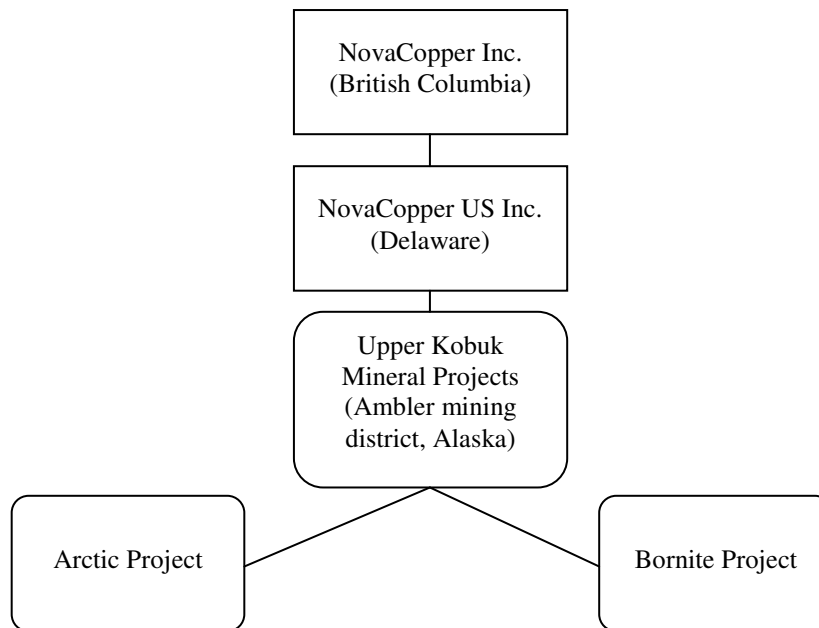
Our principal business is the exploration and development of our Upper Kobuk Mineral Projects (“Upper Kobuk Mineral Projects” or “UKMP Projects”) located in the Ambler mining district in Northwest Alaska, United States of America comprising the (i) Arctic Project, which contains a high-grade polymetallic volcanogenic massive sulfide (“VMS”) deposit (“Arctic Project”); and (ii) Bornite Project, which contains a carbonate-hosted copper deposit (“Bornite Project”). Our goals include expanding mineral resources and advancing our projects through technical, engineering and feasibility studies so that production decisions can be made on those projects.

#### Name, Address and Incorporation

NovaCopper Inc. was incorporated on April 27, 2011 under the *Business Corporations Act* (British Columbia) (“BCBCA”). Our registered office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, Canada, and our executive office is located at Suite 1950, 777 Dunsmuir Street, Vancouver, British Columbia, Canada.

#### Corporate Organization Chart

The following chart depicts our corporate structure together with the jurisdiction of incorporation of our subsidiary. All ownership is 100%.



#### Business Cycle

Our business, at its current exploration phase, is cyclical. Exploration activities are conducted primarily during snow-free months. The optimum field season at the Upper Kobuk Mineral Projects is from late May to late September. The length of the snow-free season at the Upper Kobuk Mineral Projects varies from about May through November at lower elevations and from July through September at higher elevations.

#### NovaCopper’s Strategy

Our business strategy is focused on creating value for stakeholders through our ownership and advancement of the Arctic Project and exploration of the Bornite Project and through the pursuit of similarly attractive base metal projects. We plan to:

- advance the Arctic Project towards development with key activities including increased definition of the mineral resources, technical studies to support completion of a pre-feasibility or feasibility study, and the advancement of baseline environmental studies;
- advance exploration in the Ambler mining district and, in particular, at the Bornite Project, pursuant to the NANA Agreement (as more particularly described under “*History of NovaCopper – Agreement with NANA Regional Corporation*”) through resource development and initial technical studies; and
- pursue project level or corporate transactions that are value accretive.

The Arctic Project PEA represents an early stage study and highlights certain opportunities for us to further expand upon. Prior to commencing production, further studies that demonstrate the economic viability of the Arctic Project must be completed including pre-feasibility or feasibility studies, all necessary permits must be obtained, a production decision must be made by our board of directors (the “Board”), financing for construction and development must be arranged and construction must be completed. In addition, we will be required to address certain infrastructure challenges, including a road for access, transportation of supplies and mineral concentrate, and obtain additional rights, including surface use rights and access rights. See “*Item 1A. Risk Factors*”.

#### **Significant Developments in 2014**

- On March 18, 2014, NovaCopper reported an updated NI 43-101 resource estimate for the Bornite Project in a report entitled “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA”, dated effective April 1, 2014, which updated the resource estimate previously released on February 5, 2013. At the base case 0.5% copper cut-off grade, the Bornite Project is estimated to contain in-pit Indicated Resources of 14.1 million tonnes of 1.08% Cu or 334 million pounds of contained copper. At the base case 0.5% copper cut-off grade, the Bornite Project is estimated to contain in-pit Inferred Resources of 109.6 million tonnes of 0.94% Cu or 2,259 million pounds of contained copper. Resources are stated as potentially being economically viable in an open-pit mining scenario based on a projected metal price of \$3.00 per pound copper, total site operating costs of \$18.00 per tonne, 87% metallurgical recoveries and an average pit slope of 43 degrees. At the base case 1.5% copper cut-off grade, the Bornite Project is estimated to contain below-pit Inferred Resources of 55.6 million tonnes of 2.81% Cu or 3,437 million pounds of contained copper. Inferred resources are stated as potentially being economically viable in an underground mining scenario based on a projected metal price of \$3.00 per pound copper, total site operating costs of \$66.00 per tonne and an average metallurgical recovery of 87%. Inferred resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. It cannot be assumed that all or any part of the Inferred resources will ever be upgraded to a higher category. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. See “*Cautionary Note to United States Investors.*”
- On July 7, 2014, we announced the completion of a non-brokered private placement of approximately \$7.5 million in Units to existing shareholders. Each Unit was priced at \$1.15 per Unit and consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holders to purchase one common share at a price of \$1.60 per share for a period of five years from the closing date. Net proceeds from the private placement were \$7.2 million. The gross proceeds raised were allocated for the 12 months following closing to fund \$2.7 million on program expenditures, \$4.0 million on general and administrative expenses including costs associated with the offering, and \$0.8 million on one-time expenses incurred in reducing annual general and administrative expenses.
- On August 15, 2014, we announced the departure of Senior VP Exploration, Joseph Piekenbrock, VP Human Resources and Workforce Development, Sacha Iley, and VP Corporate Communications, Patrick Donnelly, from our senior management team to reduce our general and administrative expenses.
- On October 28, 2014, we announced the results of our 2014 re-logging and re-sampling program at the Bornite Project. During the 2014 field season, we re-logged the geology and re-sampled approximately 13,000 meters in 37 historical drill holes, originally drilled by Kennecott on the Bornite Project between 1959 and 1976, and submitted the samples for a complete 42 element Induced Coupled Plasma analysis. Of the 37 historic drill holes sampled, 5 holes had intervals of copper grading more than 0.5% copper, and 21 holes contained mineralization grading more than 0.2% copper.

## Significant Developments in 2013

- On March 28, 2012, the security holders of NovaGold Resources Inc. (“NovaGold”) voted in favor of the special resolution approving the spin-out of NovaCopper Inc. and its wholly-owned subsidiary NovaCopper US Inc. (“NovaCopper US”) (“Plan of Arrangement” or “Arrangement”). Under the Plan of Arrangement, each holder of NovaGold warrants on record as of April 30, 2012 received the right to receive one NovaCopper Share for every six common shares of NovaGold represented by the warrant. On January 2, 2013, we announced that our largest shareholder, Electrum Strategic Resources L.P. (“Electrum”), added an additional 5.2 million NovaCopper Shares to their holdings through the exercise of NovaGold warrants. We received no proceeds from the exercise of the NovaGold warrants. Between January 10, 2013 to January 18, 2013, we issued an additional 0.9 million NovaCopper Shares to various holders upon their exercise of NovaGold warrants.
- On February 5, 2013, NovaCopper released an updated NI 43-101 resource estimate for the Bornite Project in a report entitled “NI 43-101 Technical Report Resource Estimation – South Reef and Ruby Creek zones, Bornite deposit, Upper Kobuk Mineral Projects, Northwest Alaska”, further to the resource estimate previously released on July 18, 2012 with respect to the Ruby Creek zone. At the base case 1.0% copper cut-off grade, the South Reef zone at the Bornite Project, which lies roughly 400 to 600 meters southeast of the Ruby Creek zone, is estimated to contain Inferred Resources of 43.1 million tonnes of 2.54% Cu or 2,409 million pounds of contained copper. Inferred resources are stated as potentially being economically viable in an underground mining scenario based on a projected metal price of \$2.75 per pound copper and total site operating costs of \$60.00 per tonne. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. See “*Cautionary Note to United States Investors.*”
- On April 30, 2013, we announced the signing of a Memorandum of Understanding (“MOU”) with the Alaska Industrial Development Export Authority (“AIDEA”) to investigate the viability of permitting and constructing an industrial access road to the Ambler mining district and the UKMP Projects. The MOU formalizes the roles of each party as they relate to advancing the AMDIAR, which AIDEA is expected to commence permitting in 2014. The MOU also allows AIDEA to investigate various ways to fund the construction and maintenance of the AMDIAR. Although no specific terms have yet been discussed on payment for usage of the AMDIAR, the arrangement that AIDEA entered into with Cominco Ltd. (now Teck Resources Ltd.) in 1986 for construction of the Red Dog Road and Port Facility may serve as a general template for a final financing agreement. This MOU is non-exclusive, meaning that other mining and exploration companies or other industrial users may also work in cooperation with AIDEA to support development of the AMDIAR by signing their own MOUs.
- On July 30, 2013, we reported a new Preliminary Economic Assessment (“PEA”) prepared under NI 43-101 for the Arctic project in a report entitled “Preliminary Economic Assessment Report on the Arctic Project, Ambler Mining District, Northwest Alaska.” The PEA outlines an open-pit scenario of a 12-year mine life supporting a 10,000 tonne-per-day conventional grinding mill-and-flotation circuit at the Arctic deposit with a pre-tax net present value (“NPV”) of \$927.7 million or 22.8% internal rate of return (“IRR”) and after-tax NPV of \$537.2 million or 17.9% IRR at an 8% discount rate. Initial capital expenditures are estimated at \$717.7 million with sustaining capital expenditures of \$164.4 million. The base case scenario assumes long-term metal prices of \$2.90/lb for copper, \$0.85/lb for zinc, \$0.90/lb for lead, \$22.70/oz for silver and \$1,300/oz for gold. The total average operating cost for the proposed mine is estimated at \$63.93 per tonne milled. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA will be realized. See “*Cautionary Note to United States Investors.*”
- On October 9, 2013, we announced the completion of our 2013 exploration field season program at our UKMP Projects which accomplished approximately 8,142 meters or 109% of planned drilling of which 4,684 meters was drilled at the Ruby Creek zone and 3,458 meters at the South Reef zone of the Bornite Project. Results from the drilling campaign were released throughout the fall of 2013. The 2013 exploration program was focused on expansion and further characterization of the resources identified in the 2013 Bornite resource technical report released in February 2013.

- On December 18, 2013, we announced results from our re-sampling and re-assaying program of 33 historical drill holes at the Bornite Project. These holes were previously drilled and only selectively sampled by Kennecott within the Ruby Creek zone of the Bornite deposit. Of the 33 historic drill holes sampled, 26 holes had intervals of copper greater than 0.5% copper, and 29 holes contained mineralization greater than 0.2% copper. The objectives of the re-assay/re-logging program were twofold: 1) to confirm and conduct a Quality Assurance/Quality Control (“QA/QC”) program on the historical sample results; and 2) to identify additional lower-grade (0.2-0.5% copper) shallow material, which was not previously sampled. The re-sampling and re-assaying program has confirmed previously known high-grade mineralization. It is also expected to add additional lower-grade mineralization to the Company’s mineral inventory.

## Significant Developments in 2012

- On March 28, 2012, the security holders of NovaGold voted in favor of the special resolution approving the Plan of Arrangement. On April 30, 2012, 46,578,078 Common Shares of NovaCopper (each, a “NovaCopper Share” or “Common Share”) were distributed to NovaGold shareholders such that each NovaGold shareholder of record on the effective date received one NovaCopper Common Share for every six common shares of NovaGold held. In accordance with the terms of the Arrangement, NovaCopper had committed to NovaGold to deliver up to 6,181,352 NovaCopper Shares to satisfy holders of NovaGold warrants, performance share units, and deferred shares units on record as of the close of business April 27, 2012, on the same basis as NovaGold shareholders received under the Plan of Arrangement, at the time of exercise or vesting, as applicable. NovaCopper was funded with \$40.0 million in cash by NovaGold as part of the Plan of Arrangement.
- On April 25, 2012, we began trading on the Toronto Stock Exchange (“TSX”) in Canada and NYSE-MKT (formerly NYSE-AMEX) in the United States.
- During 2012, we completed the recruitment and hiring of our senior management team. Our President and CEO, Rick Van Nieuwenhuyse, Vice President (“VP”) and Chief Financial Officer, Elaine Sanders, Senior VP Exploration, Joseph Piekenbrock, and VP Human Resources and Workforce Development, Sacha Iley, joined the Company full time from their previous employment at NovaGold. We also announced the addition of Patrick Donnelly as VP Corporate Communications in August 2012.
- On July 18, 2012, we reported an initial resource estimate prepared under NI 43-101 for the Ruby Creek zone of the Bornite property in a report entitled “NI 43-101 Technical Report Resource Estimation – Ruby Creek zone, Bornite deposit, Upper Kobuk Mineral Project, Northwest Alaska.” At a 0.5% copper cut-off grade, the Ruby Creek zone contains Indicated Resources of 6.8 million tonnes at 1.19% Cu or 178.7 million pounds of contained copper and Inferred Resources of 47.7 million tonnes of 0.84% Cu or 883.2 million pounds of contained copper. Resources are stated as contained within a potentially economic resource limiting pit shell using a metal price of \$3.00 per pound copper, mining costs of \$1.50 per tonne, processing costs of \$10.00 per tonne, 100% recoveries and an average pit slope of 45 degrees. See “*Cautionary Note to United States Investors.*”
- On October 10, 2012, we announced the completion of our 2012 drilling campaign at our UKMP Projects which accomplished approximately 17,209 meters of which 15,457 meters were drilled at the South Reef zone of the Bornite property and 1,752 meters at the Sunshine deposit on the Ambler lands. Results from the drilling campaign have been released throughout the fall of 2012.
- On November 14, 2012, we announced initial metallurgical optimization results from the Arctic deposit through the completion of a metallurgical test work program. The work results in an increase of copper recoveries to 88.6% from 86.8% and zinc recoveries to 91.7% from 81.1% previously reported in our PEA for the Arctic project entitled “NI 43-101 Preliminary Economic Assessment Ambler Project, Kobuk, AK”. It also resulted in improved precious metal recoveries to the copper concentrate.

## History of NovaCopper

### *Spin-Out*

We were formerly a wholly-owned subsidiary of NovaGold. At a special meeting of securityholders of NovaGold held on March 28, 2012, the securityholders voted in favour of a special resolution approving the distribution of Common Shares of NovaCopper to the shareholders of NovaGold as a return of capital through a statutory Plan of Arrangement under the *Companies Act* (Nova Scotia).

On April 30, 2012, all of the outstanding NovaCopper Shares were distributed to shareholders of NovaGold such that each NovaGold shareholder of record at the close of business on April 27, 2012 received one NovaCopper Share for every six common shares in the capital of NovaGold held at that time. The NovaCopper Shares were listed and posted for trading on the TSX and on the NYSE-MKT under the symbol NCQ on April 25, 2012.

### *Agreement with NANA Regional Corporation*

On October 19, 2011, NANA Regional Corporation, Inc. (“NANA”), an Alaska Native Corporation headquartered in Kotzebue, Alaska, and NovaCopper US entered an Exploration Agreement and Option Agreement, as amended (the “NANA Agreement”) for the cooperative development of NANA’s respective resource interests in the Ambler mining district of Northwest Alaska. The NANA Agreement consolidates our and NANA’s land holdings into an approximately 142,831-hectare land package and provides a framework for the exploration and any future development of this high-grade and prospective poly-metallic belt.

The NANA Agreement grants NovaCopper US the nonexclusive right to enter on, and the exclusive right to explore, the Bornite lands and the Alaska Native Claims Settlement Act (“ANCSA”) lands (each as defined in the NANA Agreement) and in connection therewith, to construct and utilize temporary access roads, camps, airstrips and other incidental works. In consideration for this right, NovaCopper US paid to NANA \$4 million in cash. NovaCopper US will also be required to make payments to NANA for scholarship purposes in accordance with the terms of the NANA Agreement. NovaCopper US has further agreed to use reasonable commercial efforts to train and employ NANA shareholders to perform work for NovaCopper US in connection with its operations on the Bornite lands, ANCSA lands and Ambler lands (as defined in the NANA Agreement) (collectively, the “Lands”). Under the NANA Agreement, NANA also has the right to appoint a board member to NovaCopper’s Board within a five year period following our public listing on a stock exchange.

The NANA Agreement has a term of 20 years, with an option in favour of NovaCopper US to extend the term for an additional 10 years. The NANA Agreement may be terminated by mutual agreement of the parties or by NANA if NovaCopper US does not meet certain expenditure requirements on the Bornite lands and ANCSA lands.

If, following receipt of a feasibility study and the release for public comment of a related draft environmental impact statement, we decide to proceed with construction of a mine on the Lands, NovaCopper US will notify NANA in writing and NANA will have 120 days to elect to either (a) exercise a non-transferrable back-in-right to acquire an undivided ownership interest between 16% and 25% (as specified by NANA) of that specific project; or (b) not exercise its back-in-right, and instead receive a net proceeds royalty equal to 15% of the net proceeds realized by NovaCopper US from such project (following the recoupment by NovaCopper of all costs incurred, including operating, capital and carrying costs). The cost to exercise such back-in-right is equal to the percentage interest in the project multiplied by the difference between (i) all costs incurred by NovaCopper US or its affiliates on the project, including historical costs incurred prior to the date of the NANA Agreement together with interest on the historical costs; and (ii) \$40 million (subject to exceptions). This amount will be payable by NANA to NovaCopper US in cash at the time the parties enter into a joint venture agreement and in no event will the amount be less than zero.

In the event that NANA elects to exercise its back-in-right, the parties will as soon as reasonably practicable form a joint venture, with NANA’s interest being between 16% to 25% and NovaCopper US owning the balance of the interest in the joint venture. Upon formation of the joint venture, the joint venture will assume all of the obligations of NovaCopper US and be entitled to all the benefits of NovaCopper US under the NANA Agreement in connection with the mine to be developed and the related Lands. A party’s failure to pay its proportionate share of costs in connection with the joint venture will result in dilution of its interest. Each party will have a right of first refusal over any proposed transfer of the other party’s interest in the joint venture other than to an affiliate or for the purposes of granting security. A transfer by either party of any net proceeds royalty interest in a project other than

for financing purposes will also be subject to a first right of refusal. A transfer of NANA's net smelter return on the Lands is subject to a first right of refusal by NovaCopper.

In connection with possible development of a mine on the Bornite lands or ANCSA lands, NovaCopper US and NANA will execute a mining lease to allow NovaCopper US or the joint venture to construct and operate a mine on the Bornite lands or ANCSA lands. These leases will provide NANA a 2% net smelter royalty as to production from the Bornite lands and a 2.5% net smelter royalty as to production from the ANCSA lands. If NovaCopper US decides to proceed with construction of a mine on the Ambler lands, NANA will enter into a surface use agreement with NovaCopper US which will afford NovaCopper US access to the Ambler lands along routes approved by NANA on the Bornite lands or ANCSA lands. In consideration for the grant of such surface use rights, NovaCopper US will grant NANA a 1% net smelter royalty on production and an annual payment of \$755 per acre (as adjusted for inflation each year beginning with the second anniversary of the effective date of the NANA Agreement and for each of the first 400 acres (and \$100 for each additional acre) of the lands owned by NANA and used for access which are disturbed and not reclaimed.

We have formed an oversight committee with NANA, which consists of four representatives from each of NovaCopper and NANA (the "Oversight Committee"). The Oversight Committee is responsible for certain planning and oversight matters carried out by us under the NANA Agreement. The planning and oversight matters that are the subject of the NANA Agreement will be determined by majority vote. The representatives of each of NovaCopper and NANA attending a meeting will have one vote in the aggregate and in the event of a tie, the NovaCopper representatives jointly shall have a deciding vote on all matters other than Subsistence Matters, as that term is defined in the NANA Agreement. There shall be no deciding vote on Subsistence Matters and we may not proceed with such matters unless approved by majority vote of the Oversight Committee or with the consent of NANA, such consent not to be unreasonably withheld or delayed.

### **Principal Markets**

We do not currently have a principal market. Our principal objective is to become a producer of copper.

### **Specialized Skill and Knowledge**

All aspects of our business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, mining and accounting. See "*Executive Officers of NovaCopper*" for details as to the specific skills and knowledge of our directors and management.

### **Environmental Protection**

Mining is an extractive industry that impacts the environment. Our goal is to evaluate ways to minimize that impact and to develop safe, responsible and profitable operations by developing natural resources for the benefit of our employees, shareholders and communities and maintain high standards for environmental performance at our Upper Kobuk Mineral Projects. We strive to meet or exceed environmental standards at our Upper Kobuk Mineral Projects. One way we do this is through collaborations with local communities, including Native Alaskan groups. We are currently active only in Alaska, which has established environmental standards and regulations that we intend to strive to exceed. Our environmental performance will be overseen at the Board level and environmental performance is the responsibility of the project manager.

- All new activities and operations will be managed for compliance with applicable laws and regulations. In the absence of regulation, best management practices will be applied to manage environmental risk.
- We will strive to limit releases to the air, land or water and appropriately treat and dispose of waste.

See "*Arctic Project – Environmental Considerations*".

### **Employees**

As of November 30, 2014, we had 9 full-time employees, 6 of whom were employed at our executive office in Vancouver, BC, and 3 of whom were employed at our Upper Kobuk Mineral Projects. The number of individuals



employed by us fluctuates throughout the year depending on the season; however during 2014, we had on average, 20 employees working for us. We have entered into executive employment agreements with two individuals, the CEO and CFO.

We believe our success is dependent on the performance of our management and key employees, many of whom have specialized skills in exploration in Alaska and the base metals industry. Substantially all of our exploration site employees have been active in the Ambler mining district for the last five years and are knowledgeable as to the geology, metallurgy and infrastructure related to mining development.

### **Segment Information**

We operate in one geographical jurisdiction, being the United States, and all of our mineral properties and plant and equipment are located in Alaska. Segment information relating to our assets is provided under the section heading “*Item 8. Financial Statements and Supplementary Data*” below.

### **Competitive Conditions**

The mineral exploration and development industry is competitive in all phases of exploration, development and production. There is a high degree of competition faced by us in Alaska and elsewhere for skilled management employees, suitable contractors for drilling operations, technical and engineering resources, and necessary exploration and mining equipment, and many of these competitor companies have greater financial resources, operational expertise, and/or more advanced properties than us. Additionally, our operations are in a remote location where skilled resources and support services are limited. We have in place experienced management personnel and continue to evaluate the required expertise and skills to carry out our operations. As a result of this competition, we may be unable to achieve our exploration and development in the future on terms we consider acceptable or at all. See “*Item 1A. Risk Factors*”.

### **Available Information**

We make available, free of charge, on or through our website, at [www.novacopper.com](http://www.novacopper.com) our annual report on Form 10-K which includes our audited financial statements, our quarterly reports on Form 10-Q and our current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934. All filings are also available on [www.sec.gov/edgar](http://www.sec.gov/edgar). Our website and the information contained therein or connected thereto are not intended to be, and are not incorporated into this annual report on Form 10-K.

### **Item 1A. RISK FACTORS**

Investing in our securities is speculative and involves a high degree of risk due to the nature of our business and the present stage of exploration of our mineral properties. The following risk factors, as well as risks currently unknown to us, could materially adversely affect our future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking information relating to NovaCopper, or our business, property or financial results, each of which could cause purchasers of securities to lose all or part of their investments.

**We have not defined any proven or probable reserves and none of our mineral properties are in production or under development.**

We have no history of commercially producing precious or base metals and all of our properties are in the exploration stage. We have not defined or delineated any measured resources or proven or probable reserves on our Upper Kobuk Mineral Projects. Mineral exploration involves significant risk, since few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. We cannot assure you that we will establish the presence of any measured resources, or proven or probable reserves at the Upper Kobuk Mineral Projects or any other properties. The failure to establish measured resources, or proven or probable reserves, would severely restrict our ability to implement our strategies for long-term growth.

**We may not have sufficient funds to develop our mineral projects or to complete further exploration programs.**

We have limited financial resources. We currently generate no mining operating revenue, and must primarily finance exploration activity and the development of mineral projects by other means. In the future, our ability to continue exploration, development and production activities, if any, will depend on our ability to obtain additional external financing. Any unexpected costs, problems or delays could severely impact our ability to continue exploration and development activities. The failure to meet ongoing obligations on a timely basis could result in a loss or a substantial dilution of our interests in projects.

The sources of external financing that we may use for these purposes include project or bank financing or public or private offerings of equity and debt. In addition, we may enter into one or more strategic alliances or joint ventures, decide to sell certain property interests, or utilize one or a combination of all of these alternatives. The financing alternative we choose may not be available on acceptable terms, or at all. If additional financing is not available, we may have to postpone further exploration or development of, or sell, one or more of our principal properties.

**Even if one of our mineral projects is determined to be economically viable to develop into a mine, such development may not be successful.**

If the development of one of our projects is found to be economically feasible and approved by our Board, such development will require obtaining permits and financing, the construction and operation of mines, processing plants and related infrastructure, including road access. As a result, we are and will continue to be subject to all of the risks associated with establishing new mining operations, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities and related infrastructure;
- the availability and cost of skilled labour and mining equipment;
- the availability and cost of appropriate smelting and refining arrangements;
- the need to obtain necessary environmental and other governmental approvals and permits and the timing of the receipt of those approvals and permits;
- the availability of funds to finance construction and development activities;
- potential opposition from non-governmental organizations, environmental groups or local groups which may delay or prevent development activities; and
- potential increases in construction and operating costs due to changes in the cost of fuel, power, materials and supplies.

The costs, timing and complexities of developing our projects may be greater than anticipated because our property interests are not located in developed areas, and, as a result, our property interests are not currently served by appropriate road access, water and power supply and other support infrastructure. Cost estimates may increase significantly as more detailed engineering work is completed on a project. It is common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up. In addition, delays in the early stages of mineral production often occur. Accordingly, we cannot provide assurance that we will ever achieve, or that our activities will result in, profitable mining operations at our mineral properties.

In addition, there can be no assurance that our mineral exploration activities will result in any discoveries of new mineralization. If further mineralization is discovered there is also no assurance that the mineralization would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors which are beyond our control, including the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

**The Upper Kobuk Mineral Projects are located in a remote area of Alaska, and access to them is limited. Exploration and any future development or production activities may be limited and delayed by infrastructure challenges, inclement weather and a shortened exploration season.**

The Upper Kobuk Mineral Projects are located in a remote area of Alaska. Access to the Upper Kobuk Mineral Projects is limited and there is currently no infrastructure in the area.

We cannot provide assurances that the proposed AMDIAR that would provide access to the Ambler mining district will be permitted or built, that it will be built in a timely manner, that the cost of accessing the proposed road will be reasonable, that it will be built in the manner contemplated, or that it will sufficiently satisfy the requirements of the Upper Kobuk Mineral Projects. In addition, successful development of the Upper Kobuk Mineral Projects will require the development of the necessary infrastructure. If adequate infrastructure is not available in a timely manner, there can be no assurance that:

- the development of the Upper Kobuk Mineral Projects will be commenced or completed on a timely basis, if at all;
- the resulting operations will achieve the anticipated production volume; or
- the construction costs and operating costs associated with the development of the Upper Kobuk Mineral Projects will not be higher than anticipated.

As the UKMP Projects are located in a remote area, exploration, development and production activities may be limited and delayed by inclement weather and a shortened exploration season.

**We have no history of production and no revenue from mining operations.**

We have a very limited history of operations and to date have generated no revenue from mining operations. As such, we are subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of significant revenues. There is no assurance that the Upper Kobuk Mineral Projects or any other future projects will be commercially mineable, and we may never generate revenues from our mining operations.

**Future sales or issuances of equity securities could decrease the value of any existing Common Shares, dilute investors' voting power and reduce our earnings per share.**

We may sell additional equity securities (including through the sale of securities convertible into common shares) and may issue additional equity securities to finance our operations, exploration, development, acquisitions or other projects. We are authorized to issue an unlimited number of Common Shares. We cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the common shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per share.

**Changes in the market price of copper and other metals, which in the past have fluctuated widely, will affect our ability to finance continued exploration and development of our projects and affect our operations and financial condition.**

Our long-term viability will depend, in large part, on the market price of copper and other metals. The market prices for these metals are volatile and are affected by numerous factors beyond our control, including:

- global or regional consumption patterns;
- the supply of, and demand for, these metals;
- speculative activities;

- the availability and costs of metal substitutes;
- expectations for inflation; and
- political and economic conditions, including interest rates and currency values.

We cannot predict the effect of these factors on metal prices. A decrease in the market price of copper and other metals could affect our ability to raise funds to finance the exploration and development of any of our mineral projects, which would have a material adverse effect on our financial condition and results of operations. The market price of copper and other metals may not remain at current levels. In particular, an increase in worldwide supply, and consequent downward pressure on prices, may result over the longer term from increased copper production from mines developed or expanded as a result of current metal price levels. There is no assurance that a profitable market may exist or continue to exist.

**Actual capital costs, operating costs, production and economic returns may differ significantly from those described in the PEA.**

The PEA technical report is an early stage study that is preliminary in nature. There can be no assurance that the results described in the PEA will be realized. The capital costs to take our projects into production may be significantly higher than anticipated.

None of our mineral properties have an operating history upon which we can base estimates of future operating costs. Decisions about the development of the Arctic Project (or the Bornite Project) will ultimately be based upon feasibility studies. Feasibility studies derive estimates of cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates of metals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

Cash operating costs, production and economic returns, and other estimates contained in studies or estimates prepared by or for us may differ significantly from those anticipated by the PEA and there can be no assurance that our actual operating costs will not be higher than currently anticipated.

**We will incur losses for the foreseeable future.**

We expect to incur losses unless and until such time as our mineral projects generate sufficient revenues to fund continuing operations. The exploration and development of our mineral properties will require the commitment of substantial financial resources that may not be available.

The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners and the acquisition of additional property interests, some of which are beyond our control. We cannot provide assurance that we will ever achieve profitability.

**Mineral resource and reserve calculations are only estimates.**

Any figures presented for mineral resources in this Form 10-K and in our other filings with securities regulatory authorities and those which may be presented in the future or any figures for mineral reserves that may be presented by us in the future are and will only be estimates. There is a degree of uncertainty attributable to the calculation of mineral reserves and mineral resources. Until mineral reserves or mineral resources are actually mined and processed, the quantity of metal and grades must be considered as estimates only and no assurances can be given that the indicated levels of metals will be produced. In making determinations about whether to advance any of our

projects to development, we must rely upon estimated calculations as to the mineral resources and grades of mineralization on our properties.

The estimating of mineral reserves and mineral resources is a subjective process that relies on the judgment of the persons preparing the estimates. The process relies on the quantity and quality of available data and is based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While we believe that the mineral resource estimates included in this Form 10-K for the Upper Kobuk Mineral Projects are well established and reflect management's best estimates, by their nature mineral resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. There can be no assurances that actual results will meet the estimates contained in feasibility studies. As well, further studies are required.

Estimated mineral reserves or mineral resources may have to be recalculated based on changes in metal prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral reserve or mineral resource estimates. The extent to which mineral resources may ultimately be reclassified as mineral reserves is dependent upon the demonstration of their profitable recovery. Any material changes in mineral resource estimates and grades of mineralization will affect the economic viability of placing a property into production and a property's return on capital. We cannot provide assurance that mineralization can be mined or processed profitably.

Our mineral resource estimates have been determined and valued based on assumed future metal prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for copper, zinc, lead, gold and silver may render portions of our mineralization uneconomic and result in reduced reported mineral resources, which in turn could have a material adverse effect on our results of operations or financial condition. We cannot provide assurance that mineral recovery rates achieved in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

A reduction in any mineral reserves that may be estimated by us in the future could have an adverse impact on our future cash flows, earnings, results of operations and financial condition. No assurances can be given that any mineral resource estimates for the Upper Kobuk Mineral Projects will ultimately be reclassified as mineral reserves. See "*Cautionary Note to United States Investors.*"

**Significant uncertainty exists related to inferred mineral resources.**

There is a risk that inferred mineral resources referred to in this Form 10-K cannot be converted into measured or indicated mineral resources as there may be limited ability to assess geological continuity. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration. See "*Cautionary Note to United States Investors.*"

**Mining is inherently risky and subject to conditions or events beyond our control.**

The development and operation of a mine is inherently dangerous and involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome, including:

- unusual or unexpected geological formations;
- metallurgical and other processing problems;
- metal losses;
- environmental hazards;
- power outages;
- labour disruptions;

- industrial accidents;
- periodic interruptions due to inclement or hazardous weather conditions;
- flooding, explosions, fire, rockbursts, cave-ins and landslides;
- mechanical equipment and facility performance problems; and
- the availability of materials and equipment.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, including to our employees, environmental damage, delays in mining, increased production costs, asset write downs, monetary losses and possible legal liability. We may not be able to obtain insurance to cover these risks at economically feasible premiums, or at all. Insurance against certain environmental risks, including potential liability for pollution and other hazards associated with mineral exploration and production, is not generally available to companies within the mining industry. We may suffer a material adverse effect on our business if we incur losses related to any significant events that are not covered by our insurance policies.

**General economic conditions may adversely affect our growth, future profitability and ability to finance.**

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the copper mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A worsening or slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect our growth and ability to finance. Specifically:

- the global credit/liquidity crisis could impact the cost and availability of financing and our overall liquidity;
- the volatility of copper and other metal prices would impact our estimates of mineral resources, revenues, profits, losses and cash flow, and the feasibility of our projects;
- negative economic pressures could adversely impact demand for our future production, if any;
- construction related costs could increase and adversely affect the economics of any project in the Ambler district;
- volatile energy, commodity and consumables prices and currency exchange rates would impact our estimated production costs; and
- the devaluation and volatility of global stock markets would impact the valuation of our equity and other securities.

**We cannot provide assurance that we will successfully acquire commercially mineable mineral rights.**

Exploration for and development of copper properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting metals from ore. We cannot ensure that our current exploration and development programs will result in profitable commercial mining operations.

The economic feasibility of development projects is based upon many factors, including the accuracy of mineral resource estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental protection; and metal prices,

which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Most exploration projects do not result in the discovery of commercially mineable ore deposits, and no assurance can be given that any anticipated level of recovery of ore reserves, if any, will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of mineral reserves, mineral resources, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, the metallurgy of the mineralization forming the mineral deposit, unusual or unexpected geological formations and work interruptions. If current exploration programs do not result in the discovery of commercial ore, we may need to write-off part or all of our investment in our existing exploration stage properties, and may need to acquire additional properties.

Material changes in mineral reserves, if any, grades, stripping ratios or recovery rates may affect the economic viability of any project. Our future growth and productivity will depend, in part, on our ability to develop commercially mineable mineral rights at our existing properties or identify and acquire other commercially mineable mineral rights, and on the costs and results of continued exploration and potential development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to:

- establish mineral reserves through drilling and metallurgical and other testing techniques;
- determine metal content and metallurgical recovery processes to extract metal from the ore; and
- construct, renovate or expand mining and processing facilities.

In addition, if we discover ore, it would take several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. As a result of these uncertainties, there can be no assurance that we will successfully acquire commercially mineable (or viable) mineral rights.

**We are subject to significant governmental regulations.**

Our exploration activities are subject to extensive federal, state, provincial and local laws and regulations governing various matters, including:

- environmental protection;
- the management and use of toxic substances and explosives;
- the management of natural resources;
- the exploration and development of mineral properties, including reclamation;
- exports;
- price controls;
- taxation and mining royalties;
- management of tailing and other waste generated by operations;
- labour standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining, curtailing or closing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in significant expenditures. We may also be required to compensate private parties suffering loss or

damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause us to incur additional expense or capital expenditure restrictions, suspensions or closing of our activities and delays in the exploration and development of our properties.

**We require further permits in order to conduct current and anticipated future operations, and delays in obtaining or failure to obtain such permits, or a failure to comply with the terms of any such permits that we have obtained, would adversely affect our business.**

Our current and anticipated future operations, including further exploration, development and commencement of production on our mineral properties, require permits from various governmental authorities. Obtaining or renewing governmental permits is a complex and time-consuming process. The duration and success of efforts to obtain and renew permits are contingent upon many variables not within our control. Due to the preliminary stages of the Upper Kobuk Mineral Projects, it is difficult to assess what specific permitting requirements will ultimately apply.

Shortage of qualified and experienced personnel in the U.S. federal and Alaskan State agencies to coordinate a federally led joint environmental impact statement process could result in delays or inefficiencies. Backlog within the permitting agencies could affect the permitting timeline or potential of the Upper Kobuk Mineral Projects, as may negative public perception of mining projects in general due to circumstances unrelated to the Company and outside of its control. Other factors that could affect the permitting timeline include (i) the number of other large-scale projects currently in a more advanced stage of development which could slow down the review process for the Upper Kobuk Mineral Projects and (ii) significant public response regarding the Upper Kobuk Mineral Projects.

We cannot provide assurance that all permits that we require for our operations, including any for construction of mining facilities or conduct of mining, will be obtainable or renewable on reasonable terms, or at all. Delays or a failure to obtain such required permits, or the expiry, revocation or failure to comply with the terms of any such permits that we have obtained, would adversely affect our business.

**Our activities are subject to environmental laws and regulations that may increase our costs and restrict our operations.**

All of our exploration, potential development and production activities are subject to regulation by governmental agencies under various environmental laws. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Environmental legislation is evolving and the general trend has been towards stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on our behalf and may cause material changes or delays in our intended activities. Several regulatory initiatives are currently ongoing within the State of Alaska that have the potential to influence the permitting process for the Upper Kobuk Mineral Projects. These include a revision of the Alaska Mixing Zone Regulations which may be required in order to permit a mixing zone for discharge in Subarctic Creek. Future changes in these laws or regulations could have a significant adverse impact on some portion of our business, requiring us to re-evaluate those activities at that time.

Environmental hazards may exist on our properties that are unknown to us at the present time and that have been caused by previous owners or operators or that may have occurred naturally. We may be liable for remediating such damage.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities, causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

**Land reclamation requirements for our exploration properties may be burdensome.**

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. Reclamation may include requirements to:



- treat ground and surface water to drinking water standards;
- control dispersion of potentially deleterious effluents; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations imposed on us in connection with exploration, potential development and production activities, we must allocate financial resources that might otherwise be spent on further exploration and development programs. In addition, regulatory changes could increase our obligations to perform reclamation and mine closing activities. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

**Title and other rights to our properties may be subject to challenge.**

We cannot provide assurance that title to our properties will not be challenged. We own mineral claims which constitute our property holdings. We may not have, or may not be able to obtain, all necessary surface rights to develop a property. Title insurance is generally not available for mineral properties and our ability to ensure that we have obtained a secure claim to individual mining properties may be severely constrained. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. We have not conducted surveys of all of the claims in which we hold direct or indirect interests. A successful claim contesting our title to a property will cause us to lose our rights to explore and, if warranted, develop that property or undertake or continue production thereon. This could result in our not being compensated for our prior expenditures relating to the property. In addition, our ability to continue to explore and develop the property may be subject to agreements with other third parties including agreements with native corporations and first nations groups, for instance, the lands at the UKMP Projects are subject to NANA Agreement (as more particularly described under “*History of NovaCopper – Agreement with NANA Regional Corporation*”).

**Risks inherent in acquisitions of new properties.**

We may actively pursue the acquisition of exploration, development and production assets consistent with our acquisition and growth strategy. From time to time, we may also acquire securities of or other interests in companies with respect to which we may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including but not limited to:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of our key employees or key employees of any business acquired;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition;
- decline in the value of acquired properties, companies or securities;
- assimilating the operations of an acquired business or property in a timely and efficient manner;
- maintaining our financial and strategic focus while integrating the acquired business or property;
- implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and

- to the extent that we make an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Acquiring additional businesses or properties could place increased pressure on our cash flow if such acquisitions involve a cash consideration. The integration of our existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require us to incur significant costs in connection with, among other things, implementing financial and planning systems. We may not be able to integrate the operations of a recently acquired business or restructure our previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from our management team, which may detract attention from our day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on our business, operating results, financial condition and the price of NovaCopper Shares. In addition, the acquisition of mineral properties may subject us to unforeseen liabilities, including environmental liabilities, which could have a material adverse effect on us. There can be no assurance that any future acquisitions will be successfully integrated into our existing operations.

Any one or more of these factors or other risks could cause us not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on our financial condition.

**High metal prices in past years have encouraged increased mining exploration, development and construction activity, which has increased demand for, and cost of, exploration, development and construction services and equipment.**

The relative strength of metal prices in past years has encouraged increases in mining exploration, development and construction activities around the world, which has resulted in increased demand for, and cost of, exploration, development and construction services and equipment. While recent market conditions have had a moderating effect on the costs of such services and equipment, increases in such costs may continue with the resumption of an upward trend in metal prices. Increased demand for and cost of services and equipment could result in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and may cause scheduling difficulties due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development and/or construction costs.

**We face industry competition in the acquisition of exploration properties and the recruitment and retention of qualified personnel.**

We compete with other exploration and producing companies, many of which are better capitalized, have greater financial resources, operational experience and technical capabilities or are further advanced in their development or are significantly larger and have access to greater mineral reserves, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. If we require and are unsuccessful in acquiring additional mineral properties or in recruiting and retaining qualified personnel, we will not be able to grow at the rate we desire, or at all.

**We may experience difficulty attracting and retaining qualified management and technical personnel to grow our business.**

We are dependent on the services of key executives and other highly skilled and experienced personnel to advance our corporate objectives as well as the identification of new opportunities for growth and funding. Mr. Van Nieuwenhuyse and Ms. Sanders are currently our only executive officers. It will be necessary for us to recruit additional skilled and experienced executives. Our inability to do so, or the loss of any of these persons or our inability to attract and retain suitable replacements for them, or additional highly skilled employees required for our activities, would have a material adverse effect on our business and financial condition.

**Some of our directors and officers have conflicts of interest as a result of their involvement with other natural resource companies.**

Certain of our directors and officers also serve as directors or officers, or have significant shareholdings, in other companies involved in natural resource exploration and development or mining-related activities, including, in particular, NovaGold. To the extent that such other companies may participate in ventures in which we may participate in, or in ventures which we may seek to participate in, our directors and officers may have a conflict of

interest in negotiating and concluding terms respecting the extent of such participation. In all cases where our directors and officers have an interest in other companies, such other companies may also compete with us for the acquisition of mineral property investments. Such conflicts of our directors and officers may result in a material and adverse effect on our profitability, results of operation and financial condition. As a result of these conflicts of interest, we may miss the opportunity to participate in certain transactions, which may have a material adverse effect on our financial position.

**In the future we may be subject to legal proceedings.**

Due to the nature of our business, we may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of our business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on our business.

**Our largest shareholder has significant influence on us and may also affect the market price and liquidity of the Securities.**

Electrum is our single largest shareholder, controlling approximately 27.8% of the outstanding voting securities. Accordingly, Electrum will have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions. Unless significant participation of other shareholders takes place in such shareholder meetings, Electrum may be able to approve such matters itself. The concentration of ownership of the shares by Electrum may: (i) delay or deter a change of control of the Company; (ii) deprive shareholders of an opportunity to receive a premium for their shares as part of a sale of the Company; and (iii) affect the market price and liquidity of the shares. Without the consent of Electrum, we could be prevented from entering into transactions that are otherwise beneficial to us. The interests of Electrum may differ from or be adverse to the interests of our other shareholders. The effect of these rights and Electrum's influence may impact the price that investors are willing to pay for securities. If Electrum sells a substantial number of shares in the public market, the market price of the shares could fall. The perception among the public that these sales will occur could also contribute to a decline in the market price of the shares.

**Global climate change is an international concern, and could impact our ability to conduct future operations.**

Global climate change is an international issue and receives an enormous amount of publicity. We would expect that the imposition of international treaties or U.S. or Canadian federal, state, provincial or local laws or regulations pertaining to mandatory reductions in energy consumption or emissions of greenhouse gasses could affect the feasibility of our mining projects and increase our operating costs.

**Adverse publicity from non-governmental organizations could have a material adverse effect on us.**

There is an increasing level of public concern relating to the effect of mining production on our surroundings, communities and environment. Non-governmental organizations ("NGOs"), some of which oppose resource development, are often vocal critics of the mining industry. While we seek to operate in a socially responsible manner, adverse publicity generated by such NGOs related to extractive industries, or our operations specifically, could have an adverse effect on our reputation and financial condition or our relationship with the communities in which we operate.

**We may fail to achieve and maintain the adequacy of our internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act.**

We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of SOX. It requires an annual assessment by management of the effectiveness of our internal control over financial reporting. We may in the future fail to achieve and maintain the adequacy of our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, and we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of SOX. Our failure to satisfy the requirements of Section 404 of SOX on

an ongoing, timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our Common Shares. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Future acquisitions of companies may provide us with challenges in implementing the required processes, procedures and controls in our acquired operations. Acquired companies may not have disclosure control and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to us.

**Our business is subject to evolving corporate governance and public disclosure regulations that have increased both our compliance costs and the risk of noncompliance, which could have an adverse effect on our stock price.**

We are subject to changing rules and regulations promulgated by a number of United States and Canadian governmental and self-regulated organizations, including the SEC, the Canadian Securities Administrators, the NYSE-MKT, the TSX, and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by the United States Congress, making compliance more difficult and uncertain. Our efforts to comply with new rules and regulations, including those promulgated under Dodd-Frank, have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

**Our Common Shares are subject to various factors that have historically made share prices volatile.**

The market price of our common shares may be subject to large fluctuations, which may result in losses to investors. The market price of the Common Shares may increase or decrease in response to a number of events and factors, including: our operating performance and the performance of competitors and other similar companies; volatility in metal prices; the arrival or departure of key personnel; the number of Common Shares to be publicly traded after an offering; the public's reaction to our press releases, material change reports, other public announcements and our filings with the various securities regulatory authorities; changes in earnings estimates or recommendations by research analysts who track the Common Shares or the shares of other companies in the resource sector; changes in general economic and/or political conditions; acquisitions, strategic alliances or joint ventures involving us or our competitors; and the factors listed under the heading "*Cautionary Statement Regarding Forward-Looking Information*".

The market price of the Common Shares may be affected by many other variables which are not directly related to our success and are, therefore, not within our control, including other developments that affect the market for all resource sector securities, the breadth of the public market for the Common Shares and the attractiveness of alternative investments.

**We do not intend to pay any cash dividends in the foreseeable future.**

We have not declared or paid any dividends on our Common Shares. Our current business plan requires that for the foreseeable future, any future earnings be reinvested to finance the growth and development of our business. We do not intend to pay cash dividends on the Common Shares in the foreseeable future. We will not declare or pay any dividends until such time as our cash flow exceeds our capital requirements and will depend upon, among other things, conditions then existing including earnings, financial condition, restrictions in financing arrangements, business opportunities and conditions and other factors, or our Board determines that our shareholders could make better use of the cash.

**We may be a "passive foreign investment company" in future periods, which may have adverse U.S. federal income tax consequences for U.S. shareholders.**

U.S. investors in the Company should be aware that we believe we were not a passive foreign investment company ("PFIC") for the years ending November 30, 2012, 2013 and 2014 but may be a PFIC in future tax years. If we are a PFIC for any year during a U.S. shareholder's holding period, then such U.S. shareholder generally will be required to treat any gain realized upon a disposition of Common Shares and any so-called "excess distribution" received on its Common Shares as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "qualified electing fund" election ("QEF Election") or a "mark-to-market" election. A U.S. shareholder who makes a QEF Election generally must report on a current basis its

share of our net capital gain and ordinary earnings for any year in which we are a PFIC, whether or not we distribute any amounts to our shareholders. A U.S. shareholder who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the Common Shares over the taxpayer's basis therein. This paragraph is qualified in its entirety by the discussion below the heading "Certain U.S. Federal Income Tax Considerations." Each U.S. shareholder should consult its own tax advisor regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

#### **Item 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **Item 2. PROPERTIES**

The following descriptions summarize selected information about our Upper Kobuk Mineral Projects, which are located in the Ambler mining district of Alaska and include the Arctic Project and the Bornite Project. All of the UKMP Projects are without known reserves, as defined under SEC Industry Guide 7, and all proposed programs for the properties are exploratory in nature.

##### **Arctic Project, Ambler Mining District, Alaska**

###### ***Arctic Project – Technical Report***

Except with respect to the land size disclosure and the disclosure regarding the number of claims (which were both increased subsequent to the effective date of the PEA), and the information under the heading "*Arctic Project – Current Activities*", or as otherwise stated, the scientific and technical information relating to the Arctic Project contained in this Form 10-K is derived from, and in some instances is an extract from, the technical report titled "Preliminary Economic Assessment Report on the Arctic Project, Ambler Mining District Northwest Alaska" dated effective September 12, 2013 prepared by Tetra Tech and EBA, a Tetra Tech Company (and together with Tetra Tech, "Tetra Tech"). Except with respect to the land size disclosure and the disclosure regarding the number of claims (which were both increased subsequent to the effective date of the PEA), and the information under the heading "*Arctic Project – Current Activities*" and except as otherwise stated, Erin Workman, P.Geol., an employee to the Company and a Qualified Person as defined in 43-101, has approved the scientific and technical information contained herein. Scott Petsel, P.Geol., an employee to the Company and a Qualified Person as defined in NI 43-101, approved the scientific and technical information under the heading "*Arctic Project – Current Activities*," and the land size disclosure and the disclosure regarding the number of claims for the Ambler lands. The information regarding the Arctic Project is based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the PEA which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

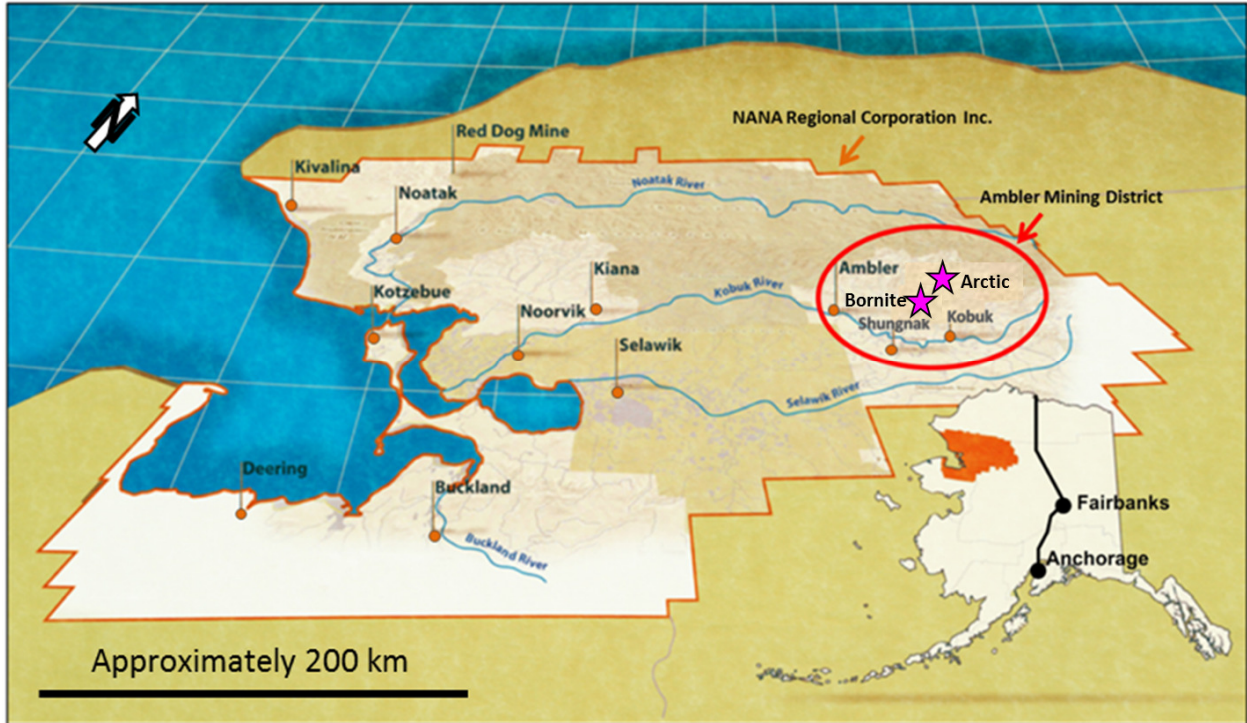
###### ***Arctic Project - Property Description and Location***

The Arctic Project is located in the Ambler mining district of the southern Brooks Range, in the Northwest Arctic Borough ("NWAB") of Alaska. The Arctic Project is located 260 km east of the town of Kotzebue, 30 km north of the village of Kobuk, 260 km west of the Dalton Highway, an all-weather state maintained public road, at geographic coordinates N67.17° latitude and W156.38° longitude (Universal Transverse Mercator (UTM) North American Datum (NAD) 83, Zone 4 coordinates 7453080N, 613110E). The current size of the Ambler lands is approximately 65 km long x 8 km wide and comprises a total of 45,348 ha.

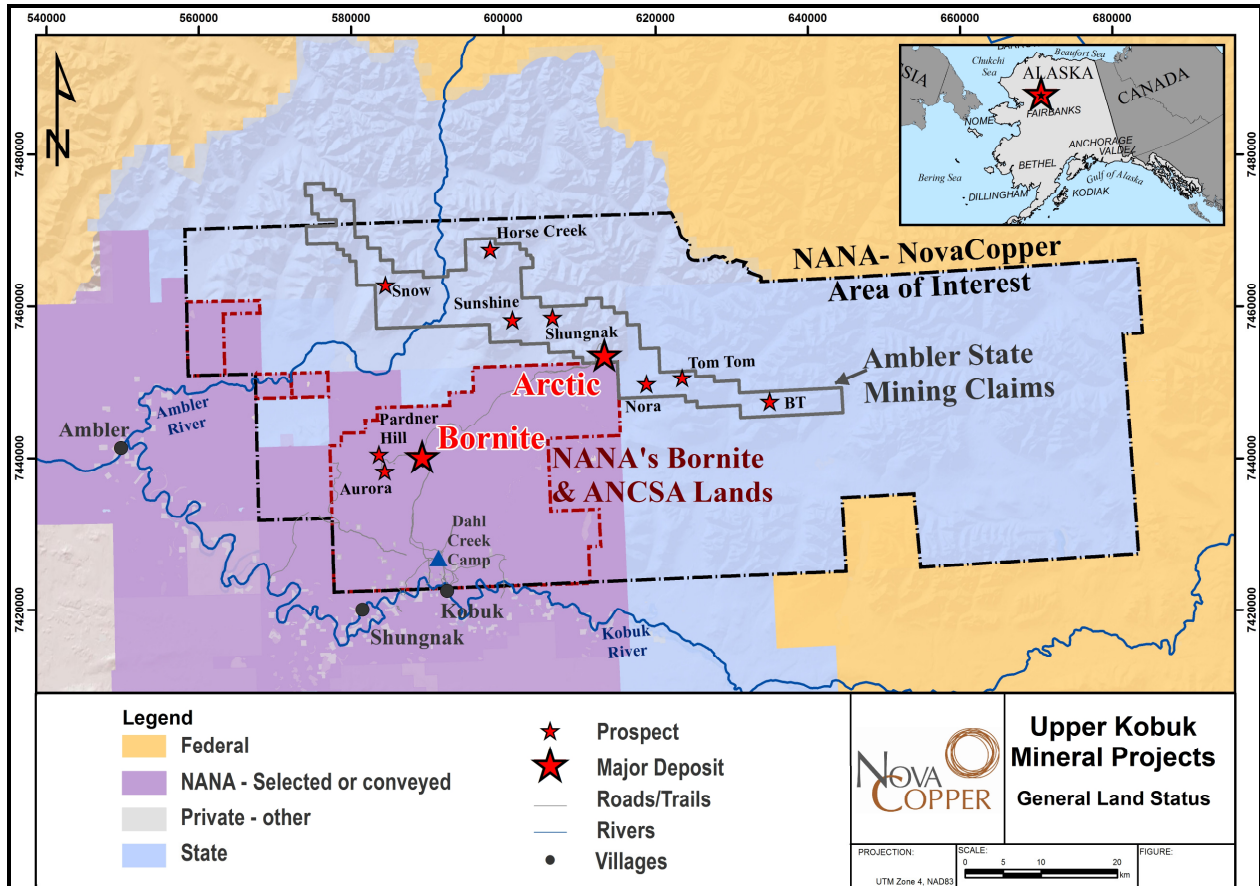
The Ambler lands comprise 45,348 ha of State of Alaska mining claims and US Federal patented mining claims in the Kotzebue Recording District. The Ambler land tenure consists of 1,358 contiguous claims, including 875 40-acre State claims, 481 160-acre State claims, and two Federal patented claims comprising 110 ha held in the name of NovaCopper US Inc. The Arctic Project is located near the southern edge of the centre of the claim block. The Federal patented claim corners were located by the US Geological Survey. There is no expiration date or labor requirement on the Federal patented claims. Rent for each State claim is paid annually to the Alaska Department of Natural Resources ("ADNR"). An Annual Labor Statement must be submitted annually to maintain the State claims in good standing.

In 1971, the US Congress passed the Alaska Native Claims Settlement Act which settled land and financial claims made by the Alaska Natives and provided for the establishment of 13 regional corporations to administer those claims. These are known as the Alaska Native Regional Corporations. One of these 13 regional corporations is NANA. ANCSA Lands controlled by NANA bound the southern border of the Property claim block. National Park lands are within 25 km of the northern property border.

**Figure 1: Regional Location Map**



**Figure 2: Upper Kobuk Mineral Projects Lands Prospect Location Map**



There are no known environmental liabilities due to previous operators or from our ongoing exploration activities at the Arctic Project. There has been no mine development or production on the Ambler lands.

Multiple permits are required during the exploration phase of the Arctic Project. Permits are issued from Federal, State, and Regional agencies, including: the Environmental Protection Agency (“EPA”), the US Army Corps of Engineers (“USACE”), the Alaska Department of Environmental Conservation (“ADEC”), the Alaska Department of Fish and Game (“ADF&G”), the ADNR, and the NWAB. The State of Alaska permit for exploration on the Arctic Project, the Annual Hardrock Exploration Activity (“AHEA”) Permit, is obtained and renewed every five years through the ADNR – Division of Mining, Land and Water. NovaCopper holds an AHEA exploration permit in good standing with the Alaska DNR. The Arctic Project is within the NWAB thus requiring a Title 9 Miscellaneous Land Use permit for mineral exploration, fuel storage, gravel extraction, and the operation of a landfill. NovaGold held these permits in good standing during the 2004 to 2008 seasons and renewed the permits for the 2010 exploration season to 2015. The Bornite Camp, Bornite Landfill, Dahl Creek Camp, and the to-be-constructed Arctic Camp are permitted by the ADEC.

A number of statutory reports and payments are required to maintain the claims in good standing on an annual basis. As the Arctic Project progresses, additional permits for environmental baseline and detailed engineering studies will be necessary at federal, state, and local levels.

***Arctic Project - Accessibility, Climate, Local Resources, Infrastructure and Physiography***

Accessibility is one of the most significant challenges of developing the Arctic Project. There is no developed surface access to the Ambler mining district.

Primary access to the Arctic Project is by air, using both fixed wing aircraft and helicopters. There are four well maintained, approximately 1,500 m-long gravel airstrips located near the Arctic Project, capable of accommodating charter fixed wing aircraft. These airstrips are located 66 km west at Ambler, 46 km southwest at Shungnak, 36 km

southwest at Kobuk, and 32 km southwest at Dahl Creek. There is daily commercial air service from Kotzebue to the village of Kobuk, the closest community to the Arctic Project. During the summer months, the Dahl Creek Camp airstrip is suitable for larger aircraft, such as C-130 and DC-6. In addition to the four 1,500 m airstrips, there is a 700 m airstrip located at the Bornite Camp, approximately 25 km southwest of the Arctic Deposit, and a 400 m airstrip located approximately 10 km southwest of the Arctic Deposit. The airstrip at Bornite is suited to smaller aircraft, which support the camp with personnel and supplies. A winter trail and a one-lane dirt road suitable for all-terrain vehicles or construction equipment links the Arctic Project's main camp at Bornite to the 400 m Dahl Creek airstrip and camp southwest of the Arctic Deposit.

The climate in the region is typical of a sub-arctic environment. Exploration is generally conducted from late May until late September. Weather conditions on the Ambler lands can vary significantly from year to year and can change suddenly. During the summer exploration season, average maximum temperatures range from 10°C to 20°C, while average lows range from -2°C to 7°C. By early October, unpredictable weather limits regular helicopter travel to the Arctic Project. During winter months, the Arctic Project can be accessed by snow machine, track vehicle, or fixed wing aircraft. Winter temperatures are routinely below -25°C and can exceed -50°C. Annual precipitation in the region averages at 395 mm with the most rainfall occurring from June through September, and the most snowfall occurring from November through January.

The Arctic Project is located along the south slope of the Brooks Range, which separates the Arctic region from the interior of Alaska. Nearby surface water includes Subarctic Creek, the Shungnak and Kogoluktuk Rivers, the Kobuk River, and numerous small lakes. The Arctic Project is located at the eastern end of Subarctic Creek, a tributary of the Shungnak River to the west, along a ridge between Subarctic Creek and the Kogoluktuk River Valley. The property area is marked by steep and rugged terrain with high topographic relief. Elevations range from 30 masl along the Kobuk River to 1,180 masl on a peak immediately north of the Arctic Project area. The divide between the Shungnak and Kogoluktuk Rivers in the Ambler Lowlands is approximately 220 masl. The Kobuk Valley is located at the transition between boreal forest and Arctic tundra. Spruce, birch, and poplar are found in portions of the valley, with a ground cover of lichens (reindeer moss). Willow and alder thickets and isolated cottonwoods follow drainages, and alpine tundra is found at higher elevations. Tussock tundra and low, heath-type vegetation covers most of the valley floor. Intermittent permafrost exists on the Arctic Project.

Wildlife in the area includes caribou, moose, Dall sheep, bears (grizzly and black), wolves, wolverines, coyotes, and foxes. Fish species include salmon, sheefish, arctic char, and arctic grayling. The Kobuk River, which briefly enters the UKMP lands on its southwest corner, is a significant salmon spawning river. Subarctic Creek, which does not contain anadromous fish, drains into the Shungnak River, which drains into the Kobuk River. The caribou on the property belong to the Western Arctic herd that migrates twice a year – south in August, from their summer range north of the Brooks Range, and north in March from their winter range along the Buckland River.

Currently, the Arctic Project does not have access to Alaska power and transportation infrastructure. Beginning in 2009, the Arctic Project has been the focus of the Ambler Mining District Access Corridor study. The proposed Ambler Access Route is a 322 km road running east from the Property to the Dalton Highway.

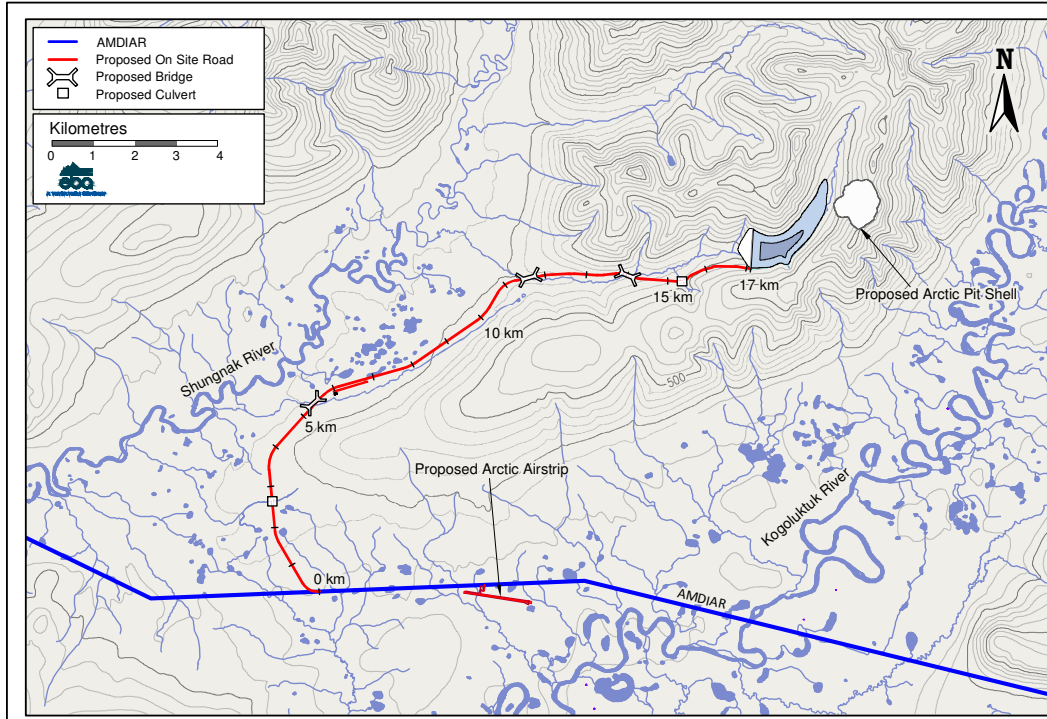
The proposed Arctic Project mine site infrastructure is spread over a distance of approximately 6 km within the upper reaches of the Sub-Arctic Creek Valley. The proposed development for the Arctic Project consists of the following major infrastructure: roads and an airstrip, mill buildings and related services facilities including maintenance and truck shops, and assay lab, water supply and distribution, waste management, fuel storage, on site explosive storage, power supply, tailings storage facility (“TSF”) and water management, water treatment plant, construction and permanent camp accommodation, waste rock storage facilities, and communication infrastructure.

The proposed mine-site infrastructure has been located to take advantage of local topography, minimize pumping requirements from the mill building to the TSF, minimize environmental impacts to Sub-Arctic Creek, minimize snow avalanche mitigation requirements, and to reduce the haul distance from the pit to the primary crusher and TSF.

The Arctic Deposit proposed access road branches off from the proposed AMDIAR and ends at the Arctic Deposit. Figure 3 shows the overall road location plan showing the relationship of the proposed access road to the proposed Brooks East corridor which eventually connects to the existing Dalton Highway 320 km from the access road intersection. The proposed access road is 17 km long from the AMDIAR corridor to the Arctic Project site.



**Figure 3: Proposed Access to the Arctic Project Site**



The proposed location for an airstrip sufficient to support project activities is located in the valley approximately 21 km from the Arctic Project site. Geotechnical data is not available for the site but it is assumed that the facility will require permafrost protection to ensure year round operations. The proposed airstrip will operate as a private aerodrome and prior permission will be required for all aircraft utilizing the site. The gravel airstrip will be approximately 1,524 meters long and capable of landing a Dash 8 – Q400/Hercules C130.

The Arctic Project will require power of 15 MW of peak load for 10,000 t/d operation demand. It is proposed that power will be generated by five self-contained 3.6 MW prime diesel generators. Four units will be in service with the fifth unit reserved for maintenance. Heat will be recovered from the generators and used to heat the mill, camp and related facilities.

### ***Arctic Project - History***

During the 1940's and 1950's Bear Creek Mining Corporation ("BCMC"), an exploration subsidiary of Kennecott, conducted regional reconnaissance exploration in the Cosmos Hills and the southern Brooks Range. Stream silt sampling in 1963 by BCMC revealed a significant copper anomaly in Arctic Creek roughly 17 km northeast of the previously identified Bornite deposit. The area was subsequently staked and, in 1967, eight core holes were drilled at the Arctic Deposit yielding impressive massive sulphide intercepts over an almost 500-m strike length. BCMC conducted intensive exploration on the property until 1977 and then intermittently through 1998. No drilling or additional exploration was conducted on the Arctic Project between 1998 and 2004.

### ***Arctic Project - Historical Metallurgical Testwork***

Metallurgical studies during the Kennecott era included: two initial mineralogical studies undertaken by the Kennecott Research Center ("KRC") to evaluate and identify the potential beneficiation or metallurgical treatment of concentrates of the samples from the deposit and a subsequent 1999 Lakefield Research Ltd. (Lakefield) metallurgical test program to confirm and improve upon the results from the 1970s KRC test work program. In 2012, NovaCopper contracted SGS to conduct an extensive metallurgical program in support of the Arctic PEA, the results of which are described and summarized below under the heading "*Arctic Project – Metallurgical Testing*".

### ***Arctic Project - Historical Geophysics***

Prior to 1998, Kennecott conducted a series of geophysical surveys which are poorly documented or are unavailable to NovaCopper. In March 1998, Kennecott initiated an extensive helicopter-supported airborne electromagnetic (“EM”) and magnetic survey covering the entire VMS belt, including the Arctic Deposit. Kennecott identified eight EM anomalies which were deemed to have significant potential for mineralization and followed-up with additional gravity lines and/or Controlled Source Audio-frequency Magneto-Telluric (“CSAMT”) lines during 1998. Kennecott conducted no further geophysical field exploration in the district after 1998.

### ***Arctic Project - Historical Drilling***

Between 1967 and July 1985, Kennecott (BCMC) completed 86 holes (including 14 large diameter metallurgical test holes) totalling 16,080 m. In 1998, Kennecott drilled an additional 6 core holes totalling 1,492 m to test for: 1) extensions of the known Arctic resource; 2) grade and thickness continuity at Arctic; and 3) a nearby airborne geophysical anomaly. Drilling for all BCMC/Kennecott campaigns in the Arctic Deposit area (1966 to 1998) totals 92 core holes for a combined 17,572 m.

No drilling was performed on the project between 1999 and 2003. NovaGold took control of the project in 2004.

### ***Arctic Project - Historical Geochemistry***

Historic geochemistry for the district, compiled in the 1998 Kennecott database, includes 2,255 soil samples, 922 stream silt samples, 363 rock samples, and 37 panned concentrate samples. Data has been sourced from several companies including Kennecott, Sunshine Mining, Resource Associates of Alaska, and NANA. Sourcing of much of the data had been poorly documented in the database. During 1998, Kennecott renewed its effort in the district, and, as a follow-up to the 1998 EM survey, undertook directed soil and rock chip sampling in and around EM anomalies generated in the geophysical targeting effort. During this period Kennecott collected 962 soils and 107 rocks and for the first time used extensive multi-element inductively coupled plasma (“ICP”) analysis.

### ***Arctic Project - Geologic Setting***

#### ***Regional Geology***

The Ambler mining district occurs along the southern margin of Brooks Range within an east-west trending zone of Devonian to Jurassic age submarine volcanic and sedimentary rocks. The district covers both: 1) VMS-like deposits and prospects hosted in the Devonian age Ambler Sequence (or Ambler Schist belt), a group of metamorphosed bimodal volcanic rocks with interbedded tuffaceous, graphitic and calcareous volcanoclastic metasediments; and 2) epigenetic carbonate-hosted copper deposits occurring in Devonian age carbonate and phyllitic rocks of the Bornite Carbonate Sequence. The Ambler Sequence occurs in the upper part of the Anirak Schist, the thickest member of the Schist belt or Coldfoot subterrane. VMS-like stratabound mineralization can be found along the entire 110 km strike length of the district. Immediately south of the Schist belt in the Cosmos Hills, a time equivalent section of the Anirak Schist includes the approximately 1 km thick Bornite Carbonate Sequence. Mineralization of both the VMS-like deposits of the Schist belt and the carbonate-hosted deposits of the Cosmos Hills has been dated at 375 to 387 Ma.

In addition, the Ambler mining district is characterized by increasing metamorphic grade north perpendicular to the strike of the east-west trending units. The district shows isoclinal folding in the northern portion and thrust faulting to south (Schmidt 1983). The Devonian to Mississippian age Angayucham basalt and the Triassic to Jurassic age mafic volcanic rocks are in low-angle over thrust contact with various units of the Ambler Schist belt and Bornite Carbonate Sequence along the northern edge of the Ambler Lowlands.

#### ***Local/Property Geology***

Rocks that form the Ambler Sequence consist of a lithologically diverse sequence of lower Paleozoic Devonian age carbonate and siliciclastic strata with interlayered mafic lava flows and sills and felsic tuffs. The clastic strata, derived from terrigenous continental and volcanic sources, were deposited primarily by mass-gravity flow into the sub-wavebase environment of an extending marginal basin.

Though the Ambler Sequence is exposed over 110 km of strike length, descriptions and comments herein will refer to an area between the Kogoluktuk River on the east and the Shungnak River on the west where we have focused the majority of our exploration efforts over the last decade.

The local base of the Ambler Sequence consists of variably metamorphosed carbonates historically referred to as the Gnurgle Gneiss. We interpret these strata as calc-turbidites, perhaps deposited in a sub-wavebase environment adjacent to a carbonate bank. Calcareous schists overlie the Gnurgle Gneiss and host sporadically distributed mafic sills and pillowed lavas. These fine-grained clastic strata indicate a progressively quieter depositional environment up section, and the presence of pillowed lavas indicates a rifting, basinal environment.

Overlying these basal carbonates and pillowed basalts is a section of predominantly fine-grained carbonaceous siliciclastic rocks which host a significant portion of the mineralization in the district including the Arctic Deposit. This quiescent section indicates further isolation from a terrigenous source terrain.

The section above the Arctic Deposit host stratigraphy contains voluminous reworked silicic volcanic strata with the Button Schist at its base. The Button Schist is a regionally continuous and distinctive albite porphyroblastic unit that serves as an excellent marker above the main mineralized stratigraphy. The paucity of volcanically derived strata below the Arctic Deposit host section and abundance above indicates that the basin and surrounding hinterlands underwent major tectonic reorganization during deposition of the Arctic Deposit section. Greywacke sands that we interpret as channeled high-energy turbidites occur throughout the section but concentrate high in the local stratigraphy.

Several rock units show substantial change in thickness and distribution in the vicinity of the Arctic Deposit that may have resulted from the basin architecture existing at the time of deposition. Between the Arctic Ridge, geographically above the Arctic Deposit, and the Riley Ridge to the west, several significant differences have been documented including: 1) the Gnurgle Gneiss, which is thickest in exposures along the northern extension of Arctic Ridge and appears to thin to the west; 2) mafic lavas and sills which thicken from east to west; they show thick occurrences in upper Subarctic Creek and to the west, but are sparsely distributed to the east; 3) the quartzite section, which within and above the Arctic sulphide horizon does not occur in abundance east of Arctic Ridge; it is thicker and occurs voluminously to the west; 4) the Button Schist which thickens dramatically to the west from exposures on Arctic Ridge; exposures to the east are virtually nonexistent; and 5) Greywacke sands which do not exist east of Subarctic Creek but occur in abundance as massive, channeled accumulations to the west, centered on Riley Ridge.

These data are interpreted by us to define a generally north-northwest-trending depocentre through the central Ambler mining district. Diamicrite occurrences described below in concert with these formational changes suggest that the depocentre had a fault-controlled eastern margin with the basin deepening to the west. This original basin architecture appears to have controlled mineralization of the sulphide systems at Ambler and Shungnak (Dead Creek), concentrating fluid flow along structures on the eastern basin margin.

In addition to the underlying pre-deformational structural framework of the district suggested by the stratigraphic thickening of various facies around the Arctic Deposit, the Ambler Sequence is deformed by two penetrative deformational events that significantly complicate the distribution and spatial arrangement of the local stratigraphy; as described below.

F1 Deformation: the earliest penetrative deformation event is associated with greenschist metamorphism and the development of regional schistosity. True isoclinal folds are developed and fold noses typically are thickened. The most notable F1 fold is the Arctic antiform that defines the upper and lower limbs of the Arctic Deposit. The fold closes along a north-northeast-trending fold axis roughly mimicking the trace of Subarctic Creek and opening to the east. Importantly, the overturned lower limb implies that the permissive stratigraphy should be repeated on a lower synformal isocline beneath the currently explored limbs and would connect with the permissive mineralized stratigraphy to the northwest at Shungnak (Dead Creek).

F2 Deformation: the earlier F1 schistosity is in turn deformed by the F2 deformational event that resulted in the local development of an axial planar cleavage. The deformational event is well defined throughout the Schist belt and results in a series of south verging open to moderately overturned folds that define a series of east-west trending folds of similar vergence across the entire Schist belt stratigraphies. This event is likely temporarily related to the emplacement of the Devonian Angayucham volcanics, the obducted Jurassic ophiolites and Cretaceous sediments over the Schist belt stratigraphies. In addition to the earlier penetrative deformation events, a series of poorly defined non-penetrative deformation events, likely as a consequence of Cretaceous extension, are seen as a series of warps

or arches across the district. The interplay between the complex local stratigraphy, the isoclinal F1 event, the overturned south verging F2 event and the series of post-penetrative deformational events makes district geological interpretation often extremely difficult at a local scale.

Recent work by us defines the Arctic Deposit as two or more discrete horizons of sulphide mineralization contained in a complexly deformed isoclinal fold with an upright upper limb and an overturned lower limb hosting the main mineral resources. Nearby drilling suggests a third limb, an upright lower limb, likely occurs beneath the currently explored stratigraphy.

Mineralization occurs as stratiform semi-massive sulphide (“SMS”) to massive sulphide (“MS”) beds within primarily graphitic chlorite schists and fine-grained quartz sandstones. The sulphide beds average four meters in thickness but vary from less than one meter up to as much as eighteen meters in thickness. The bulk of the mineralization is within six modelled zones lying along the upper and lower limbs of the Arctic isoclinal anticline. All of the zones are within an area of roughly 1 km<sup>2</sup> with mineralization extending to a depth of approximately 250 m below the surface. Mineralization characteristically varies from MS to SMS. Unlike more typical VMS deposits, mineralization is not characterized by steep metal zonation or massive pyritic zones. Mineralization is dominantly sheet-like zones of base metal sulphides with variable pyrite and only minor zonation usually on an extremely small scale. No stockworks or stringer zones in association with the mineralization have been observed. More importantly, the mineralization in general exhibits characteristics and textures common to replacement-style mineralization. Mineralization is predominately coarse-grained sulphides consisting mainly of chalcopyrite, sphalerite, galena, tetrahedrite, arsenopyrite, pyrite and pyrrhotite. Trace amounts of electrum and enargite are also present. Gangue minerals associated with the mineralized horizons include quartz, barite, white mica, black chlorite, talc, calcite, dolomite and cymrite.

Talc and magnesium chlorite are the dominant alteration products associated with the sulphide-bearing horizons. Talc alteration grades downward and outward to mixed talc-magnesium chlorite with minor phlogopite, into zones of dominantly magnesium chlorite, then into mixed magnesium chlorite-phengite with outer phengite-albite zones of alteration. Thickness of alteration zones vary with stratigraphic interpretation, but tens of meters for the outer zones is likely, as seen in phengite-albite exposures on the east side of Arctic Ridge. Stratigraphically above the sulphide-bearing horizons significant muscovite as paragonite is developed and results in a marked shift in sodium/magnesium ratios across the sulphide bearing horizons. Of particular note are the barium (“Ba”) species including barite, cymrite (a high-pressure Ba phyllosilicate), and Ba-bearing muscovite, phlogopite and biotite. These species associated with both alteration and mineralization has also been strongly remobilized during metamorphism (Schmandt 2009).

Historic interpretation of the genesis of the Ambler Schist belt deposits have called for a syngenetic VMS origin with steep thermal gradients in and around seafloor hydrothermal vents resulting in metal deposition due to the rapid cooling of chloride bound base metals. A variety of VMS types have been well documented in the literature (Franklin et al. 2005) with the Ambler Schist belt deposits most similar to deposits associated with a bimodal mafic dominant volcanism related to incipient rifting. The majority of field observations broadly support such a scenario at the Arctic Deposit and include: 1) the tectonic setting with Devonian volcanism in an evolving continental rift; 2) the geologic setting with bimodal volcanics including pillow basalts and limited felsic volcanic tuffs; 3) an alteration assemblage with well-defined magnesium-rich footwall alteration and sodium-rich hanging wall alteration; and 4) typical polymetallic base-metal mineralization with massive and semi-massive sulphides. Although the majority of field observations support a VMS genesis to the deposits of the Schist belt, a series of other observations and characteristics suggest a more direct genetic link with that of the carbonate-hosted Bornite Deposit in the Devonian Bornite Carbonate Sequence. Both deposit types have been dated at 375 to 387 Ma suggesting a clear temporal link.

The principal lithologic units captured in logging and mapping by us, in broad chronological order from oldest to youngest are as follows: greenstone, chlorite schist, talc schist, grey to black schists, metarhyolites, most notably the so-called button schist which serves as an important stratigraphic marker, quartz muscovite schists, diamictites and greywackes

### ***Arctic Project - Exploration***

NovaGold began exploration of the Arctic Deposit and surrounding lands of the Schist belt in 2004 after optioning the property from Kennecott. Previous exploration on the Arctic Project during Kennecott’s tenure is summarized in “*Arctic Project – History*”. Field exploration was largely conducted during the period between 2004 to 2007 with

associated engineering and characterization studies between 2008 and the present. Table 2 summarizes the exploration work conducted by NovaGold and us during our tenure from 2004 to the present.

**Table 2: Summary of NovaCopper/NovaGold Exploration Activities Targeting VMS-style Mineralization in the Ambler Sequence Stratigraphy and the Arctic Deposit**

Work Completed	Year	Details	Focus
<b>Geological Mapping</b>			
-	2004	-	Arctic Deposit surface geology
-	2005	-	Ambler Sequence west of the Arctic Deposit
-	2006	-	COU, Dead Creek, Sunshine, Red
<b>Geophysical Surveys</b>			
SWIR Spectrometry	2004	2004 drill holes	Alteration characterization
TDEM	2005	2 loops	Follow-up of Kennecott DIGHEM EM survey
	2006	13 loops	District targets
	2007	6 loops	Arctic extensions
Downhole EM	2007	4 drill holes	Arctic Deposit
<b>Geochemistry</b>			
-	2005	-	Stream silts – core area prospects
-	2006	-	Soils – core area prospects
-		-	Stream silts – core area prospects
-	2007	-	Soils – Arctic Deposit area
<b>Survey</b>			
Collar	2004 to 2011	GPS	All 2004 to 2011 NovaCopper drill holes
	2004, 2008	Resurveys	Historical Kennecott drill holes
Photography/Topography	2010	-	Photography/topography
<b>Technical Studies</b>			
Geotechnical	2010	BGC	Preliminary geotechnical and hazards
ML/ARD	2011	SRK	Preliminary ML and ARD
Metallurgy	2012	SGS	Preliminary mineralogy and metallurgy
Geotechnical and Hydrology	2012	BGC	Preliminary rock mechanics and hydrology
<b>Project Evaluation</b>			
Resource Estimation	2008	SRK	Resource estimation
PEA	2011	SRK	PEA
	2012	SRK	PEA update

Note: SWIR = short wave infrared; ML = metal leaching; BGC = BGC Engineering Inc.; SRK = SRK Consulting

The results of the above exploration programs have been incorporated into the PEA results. For further details, refer to the PEA.

### ***Arctic Project - Mineralization***

In 2013, we updated the mineralization models, representing massive and semi-massive VMS-style mineralization. Geometrically, the mineralization is confined to six lenticular mineralized zones concentrated along an isoclinal fold hinge. Five of the six SMS zones contain a core of MS material. For more details regarding length, width, depth and continuity together with a description of the type, character and distribution of the mineralization see “*Local/Property Geology*” above.

### ***Arctic Project - Drilling***

Drilling at the Arctic Deposit has been ongoing since its initial discovery in 1965. Approximately 31,907 m of drilling in 135 drill holes have been completed at the deposit or on potential extensions in 23 campaigns spanning 45 years. All of the drill campaigns have been run under the auspices of either: 1) Kennecott and its subsidiaries, or 2) NovaGold, our predecessor company.

We and our predecessor company NovaGold, have drilled 17,983 m in 59 different drill holes targeting the Arctic Deposit and several other prospects of the Ambler Schist belt. Table 3 summarizes all of the NovaCopper/NovaGold tenure drilling on the Property.

**Table 3: Summary of NovaCopper/NovaGold Drilling**

Year	Meters	No. of Drill Holes	Sequence	Purpose of Drilling
2004	2,996	11	AR04-78 to 88	Deposit scoping and verification
2005	3,030	9	AR05-89 to 97	Extensions to the Arctic Deposit
2006 <sup>***</sup>	3,100	12	AR06-98 to 109	Property-wide exploration drilling
2007	2,606	4	AR07-110 to 113	Deep extensions of the Arctic Deposit
2008 <sup>*</sup>	3,306	14	AR08-114 to 126	Grade continuity and metallurgy
2011 <sup>**</sup>	1,193	5	AR11-127 to 131	Geotechnical studies
2012 <sup>***</sup>	1,752	4	SC12-014 to 017	Exploration drilling – Sunshine

Notes: <sup>\*</sup> A total of 12 of the 14 holes drilled in 2008 were utilized in the 2012 SRK resource update. Two holes were maintained in sealed frozen storage to provide additional metallurgical samples if required.

<sup>\*\*</sup>Geotechnical holes drilled in 2011 are not included in the current resource estimation contained herein.

<sup>\*\*\*</sup>Drilling in 2006 and 2012 targeted exploration targets elsewhere in the VMS belt.

Over the Arctic Project’s history, a relatively limited number of drill companies have been used by Kennecott and NovaCopper/NovaGold at the Arctic Deposit. During Kennecott’s tenure on the Property, Sprague and Henwood, a Pennsylvania-based drilling company was the principal contractor. Sprague and Henwood utilized company manufactured drill rigs during their tenure on the Property. Many of their rigs remain at the Bornite Deposit and constitute a historical inventory of 1950s and 1960s exploration artifacts. Tonto Drilling provided services to Kennecott during Kennecott’s short return to the district in the late 1990s. We and NovaGold have utilized Boart Longyear as our only contractor. The 2004 to 2012 NovaCopper/NovaGold drill programs used a single skid-mounted LF-70 core rig, drilling HQ or NQ core. Wireframes were updated in 2013 to incorporate interpretation of all drill results to date and have been included in the resource estimate.

#### ***Arctic Project - Sampling Methodology and Analysis***

The data for the Arctic Deposit resource was generated over three primary drilling campaigns: 1966 to 1986 when BCMC, a subsidiary of Kennecott Copper Corporation was the primary operator, 1998 when Kennecott Minerals resumed work after a long hiatus, and 2004 to present with NovaGold and now us as the operators.

Sampling of drill core prior to 1998 by BCMC focused primarily on the mineralized zones; numerous intervals of weak to moderate mineralization were not sampled during this period. During the 1998 campaign, Kennecott did sample some broad zones of alteration and weak mineralization, but much of the unaltered and unmineralized drill core was left unsampled. Little documentation on historic sampling procedures is available.

Between 2004 and 2006, NovaGold conducted a systematic drill core re-logging and re-sampling campaign of Kennecott and BCMC era drill holes AR-09 to AR-74. NovaGold either took 1 to 2 m samples every 10 m, or sampled entire lengths of previously unsampled core within a minimum of 1 m and a maximum of 3 m intervals. The objective of the sampling was to generate a full ICP geochemistry dataset for the Arctic Deposit and ensure continuous sampling throughout the deposit. Sample preparation procedures for NovaGold era work are described below.

All drill core was transported by helicopter in secure core “baskets” to either the Dahl Creek camp or the Bornite camp for logging and sampling. Sample intervals were determined by the geologist during the geological logging process. Sample intervals were labelled with white paper tags and butter (aluminum) tags which were stapled to the core box. Each tag had a unique number which corresponded to that sample interval. Sample intervals were determined by the geological relationships observed in the core and limited to a three meter maximum length and one meter minimum length. An attempt was made to terminate sample intervals at lithological and mineralization boundaries. Sampling was generally continuous from the top to the bottom of the drill hole. When the hole was in unmineralized rock, the sample length was generally three meters, whereas in mineralized units, the sample length was shortened to one to two meters. Geological and geotechnical parameters were recorded based on defined sample

intervals and/or drill run intervals (defined by the placement of a wooden block at the end of a core run). Logged parameters were reviewed annually and slight modifications have been made between campaigns, but generally include rock type, mineral abundance, major structures, specific gravity (“SG”), point load testing, recovery and rock quality designation measurements. Drill logs were converted to a digital format and forwarded to the Database Manager, who imported them into the master database. Core was photographed and then brought into the saw shack where it was split in half by the rock saw, divided into sample intervals, and bagged by the core cutters. Not all drill core was oriented; however, core that had been oriented was identified to samplers by a line drawn down the core stick. If core was not competent, it was split by using a spoon to transfer half of the core into the sample bag. Once the core was sawed, half was sent to ALS Chemex Laboratories (“ALS Chemex”) in Vancouver for analysis and the other half was stored at the Dahl Creek camp, but since has been consolidated at the storage facility at the Bornite camp facilities or at our warehouse in Fairbanks. Shipment of core samples from the Dahl Creek camp occurred on a drill hole by drill hole basis. Rice bags, containing two to four poly-bagged core samples each, were marked and labelled with the ALS Chemex address, project and hole number, bag number, and sample numbers enclosed. Rice bags were secured with a pre-numbered plastic security tie and a twist wire tie and then assembled into sling loads for transport by chartered flights on a commercial airline to Fairbanks, where they were met by a contracted expeditor for delivery directly to the ALS Minerals preparation facility in Fairbanks. In addition to the core, control samples were inserted into the shipments at the approximate rate of one standard, one blank and one duplicate per 20 core samples:

- Standards: four standards were used at the Arctic Deposit. The core cutter inserted a sachet of the appropriate standard, as well as the sample tag, into the sample bag.
- Blanks: were composed of an unmineralized landscape aggregate. The core cutter inserted about 150 g of blank, as well as the sample tag, into the sample bag.
- Duplicates: the assay laboratory split the sample and ran both splits. The core cutter inserted a sample tag into an empty sample bag.

Samples were logged into a tracking system on arrival at ALS Chemex, and weighed. Samples were then crushed, dried, and a 250 g split pulverized to greater than 85% passing 75 µm.

Gold assays were determined using fire analysis followed by an atomic absorption spectroscopy finish. The lower detection limit was 0.005 ppm gold; the upper limit was 1,000 ppm gold. An additional 34-element suite was assayed by inductively coupled plasma-atomic emission spectroscopy (“ICP-AES”) methodology, following nitric acid aqua regia digestion. The copper analyses were completed by atomic absorption (“AA”), following a triple acid digest.

The accreditations of Primary and Secondary assay laboratories used during the 1966 – 1986 campaigns are not known. ALS Analytical Lab (Fairbanks, Alaska) was the Primary assay lab between 1998 – present. ALS Chemex has attained International Organization for Standardization (“ISO”) 9001:2000 registration. In addition, the ALS Chemex laboratory in Vancouver is accredited to ISO 17025 by Standards Council of Canada for a number of specific test procedures including fire assay of gold by AA, ICP and gravimetric finish, multi-element ICP and AA assays for silver, copper, lead and zinc.

During 2013, we conducted a 26% audit of the NovaGold era assay database fields: sample interval, Au, Ag, Cu, Zn, and Pb. This audit is documented in a series of memos. Our staff did not identify and/or correct any transcription and/or coding errors in the database prior to resource estimation. We also retained independent consultant Caroline Vallat, P.Geol. of GeoSpark Consulting Inc. to: 1) re-load 100% of the historical assay certificates, 2) conduct a QA/QC review of paired historical assays and NovaGold era re-assays; 3) monitor an independent check assay program for the 2004 to 2008 and 2011 drill campaigns; and 4) generate QA/QC reports for the 2004 to 2008 and 2011 drill campaigns.

### ***Arctic – Security of Samples***

Security measures taken during historical Kennecott and BCMC programs are unknown to NovaGold or us. We are not aware of any reason to suspect that any of these samples have been tampered with. The 2004 to 2011 samples were either in the custody of NovaGold personnel, contractors or the assay laboratories at all times as discussed above, and the chain of custody of the samples is well documented.

## Arctic Project - Mineral Resource Estimate

The mineral resource estimate was prepared by Tetra Tech with an effective date of the resource estimate as of July 30, 2013.

The mineral resource model prepared by Tetra Tech considers diamond drill holes drilled by different operators during the period 1965 to 2011. The majority of the assaying has been completed in recent years by us and our previous parent company NovaGold. The mineral resource for the Arctic Project is supported by 43 core holes (approximately 13,500 m) drilled by NovaGold and 92 core holes (approximately 17,600 m) drilled by previous owners Kennecott, and/or a Kennecott subsidiary. The geological and assay database used to estimate the Arctic Project mineral resources have been reviewed and audited by Tetra Tech.

Leapfrog™ software (version 2.5.1) was used to review and verify the resource estimation domains, prior to being imported into Isatis™ software (version 2012.1) to prepare assay data for geostatistical analysis, variography, block model construction, metal grade estimation and mineral resource tabulation. Mineral Resources were estimated into five MS and six SMS lenses, and then combined for an overall grade for the mineralized portion of the 10 m by 10 m by 5 m block. Extreme lead and gold assays were capped prior to compositing. Ordinary kriging and inverse distance squared estimates were run, with ordinary kriging used for resource reporting and inverse distance squared used for validation. Search parameters were constrained within each mineralized domain and required an optimum number of 15 composites, minimum number of 5 composites, minimum number of 2 drill holes, and maximum search distance range of 200 m. In general, blocks categorized as Indicated were supported by at least two drill holes within a 75 m search radii, and blocks categorized as Inferred were supported by at least 2 drill holes within a 150 m search radii. Estimated resources for the Arctic Deposit are reported in the following Table 4 and Table 5.

The Arctic Project has no known reserves.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the estimates contained in the PEA will ever be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

**Table 4 Indicated Resource Estimate for the Arctic Project (NSR Cut-off of \$35/t)**

*Cautionary Note to United States Investors concerning estimates of Indicated Resources.* This section uses the term “indicated resources”. We advise United States investors that these terms are not recognized by the SEC. United States investors are cautioned not to assume that estimates of indicated mineral resources are economically minable, or will be upgraded into measured mineral resources. See “Risk Factors” and “Cautionary Note to United States Investors.”

Category	Mt	Cu (%)	Zn (%)	Pb (%)	Au (g/t)	Ag (g/t)	Cu (Mlb)	Zn (Mlb)	Pb (Mlb)	Au (Moz)	Ag (Moz)
Indicated	23,848	3.26	4.45	0.76	0.71	53.2	1,713	2,338	400.9	0.55	40.8

- Notes:
1. These resource estimates have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards. Mineral resources that are not mineral reserves do not have demonstrated economic viability. See “Risk Factors” and “Cautionary Note to United States Investors.”
  2. Mineral Resources are reported within mineralization wireframes, contained within an Indicated pit design using an assumed copper price of \$2.90/lb, zinc price of \$0.85/lb, lead price of \$0.90/lb, silver price of \$22.70/oz, and gold price of \$1,300/oz.
  3. Appropriate mining costs, processing costs, metal recoveries and inter ramp pit slope angles were used to generate the pit design.
  4. The \$35.01/t milled cut-off is calculated based on a process operating cost of \$19.03/t, G&A of \$7.22/t and site services of \$8.76/t. NSR equals payable metal values, based on the metal prices outlined in Note 2 above, less applicable treatment, smelting, refining costs, penalties, concentrate transportation costs, insurance and losses and royalties.
  5. The LOM strip ratio was estimated at 8.39.
  6. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
  7. Tonnage and grade measurements are in metric units. Contained copper, zinc and lead pounds are reported as imperial pounds, contained silver and gold ounces as troy ounces.



**Table 5 Inferred Resource Estimate for the Arctic Project (NSR Cut-off of \$35/t)**

*Cautionary Note to United States Investors concerning estimates of Inferred Resources.* This section uses the term “inferred resources”. We advise United States investors that these terms are not recognized by the SEC. The estimation of inferred resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources. United States investors are cautioned not to assume that estimates of inferred mineral resources exist, are economically minable, or will be upgraded into measured or indicated mineral resources. See “Risk Factors” and “Cautionary Note to United States Investors.”

Category	Mt	Cu (%)	Zn (%)	Pb (%)	Au (g/t)	Ag (g/t)	Cu (Mlb)	Zn (Mlb)	Pb (Mlb)	Au (Moz)	Ag (Moz)
Inferred	3.363	3.22	3.84	0.58	0.59	41.5	239	285	43.2	0.06	4.5

- Notes:
1. These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. See “Risk Factors” and “Cautionary Note to United States Investors.”
  2. Mineral Resources are reported within mineralization wireframes, contained within an Inferred pit design using an assumed copper price of \$2.90/lb, zinc price of \$0.85/lb, lead price of \$0.90/lb, silver price of \$22.70/oz, and gold price of \$1,300/oz.
  3. Appropriate mining costs, processing costs, metal recoveries and inter ramp pit slope angles were used to generate the pit design.
  4. The \$35.01/t milled cut-off is calculated based on a process operating cost of \$19.03/t, G&A of \$7.22/t and site services of \$8.76/t. NSR equals payable metal values, based on the metal prices outlined in Note 2 above, less applicable treatment, smelting, refining costs, penalties, concentrate transportation costs, insurance and losses and royalties.
  5. The LOM strip ratio was estimated at 8.39.
  6. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
  7. Tonnage and grade measurements are in metric units. Contained copper, zinc and lead pounds are reported as imperial pounds, contained silver and gold ounces as troy ounces.

### **Arctic Project – Mining Operations**

The Arctic Project is not currently in production; for contemplated exploration or development activities see below.

### **Arctic Project – Exploration and Development**

As noted in the summary *Arctic Project – Technical Report* above, we engaged Tetra Tech to prepare a PEA for the Arctic Project. The following summary describes the main results and assumptions of the PEA not previously discussed above.

The PEA is based on a conventional truck-and-shovel, open-pit mine design at a single pit. The mining schedule was developed based on a maximum mill capacity of 10,000 t/d. The Arctic Project’s total mine life is 13 years, including 1 year of pre-stripping followed by 12 years of production. The pit uses four pushbacks and a minimum mining width of 40 m. Over the 13-year life, the pit is producing 35.7 Mt of mineralized material and 299.4 Mt of waste rock. The life-of-mine (“LOM”) stripping ratio is 8.39 and the stripping ratio excluding the pre-stripping waste rock is 7.94. The mining schedule does not currently consider a low-grade stockpiling option but this can be assessed in more detail in future studies.

### **Mineral Processing and Metallurgical Testing**

Since 1970, metallurgical test work has been conducted to determine the flotation response of various samples extracted from the Arctic Deposit. In general, the samples tested produced similar metallurgical performances. In 2012, SGS Mineral Services (“SGS”) conducted a metallurgical test program to further study metallurgical responses of the samples produced from Zones 1, 2, 3, and 5 of the Arctic Deposit. The flotation test procedures used talc pre-flotation, conventional copper-lead bulk flotation and zinc flotation, followed by copper and lead separation. In general, the 2012 test results indicated that the samples responded well to the flowsheet tested. Below is a summary of average results of the locked cycle tests (without copper and lead separation).

- The copper recoveries to the bulk copper-lead concentrates ranged from 89 to 93% excluding the Zone 1 & 2 composite which produced a copper recovery of approximately 84%; the copper grades of the bulk concentrates were 24 to 28%.
- Approximately 92 to 94% of the lead was recovered to the bulk copper-lead concentrates containing 9 to 13% lead.
- The zinc recovery was 84.2% from Composite Zone 1 & 2, 93.0% from Composite Zone 3 and 90.5% from Composite Zone 5. On average, the zinc grades of the concentrates produced were higher than 55%, excluding the concentrate generated from Composite Zone 1 & 2, which contained only 44.5% zinc.
- Gold and silver were predominantly recovered into the bulk copper-lead concentrates. Gold recoveries to this concentrate ranged from 65 to 80%, and silver recoveries ranged from 80 to 86%.

Using an open circuit procedure, the copper and lead separation tests on the bulk copper-lead concentrate produced from the locked cycle tests generated reasonable copper and lead separation. The copper concentrates produced contained approximately 28 to 31% copper, while the grades of the lead concentrates were in the range of 41% to 67% lead. Also, it appears that most of the gold reported to the copper concentrate and on average the silver was equally recovered into the copper and lead concentrates.

The 2012 grindability test results showed that the Bond ball millwork index tests ranged from 6.5 to 11 kWh/t and abrasion index tests fluctuated from 0.017 to 0.072 g for the mineralized samples. The data indicates that the samples are neither resistant nor abrasive to ball mill grinding. The materials are considered to be soft or very soft in terms of grinding requirements.

#### *Recovery Methods*

A 10,000 t/d process plant has been designed to process the massive and semi-massive sulphide mineralization of the Arctic Property. The main economic elements found in the deposit are copper, zinc, lead, and associated gold and silver. The process plant will operate two twelve hour shifts per day, 365 days per year with an overall plant availability of 92%. The process plant will produce three concentrates: 1) copper concentrate, 2) zinc concentrate, and 3) lead concentrate. Gold and silver are expected to be payable at a smelter and are recovered in both the copper and lead concentrates. The process plant feed will be supplied from the Arctic open pit mine.

The mill feed will be hauled from the open pit to a primary crushing facility where the material will be crushed by a jaw crusher to a particle size of 80% passing 125 mm.

The crushed material will be ground by two stages of grinding, consisting of one SAG mill and one ball mill in closed circuit with hydrocyclones (SAB circuit). The hydrocyclone overflow with a grind size of approximately 80% passing 70 µm will first undergo pre-talc flotation, and then be processed by conventional bulk flotation (to recover copper, lead, and associated gold and silver), followed by zinc flotation. The rougher bulk concentrate will be cleaned and followed by copper and lead separation to produce a lead concentrate and a copper concentrate. The final tailings from the zinc flotation circuit will be pumped to the TSF. Copper, lead, and zinc concentrates will be thickened and pressure-filtered before being transported by truck to a port and shipped to smelters.

The LOM average mill feed is expected to contain 2.28% copper, 0.53% lead, 3.13% zinc, 0.5 g/t gold, and 37 g/t silver. According to the mine plan developed for the PEA study and metallurgical test results, the LOM average metal recoveries and concentrate grades are projected below:

- copper concentrate recovery: 87.1% copper; 57.9% gold; 40.2% silver; copper grade: 29%
- lead concentrate recovery: 74.0% lead; 6.8% gold; 40.2% silver; lead grade: 50%
- zinc concentrate recovery: 86.8% zinc; zinc grade: 56%.

#### *Tailings and Storage Facility*

The co-disposal TSF will be a fully lined facility consisting of rockfill embankment constructed across the Sub-Arctic Creek drainage, creating an impoundment that will extend up the drainage. The rockfill embankment will be

constructed to an ultimate crest elevation of 655 mamsl with the embankment being raised in stages to minimize the initial capital construction cost. During operations, potential acid generating (“PAG”) waste rock will be placed at the bottom and sides of the basin forming layers with consecutive disposal on tailings that will be filling the voids. The tailings has the potential to generate acid and, therefore, the tailings and the PAG waste rock will be placed under water and remain permanently submerged in order to reduce the potential for acid generation. Additional studies will be required to determine the most suitable method of co-disposal and potential requirements for acid rock drainage (“ARD”) management and mitigation programs will need to be part of the design of the TSF.

The TSF will be required to contain 110.5 Mm<sup>3</sup> total over the 12-year LOM, with 23.8 Mm<sup>3</sup> to accommodate the tailings at an assumed stored dry density of 1.5 t/m<sup>3</sup> and 86.7 Mm<sup>3</sup> of PAG waste rock at an assumed stored dry density of 1.9 t/m<sup>3</sup>. The TSF will be sited as a staged rockfill embankment with an upstream geomembrane liner. The starter embankment will have a crest elevation of 560 m and impound 1 year of mining production, which is approximately 670,000 m<sup>3</sup> of tailings and 12.3 Mm<sup>3</sup> of waste rock.

### ***Arctic Project - Environmental Considerations***

Environmental baseline data collection was initiated in 2007, including surface water quality sampling, wetlands mapping, stream flow monitoring, aquatic life surveys, subsistence, meteorological monitoring, and acid base accounting sampling. Additional baseline environmental data in the Ambler Lowlands, the Subarctic Creek drainage, the Shungnak River drainage and downstream receiving environments will be required to support future mine design, development of an environmental impact statement, permitting, construction and operations.

The Arctic Project has the potential to significantly improve work opportunities for local and regional residents. In October 2011, we signed an agreement with NANA which in addition to consolidating landholdings in the Ambler district has language establishing native hiring preferences and preferential use of NANA subsidiaries for contract work. Furthermore, the agreement formalized an Oversight Committee, with equal representation from NANA and us, to regularly review project plans and activities. In addition, a Subsistence Subcommittee has been formed to protect subsistence and the Iñupiaq way of life and a Workforce Development Subcommittee is also in place to address current and future employment needs. We meet monthly, during summer months, with the residents of Kobuk, Shungnak and Ambler, the three villages closest to the project area. We also meet annually with eight other NANA region villages including Noatak, Kivalina, Kotzebue, Kiana, Deering, Buckland, Selawik and Noorvik, for the purpose of updating residents on project plans and fielding their questions and concerns. We have also developed a good working relationship with the NWAB government.

The Arctic Project will be subject to a mine permitting process which will include compliance with the *National Environmental Policy Act* and will require a number of major mine permits from state and federal agencies as well as a significant number of minor permits. Although a number of federal conservation units are located in the general vicinity of the Arctic Project, including but not limited to the Gates of the Arctic National Parks, Kobuk Preserve, Selawik National Wildlife Refuge, and Kobuk Valley and Selawik Wilderness areas, their presence does not change the permitting process nor add to the number of permits required for the Arctic Project.

We will be required to develop a formal project description and detailed reclamation and closure plan to support a successful permit application strategy. The mine plan will embrace the concept of “design for closure”. In order to reduce any lasting risk of environmental impacts, the plan will minimize surface disturbances during operations and promote long-term stability of the site after closure.

No assurance can be given that new laws and regulations will not be enacted or that existing laws and regulations will not be applied in a manner that could limit or curtail the Arctic Project. Amendments to current laws, regulations, licenses and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Arctic Project and cause increases in capital expenditures or production costs, or reduction in levels of production, or abandonment, or delays in the development of the business.

### ***Arctic Project - Current Activities***

The focus of work on the Arctic Project in 2013 was the production of the PEA. Field work at the Arctic Project was limited during 2013 to reconnaissance work, minor geochemical processing and regional mapping. Exploration drilling was focused on the Bornite deposit in 2013. No work was completed in 2014 on the Arctic Project.

## **Bornite Project, Ambler District, Alaska**

### ***Bornite Project***

Except for the information under the heading “*Bornite Project – Current Activities*” and except as otherwise stated, the scientific and technical information relating to the Bornite Project contained in this Form 10-K is derived from, and in some instances is an extract from, the technical report titled “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” report dated effective March 18, 2014 released April 1, 2014 (the “Bornite Report”) prepared by BD Resource Consulting, Inc., SIM Geological Inc., and International Metallurgical & Environmental Inc. Except for the information under the heading “*Bornite Project – Current Activities*” and except as otherwise stated, Erin Workman, P.Geol., an employee to the Company and a Qualified Person as defined in 43-101, has approved the scientific and technical information contained herein. Scott Petsel, P.Geol., an employee to the Company and a Qualified Person as defined in 43-101, approved the scientific and technical information under the heading “*Bornite Project – Current Activities*.” The information regarding the Bornite Project is based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Bornite Report which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

### ***Bornite Project - Property Description and Location***

The Property is located in the Ambler mining district of the southern Brooks Range, in the NWAB of Alaska. The Property is located in Ambler River A-2 quadrangle, Kateel River Meridian T 19N, R 9E, sections 4, 5, 8 and 9. The Bornite Project is located 248 km east of the town of Kotzebue, 19 km north of the village of Kobuk, 275 km west of the Dalton Highway, an all-weather state maintained public road, at geographic coordinates N67.07° latitude and W156.94° longitude (Universal Transverse Mercator (UTM) North American Datum (NAD) 83, Zone 4W coordinates 7440449N, 589811E).

### ***Bornite Project - Accessibility, Climate, Local Resources, Infrastructure, and Physiography***

Primary access to the Project is by air, using both fixed wing aircraft and helicopters. There are four well maintained, approximately 1,500 m-long gravel airstrips located near the Property, capable of accommodating charter fixed wing aircraft. These airstrips are located 40 km west at Ambler, 23 km southwest at Shungnak, 19 km south at Kobuk, and 15 km south at Dahl Creek. There is daily commercial air service from Kotzebue to the village of Kobuk, the closest community to the Property. During the summer months, the Dahl Creek Camp airstrip is suitable for larger aircraft, such as C-130 and DC-6. In addition to the four 1,500 m airstrips, there is a 700 m airstrip located at the Bornite Camp. The airstrip at Bornite is suited to smaller aircraft, which support the Bornite Camp with personnel and supplies.

There is no direct water access to the Property. During spring runoff, river access is possible by barge from Kotzebue Sound to Ambler, Shungnak, and Kobuk via the Kobuk River.

A one-lane dirt track suitable for high-clearance vehicles or construction equipment links the Bornite Project’s main camp to the 400 m Dahl Creek airstrip and village of Kobuk.

The climate in the region is typical of a sub-arctic environment. Exploration is generally conducted from late May until late September. Weather conditions on the Project can vary significantly from year to year and can change suddenly. During the summer exploration season, average maximum temperatures range from 10°C to 20°C, while average lows range from -2°C to 7°C. By early October, unpredictable weather limits safe helicopter travel to the Project. During winter months, the Project can be accessed by snow machine, track vehicle, or fixed wing aircraft. Winter temperatures are routinely below -25°C and can exceed -50°C. Annual precipitation in the region averages at 395 mm with the most rainfall occurring from June through September, and the most snowfall occurring from November through January.

Drilling and mapping programs are seasonal and have been supported out of the Main Bornite Camp and Dahl Creek Camp. The main Bornite Camp facilities are located on Ruby Creek on the northern edge of the Cosmos Hills. The camp provides office space and accommodations for the geologists, drillers, pilots, and support staff. There are four 2-person cabins installed by NANA prior to our tenure. In 2011, the main Bornite Camp was expanded to 20 sleeping tents, 3 administrative tents, 2 shower/bathroom tents, 1 medical tent, and 1 dining/cooking tent. With these additions, the camp capacity was increased to 49 beds. A 30 m by 9 m core logging facility was also built in summer

of 2011. An incinerator was installed near the Bornite airstrip to manage waste created by the Bornite Project. Power for the Bornite Project is supplied by a 175 kW Caterpillar diesel generator. Water is provided by a permitted artesian well located 250 m from the Bornite Camp. In 2012, the camp was further expanded with the addition of a laundry tent, a women's shower/washroom tent, a recreation tent, several additional sleeping tents, and a 2 x enlargement of the kitchen tent. Camp capacity increased to 76 beds. The septic field was upgraded to accommodate the increase in camp population. One of the two-person cabins was winterized for use by the winter caretaker. A permitted landfill was established to allow for the continued cleanup and rehabilitation of the historic shop facilities and surroundings. The Dahl Creek camp is an overflow or alternative facility to the main Bornite Camp. The Dahl Creek camp has a main cabin for dining and administrative duties, and a shower facility. Sleeping facilities include two hard-sided sleeping cabins with seven beds (primarily used for staff), two 4-person sleeping tents, and three 2-person sleeping tents for a total of 21 beds. There are support structures, including a shop and storage facilities.

The Bornite Project is located on Ruby Creek on the northern edge of the Cosmos Hills. The Cosmos Hills are part of the southern flank of the Brooks Range in Northwest Alaska. Topography in the area is moderately rugged. Maximum relief in the Cosmos Hills is approximately 1,000 masl with an average of 600 masl. Talus covers the upper portions of the hills; glacial and fluvial sediments occupy valleys. The Kobuk Valley is located at the transition between boreal forest and Arctic tundra. Spruce, birch, and poplar are found in portions of the valley, with a ground cover of lichens (reindeer moss). Willow and alder thickets and isolated cottonwoods follow drainages, and alpine tundra is found at higher elevations. Tussock tundra and low, heath-type vegetation covers most of the valley floor. Patches of permafrost exist on the Property. Wildlife in the Project area is typical of Arctic and Subarctic fauna. Larger animals include caribou, moose, Dall sheep, bears (grizzly and black), wolves, wolverines, coyotes, and foxes. Fish species include salmon, sheefish, arctic char, and arctic grayling. The Kobuk River, which briefly enters the UKMP on its southwest corner, is a significant salmon spawning river. The caribou on the Property belong to the Western Arctic herd that migrates twice a year – south in August, from their summer range north of the Brooks Range, and north in March from their winter range along the Buckland River.

### ***Bornite Project - History***

#### ***Kennecott and Bear Creek Mining Tenure***

Regional exploration began in the early 1900s when gold prospectors noted copper occurrences in the hills north of Kobuk, Alaska. In 1947, local prospector Rhinehart “Rhiny” Berg along with various partners traversing in the area located outcropping mineralization along Ruby Creek (Bornite) on the north side of the Cosmos Hills. They subsequently staked claims over the Ruby Creek showings and constructed an airstrip for access. In 1957, BCMC, Kennecott's exploration subsidiary, optioned the property from Berg. Exploration drilling in 1961 and 1962 culminated in the discovery of the “No.1 Ore Body” where drill hole RC-34 cut 20 m of 24% copper (the “No.1 Ore Body” is a historic term used by BCMC that does not connote economic viability in the present context; it is convenient to continue to use the term to describe exploration work and historic resource estimation in a specific area of what is now generally known as Ruby Creek Upper Reef). The discovery of the “No.1 Ore Body” led to the development of an exploration shaft in 1966. The shaft, which reached a depth of 328 m, encountered a significant watercourse and was flooded near completion depth. The shaft was subsequently dewatered and an exploration drift was developed to provide access for sampling and mapping, and to accommodate underground drilling to further delineate mineralization. A total of 59 underground holes were drilled and, after the program, the shaft was allowed to re-flood. The discovery of the Arctic Project in 1965 prompted a hiatus in exploration at Bornite, and only limited drilling occurred up until 1976.

In the late 1990s, Kennecott resumed its evaluation of the Bornite deposit and the mineralization in the Cosmos Hills with an intensive soil, stream, and rock chip geochemical sampling program using 32 element ICP analyses. Grid soil sampling yielded 765 samples. Ridge and spur sampling resulted in an additional 850 soil samples in the following year. Skeletonized core samples (85 samples) from key historic drill holes were also analyzed using 32 element ICP analytical methods. Geochemical sampling identified multiple areas of elevated copper and zinc in the Bornite region.

Kennecott completed numerous geophysical surveys as an integral part of exploration throughout their tenure on the property. Various reports, notes, figures, and data files stored in Kennecott's Salt Lake City exploration office indicated that geophysical work included, but was not limited to, the following:

- Airborne magnetic and EM surveys (fixed-wing INPUT) (1950s)

- Gravity, single point (“SP”), Audio-Frequency Magneto-Telluric (“AMT”), EM, borehole and surface IP/resistivity surveys (1960s)
- Gravity, airborne magnetic, and CSAMT surveys (1990s)

We have little information or documentation associated with these geophysical surveys conducted prior to the 1990s. Where data are available in these earlier surveys, the lack of details in data acquisition, coordinate systems, and data reduction procedures limit their usefulness. The only complete geophysical report available concerns down-hole IP/resistivity results. Most notable is the 1996 Bouger gravity survey from the Bornite deposit into the Ambler lowlands. The Bornite deposit itself is seen as a significant 3 milligal anomaly. Numerous 2 milligal to > 6 milligal anomalies occur under cover in the Ambler lowlands and near the Aurora Mountain and Pardner Hill occurrences. In addition to the geophysical surveys conducted by Kennecott, the ADNR completed an aeromagnetic survey of portions of the Ambler mining district in 1974-1975.

Several studies have been undertaken reviewing the geology and geochemistry of the Bornite deposit. Most notable is Murray Hitzman’s PhD dissertation at Stanford University and Don Runnel’s PhD dissertation at Harvard University. Bernstein and Cox reported on mineralization of the “No. 1 Ore Body” in a 1986 paper in Economic Geology. Kennecott conducted two technical reviews of the groundwater conditions and a summary of the findings related to the flooding of the exploration shaft.

In 1961, Kennecott collected 32 coarse reject samples from five drill holes to support preliminary metallurgical test work at Bornite. Samples targeted high-grade (> 10%) copper mineralization from the Upper Reef at Ruby Creek.

### ***Bornite Project - Geological Setting and Mineralization***

The Bornite Project is located within the Arctic Alaska Terrane, a sequence of mostly Paleozoic continental margin rocks that make up the Brooks Range and North Slope of Alaska. It is within the Phyllite Belt geologic subdivision, which together with the higher-grade Schist Belt, stretches almost the entire length of the Brooks Range and is considered to represent the hinterland of the Jurassic Brooks Range orogeny. The southern margin of the Phyllite Belt is marked by mélange and low angle faults associated with the Kobuk River fault zone, while the northern boundary is thought to be gradational with the higher-grade metamorphic rocks of the Schist Belt.

The geology of the Bornite resource area is composed of alternating beds of carbonate rocks (limestone and dolostone) and calcareous phyllite. Limestone transitions laterally into dolostone, which hosts the majority of the mineralization and is considered to be hydrothermal in origin. Spatial relationships and petrographic work establish dolomitization as genetically related to early stages of the copper mineralizing system.

Potentially the earliest and most prominent structure in the resource area is the northeast-trending, steeply northwest-dipping Iron Mountain structure. The structure shows significant displacement of basal quartz phyllite to the east across the structure and has been interpreted as: a pre or syn-mineral (Devonian) growth fault; or, the post-mineral (Cretaceous) axis of a small overturned kink fold. To the north, the Bornite Carbonate sequence is in fault contact with the Beaver Creek phyllite along the moderately north-dipping Beaver Creek fault. The fault, a thick, brittle structure of potentially regional significance, defines the roughly bedded parallel base of the Beaver Creek phyllite and the Bornite Carbonate sequence in the immediate Bornite area. Both the Beaver Creek fault and the Bornite Carbonate sequence are cut by a series of north-trending high angle structures of apparent small displacement.

Mineralization at Bornite occurs as tabular mineralized zones that coalesce into crudely stratiform bodies hosted in secondary dolomite. Two significant dolomitic horizons that host mineralization have been mapped by drilling and include: 1) the Lower Reef, a thick 100 to 300 m thick dolomitized zone lying immediately above the basal quartz phyllite unit of the Anirak Schist; and 2) the Upper Reef, a 100 to 150 m thick dolomite horizon roughly 300 m higher in section.

The Lower Reef dolomite outcrops along the southern margin of the Ruby Creek zone and is spatially extensive throughout the deposit area. It hosts a significant portion of the shallow resources in the Ruby Creek zone as well as higher grade resources down dip and to the northeast in the South Reef. The Upper Reef zone hosts relatively high-grade resources to the north in the Ruby Creek zone. The Upper reef zone appears to lie at an important NE-trending facies transition to the NW of the main drilled area and locally appears to be at least partially thrust over the Lower Reef stratigraphy to the southeast.

Drill results from 2013 show dolomitization and copper mineralization in the Upper and Lower Reefs coalescing into a single horizon along the northern limits of current exploration. The NE- trending Ruby Creek and South Reef zones also coalesce into a roughly 1000 m wide zone of >200 m thick dolomite containing significant copper mineralization dipping north at roughly 5-10 degrees.

### ***Bornite Project – Mineralization***

Copper mineralization at Bornite is comprised of chalcopyrite, bornite, and chalcocite distributed in stacked, roughly stratiform zones exploiting favourable stratigraphy within the dolomitized limestone package. Mineralization occurs, in order of increasing grade, as disseminations, irregular and discontinuous stringer-style veining, breccia matrix replacement, and stratiform massive sulphides. The distribution of copper mineral species is zoned around the bottom-centre of each zone, with bornite-chalcocite-chalcopyrite at the core and progressing outward to chalcopyrite-pyrite. Additional volumetrically minor copper species include carrollite, digenite, tennantite-tetrahedrite, and covellite. Stringer pyrite and locally significant sphalerite occur above and around the copper zones, while locally massive pyrite and sparse pyrrhotite occur in association with siderite alteration below copper mineralization in the Lower Reef.

In addition to the copper mineralization, significant cobalt mineralization is found accompanying bornite-chalcocite mineralization. Cobalt occurs with high-grade copper as both carrollite (Co<sub>2</sub>Cu<sub>4</sub>S<sub>4</sub>) and as cobaltiferous rims on recrystallized pyrite grains.

Appreciable silver values are also found with bornite-rich mineralization in the South Reef and Ruby Creek zones.

### ***Bornite Project – Exploration***

Exploration in and around the Bornite Project by Kennecott from 1957 to 1998 is summarized above. In addition to the extensive drilling completed during the more than 40 year tenure of Kennecott in the district, Kennecott completed widespread surface geochemical sampling, regional and property scale mapping, and numerous geophysical surveys employing a wide variety of techniques. The majority of this data has been acquired by us and forms the basis for renewed exploration that targets Bornite-style mineralization in the Bornite carbonate sequence.

NovaGold as the precursor company to us began to actively pursue an agreement to explore the Bornite Project with NANA in 2005 resulting in an initial airborne geophysical survey in 2006. Negotiations on the consolidation and exploration of the entire Ambler district continued for the next several years culminating in the NANA Agreement in October, 2011.

With the NANA Agreement approaching completion, NovaGold initiated work in 2010 to begin to characterize the exploration potential and depositional controls by re-logging and re-analyzing select drill holes with a Niton portable x-ray fluorescence (“XRF”) to determine geochemical variability. In 2011, NovaGold began an initial drill program to verify the historical database and exploration potential and conducted additional geophysical surveys to provide better targeting tools for continued exploration in the district. In 2012, we expanded the IP geophysical coverage completing a major district-wide survey that targeted the prospective Bornite Carbonate sequence. Subsequent resource drilling between 2011 and 2013 based on the exploration targeting is discussed in the *Bornite Project - Mineral Resource Estimates* section below.

#### ***2006 NovaGold Exploration***

In 2006, NovaGold contracted Fugro Airborne Surveys to complete a detailed helicopter DIGHEM magnetic, EM and radiometric survey of the Cosmos Hills. The survey covered a rectangular block approximately 18 km by 49 km which totaled 2,852 line kilometres. The survey was flown at 300 m line spacing with a line direction of N20E. The DIGHEM helicopter survey system produced detailed profile data of magnetics, EM responses and radiometrics (total count, uranium, thorium, and potassium) and was processed into maps of magnetics, discrete EM anomalies, EM apparent resistivity, and radiometric responses.

#### ***2010 NovaGold Exploration***

In 2010, in anticipation of completing the NANA Agreement, NANA granted NovaGold permission to begin low level exploration at Bornite; this consisted of re-logging and re-analyzing select drill holes using a Niton portable XRF. In addition to the 2010 re-logging effort, NovaGold contracted a consulting geophysicist, Lou O'Connor, to

compile a unified airborne magnetic map for the Ambler mining district from Kennecott, Alaska DNR, and NovaGold airborne geophysical surveys.

### ***2011 NovaGold Exploration***

In 2011, NovaGold contracted Zonge International Inc. (“Zonge”) to conduct both dipole-dipole complex resistivity induced polarization (“CRIP”) and natural source audio-magnetotelluric (“NSAMT”) surveys over the northern end of the prospect to develop tools for additional exploration targeting under cover to the north.

NSAMT data were acquired along two lines totaling 5.15 line-km, with one line oriented generally north-south through the centre of the survey area and one being the southernmost east-west line in the survey area. CRIP data were acquired on five lines: four east-west lines and one north-south line, for a total coverage of 14.1 line-km and 79 collected CRIP stations. The initial objective of the survey was to investigate geological structures and the distribution of sulphides possibly associated with copper mineralization.

Results from the paired surveys show that wide-spaced dipole-dipole resistivity is the most effective technique to directly target the mineralization package. Broad low resistivity anomalies reflecting pyrite haloes and mineralization appear to define the limits of the fluid package. Well-defined and often very strong chargeability anomalies are also present, but appear in part to be masked by phyllitic units which also have strong chargeability signatures. The NSAMT show similar resistivity features as the IP, but are less well resolved.

### ***2012 NovaCopper Exploration***

In light of the success of the 2011 geophysical program, we contracted Zonge to conduct a major district-wide dipole/dipole IP survey, a down-hole IP radial array survey in the South Reef area, and an extensive physical property characterization study of the various lithologies to better interpret the existing historical geophysical data.

Zonge completed 48 line km of 200 m dipole/dipole IP during 2012, infilling and expanding on the 2011 survey, and stretching across the most prospective part of the outcropping permissive Bornite Carbonate sequence. The results show a well-defined low resistivity area associated with mineralization and variable IP signatures attributed both to mineralization and the overlying Beaver Creek phyllite. Numerous target areas occur in the immediate Bornite area with lesser targets occurring in the Aurora Mountain and Pardner Hill areas and in the far east of the survey area. During the 2012 drill program at South Reef, a single drill hole was targeted on a low resistivity area approximately 500 m to 600 m southeast of the South Reef mineralization trend. Although the drill hole intersected some dolomite alteration in the appropriate stratigraphy, no significant sulphides were encountered.

In addition to the extensive ground IP survey, Zonge also completed 9 km of down-hole radial IP using an electrode placed in drill hole RC12-0197 to further delineate the trend and potential in and around the South Reef. In addition to the 2012 ground geophysical surveys, extensive physical property data including resistivity, chargeability, specific gravity, and magnetic susceptibility were captured for use in modelling the existing ground IP and gravity surveys, and the airborne EM and magnetic surveys.

In addition to geophysical focused exploration, a district wide geologic map was compiled integrating Kennecott’s 1970’s mapping of the Cosmos Hills with selective NovaCopper mapping in 2012.

### ***2013 NovaCopper Exploration***

The emphasis of the 2013 program was to further validate and refine the 2012 geologic map of the Cosmos Hills. A deep penetrating soil and vegetation geochemical orientation survey was completed over the South Reef deposit, utilizing various partial leaches and pH methods. The initial, approximately 1 km, test lines suggest a good response for several of the partial leaches of the soils but little response in the vegetative samples; further follow-up is warranted to the north of the deposit into the Ambler lowlands.

### ***Bornite Project – Drilling***

A total of 183 surface core holes and 51 underground core holes, totaling 78,147 m have been drilled, targeting the Bornite deposit during 21 different annual campaigns dating from 1957 through 2013. All of the drill campaigns, with the exception of the 2011 NovaGold campaign and the 2012 and 2013 NovaCopper campaigns were completed



by Kennecott or their exploration subsidiary BCMC. All drill holes (except RC13-230 and RC13-232 which have been reserved for metallurgical studies) were utilized in the estimation of the current resource.

Sprague and Henwood, a Pennsylvania-based drilling company, completed all of the Kennecott drilling, with the exception of the 1997 program (three drill holes) completed by Tonto Drilling Services, Inc. (a NANA-Dynatech company). The 2011 thru 2013 NovaGold/NovaCopper programs used Boart Longyear Company as the drill contractor.

In the initial years of drilling at Bornite, Kennecott relied on AX core (1.1875 in or 30.2 mm diameter), but, as drilling migrated towards deeper targets, a change to BX core (1.625 in or 41.3 mm diameter) was implemented to help limit deviation. From 1966 to 1967, drilling activity at Bornite moved underground and EX diameter core (0.845 in or 21.5 mm diameter) was implemented to define the Ruby Creek Upper Reef zone “No.1 Ore Body”. Drilling activity moved back to the surface in 1968, and, from 1968 to 1972, BX core was most commonly drilled. In later years, core size increased to NX (2.125 in or 54.0 mm diameter) and finally, in 2011, core size increased to NQ (1.874 in or 47.6 mm diameter) and HQ (2.5 in or 63.5 mm diameter). Progressively larger diameter drill rods have been continually used over the years in an attempt to minimize drill hole deviations.

There is only partial knowledge of specific drill core handling procedures used by Kennecott during their tenure at the Bornite Deposit. All of the drill data collected during the Kennecott drilling programs (1958 to 1997) was logged on paper drill logs, copies of which are stored in the Kennecott office in Salt Lake City, Utah. Electronic scanned copies of the paper logs, in PDF format, are held by NovaCopper. Drill core was sawed or split with a splitter, with half core submitted to various assay labs and the remainder stored in the Kennecott core storage facility at the Bornite Deposit. In 1995, Kennecott entered the drill assay data, the geologic core logs, and the down hole collar survey data into an electronic format. In 2009, NovaGold geologists verified the geologic data from the original paper logs against the Kennecott electronic format and then merged the data into a Microsoft™ SQL database. Sampling of drill core by Kennecott and BCMC focused primarily on the moderate to high grade mineralized zones. Intervals of visible sulphide mineralization containing roughly >0.5 to 1% copper were selected for analysis by Union Assay Office Inc. of Salt Lake City, Utah. This approach left numerous intervals containing weak to moderate copper mineralization un-sampled in the historic drill core.

Throughout our tenure at Bornite, the following core handling procedures have been implemented. Core is slung by helicopter, or transported by truck or ATV, from the drill rig to the core-logging facility. Upon delivery, geologists and geotechnicians open and inspect the core boxes for any irregularities. They first mark the location of each drilling block on the core box, and then convert footages on the blocks into metric equivalents. Geotechnicians or geologists measure the intervals (or “from/to”) for each box of core and include this information, together with the drill hole ID and box number, on a metal tag stapled to the end of each box. Geotechnicians then measure the core to calculate percent recovery and rock quality designation (“RQD”). RQD is the sum of the total length of all pieces of core over 12 cm in a run. The total length of core in each run is measured and compared to the corresponding run length to determine percent recovery. Core is then logged with lithology and visual alteration features captured on observed interval breaks. Mineralization data, including total sulphide (recorded as percent), sulphide type (recorded as a relative amount), and gangue and vein mineralogy are collected for each sample interval with an average interval of approximately 2 m. Structural data is collected as point data. Geologists then mark sample intervals to capture each lithology or other geologically appropriate intervals. Sample intervals of core are typically between 1 m and 3 m in length but are not to exceed 3 m in length. Occasionally, if warranted by the need for better resolution of geology or mineralization, smaller sample intervals have been employed. Geologists staple sample tags on the core boxes at the start of each sample interval, and mark the core itself with a wax pencil to designate sample intervals. This sampling approach is considered sound and appropriate for this style of mineralization and alteration. Drill core is digitally photographed prior to sampling. Drill core is cut in half using diamond core saws. Specific attention to core orientation is maintained during core sawing to ensure that representative samples are obtained. One-half of the core is retained in the core box for storage on site, or at our Fairbanks warehouse, and the other half bagged and labeled for analysis. Samples are selected for specific gravity measurements.

In 2013, 33 historic Kennecott drill holes in the Ruby Creek area were re-logged, re-sampled and re-assayed as these holes had previously only been selectively sampled by Kennecott. Entire holes were re-logged utilizing NovaCopper protocols discussed above. Samples were submitted either as half-core, where previously sampled, or whole core where un-sampled (this was done to ensure that a sufficient volume of material was provided for analysis). Sample intervals were matched to historic intervals whenever possible, or selected to reflect NovaCopper sampling procedures described above. The objectives of the re-assay/re-logging program were threefold: 1) to implement a QA/QC program on intervals previously sampled by Kennecott in order to confirm the validity of their results; 2) to

identify additional lower-grade (0.2-0.5% copper), which was not previously sampled; and 3) to provide additional multi-element ICP data to assist in the geologic interpretation of the deposit.

### ***Bornite Project - Sample Preparation, Analyses and Security***

Sample preparation, analytical lab accreditation and security measures taken during historical Kennecott and BCMC programs are unknown to us; however, we are not aware of any reason to suspect that any of these samples have been tampered with. The 2011 to 2013 samples were either in the custody of NovaGold or NovaCopper personnel or the assay laboratories at all times, and the chain of custody of the samples is well documented.

Between 2011 and 2013, once drill core was sawed, one half was retained for future reference and the other half was sent to ALS Minerals (formerly ALS Chemex) in Vancouver for analyses. Shipment of core samples from the Bornite camp occurred whenever backhaul capacity was available on the chartered aircraft, which was generally 5 to 6 days a week. Rice bags, containing two to four individual poly-bagged core samples, were marked and labeled with the ALS Minerals address, project name (Bornite), drill hole number, bag number, and sample numbers enclosed. Rice bags were secured with a pre-numbered plastic security tie, assembled into loads for transport by chartered flights on a commercial airline to Fairbanks, and directly delivered by a contracted expeditor to the ALS Minerals preparation facility in Fairbanks. In addition to the core samples, control samples were inserted into the shipments at the approximate rate of one standard, one blank and one duplicate per 17 core samples. Samples were logged into a tracking system on arrival at ALS Minerals, and weighed. Samples were then crushed, dried, and a 250 g split was pulverized to greater than 85% passing 75 µm.

Gold assays in 2011 and 2012 were determined using fire analysis followed by an atomic absorption spectroscopy (“AAS”) finish; gold was not analyzed in 2013. The lower detection limit was 0.005 ppm gold; the upper limit was 10 ppm gold. An additional 48-element suite was assayed by inductively coupled plasma-mass spectrometry (“ICP-MS”) and ICP-AES methodologies, following a four acid digest. Over limit (>1.0%) copper and zinc analyses were completed by AA, following a four acid digest.

ALS Minerals has attained International Organization for Standardization (ISO) 9001:2000 registration. In addition, the ALS Minerals laboratory in Vancouver is accredited to ISO 17025 by Standards Council of Canada for a number of specific test procedures including fire assay of gold by AA, ICP and gravimetric finish, multi-element ICP and AA assays for silver, copper, lead and zinc. NovaCopper has no relationship with any primary or check assay labs utilized.

During 2012 and 2013, NovaCopper staff performed continuous validation of the drill data; both while logging was in progress and after the drill season was complete. NovaCopper also retained independent consultant Caroline Vallat, P.Geo. of GeoSpark Consulting Inc. to: 1) import digital drill data to the master database and conduct QA/QC checks upon import, 2) conduct a QA/QC review of paired historical assays and NovaCopper 2012 and 2013 re-assays; 3) monitor an independent check assay program for the 2012 and 2013 drill campaigns; and 4) generate a QA/QC report for the 2012 and 2013 drill campaigns.

### ***Bornite Project - Mineral Resource Estimates***

The mineral resource estimate has been prepared by Bruce M. Davis, FAusIMM, BD Resource Consulting, and Robert Sim, P.Geo., SIM Geological Inc., both “Independent Qualified Persons” as defined in NI 43-101. We have filed two previous NI 43-101 Technical Reports on the Bornite Project dated July 18, 2012 and February 5, 2013. The effective date of this resource is March 18, 2014.

In 2013, we drilled an additional 17 holes at Bornite totaling 8,142 m of which 4,684 m was drilled at the Ruby Creek zone and 3,458 m at the South Reef zone. The program expanded the lateral, down-dip, extents in the northern part of the deposit and also provided additional delineation of some internal parts of the western Ruby Creek area. In addition to the 2013 drilling, we completed an extensive sampling program of 33 historical drill holes located in the Ruby Creek area that were drilled but only selectively sampled by Kennecott. This program has resulted in providing better continuity of mineral resources the Ruby Creek area.

The mineral resource estimate utilizes two-meter compositing of assays from 216 drill holes completed between 1961 and 2013. Estimated blocks were 5 x 5 x 5 meters on a side. Seven domains were established for the estimation, all of which were treated as hard boundaries with no mixing of data between the domains. The domains include two high-grade carbonate domains inside a 2% copper probability shell, three moderate-grade carbonate

domains inside a 0.2% copper probability shell, one weakly-mineralized carbonate domain outside the 0.2% copper probability shell, and one weak-unmineralized phyllite domain. Visual inspections of the probability shells show that they fit well with observed levels of bornite, chalcocite and chalcopyrite mineralization.

Based on the interpreted local high-grade nature of the mineralization, both capping and outlier restriction strategies were implemented to control the influence of high-grade mineralization in the resource model. This methodology removed approximately 5% of the contained copper in the Ruby Creek Zone and 8% of the contained copper in the South Reef Zone. Copper grades are interpolated in model blocks using ordinary kriging with a minimum of one and a maximum of twenty composited samples and a maximum of five samples from a single drill hole. A total of 4,472 specific gravity measurements, of which 40% are within the mineralized shells, were utilized to estimate densities in the block model. Specific gravity values were estimated into model blocks using inverse distance squared moving averages using the domains described previously.

The block models were validated through several methods: a thorough visual review of the model grades in relation to the underlying drill hole sample grades; comparisons with the change of support model; comparisons with other estimation methods; and, grade distribution comparisons using swath plots.

Resources included in the Indicated category includes blocks in the model that are within a maximum average distance of 35 meters from three or more drill holes and exhibit a relatively high degree of confidence in the grade and continuity of mineralization. Resources in the Inferred category require a minimum of one drill hole within a maximum distance of 100 meters and exhibit reasonable confidence in the grade and continuity of mineralization.

In the opinion of the Qualified Persons, the resource evaluation reported herein is a sound representation of the copper mineral resources found on the Bornite Project at the current level of sampling. The mineral resources have been estimated in conformity with generally accepted CIM Estimation of Mineral Resources and Mineral Reserves Best Practices Guidelines and are reported in accordance with the Canadian Securities Administrators' NI 43-101. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resource will be converted into mineral reserve.

Tests for reasonable prospects for economic viability suggest that the resource is potentially amenable to a combination of open pit and underground extraction methods. The estimate of mineral resources for the Bornite Project are summarized in, "*Bornite Project – Mineral Resource Statement*".

***Bornite Project - Mineral Resource Statement***

Mineral Resources are classified in accordance with the 2010 CIM Definition Standards for Mineral Resources and Mineral Reserves.

The Qualified Persons for the Mineral Resource estimate are Bruce Davis and Robert Sim, both Qualified Person's independent of us. Mineral Resources for the Bornite Project are found in Table 7 and Table 8.

**Table 7: Indicated Resource Estimate for the Bornite Project**

See "*Cautionary Note to United States Investors*" This section uses the term "indicated resources". We advise United States investors that these terms are not recognized by the SEC. United States investors are cautioned not to assume that estimates of indicated mineral resources are economically minable, or will be upgraded into measured mineral resources. See "*Risk Factors*" and "*Cautionary Note to United States Investors*".

Type	Cut-off (Cu %)	Mtonnes	Cu%	Cu (Mlbs)
<b>Indicated</b>				
<b>In-Pit<sup>(2)</sup></b>	0.5	14.1	1.08	334

Notes: 1. These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. Mineral resources that are not mineral reserves do not have demonstrated economic viability. See "*Risk Factors*" and "*Cautionary Note to United States Investors*."

2. Resources stated as contained within a pit shell developed using a metal price of US\$3.00/lb Cu, mining costs of US\$2.00/tonne, milling costs of US\$11/tonne, G&A cost of US\$5.00/tonne, 87% metallurgical recoveries and an average pit slope of 43 degrees.
3. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
4. Tonnage and grade measurements are in metric units. Contained copper are reported as imperial pounds.
5. All amounts are stated in U.S. dollars unless otherwise noted.

**Table 8: Inferred Resource Estimate for the Bornite Project**

See “*Cautionary Note to United States Investors*” This section uses the term “inferred resources”. We advise United States investors that these terms are not recognized by the SEC. The estimation of inferred resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources. United States investors are cautioned not to assume that estimates of inferred mineral resources exist, are economically minable, or will be upgraded into measured or indicated mineral resources. See “*Risk Factors*” and “*Cautionary Note to United States Investors*”.

Type	Cut-off (Cu %)	Mtonnes	Cu %	Cu (Mlbs)
<b>Inferred</b>				
<b>In-Pit</b> <sup>(3)</sup>	0.5	109.6	0.94	2,259
<b>Below-Pit</b>	1.5	55.6	2.81	3,437
Total Inferred		<b>165.2</b>	<b>1.57</b>	<b>5,696</b>

- Notes:
1. These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. See “*Risk Factors*” and “*Cautionary Note to United States Investors*.”
  2. Resources stated as contained within a pit shell developed using a metal price of US\$3.00/lb Cu, mining costs of US\$2.00/tonne, milling costs of US\$11/tonne, G&A cost of US\$5.00/tonne, 87% metallurgical recoveries and an average pit slope of 43 degrees.
  3. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
  4. Tonnage and grade measurements are in metric units. Contained copper are reported as imperial pounds.
  5. All amounts are stated in U.S. dollars unless otherwise noted.

There are no known factors related to environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which could materially affect the mineral resource.

#### ***Bornite Project – Metallurgy***

Metallurgical testwork to date indicates that the Bornite Project can be treated using standard grinding and flotation methods to produce copper concentrates. Initial testing indicates copper recoveries of approximately 87% resulting in concentrate grades of approximately 28% copper with very low potential penalty elements. Further metallurgical testwork is warranted to test these assumptions.

#### ***Bornite Project – Environmental Considerations***

The Bornite Project area includes NANA’s Bornite and ANCSA lands, the Ruby Creek drainage (a tributary of the Shungnak River), the Shungnak River drainage, and portions of the Ambler Lowlands. Since 2007, baseline environmental data collection has occurred in the area including archaeology, aquatic life surveys, sediment sampling, wetlands mapping, surface water quality sampling, hydrology, meteorological monitoring, and subsistence. Additional baseline environmental data in NANA’s Bornite and ANCSA lands, the Ruby Creek drainage, the Shungnak River drainage, portions of the Ambler Lowlands, and downstream receiving environments will be required to support future mine design, development of an EIS, permitting, construction and operations.

### ***Bornite Project – Exploration and Development Permitting***

Development of the Bornite Project will require a significant number of permits and authorizations from state, federal, and regional organizations. Much of the groundwork to support a successful permitting effort must be undertaken prior to submission of permit applications so that issues can be identified and resolved, baseline data can be acquired, and regulators and stakeholders can become familiar with the proposed project. The comprehensive permitting process for the Bornite Project can be divided into three categories:

1. Exploration state/regional permitting: required to obtain approval for drilling, camp operations, engineering, and environmental baseline studies.
2. Pre-application phase: conducted in conjunction with engineering feasibility studies. This stage includes the collection of environmental baseline data and interaction with stakeholders and regulators to facilitate the development of a project that can be successfully permitted.
3. The National Environmental Policy Act phase: formal agency review of the Federal and State requirements for public and agency participation to determine if and how the Project can be done in an acceptable manner.

The permit review process will determine the number of management plans required to address all aspects of the Project to ensure compliance with environmental design and permit criteria. Each plan will describe the appropriate environmental engineering standard and the applicable operations requirements, maintenance protocols, and response actions.

### ***Bornite Project – Current Activities***

The 2014 exploration field season program also saw us undertake a significant drill core re-sampling and re-assaying program at the Bornite Project consisting of approximately 13,000 meters in 37 historical drill holes, which were originally drilled by Kennecott on the Bornite Project between 1959 and 1976, and submitted the samples to ALS for a complete 42 element Induced Coupled Plasma analysis. During this period, Kennecott was focused on identifying and quantifying high-grade copper mineralization. Given its focus on identifying very high-grade copper mineralization, Kennecott did not focus its exploration efforts on sampling and assaying lower-grade (<1%) disseminated copper mineralization.

During the 2014 field season, we submitted 5,819 samples for assaying. Of the submitted samples, 5,134 (11,149 meters) were from previously un-sampled and un-assayed drill core. The remaining 685 samples (1,503 meters) were from drill core that was previously sampled by Kennecott and sent for re-assaying to confirm results. Of the 11,149 meters of historic drill core previously unsampled and unassayed drill core, 5 holes had intervals of copper grading more than 0.5% copper, and 21 holes contained mineralization grading more than 0.2% copper.

The objectives of the re-logging/re-sampling program were threefold: 1) to identify additional low-grade (<1% copper) near-surface mineralized material which had not been previously sampled; 2) to confirm and conduct a QA/QC program on the historical sample results; and 3) to acquire a full geochemical data suite for the Ruby Creek zone which can be utilized in future geological modeling. The re-logging and re-sampling program has confirmed previously known higher-grade copper intervals (>1% copper) and extended the known near-surface lower-grade copper halo. It is anticipated that these results will add lower-grade mineralization to the Bornite Project mineral inventory as well as reduce the strip ratio in a potential open pit by converting zero grade material to low-grade material.

The 2014 logging and sampling campaign followed consistent sampling methodology, assay and analytical procedures as described above in 2011 - 2013.

We also maintained our stream gauging and meteorological stations allowing us to continue our environmental baseline data collection in the region.

### **Item 3. LEGAL PROCEEDINGS**

We are not aware of any material pending or threatened litigation or of any proceedings known to be contemplated by governmental authorities that are, or would be, likely to have a material adverse effect upon us or our operations,

taken as a whole. There are no material proceedings pursuant to which any of our directors, officers or affiliates or any owner of record or beneficial owner of more than 5% of our securities or any associate of any such director, officer or security holder is a party adverse to us or has a material interest adverse to us.

**Item 4. MINE SAFETY DISCLOSURES**

Operations are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). At our current stage of exploration, we are not yet subject to MSHA.

Companies required to file periodic reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that operate mines regulated under the Mine Act are required to make certain disclosures pursuant to Section 1503(a) of Dodd-Frank. We have nothing to disclose pursuant to Section 1503(a) of Dodd-Frank for the fiscal year ended November 30, 2014.

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Price Range of Common Shares

The NovaCopper Shares are listed on the TSX and the NYSE-MKT under the symbol "NCQ". On February 2, 2015, there were 1,493 holders of record of our shares, which does not include shareholders for which shares are held in nominee or street name. The following tables set out the market price range of the Common Shares on the TSX and NYSE-MKT for the 12 months prior to the date hereof.

Fiscal Quarter	NYSE-MKT		TSX (C\$)	
	High	Low	High	Low
April 25 – May 31, 2012	3.73	2.45	5.16	2.40
Q3 2012	2.84	1.70	2.81	1.67
Q4 2012	2.90	1.79	2.90	1.76
Q1 2013	2.28	1.75	2.19	1.75
Q2 2013	2.10	1.66	2.14	1.69
Q3 2013	2.07	1.66	2.20	1.72
Q4 2013	2.08	1.55	2.18	1.60
Q1 2014	2.03	1.22	2.15	1.36
Q2 2014	1.50	0.94	1.68	0.96
Q3 2014	1.25	0.85	1.35	0.96
Q4 2014	1.23	0.60	1.34	0.69
December 2014 – February 2, 2015	0.64	0.41	0.75	0.53

On February 2, 2015, the closing price of our Common Shares on the TSX was CDN\$0.64 per Common Share and on the NYSE-MKT was \$0.52 per Common Share.

#### Dividend Policy

We have not declared or paid any dividends on our Common Shares. Our current business plan requires that for the foreseeable future, any future earnings be reinvested to finance the growth and development of our business. We will not declare or pay any dividends until such time as our cash flow exceeds our capital requirements and will depend upon, among other things, conditions then existing including earnings, financial condition, restrictions in financing arrangements, business opportunities and conditions and other factors, or our Board determines that our shareholders could make better use of the cash.

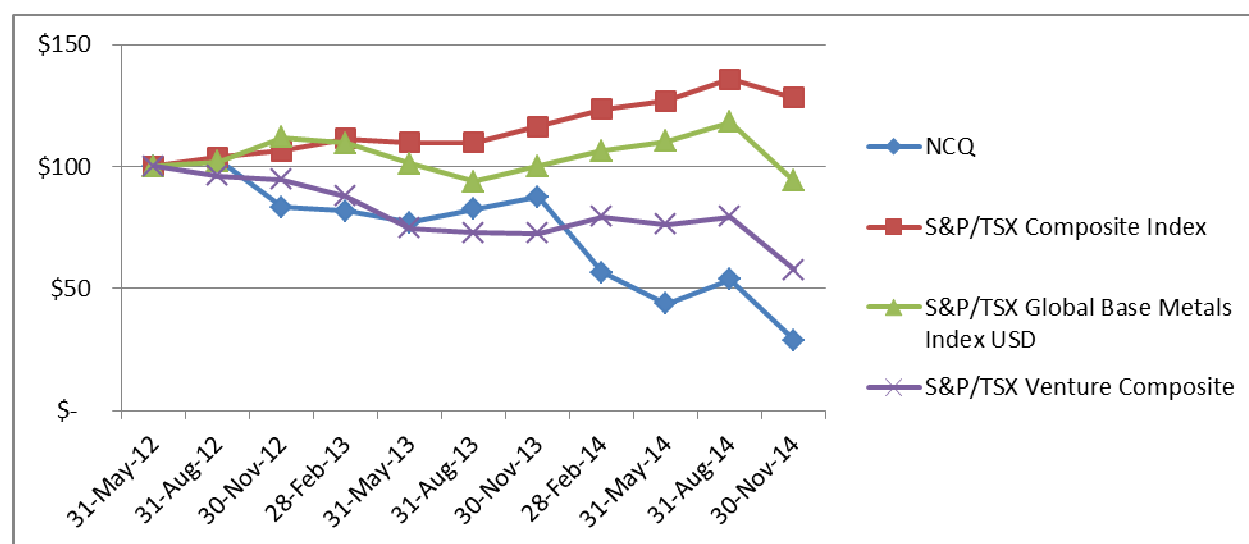
## Securities Authorized for Issuance under Equity Compensation Plans

The following table is as of February 2, 2015.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	4,391,238	\$0.57]	4,703,817
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>4,391,238</b>	<b>\$0.57</b>	<b>4,703,817</b>

## Stock Performance Graph

The following graph compares the percentage change in the Company's cumulative total shareholder return on its NovaCopper Shares with the cumulative total return of the S&P/TSX Composite Index, assuming the reinvestment of dividends. The performance chart assumes that C\$100 per share was invested on May 31, 2012, in (i) the Company's Common Shares at the closing price of the Common Shares on such date of C\$2.40 per share, as quoted on the TSX; (ii) the S&P/TSX Composite Index; (iii) the S&P/TSX Global Base Metals Index USD; (iv) the S&P/TSX Venture Composite Index.



## Exchange Controls

There are no governmental laws, decrees or regulations in Canada that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-resident holders of the securities of NovaCopper, other than Canadian withholding tax.

## Certain Canadian Federal Income Tax Considerations for U.S. Holders

The following is a general summary of the principal Canadian federal income tax considerations generally applicable under *Income Tax Act* (Canada) (the "Tax Act") to a holder of Common Shares, each of whom, at all



relevant times, for the purposes of the Tax Act, holds such Common Shares as capital property, deals at arm's length with the Company, is not affiliated with the Company and, for purposes of the Tax Act, is not, and is not deemed to be, a resident of Canada and has not and will not use or hold or be deemed to use or hold the Common Shares in the course of carrying on business in Canada (a "Non-Resident Holder"). Special rules, which are not discussed below, may apply to a non-resident of Canada that is an insurer which carries on business in Canada and elsewhere.

The Common Shares will generally be considered capital property to a Non-Resident Holder unless either (i) the Non-Resident Holder holds the Common Shares in the course of carrying on a business of buying and selling securities or (ii) the Non-Resident Holder has acquired the Common Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade.

The term "U.S. Holder," for the purposes of this section, means a Non-Resident Holder who, for purposes of the *Canada-United States Income Tax Convention* (1980) as amended, (the "Convention"), is at all relevant times a resident of the United States and is a "qualifying person" within the meaning of the Convention. In some circumstances, fiscally transparent entities (including limited liability companies) will be entitled to benefits under the Convention. U.S. Holders are urged to consult with their own tax advisors to determine their entitlement to benefits under the Convention based on their particular circumstances.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), the current provisions of the Convention, counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date hereof.

This summary also takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (collectively, the "Proposed Tax Amendments"). No assurances can be given that the Proposed Tax Amendments will be enacted or will be enacted as proposed. Other than the Proposed Tax Amendments, this summary does not take into account or anticipate any changes in law or the administration policies or assessing practice of CRA, whether by judicial, legislative, governmental or administrative decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein.

***This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular U.S. Holder and no representations with respect to the income tax consequences to any particular U.S. Holder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, U.S. Holders should consult their own tax advisors with respect to their own particular circumstances. The discussion below is qualified accordingly.***

### ***Disposition of Common Shares***

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of the Common Shares, nor will capital losses arising from the disposition be recognized under the Tax Act, unless the Common Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention. As long as the shares are then listed on a designated stock exchange (which currently includes the TSX and the NYSE-MKT) at the time of disposition, the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the taxpayer or persons with whom the taxpayer did not deal at arm's length holds a membership interest directly or indirectly through one or more partnerships, or the Non-Resident Holder together with all such persons, owned or was considered to own 25% or more of the issued shares of any class or series of shares of the capital stock of the Company; and (ii) more than 50% of the fair market value of the Common Shares was determined directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as determined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or a options in respect of, or interests in, or civil law rights in, such properties, whether or not it exists.

If the Common Shares are taxable Canadian property to a Non-Resident Holder, any capital gain realized on the disposition or deemed disposition of such shares, may not be subject to Canadian federal income tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of a Non-Resident Holder, including the Convention.

*A Non-Resident Holder whose shares are taxable Canadian property should consult their own advisors.*

### *Dividends on Common Shares*

Under the Tax Act, dividends on shares paid or credited to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends. This withholding tax may be reduced pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of a Non-Resident Holder. Under the Convention, a U.S. Holder will generally be subject to Canadian withholding tax at a rate of 15% of the gross amount of such dividends. In addition, under the Convention, dividends may be exempt from Canadian non-resident withholding tax if paid to certain U.S. Holders that are qualifying religious, scientific, literary, educational or charitable tax-exempt organizations and qualifying trusts, companies, organizations or arrangements operated exclusively to administer or provide pension, retirement or employee benefits that are exempt from tax in the United States and that have complied with specific administrative procedures.

### **Certain U.S. Federal Income Tax Considerations**

The following is a general summary of certain anticipated U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of Common Shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of acquisition of Common Shares. Furthermore, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax considerations applicable to such U.S. Holder of Common Shares. Except as specified below, this summary does not discuss applicable tax reporting requirements. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. U.S. Holders should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of Common Shares.

No ruling from the U.S. Internal Revenue Service (the “IRS”) or legal opinion has been requested, or will be obtained, regarding the potential U.S. federal income tax considerations applicable to U.S. Holders as discussed in this summary. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

### **Scope of this Summary**

#### *Authorities*

This summary is based on the U.S. Internal Revenue Code, as amended (“Code”), regulations promulgated by the Department of the Treasury (whether final, temporary or proposed) (“Treasury Regulations”), U.S. court decisions, published rulings and administrative positions of the IRS, and the Convention, that are applicable and, in each case, in effect as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis, which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

#### *U.S. Holders*

For purposes of this section, a “U.S. Holder” is a beneficial owner of Common Shares that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the United States for U.S. federal income tax purposes; (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the United States or any state in the United States, including the District of Columbia; (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income; or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal

income tax purposes, or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

### ***Non-U.S. Holders***

For purposes of this summary, a “Non-U.S. Holder” is a beneficial owner of Common Shares that is neither a U.S. Holder nor a U.S. partnership (or other “pass-through” entity). This summary does not address the U.S. federal income tax considerations applicable to Non-U.S. Holders relating to the acquisition, ownership and disposition of Common Shares. Accordingly, Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) relating to the acquisition, ownership, and disposition of Common Shares.

### ***U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed***

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts or regulated investment companies or that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (c) U.S. Holders that have a “functional currency” other than the U.S. dollar; (d) U.S. Holders that own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale or other arrangement involving more than one position; (e) U.S. Holders that acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (f) U.S. Holders that hold Common Shares other than as a capital asset (generally property held for investment purposes) within the meaning of Section 1221 of the Code; or (g) U.S. Holders that own, directly, indirectly or by attribution, 10% or more, by voting power or value, of the outstanding shares of the Company. The summary below also does not address the impact on persons who are U.S. expatriates or former long-term residents of the United States subject to Section 877 of the Code. U.S. Holders and others that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors.

If an entity that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences applicable to such partnership (or “pass-through” entity) and the partners of such partnership (or owners of such “pass-through” entity) generally will depend on the activities of the partnership (or “pass-through” entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (and owners of “pass-through” entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences relating to the acquisition, ownership and disposition of Common Shares.

### ***Tax Consequences Other than U.S. Federal Income Tax Consequences Not Addressed***

This summary does not address the U.S. state and local, U.S. estate and gift, U.S. alternative minimum tax, or foreign tax consequences to U.S. Holders relating to the acquisition, ownership, and disposition of Common Shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. state and local, U.S. estate and gift, U.S. federal alternative minimum tax and foreign tax consequences relating to the acquisition, ownership, and disposition of Common Shares.

## **U.S. Federal Income Tax Consequences of the Acquisition, Ownership and Disposition of Common Shares**

### ***Distributions on Common Shares***

Subject to the PFIC rules discussed below, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder’s tax basis in the Common Shares and thereafter as a gain from the sale or exchange of such Common Shares (see “*Sale or Other Taxable Disposition of Common Shares*” below). However, the Company does not intend to maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder

should therefore assume that any distribution by the Company with respect to the Common Shares will constitute ordinary dividend income. Subject to applicable limitations, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC (as discussed below) in the tax year of distribution or in the preceding tax year. Dividends received on Common Shares by corporate U.S. Holders will not be eligible for the “dividends received deduction”. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

### ***Sale or Other Taxable Disposition of Common Shares***

Subject to the PFIC rules discussed below, upon the sale or other taxable disposition of Common Shares a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between (a) the amount of cash plus the fair market value of any property received and (b) its tax basis in such Common Shares sold or otherwise disposed of. Such gain generally will be treated as “U.S. source” for purposes of applying the U.S. foreign tax credit rules unless the gain is subject to tax in Canada and is re-sourced as “foreign source” under the Convention and such U.S. Holder elects to treat such gain or loss as “foreign source” (see a more detailed discussion at “*Foreign Tax Credit*” below). Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such Common Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

### ***Foreign Tax Credit***

A U.S. Holder who pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares generally may elect to deduct or credit such tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder’s U.S. federal income tax liability that such U.S. Holder’s “foreign source” taxable income bears to such U.S. Holder’s worldwide taxable income. In applying this limitation, a U.S. Holder’s various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source”. In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by the Company generally will constitute “foreign source” income and generally will be categorized as “passive category income”. However, and subject to certain exceptions, a portion of the dividends paid by a foreign corporation will be treated as U.S. source income for United States foreign tax credit purposes, in proportion to its U.S. source earnings and profits, if United States persons own, directly or indirectly, 50 percent or more of the voting power or value of the foreign corporation’s shares. A portion of any dividends paid with respect to the Common Shares may be treated as U.S. source income under these rules, which may limit the ability of a U.S. Holder to claim a foreign tax credit for any Canadian withholding taxes payable in respect of such amount. Because the foreign tax credit rules are complex, U.S. Holders should consult their own tax advisors regarding the foreign tax credit rules, including the source of any dividends paid to U.S. Holders.

Subject to certain specific rules, foreign income and withholding taxes paid with respect to any distribution in respect of stock in a PFIC should qualify for the foreign tax credit. The rules relating to distributions by a PFIC are complex, and a U.S. Holder should consult with its own tax advisor with respect to any distribution received from a PFIC.

### ***Receipt of Foreign Currency***

The amount of any distribution paid in foreign currency to a U.S. Holder in connection with the ownership of Common Shares, or on the sale, exchange or other taxable disposition of Common Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of actual or constructive receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. A U.S. Holder that receives foreign currency and converts such foreign currency into U.S. dollars at a conversion rate other than the rate in effect on the

date of receipt may have a foreign currency exchange gain or loss, which generally would be treated as U.S. source ordinary income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency received upon the sale, exchange or other taxable disposition of Common Shares. U.S. Holders should consult their own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning and disposing of foreign currency.

### ***Additional Tax on Passive Income***

Individuals, estates and certain trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on “net investment income” including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of Common Shares.

### ***Passive Foreign Investment Company Rules***

If the Company is considered a PFIC within the meaning of Section 1297 of the Code at any time during a U.S. Holder’s holding period, then certain different and potentially adverse tax consequences would apply to such U.S. Holder’s acquisition, ownership and disposition of Common Shares.

### ***PFIC Status of the Company***

The Company generally will be a PFIC if, for a given tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income or (b) 50% or more of the assets held by the Company either produce passive income or are held for the production of passive income, based on the fair market value of such assets. “Gross income” generally includes all revenues less the cost of goods sold plus income from investments and from incidental or outside operations or sources, and “passive income” includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all (85% or more) of a foreign corporation’s commodities are stock in trade or inventory, depreciable property used in a trade or business, or supplies regularly used or consumed in a trade or business, and certain other requirements are satisfied.

For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, “passive income” does not include any interest, dividends, rents or royalties that are received or accrued by the Company from a “related person” (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of the Company which is also a PFIC (a “Subsidiary PFIC”), and will be subject to U.S. federal income tax on (a) a distribution on the shares of a Subsidiary PFIC and (b) a disposition of shares of a Subsidiary PFIC, both as if the U.S. Holder directly held the shares of such Subsidiary PFIC.

The Company believes that it was not a PFIC for the tax years ended November 30, 2012, 2013, and 2014, but may be a PFIC in future tax years. The determination of whether the Company (or a subsidiary of the Company) was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company (or subsidiary) will be a PFIC for any tax year depends on the assets and income of the Company (and each such subsidiary) over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or subsidiary) concerning its PFIC status or that the Company (and any subsidiary) was not, or will not be, a PFIC for any tax year. U.S. Holders should consult their own tax advisors regarding the PFIC status of the Company and any subsidiary of the Company.

### ***Default PFIC Rules under Section 1291 of the Code***

If the Company is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership and disposition of Common Shares will depend on whether such U.S. Holder makes a QEF election or makes a

mark-to-market election under Section 1296 of the Code (a “Mark-to-Market Election”) with respect to Common Shares. A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a “Non-Electing U.S. Holder”.

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of Common Shares and (b) any excess distribution paid on the Common Shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the Common Shares, if shorter).

If the Company is a PFIC, under Section 1291 of the Code any gain recognized on the sale or other taxable disposition of Common Shares (including an indirect disposition of shares of a Subsidiary PFIC), and any excess distribution paid on Common Shares (or a distribution by a Subsidiary PFIC to its shareholder that is deemed to be received by a U.S. Holder) must be ratably allocated to each day of a Non-Electing U.S. Holder’s holding period for the Common Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or excess distribution and to years before the Company became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as “personal interest”, which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds Common Shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent years. If the Company ceases to be a PFIC, a Non-Electing U.S. Holder may terminate this deemed PFIC status with respect to Common Shares by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such Common Shares were sold on the last day of the last tax year for which the Company was a PFIC.

Under proposed Treasury Regulations, if a U.S. Holder has an option, warrant or other right to acquire stock of a PFIC, such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code. Under rules described below, if the Company was a PFIC, the holding period for the option, warrant or other right would begin on the day after the date a U.S. Holder acquired the option, warrant or other right. This would impact the availability of the QEF Election and Mark-to-Market Election with respect to an option, warrant or other right. Thus, a U.S. Holder would have to account for an option, warrant or other right and Common Shares under the PFIC rules and the applicable elections differently (see discussion below under “*QEF Election*” and “*Market-to-Market Election*”).

### ***QEF Election***

In the event the Company is a PFIC and a U.S. Holder makes a QEF Election for the first tax year in which its holding period of its Common Shares begins, such U.S. Holder generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its Common Shares. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder’s pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, “net capital gain” is the excess of (a) net long-term capital gain over (b) net short-term capital gain, and “ordinary earnings” are the excess of (a) “earnings and profits” over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, a U.S. Holder that makes a QEF Election may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest”, which is not deductible.

A U.S. Holder that makes a QEF Election generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents “earnings and profits” of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the Common Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF

Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Common Shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if it is made for the first year in the U.S. Holder’s holding period for the Common Shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in a subsequent tax year, the QEF Election will be effective, and the U.S. Holder will be subject to the QEF rules described above during a subsequent tax year in which the Company qualifies as a PFIC.

As discussed above, under proposed Treasury Regulations, if a U.S. Holder has an option, warrant or other right to acquire stock of a PFIC, such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code on its disposition. However, a holder of an option, warrant or other right to acquire stock of a PFIC may not make a QEF Election that will apply to the option, warrant or other right to acquire PFIC stock. In addition, under proposed Treasury Regulations, if a U.S. Holder holds an option, warrant or other right to acquire stock of a PFIC, the holding period with respect to shares of stock of the PFIC acquired upon exercise of such option, warrant or other right will include the period that the option, warrant or other right was held. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to Common Shares.

The Company will make available to U.S. Holders, upon their written request, timely and accurate information as to its status as a PFIC, and will provide to a U.S. Holder all information and documentation that a U.S. Holder making a QEF Election with respect to the Company, and any Subsidiary PFIC in which the Company owns, directly or indirectly, more than 50% of such Subsidiary PFIC’s total aggregate voting power, is required to obtain for U.S. federal income tax purposes in the event it is a PFIC. However, U.S. Holders should be aware that the Company can provide no assurances that it will provide any such information relating to any Subsidiary PFIC, in which the Company owns, directly or indirectly, 50% or less of such Subsidiary PFIC’s aggregate voting power. Because the Company may own shares in one or more Subsidiary PFICs, and may acquire shares in one or more Subsidiary PFICs in the future, they will continue to be subject to the rules discussed above with respect to the taxation of gains and excess distributions with respect to any Subsidiary PFIC for which the U.S. Holders do not obtain the required information. U.S. Holders should consult their tax advisor regarding the availability of, and procedure for making, a QEF Election with respect to the Company and any Subsidiary PFIC.

### ***Mark-to-Market Election***

A U.S. Holder may make a Mark-to-Market Election only if the Common Shares are marketable stock. The Common Shares generally will be “marketable stock” if they are regularly traded on (a) a national securities exchange that is registered with the SEC; (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934; or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced; and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Each U.S. Holder should consult its own tax advisor regarding whether the Common Shares constitute marketable stock.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Common Shares generally will not be subject to the rules of Section 1291 of the Code discussed above. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder’s holding period for Common Shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the Common Shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares, as of the close of such tax year over (b) such U.S. Holder's tax basis in such Common Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the Common Shares over (ii) the fair market value of such Common Shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

U.S. Holders that make a Mark-to-Market Election generally also will adjust their tax basis in the Common Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of Common Shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Common Shares cease to be "marketable stock" or the IRS consents to revocation of such election. U.S. Holders should consult their own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to Common Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

#### ***Other PFIC Rules***

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Common Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations) in the event the Company is a PFIC during such U.S. Holder's holding period for the relevant shares. However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Common Shares are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses Common Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Common Shares.

In any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

In addition, a U.S. Holder who acquires Common Shares from a decedent will not receive a "step up" in tax basis of such Common Shares to fair market value unless such decedent had a timely and effective QEF Election in place.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC.

The PFIC rules are complex, and U.S. Holders should consult their own tax advisors regarding the PFIC rules and how they may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares in the event the Company is a PFIC at any time during such holding period for such Common Shares.



### ***Information Reporting, Backup Withholding Tax***

Certain U.S. Holders are required to report information relating to an interest in Common Shares subject to certain exceptions (including an exception for Common Shares held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in Common Shares. U.S. Holders are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of Common Shares.

Payments made within the United States, or by a U.S. payor or U.S. middleman, of dividends on Common Shares, and proceeds arising from certain sales or other taxable dispositions of Common Shares, may be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. social security or other taxpayer identification number (generally on Form W-9); (b) furnishes an incorrect U.S. taxpayer identification number; (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax; or (d) fails under certain circumstances to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder timely furnishes the required information to the IRS. U.S. Holders should consult their own tax advisors regarding the information reporting and backup withholding tax rules.

### **Unregistered Sales of Equity Securities**

On July 7, 2014, we closed a non-brokered private placement (the "Offering") pursuant to which we issued and sold to three existing shareholders (collectively, the "Investors") an aggregate of 6,521,740 Units (each, a "Unit") at a purchase price per Unit of US\$1.15 (the "Unit Price"), for gross proceeds of approximately \$7.5 million, with each Unit consisting of one common share in the capital of the Company (each, a "Share") and one common share purchase warrant, each entitling the holder, at its option, to purchase one additional Share (each, a "Warrant").

The Warrants are exercisable for a period of five years from and after the closing at an exercise price of US\$1.60 per share, subject to certain adjustments (the "Exercise Price"). The Warrants have customary anti-dilution protections including in the event of (i) certain distributions of cash and/or property made by the Company to its shareholders; (ii) any rights offering at an offering price below 95% of the then current market price; (iii) any capital reorganization; or (iv) any share reorganization. The Warrants also have weighted average anti-dilution protection in the event that any subsequent equity financing (including an offering of derivative securities convertible into or exercisable for equity), subject to certain exceptions, occurs following the closing at an offering price (including the price of conversion or exercise of any derivative securities) below the Exercise Price; provided, however, that in no circumstances shall the Exercise Price be adjusted below US\$1.10.

The Offering was effected pursuant to the terms and provisions of unit purchase agreements negotiated separately and entered into with each of the Investors on June 30, 2014.

The issuance and sale of the Units, Shares and Warrants (collectively, the "Securities") has not been registered under the Securities Act, and the Securities may not be offered or sold in the United States absent registration under or exemption from the Securities Act and any applicable state securities laws. The Securities have been issued and sold in reliance upon an exemption from registration afforded by Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated under the Securities Act, based on the following facts: each of the Investors has represented that it is an accredited investor as defined in Rule 501 promulgated under the Securities Act, that it is acquiring the Securities for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof in violation of applicable securities laws and that it has sufficient investment experience to evaluate the risks of the investment; the Company used no advertising or general solicitation in connection with the issuance and sale of the Securities to the Investors; and the Securities were issued as restricted securities.

### **Repurchase of Securities**

During 2014, neither NovaCopper nor any affiliate of NovaCopper repurchased Common Shares of NovaCopper registered under Section 12 of the Exchange Act.

**Item 6. SELECTED FINANCIAL DATA**

The selected financial data in the table below have been selected in part, from our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The selected financial data should be read in conjunction with those consolidated financial statements and the notes thereto.

*in thousands of dollars, except per share amounts*

	<b>Year ended November 30</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Results of operations</b>					
Loss and comprehensive loss for the period	9,648	24,394	31,018	11,336	3,340
Basic and diluted loss per share	0.17	0.47	0.67	0.44	0.14
<b>Financial position</b>					
Working capital (deficit)	4,846	5,423	21,190	(424)	(12,153)
Total assets	36,826	38,899	55,696	31,772	26,607
Total long-term liabilities	-	-	-	-	11,098
Shareholders' equity	35,847	37,157	53,723	31,251	3,296

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**NovaCopper Inc.**  
(An Exploration-Stage Company)

### **Management's Discussion & Analysis** **For the Fourth Quarter and Year Ended November 30, 2014** (expressed in US dollars)

#### **General**

This Management's Discussion and Analysis ("MD&A") of NovaCopper Inc. ("NovaCopper" or "the Company") is dated February 5, 2015 and provides an analysis of our audited financial results for the year ended November 30, 2014 compared to the year ended November 30, 2013.

The following information should be read in conjunction with our November 30, 2014 audited consolidated financial statements and related notes which were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). A summary of the U.S. GAAP accounting policies are outlined in note 2 of the audited consolidated financial statements. All amounts are in United States dollars unless otherwise stated.

Scott Petsel, P.Geol., an employee and the Upper Kobuk Mineral Projects Manager, is a Qualified Person under National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"), and has approved the scientific and technical information in this MD&A.

NovaCopper's shares are listed on the Toronto Stock Exchange ("TSX") and the NYSE-MKT under the symbol "NCQ". Additional information related to NovaCopper, including our annual report on Form 10-K, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

#### **Description of business**

We are a base metals exploration company focused on exploring and developing the Ambler mining district located in Alaska, U.S.A. We conduct our operations through a wholly-owned subsidiary, NovaCopper US Inc. ("NovaCopper US"). Our Upper Kobuk Mineral Projects, or UKMP Projects, consist of: i) the 100% owned Ambler lands which host the Arctic copper-zinc-lead-gold-silver Project; and ii) the Bornite lands being explored under a collaborative long-term agreement with NANA Regional Corporation, Inc. ("NANA"), a regional Alaska Native Corporation, which host the Bornite carbonate-hosted copper Project.

We were formed in 2011 by NovaGold Resources Inc. ("NovaGold") to hold the UKMP Projects, and were spun-out to shareholders of NovaGold through a Plan of Arrangement effective April 30, 2012. NovaGold shareholders received one NovaCopper common share for every six common shares of NovaGold held on the effective date of the Plan of Arrangement.

#### **Property review**

Our principal assets, the UKMP Projects, are located in the Ambler mining district in Northwest Alaska. Our UKMP Projects comprise approximately 352,943 acres (142,831 hectares) consisting of the Ambler and Bornite lands.

#### **Arctic Project**

The Ambler lands, which host a number of deposits, including the high-grade copper-zinc-lead-gold-silver Arctic Project, and other mineralized targets within a 100 kilometer long volcanogenic massive sulfide ("VMS") belt, are owned by NovaCopper US. The Ambler lands are located in Northwestern Alaska and consist of 112,058 acres (45,348 hectares) of Federal patented mining claims and State of Alaska mining claims, within which VMS mineralization has been found.

On January 11, 2010, NovaGold purchased 100% of the Ambler lands. As consideration, NovaGold issued 931,098 common shares with a fair value of \$5.0 million and agreed to make two cash payments to the vendor of \$12.0 million each in January 2011 and January 2012 for total consideration of \$29.0 million. The January 2011

payment was made by NovaGold on January 7, 2011 and the January 2012 payment was made in advance by NovaGold on August 5, 2011. Total fair value of the consideration was \$26.5 million, including transaction costs associated with the acquisition of \$0.1 million. The vendor retained a 1% net smelter return royalty that the owner of the property can purchase at any time for a one-time payment of \$10.0 million.

We have recorded the Ambler lands as a mineral property with acquisition costs capitalized and exploration costs expensed in accordance with our accounting policies. As a result of the spin-out of NovaCopper from NovaGold, the interim consolidated financial statements have been presented under the continuity of interest basis of accounting whereby the amounts are based on the amounts originally recorded by NovaGold as if we had held the property from inception.

### **Bornite Project**

On October 19, 2011, NovaCopper US and NANA signed a collaborative agreement to explore and develop the Ambler mining district. Under the Exploration Agreement and Option to Lease (the “NANA Agreement”), NovaCopper US acquired the exclusive right to explore the Bornite property and lands deeded to NANA through the Alaska Native Claims Settlement Act (“ANCSA”), located adjacent to the Arctic Project, and the non-exclusive right to access and entry onto NANA’s lands. The agreement establishes a framework for any future development of either the Bornite Project or the Arctic Project. Both projects are included as part of a larger area of interest set forth in the NANA Agreement.

As consideration, NovaCopper paid \$4.0 million to NANA upon signing the NANA agreement and gave NANA the right to appoint a member to NovaCopper’s board of directors within a five year period following our public listing on a stock exchange. NANA has not exercised their right to appoint a board member at this time. Upon the decision to proceed with development of a mine within the area of interest, NANA has a 120 day one time right to purchase an ownership interest in the mine equal to between 16%-25% or retain a 15% net proceeds royalty which is payable after NovaCopper has recovered certain historical costs, capital and cost of capital. Should NANA elect to purchase an ownership interest in the mine, consideration will be payable based on the elected percentage purchased and the costs incurred on the properties less \$40.0 million, not to be less than zero. The parties would form a joint venture and be responsible for all future costs incurred in connection with the mine, including capital costs of the mine, based on each party’s pro-rata share. The completion of the agreement with NANA creates a total land package which incorporates our Ambler lands with the adjacent Bornite and ANCSA lands for a total of approximately 352,900 acres (142,831 hectares).

NANA would also be granted a net smelter return royalty between 1% and 2.5% upon the execution of a mining lease or a surface use agreement, the amount of which is determined by the particular area of land from which production originates.

We have accounted for the Bornite property as a mineral property with acquisition costs capitalized and exploration costs expensed.

### **Corporate developments**

#### *Financing*

On July 7, 2014, we completed a non-brokered private placement with our three largest shareholders for \$7.5 million in Units. Each Unit was priced at \$1.15 per Unit and consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.60 per share for a period of five years from the closing date. Net proceeds from the private placement were approximately \$7.2 million. The gross proceeds raised were allocated for the 12 months following closing to fund a minimum of \$2.7 million on program expenditures, \$4.0 million on general and administrative expenses including costs associated with the offering, and \$0.8 million on one-time expenses incurred in reducing annual general and administrative expenses. We are currently on track to meet our budgeted expenditures.

#### *Long-term incentives*

On September 9, 2014, the Board of Directors approved a grant of 1,620,000 stock options to employees and directors.

## Share issuances

Under the Plan of Arrangement, we committed to issue common shares to satisfy holders of NovaGold performance share units (“PSUs”) and deferred shares units on record as of the close of business on April 27, 2012. When a share unit vests, we committed to deliver one common share to such holder for every six shares of NovaGold the holder is entitled to receive, pursuant to the warrant and share unit terms, rounded down to the nearest whole number. During the year ended November 30, 2014, we issued 14,166 PSUs. As of November 30, 2014, no NovaGold PSUs remain outstanding and 20,685 NovaGold DSUs remain outstanding, which will settle upon the NovaGold directors’ retirement.

## Project activities

On March 18, 2014, we announced the release of an updated NI 43-101 compliant resource estimate for the Bornite deposit and on April 1, 2014, we filed a NI 43-101 compliant technical report titled “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” dated effective March 18, 2014. This updated Bornite Project resource estimation included the results of drilling completed and the re-logging and re-assaying program undertaken during the 2013 field season. At a base case 0.50% copper cutoff grade, the Bornite Project is estimated to contain in-pit indicated resources of 14.1 million tonnes at an average grade of 1.08% copper or 334 million lbs of contained copper and in-pit inferred resources of 109.6 million tonnes at an average grade of 0.94% copper or 2.3 billion lbs of contained copper. Resources are stated as contained within a pit shell developed using a metal price of \$3.00/lb copper, mining costs of \$2.00/tonne, milling costs of \$11/tonne, general and administrative cost of \$5.00/tonne, 87% metallurgical recoveries and an average pit slope of 43 degrees. In addition to the in-pit resources, at a base case 1.50% copper cutoff grade, the Bornite Project contains below-pit inferred resources of 55.6 million tonnes at an average grade of 2.81% copper or 3.4 billion lbs of contained copper that may be amenable to underground extraction methods. Resources are stated as potentially being economically viable in an underground mining scenario based on a projected metal price of \$3.00 per pound copper, underground mining costs of \$50.00 per tonne, milling costs of \$11.00 per tonne, general and administrative of \$5.00 per tonne, and an average metallurgical recovery of 87%. See “*Cautionary Note to United States Investors.*”

During 2014, we focused efforts on supporting the Alaska Industrial Development Export Authority (“AIDEA”) with their activities towards advancing the Ambler Mining District Industrial Access Road (“AMDIAR”) which is anticipated to provide access to UKMP Projects. AIDEA continued to collect community input at meetings held through the winter of 2013/2014 in various local villages. In late April 2014, AIDEA’s board of directors approved a resolution authorizing AIDEA to proceed with an application for the Ambler road to the federal agencies that have jurisdiction over the AMDIAR project and to engage a firm to prepare the environmental impact statement for the project under the direction of the federal agencies. Environmental baseline studies were conducted by DOWL during the summer field season in preparation for the submission of the environmental impact statement. The United States Army Corps of Engineers (“USACE”) has selected HDR, Inc. as the third party environmental engineer to manage the environmental impact statement process on behalf of the USACE.

The permitting document is substantially complete. In light of the recent drop in oil prices, the Government of Alaska is reviewing all capital projects. We expect the permitting process will continue and expect to be able to provide an update later in the first calendar quarter of 2015.

In early September 2014, we completed our 2014 re-logging program of approximately 13,000 meters in 37 historical drill holes at Bornite. Targeted historical holes were located within the near-surface Ruby Creek zone of the Bornite deposit. This effort was a continuation of 2013’s program of re-sampling which targeted 33 drill holes comprising 11,067 meters of core originally drilled and only selectively sampled by Kennecott between 1957 and 1975. The 2013 re-sampling program resulted in a significant increase in the amount of copper-bearing mineralization at Bornite.

The objectives of the 2014 re-logging/re-sampling program were threefold: 1) to identify additional low-grade (<1% copper) near-surface mineralized material which had not been previously sampled; 2) to confirm and conduct a Quality Assurance/Quality Control program on the historical sample results; and 3) to acquire a full geochemical data suite for the Ruby Creek zone which can be utilized in future geological modeling. The re-logging and re-sampling program has confirmed previously known higher-grade copper intervals (>1% copper) and extended the known near-surface lower-grade copper halo. Of the 37 selectively sampled historic drill holes, 5 holes had new intervals of copper grading more than 0.5% copper, and 21 holes contained newly sampled mineralization grading more than 0.2% copper. It is anticipated that these results will add lower-grade mineralization to the Company’s mineral inventory as well as reduce the strip ratio in a potential open pit by converting zero grade material to low-

grade material. A formal resource update will not be undertaken at this time but the information gathered from our 2014 work program will be incorporated into future studies.

We also continued to maintain our weather station and stream gauges in the region to continue our environmental baseline data collection.

In Fiscal 2014, we expended \$2.5 million on the UKMPs consisting of \$1.2 million in wages and benefits, \$0.4 million in project support expenses, \$0.4 million in land maintenance and permit expenses, and \$0.2 million in geochemistry expenses.

## Outlook

We plan to advance the Arctic deposit to feasibility over a two to three year period for a total investment of approximately \$20 million. We plan to invest approximately \$8 to \$10 million during the 2015 field season mainly for drilling the Arctic in-pit resource from inferred to measured and indicated confidence levels to support the classification of resources and collect Arctic in-pit geotechnical and metallurgical data. Funds will also be utilized for environmental and engineering studies to gather information in preparation for a feasibility study. We will also complete sufficient work to demonstrate the viability of a mining operation at Bornite, specifically with evaluating potential synergies between the two sites and potentially lengthening the mine life of the UKMP Projects and the Ambler mining district.

During 2015, we will also continue to focus efforts on supporting AIDEA in initiating the environmental impact statement process in permitting the AMDIAR which is anticipated to provide access to UKMP Projects. With our emphasis on local hiring, we continue to work closely with NANA on community relations and workforce development strategies.

We do not currently generate operating cash flows. At November 30, 2014, we had cash and cash equivalents of \$5.1 million and working capital of \$4.8 million. At January 31, 2015, we had approximately \$4.2 million of cash and cash equivalents. We will need to raise additional funds to continue operations and to support further exploration and development of our projects and administration expenses. Based on the plan described above, we are likely to require financing within the next twelve months. Future financings are anticipated through equity financing, debt financing, convertible debt, or other means. There is no assurance that we will be successful in obtaining additional financing, that sufficient funds will be available to us, or be available on favourable terms.

## Summary of results

*in thousands of dollars,  
except for per share amounts*

<b>Selected expenses</b>	<b>Year ended November 30, 2014 \$</b>	<b>Year ended November 30, 2013 \$</b>	<b>Year ended November 30, 2012 \$</b>
Amortization	750	1,033	769
General and administrative	1,484	1,915	2,276
Mineral properties expense	2,512	8,894	15,327
Professional fees	952	947	646
Salaries	3,012	3,173	2,410
Salaries – stock-based compensation	887	8,225	9,411
Loss and comprehensive loss for the year	9,648	24,394	31,018
Basic and diluted loss per common share	\$0.17	\$0.47	\$0.67

For the year ended November 30, 2014, we reported a net loss of \$9.6 million (or \$0.17 basic and diluted loss per common share) compared to a net loss of \$24.4 million for the corresponding period in 2013 (or \$0.47 basic and diluted loss per common share) and a net loss of \$31.0 million for the corresponding period in 2012 (or \$0.67 basic and diluted loss per common share). This variance was primarily due to a decrease in mineral property expenses, stock-based compensation, and general and administration expenses for 2014 and 2013. This variance was primarily due to the type of exploration program undertaken during the 2014 field season. The significant reduction in mineral property expenses is related to the differing magnitude of the field programs at our UKMP Projects in 2014, 2013 and 2012. In 2014, we completed a re-sampling and re-assaying program of approximately 13,000 meters of historical drill core. In 2013, we completed an exploration drilling campaign at Bornite of 8,142 meters and a re-

sampling and re-assaying program comprising 11,067 meters of historical drill core, and in 2012, we completed an exploration drilling program mainly at Bornite of 17,209 meters. Mineral property expenses consist of direct drilling, personnel, community, resource reporting and other exploration expenses, as well as indirect project support expenses such as fixed wing charters, helicopter support, fuel, and other camp operation costs.

The other significant reduction in expenses is from a charge of \$0.9 million in stock-based compensation in 2014 compared to \$8.2 million in 2013, and \$9.4 million in 2012. The expense recognized for current year included \$0.5 million in expense relating to stock options and \$0.4 million in expense relating to previously granted restricted share units (“RSUs”) and deferred share units (“DSUs”). The expense recognized for 2013 of \$8.2 million included \$4.8 million in expense relating to previously granted stock options and \$3.4 million in expense relating to the RSU and DSU grants in December 2012. On November 22, 2013, we cancelled 5,710,000 stock options at an exercise price of CAD\$3.11 which were originally granted in 2012. Remaining expense relating to unvested options at the time of cancellation of \$0.8 million was accelerated and recognized in the year. In 2012, we became a publicly listed entity, and as a result, recorded stock-based compensation expense for the first time. Total expense recognized for the year ended November 30, 2012 was \$9.4 million.

General and administrative expenses for the year ended November 30, 2014 were \$1.5 million, a reduction of \$0.5 million from the \$1.9 million incurred for the year ended November 30, 2013, and a further reduction of \$0.4 million from the \$2.3 million incurred for the year ended November 30, 2012. Expenses in 2012 were high due to the spin-out and costs incurred in connection with becoming a separate public company from NovaGold. Expenses in 2013 and 2014 represent a reduction in general and administrative expenses due to our efforts with cost reductions. The comparable basic and diluted loss per common share for 2014 is lower than 2013 and 2012 mainly as a result of the decreased loss and comprehensive loss for the year, as well as additional shares issued during 2014 as a result of the private placement completed in July 2014. Expenses to April 30, 2012, the date of completion of the spin-out, were funded by NovaGold and its affiliates.

Other important variances for the twelve-month period ended November 30, 2014 compared to the same period in 2013 and 2012 are as follows: (a) \$0.8 million in amortization compared to \$1.0 million in 2013 and \$0.8 million in 2012 due to timing of capital purchases in the prior fiscal year; (b) \$0.9 million in professional fees in 2014 and 2013 compared to \$0.7 million in 2012 primarily as additional expenses were incurred in financing and prospectus-related filings in Canada and the United States in 2014 and 2013 respectively; (c) \$3.0 million on salaries in 2014, \$3.2 million on salaries in 2013, and a similar amount of \$2.4 million incurred in 2012, which reflects comparable staff costs overall on an annualized basis because we did not have full time staff until May 2012. In 2014, we incurred \$1.5 million in severance expenses in August and September 2014 due to a one-time reduction in staff which was offset by a recovery of \$0.3 million due to a reversal of accrued bonuses to employees no longer eligible to receive payment. In addition, as a result of the reductions, salaries of \$0.4 million for the fourth quarter of 2014 were lower than the previous quarters of 2014.

#### **Fourth quarter results**

During the fourth quarter of 2014, we incurred a net loss of \$2.0 million compared to \$4.9 million for the comparable period in 2013. The decrease in net loss in 2014 compared to 2013 was a result of reduced activities in the fall of 2014 due to a re-logging and re-assaying program conducted in the 2014 field season compared with a drilling program in 2013 which ended in mid-August. We incurred \$0.6 million of mineral property expenses in the fourth quarter of 2014 compared to \$1.0 million in the fourth quarter of 2013. The decrease in net loss was also due to reduced salary and general and administrative expenses in the fourth quarter of 2014 as we reduced staffing in August 2014 by approximately half. We incurred salary expenses of \$0.4 million in the fourth quarter of 2014 compared to \$1.4 million in the fourth quarter of 2013. The fourth quarter of 2013 included a recording of \$0.8 million in 2013 bonuses for which there is no comparable expense in 2014. General and administrative expenses were reduced from \$0.5 million in the fourth quarter of 2013 to \$0.3 million in the fourth quarter of 2014. The other item which reflects the decrease in net loss resulted from stock-based compensation of \$1.4 million in the fourth quarter of 2013 compared to \$0.6 million in 2014 resulting from the cancellation of options and acceleration of expense in late 2013 and the timing of expense due to vesting of stock options and units.

## Selected financial data

### Annual information

The following annual information is prepared in accordance with U.S. GAAP.

	<b>Year ended November 30, 2014</b>	<b>Year ended November 30, 2013</b>	<b>Year ended November 30, 2012</b>
	\$	\$	\$
Interest income	2	40	45
Expenses	9,650	24,434	31,056
Loss and comprehensive loss for the year	9,648	24,394	31,018
Total assets	36,826	38,899	55,696
Total liabilities	979	1,742	1,973

### Quarterly information

The following unaudited quarterly information is prepared in accordance with U.S. GAAP.

	<b>Q4 2014</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>	<b>Q2 2013</b>	<b>Q1 2013</b>
	11/30/14	08/31/14	05/31/14	02/28/14	11/30/13	08/31/13	05/31/13	02/29/13
	\$	\$	\$	\$	\$	\$	\$	\$
Interest and other income	-	1	-	1	4	13	9	14
Mineral property expenses	596	847	489	580	1,134	4,727	2,231	802
Loss for the period	(2,029)	(2,911)	(2,093)	(2,616)	(4,931)	(6,890)	(5,947)	(6,626)
Loss per common share – basic and diluted	(0.03)	(0.05)	(0.04)	(0.05)	(0.09)	(0.13)	(0.11)	(0.13)

Factors that can cause fluctuations in our quarterly results include the length of the exploration field season at the properties, the type of program conducted, timing of property acquisition payments, stock option vesting, and issuance of shares. Other factors that have caused fluctuations in the quarterly results that would not be expected to re-occur include our incorporation and completion of the spin-out. Prior to April 2011, we had no shares outstanding as the Company was not yet incorporated. As a result of the spin-out, the loss per common share has been restated as if the distribution of common shares would have occurred at inception.

During the first quarter of 2013, we incurred expenses of \$4.1 million in stock-based compensation expense due to the vesting of previously granted stock options and the granting of RSUs and DSUs. We also recognized mineral property expenses of \$0.8 million related to preparation activities for the 2013 field season and ongoing engineering studies. During the second quarter of 2013, we incurred mineral property expenses of \$2.2 million consisting of the start-up of the field season in May and continuation of engineering studies. We also incurred expenses of \$2.0 million in stock-based compensation due to the expense being recorded evenly over the vesting period of previously granted stock options and RSUs. During the third quarter of 2013, mineral property expenses of \$4.7 million were recorded as the majority of the exploration program was conducted during the quarter. During the fourth quarter of 2013, stock-based compensation of \$1.4 million was recorded due to an acceleration of expense as a result of the cancelling of 5,710,000 stock options during the period. All expense for unvested options was accelerated and included in the current period. During the first quarter of 2014, we incurred \$0.1 million of stock-based compensation expense due to the prior acceleration of expense in the fourth quarter of 2013. As a result, our loss for the first quarter ended February 28, 2014 is significantly reduced. During the second quarter of 2014, we incurred \$0.5 million in mineral property expenses as our field season start-up in 2014 occurred in July, later than in previous years. As a result, no field season activity costs were incurred in Q2 2014 resulting in a significantly reduced loss of \$2.1 million for the second quarter of 2014 compared to previous second quarter losses. During the third quarter of 2014, we incurred mineral property expenses of \$0.8 million due to a reduced field season program resulting in a significantly reduced loss of \$2.9 million compared to previous third quarter losses. We incurred a one-time severance cost of \$1.5 million relating to staff reductions. During the fourth quarter of 2014, we incurred \$0.6 million of mineral property expenses mainly related to assaying costs incurred for the 2014 field program. Our net loss for the fourth quarter of 2014 of \$2.0 million is reduced from the fourth quarter net loss of 2013 of \$4.9 million mainly due to lower salaries and general and administrative expenses and a high stock-based compensation charge in 2013.



Our properties are not yet in production; consequently, we believe that our loss (and consequent loss per common share) is not a primary concern to investors in the Company.

### Liquidity and capital resources

At November 30, 2014, we had \$5.1 million in cash and cash equivalents. We expended \$8.6 million on operating activities compared with \$15.2 million for operating activities for the same period in 2013, and expenditures of \$19.9 million for operating activities for the same period in 2012. A majority of cash spent on operating activities during all periods was expended on mineral property expenses, salaries and general and administrative expenses, which also accounts for the corresponding decrease. As the exploration field season in the Ambler district is between May and early October of each year, a significant portion of the mineral property expenses and operating activities are incurred during this time frame. The decrease is also somewhat offset by an adjustment for non-cash working capital in 2012 as accounts payable and accrued liabilities were higher at \$2.0 million at November 30, 2012 compared to \$1.7 million at November 30, 2013 and \$0.9 million at November 30, 2014. This difference relates mainly to earlier settlement of mineral property expenses in the year and reduced spending in 2013 and 2014 compared to 2012.

During the year ended November 30, 2014, we generated \$7.2 million from financing activities compared to expenditures of \$0.3 million on financing activities in the year ended November 30, 2013 and \$43.8 million from financing activities generated in the same period in 2012. The generation of cash in 2014 was raised from the completion of a private placement of \$7.2 million in July 2014. Cash was expended in 2013 to settle vested RSUs which were not able to be settled in shares due to an insider participation limit in our RSU Plan. Cash of \$40.0 million was received from NovaGold in April 2012 with the completion of the Plan of Arrangement. Additional funding of \$3.8 million was received to fund operating expenses incurred up to April 30, 2012 and \$15.1 million in operating expense funding provided in the year ended November 30, 2011. No funding was received from NovaGold subsequent to April 30, 2012. In 2011, the remaining \$24.0 million in funding received from NovaGold repaid the \$24.0 million note payable on the purchase of the Ambler lands.

During the year ended November 30, 2014, we expended \$0.02 million on investing activities compared with \$0.2 million in 2013 and \$1.6 million in 2012. In 2012, our focus was on acquiring additional equipment to maintain and improve road access and expand sleeping capacity of our camp. In 2013, we purchased vehicles and equipment to replace existing aged vehicles and expand mobile capacity. In 2014, our expenditures were minimal and limited to necessary replacements.

At November 30, 2014, we had \$5.1 million in cash and cash equivalents and working capital of \$4.8 million. Substantial doubt exists as to our ability to continue as a going concern as our operating activities are dependent on our ability to obtain additional financing. We will need to raise additional funds to continue operations and to support further exploration and development of its projects and administration expenses. Future financings are anticipated through equity financing, debt financing, convertible debt, or other means. There is no assurance that we will be successful in obtaining additional financing, that sufficient funds will be available to us, or be available on favourable terms. Factors that could affect the availability of financing include fluctuations in our share price, the state of international debt and equity markets, investor perceptions and expectations, global financial and metals markets, and progress on our exploration properties.

### Contractual obligations

Contractual obligated undiscounted cash flow requirements as at November 30, 2014 are as follows.

	<i>in thousands of dollars, unless otherwise specified</i>				
	<b>Total</b>	<b>&lt; 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>&gt; 5 Years</b>
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	979	979	-	-	-
Office lease	429	171	258	-	-
<b>Total</b>	<b>1,408</b>	<b>1,150</b>	<b>258</b>	<b>-</b>	<b>-</b>

## Off-balance sheet arrangements

We have no material off-balance sheet arrangements. On January 25, 2013, we entered into a commitment to lease office space effective May 1, 2013 for a period of four years with a remaining total commitment of \$0.4 million.

## Outstanding share data

At February 2, 2015, we had 60,633,701 common shares issued and outstanding. At February 2, 2015, we had 6,521,740 warrants with a weighted-average exercise price of \$1.60, 3,361,666 stock options with a weighted-average exercise price of \$0.75, 546,771 NovaGold arrangement options with a weighted-average exercise price of \$4.98, 1,029,572 deferred share units, and 20,685 NovaGold DSUs for which the holder is entitled to receive one common share for every six NovaGold shares received outstanding.

## New accounting pronouncements

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after December 1, 2013 or as noted. We are continuing to assess the impact of these standards and amendments or have determined whether we will early adopt them, as noted.

### *i. Income tax disclosure*

The Financial Accounting Standards Board (the “FASB”) issued “Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists” (“ASU 2013-11”) which amended Topic 740, Income Taxes to provide guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. It was released to provide clear guidance to minimize divergence in practice when disclosing unrecognized tax benefits. ASU 2013-11 is effective for fiscal years beginning after December 15, 2013. We adopted this standard for the fiscal year ending November 30, 2014. The adoption of ASU 2013-11 did not have any impact as our disclosure meets the recommended practice.

### *ii. Offsetting assets and liabilities*

In January 2013, the FASB issued “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities” (“ASU 2013-01”). ASU 2013-01 clarifies Accounting Standards Update No. 2011-11: “Disclosures about Offsetting Assets and Liabilities” (“ASU 2011-11”) to restrict the scope of implementation to derivatives accounted for under Topic 815, Derivatives and Hedging, which includes bifurcated embedded derivatives repurchase agreements and reverse repurchase agreements, and securities borrowing and lending transactions that require an offset or are subject to an enforceable master netting arrangement. ASU 2013-01 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. We adopted this standard for the fiscal year ending November 30, 2014. The adoption of ASU 2013-01 did not have a material impact on our results of operations, financial condition, or cash flows.

### *iii. Development stage entity*

In June 2014, the FASB issued “Development Stage Entities – Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation” (“ASU 2014-10”). ASU 2014-10 eliminates the concept of a development stage entity, of which NovaCopper had been classified. Upon adoption, certain financial reporting disclosures will be eliminated including the presentation of an inception-to-date statement of income and cash flow. ASU 2014-10 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption of this standard is permitted, and we expect to adopt for the fiscal year ending November 30, 2015. The adoption of ASU 2014-10 is expected to have an impact on the disclosure and presentation of our statement of loss and comprehensive loss and the statement of cash flows. As a result of adopting the standard, we will no longer include the “cumulative during exploration stage” column currently presented on our statement of loss and comprehensive loss and the statement of cash flows.

iv. *Going Concern*

In August 2014, the FASB issued “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”). Historically, there has been no guidance in U.S. GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern. This update provides the guidance to clarify when and how management should be assessing their ability to continue as a going concern. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. Early adoption of this standard is permitted, and we expect to adopt for the fiscal year ending November 30, 2015. We expect the adoption of ASU 2014-15 will have an impact on the frequency with which we conduct going concern assessments. We do not expect the adoption to have significant changes to our disclosure of going concern as we currently comply with appropriate guidance issued by the U.S. Securities and Exchange Commission and guidance under U.S. auditing standards.

### **Critical accounting estimates**

The most critical accounting estimates upon which our financial status depends are those requiring estimates of the recoverability of our capitalized mineral properties, impairment of long-lived assets and valuation of stock-based compensation.

### **Mineral properties and development costs**

All direct costs related to the acquisition of mineral property interests are capitalized. The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify the title to mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its mining assets are properly recorded, there can be no assurance that such title will be secured indefinitely.

### **Impairment of long-lived assets**

Management assesses the possibility of impairment in the carrying value of its long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Significant estimates are made in assessing the possibility of impairment. Management considers several factors in considering if an indicator of impairment has occurred, including but not limited to, indications of value from external sources, significant changes in the legal, business or regulatory environment, and adverse changes in the use or physical condition of the asset. These factors are subjective and require consideration at each period end. If an indicator of impairment is determined to exist, management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted future cash flows. Management’s estimates of mineral prices, mineral resources, foreign exchange, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset.

### **Stock-based compensation**

Compensation expense for options granted to employees, directors and certain service providers is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected life, expected forfeiture rate, expected dividend yield and the risk-free interest rate over the expected life of the option. The use of the Black-Scholes option pricing model requires input estimation of the expected life of the option, volatility, and forfeiture rate which can have a significant impact on the valuation model, and resulting expense recorded.

### **Risk factors**

NovaCopper and its future business, operations and financial condition are subject to various risks and uncertainties due to the nature of its business and the present stage of exploration of its mineral properties. Certain of these risks and uncertainties are under the heading “Risk Factors” under NovaCopper’s Form 10-K dated February 5, 2015 available on SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov) and on our website at [www.novacopper.com](http://www.novacopper.com).

## Additional information

Additional information regarding the Company, including our annual report on Form 10-K, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov) and on our website at [www.novacopper.com](http://www.novacopper.com).

## Cautionary notes

### Forward-looking statements

*This Management's Discussion and Analysis contains "forward-looking information" and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable securities laws. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including the Company's plans and expectations relating to its Upper Kobuk Mineral Projects, completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if the property is developed.*

*Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.*

*Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:*

- assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;*
- our ability to achieve production at any of the Company's mineral exploration and development properties;*
- our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;*
- assumptions that all necessary permits and governmental approvals will be obtained;*
- estimated capital costs, operating costs, production and economic returns;*
- estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company's resource and reserve estimates;*
- continued good relationship with local communities and other stakeholders*
- our expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties; and*
- our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.*

*Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:*

- risks related to the Company's ability to finance its planned exploration activities at its mineral properties or to complete further exploration programs;*
- risks related to the Company's ability to finance the development of its mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;*
- risks related to inability to define proven and probable reserves and none of the Company's mineral properties are in production or under development;*
- uncertainties relating to the assumptions underlying the Company's resource estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;*

- risks related to uncertainty of whether there will ever be production at the Company's mineral exploration and development properties;
- risks related to the Company's ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities;
- risks related to lack of infrastructure, specifically a lack of road access to the Project site; commodity price fluctuations;
- risks related to market events and general economic conditions;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- risks related to inclement weather which may delay or hinder exploration activities at its mineral properties;
- the Company's history of losses and expectation of future losses;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;
- uncertainty related to inferred mineral resources;
- uncertainty related to the economic projections contained herein derived from the PEA;
- risks related to the third parties on which the Company depends for its exploration and development activities;
- mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production;
- credit, liquidity, interest rate and currency risks;
- uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- the risk that permits and governmental approvals necessary to develop and operate mines on the Company's properties will not be available on a timely basis or at all;
- risks related to governmental regulation and permits, including environmental regulation, including the risk that more stringent requirements or standards may be adopted or applied;
- risks related to the need for reclamation activities on the Company's properties and uncertainty of cost estimates related thereto;
- uncertainty related to title to the Company's mineral properties;
- risks related to competition in the acquisition of mineral properties;
- risks inherent in the acquisition of new properties including unknown liabilities;
- the Company's need to attract and retain qualified management and technical personnel;
- risks related to conflicts of interests of some of the directors of the Company;
- risks related to potential future litigation;
- risks related to global climate change;
- risks related to adverse publicity from non-governmental organizations;
- risks related to future sales or issuances of equity securities decreasing the value of existing common shares, diluting voting power and reducing future earnings per share;
- uncertainty as to the volatility in the price of the Company's shares;
- the Company's expectation of not paying cash dividends;
- adverse federal income tax consequences for U.S. shareholders should the Company be a passive foreign investment company;
- risks related to the voting power of our majority shareholders and the impact that a sale by such shareholders may have on our share price;
- uncertainty as to the Company's ability to maintain the adequacy of internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act; and
- increased regulatory compliance costs relating to the Dodd-Frank Act.

*This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in NovaCopper's Form 10-K dated February 5, 2015, filed with the Canadian securities regulatory authorities and the United States Securities and Exchange Commission (the "SEC"), and other information released by NovaCopper and filed with the appropriate regulatory agencies.*

*The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.*

## **Cautionary note to United States investors**

### **Reserve and resource estimates**

*This Management's Discussion and Analysis has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all resource and reserve estimates included in this Management's Discussion and Analysis have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards on Mineral Resources and Mineral Reserves. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ significantly from the requirements of the SEC, and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.*

## **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are engaged in the acquisition and exploration of base metal projects and related activities, including exploration, engineering, permitting and the preparation of feasibility studies. The value of our properties is related to the price of copper and zinc and changes in the prices of base metals could affect our ability to generate future revenues.

Base metal prices may fluctuate widely from time to time and are affected by numerous factors, including the following: expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic circumstances and governmental policies. The demand for and supply of base metals significantly affect base metal prices. The supply of base metals consists of a combination of new mine production and existing stocks of fabricated base metals. The demand for copper and zinc primarily consists of use in building construction, power generation and transmission, electronic product manufacturing, and production of machinery and vehicles. Additionally, hedging activities by producers, consumers and individuals can affect base metal supply and demand. While copper and zinc can be readily sold on numerous markets throughout the world, their market value cannot be predicted for any particular time.

### **Financial Instruments**

Our financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk. Our financial instruments consist of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities. Our instruments are held in the normal course to meet daily operating and cash flow needs of the business. The fair value of accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of their maturity. All of our financial instruments are initially measured at fair value and then held at amortized cost.

#### ***Currency risk***

Currency risk is the risk of a fluctuation in financial asset and liability settlement amounts due to a change in foreign exchange rates. We operate in the United States and Canada with some expenses incurred in Canadian dollars. Our exposure is limited to cash of CDN\$181,000, accounts receivable of CDN\$13,000 and accounts payable of CDN\$171,000. Based on a 10% change in the US-Canadian exchange rate, assuming all other variables remain constant, the Company's net loss would change by approximately \$2,000.

#### ***Credit risk***

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. We hold cash and cash equivalents with Canadian Chartered financial institutions which are composed of financial instruments issued by Canadian banks. Our accounts receivable consist of GST receivable from the Federal Government of Canada and receivables due for services provided to other parties. Our exposure to credit risk is equal to the balance of cash and cash equivalents and accounts receivable as recorded in the financial statements.

#### ***Liquidity risk***

Liquidity risk is the risk that we will encounter difficulties raising funds to meet our financial obligations as they fall due. We are in the exploration stage and do not have cash inflows from operations; therefore, we manage our liquidity risk through the management of its capital structure and financial leverage. We will require financing within the next twelve months. Future financings are expected to be obtained through debt financing, equity financing, convertible debt, exercise of options, or other means. Continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. Our contractually obligated cash flow is disclosed under the section titled Liquidity and capital resources under Item 7.

#### ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We hold excess cash balances in money market funds which limits the risk of loss due to interest rate changes to \$nil.

As we are currently in the exploration phase none of our financial instruments are exposed to commodity price risk; however, our ability to obtain long-term financing and its economic viability could be affected by commodity price volatility.



## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Supplementary Data

For the required supplementary data, please see the section heading “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Summary of Quarterly Results and Fourth Quarter Results*” above.

**NovaCopper Inc.**  
(An Exploration-Stage Company)

**Consolidated Financial Statements**  
**November 30, 2014, 2013 and 2012**  
(expressed in US dollars)

### Management’s Report on Internal Control over Financial Reporting

The management of NovaCopper Inc. is responsible for establishing and maintaining adequate internal control over financial reporting under Rule 13a-15(f) and 15d-15(f) of the U.S. Exchange Act. The Securities Exchange Act of 1934 defines this as a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers and effected by the Company’s Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that may have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of November 30, 2014. In making this assessment, the Company’s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013).

Based upon our assessment and those criteria, management concluded that the Company’s internal control over financial reporting was effective as of November 30, 2014.

/s/ Rick Van Nieuwenhuysse

/s/ Elaine Sanders

Rick Van Nieuwenhuysse  
President & Chief Executive Officer

Elaine Sanders  
Vice President & Chief Financial Officer

February 5, 2015

## **Report of the Independent Registered Public Accounting Firm**

### **To the Shareholders of NovaCopper Inc.**

We have audited the accompanying consolidated financial statements of NovaCopper Inc. (an exploration stage company) which comprise the consolidated balance sheets as at November 30, 2014 and 2013 and the consolidated statements of loss, comprehensive loss and deficit, changes in shareholders' equity and cash flows for each of the years in the three year period ended November 30, 2014 and cumulatively for the period from March 22, 2004 (date of inception) to November 30, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

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

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NovaCopper Inc. as at November 30, 2014 and 2013 and the results of its operations and its cash flows for each of the years in the three year period ended November 30, 2014 and cumulatively for the period from March 22, 2004 (date of inception) to November 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to note 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that casts substantial doubt about the Company's ability to continue as a going concern.

/s/ PricewaterhouseCoopers LLP

### **Chartered Accountants**

Vancouver, British Columbia  
February 5, 2015

**NovaCopper Inc.**  
(An Exploration-Stage Company)  
**Consolidated Balance Sheets**  
**As at November 30, 2014 and 2013**

*in thousands of dollars*

	November 30, 2014	November 30, 2013
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,074	6,484
Accounts receivable	176	90
Deposits and prepaid amounts	575	591
	5,825	7,165
Plant and equipment (note 3)	415	1,148
Mineral properties and development costs (note 4)	30,586	30,586
	<b>36,826</b>	<b>38,899</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 5)	979	1,742
	979	1,742
<b>Shareholders' equity</b>		
Share capital (note 6) – <i>unlimited common shares authorized, no par value Issued -60,296,365 (2013 – 53,066,656)</i>	111,833	104,895
Warrants (note 6)	2,163	-
Contributed surplus	124	152
Contributed surplus – options (note 6(a, b))	17,089	17,248
Contributed surplus – units (note 6(c))	2,008	2,584
Deficit accumulated during the exploration stage	(97,370)	(87,722)
	35,847	37,157
	<b>36,826</b>	<b>38,899</b>

**Nature of operations, going concern, structure and plan of arrangement** (note 1)

**Commitments and contingencies** (notes 4, 6, 10)

**Subsequent events** (note 11)

(See accompanying notes to the consolidated financial statements)

/s/ Rick Van Nieuwenhuysse, Director

/s/ Kalidas Madhavpeddi, Director

**Approved on behalf of the Board of Directors**

**NovaCopper Inc.**  
(An Exploration-Stage Company)  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Years Ended November 30**

*in thousands of dollars, except share and per share amounts*

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>Cumulative</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>during</b>
				<b>exploration stage</b>
				<b>\$</b>
<b>Expenses</b>				
Amortization	750	1,033	769	2,835
Foreign exchange loss	2	8	10	20
General and administrative	1,484	1,915	2,276	7,804
Investor relations	51	239	207	669
Mineral properties expense (note 4(c))	2,512	8,894	15,327	53,769
Professional fees	952	947	646	2,655
Salaries	3,012	3,173	2,410	8,645
Salaries – stock-based compensation (note 6)	887	8,225	9,411	18,523
<b>Total expenses</b>	<b>9,650</b>	<b>24,434</b>	<b>31,056</b>	<b>94,920</b>
<b>Other items</b>				
Accretion expense	-	-	-	2,530
Loss on disposal of equipment	-	-	7	7
Interest and other income	(2)	(40)	(45)	(87)
<b>Loss and comprehensive loss for the year</b>	<b>9,648</b>	<b>24,394</b>	<b>31,018</b>	<b>97,370</b>
<b>Basic and diluted loss per common share</b>	<b>\$0.17</b>	<b>\$0.47</b>	<b>\$0.67</b>	
<b>Weighted average number of common shares outstanding</b>	<b>56,268,326</b>	<b>52,347,173</b>	<b>46,627,308</b>	

(See accompanying notes to the consolidated financial statements)

**NovaCopper Inc.**  
(An Exploration-Stage Company)  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the Years Ended November 30**

*in thousands of dollars, except share amounts*

	Number of shares outstanding	Share capital \$	Warrants \$	Contributed surplus \$	Contributed surplus – options \$	Contributed surplus – units \$	Deficit \$	Total shareholders' equity \$
<b>Balance – 2011</b>	<b>200</b>	<b>27,280</b>	-	<b>36,281</b>	-	-	<b>(32,310)</b>	<b>31,251</b>
Funding provided and expenses paid by NovaGold Resources Inc.	-	-	-	43,763	-	-	-	43,763
Issued pursuant to Plan of Arrangement	46,577,878	64,496	-	(67,864)	3,368	-	-	-
Issued pursuant to an employment agreement	76,005	316	-	-	-	-	-	316
Exercise of NovaGold Arrangement Options	10,986	76	-	-	(76)	-	-	-
Stock-based compensation	-	-	-	-	9,411	-	-	9,411
Loss for the year	-	-	-	-	-	-	(31,018)	(31,018)
<b>Balance – 2012</b>	<b>46,665,069</b>	<b>92,168</b>	-	<b>12,180</b>	<b>12,703</b>	-	<b>(63,328)</b>	<b>53,723</b>
Exercise of NovaGold Warrants	6,088,262	11,996	-	(11,996)	-	-	-	-
Exercise of NovaGold Arrangement Options	52,243	254	-	-	(235)	-	-	19
NovaGold Performance and Deferred Share Units	16,586	32	-	(32)	-	-	-	-
Restricted Share Units reclassified from liability	-	-	-	-	-	2,633	-	2,633
Restricted Share Units	244,496	445	-	-	-	(173)	-	272
Stock-based compensation	-	-	-	-	4,780	124	-	4,904
Loss for the year	-	-	-	-	-	-	(24,394)	(24,394)
<b>Balance – 2013</b>	<b>53,066,656</b>	<b>104,895</b>	-	<b>152</b>	<b>17,248</b>	<b>2,584</b>	<b>(87,722)</b>	<b>37,157</b>
Exercise of NovaGold Arrangement options	46,929	631	-	-	(615)	-	-	16
NovaGold Performance Share Units	14,166	28	-	(28)	-	-	-	-
Private placement	6,521,740	5,068	2,163	-	-	-	-	7,231
Restricted Share Units	492,501	929	-	-	-	(929)	-	-
Deferred Share Units	154,373	282	-	-	-	(78)	-	204
Stock-based compensation	-	-	-	-	456	431	-	887
Loss for the year	-	-	-	-	-	-	(9,648)	(9,648)
<b>Balance – 2014</b>	<b>60,296,365</b>	<b>111,833</b>	<b>2,163</b>	<b>124</b>	<b>17,089</b>	<b>2,008</b>	<b>(97,370)</b>	<b>35,847</b>

(See accompanying notes to the consolidated financial statements)

**NovaCopper Inc.**  
(An Exploration-Stage Company)  
**Consolidated Statements of Cash Flows**  
**For the Years Ended November 30**

*in thousands of dollars*

	<b>2014</b> \$	<b>2013</b> \$	<b>2012</b> \$	<b>Cumulative during exploration stage</b> \$
<b>Cash flows used in operating activities</b>				
Loss for the year	(9,648)	(24,394)	(31,018)	(97,370)
Items not affecting cash				
Amortization	750	1,033	769	2,855
Accretion	-	-	-	2,530
Loss on disposal of equipment	-	-	7	7
Issuance of shares as compensation	-	-	316	316
Stock-based compensation	887	8,136	9,411	19,636
Net change in non-cash working capital				
Decrease (increase) in accounts receivable	(86)	275	(365)	(176)
Decrease (increase) in deposits and prepaid amounts	16	(37)	(458)	(562)
Increase (decrease) in accounts payable, accrued liabilities and due to related parties	(558)	(231)	1,452	1,018
	<b>(8,639)</b>	<b>(15,218)</b>	<b>(19,886)</b>	<b>(71,746)</b>
<b>Cash flows from financing activities</b>				
Proceeds from private placement, net	7,231	-	-	7,231
Proceeds received on exercise of options	16	20	-	36
Funding provided by NovaGold on the completion of the Plan of Arrangement	-	-	40,000	40,000
Funding provided and expenses paid by NovaGold	-	-	3,763	61,256
Repayment of notes payable	-	-	-	(24,000)
Settlement of Restricted Share Units	-	(329)	-	(329)
	<b>7,247</b>	<b>(309)</b>	<b>43,763</b>	<b>84,194</b>
<b>Cash flows used in investing activities</b>				
Acquisition of plant & equipment	(18)	(233)	(1,595)	(3,258)
Acquisition of mineral properties	-	-	(39)	(4,116)
	<b>(18)</b>	<b>(233)</b>	<b>(1,634)</b>	<b>(7,374)</b>
Increase (decrease) in cash and cash equivalents	(1,410)	(15,760)	22,243	5,074
Cash and cash equivalents – beginning of period	6,484	22,244	1	-
<b>Cash and cash equivalents – end of period</b>	<b>5,074</b>	<b>6,484</b>	<b>22,244</b>	<b>5,074</b>
<b>Non-cash investing and financing activities</b>				
Issuance of common shares to NovaGold to acquire NovaCopper US Inc.	-	-	-	27,280
Notes payable assumed on acquisition of Ambler lands	-	-	-	21,471
Issuance of common shares by NovaGold to acquire Ambler lands	-	-	-	5,000

(See accompanying notes to the consolidated financial statements)

**NovaCopper Inc.**  
(An Exploration-Stage Company)  
**Notes to the Consolidated Financial Statements**

**1 Nature of operations, going concern, structure and plan of arrangement**

NovaCopper Inc. (“NovaCopper” or the “Company”) was incorporated in British Columbia under the *Business Corporations Act (BC)* on April 27, 2011. The Company is engaged in the exploration and development of mineral properties including the Arctic and Bornite Projects located in Northwest Alaska in the United States of America (“US”).

**Structure and plan of arrangement**

On January 11, 2010, Alaska Gold Company (“AGC”), at the time a wholly owned subsidiary of NovaGold Resources Inc. (“NovaGold”), purchased 100% of the Ambler lands, hosting the copper-zinc-lead-gold-silver Arctic Project, for consideration of \$29 million. The Ambler lands were acquired on October 17, 2011 by NovaCopper US Inc. (“NovaCopper US”) through a purchase and sale agreement with AGC. On October 24, 2011, NovaGold transferred its ownership of NovaCopper US to NovaCopper, then a wholly owned subsidiary of NovaGold, in exchange for 100 shares of NovaCopper, with an ascribed value of \$27.3 million.

On October 19, 2011, NovaCopper US acquired the exclusive right to explore the Bornite lands and lands deeded to NANA Regional Corporation, Inc. (“NANA”) through the Alaska Native Claims Settlement Act (“ANCSA”) located adjacent to the Ambler lands to create the Upper Kobuk Mineral Projects (“UKMP Projects”).

Where applicable, these consolidated financial statements reflect the statements of loss and comprehensive loss, and cash flows of the Arctic Project as if NovaCopper had been independently operating from inception. The cumulative statements of loss and comprehensive loss include exploration costs of the Arctic Project and an allocation of NovaGold’s general and administrative costs incurred on the basis of time committed by NovaGold staff to AGC and the ratio of expenses incurred on the Arctic Project as compared to all costs incurred by AGC in the respective period.

The Arctic Project’s opening deficit has been calculated by applying the same allocation principles described above to the cumulative transactions relating to the project from the date of its initial option in 2004 and includes an allocation of NovaGold’s general and administrative expenses from the date of acquisition. Prior to the acquisition in 2010, NovaGold held an option to earn a 51% interest in the property which was terminated upon entering into the purchase and sale agreement. All historical spending prior to April 30, 2012 was funded by NovaGold.

**Going concern**

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at November 30, 2014, the Company had consolidated cash of \$5.1 million and working capital of \$4.8 million. Substantial doubt exists as to the Company’s ability to continue as a going concern as the operating activities of the Company are dependent on its ability to obtain additional financing. The Company will need to raise additional funds to continue operations and to support further exploration and development of its projects and administration expenses. Future financings are anticipated through equity financing, debt financing, convertible debt, or other means. There is no assurance that the Company will be successful in obtaining additional financing, that sufficient funds will be available to the Company, or be available on favourable terms. Factors that could affect the availability of financing include fluctuations in the Company’s share price, the state of international debt and equity markets, investor perceptions and expectations, global financial and metals markets, and progress on the Company’s exploration properties. These financial statements do not reflect the adjustments in the carrying value of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the Company was unable to realize its assets and discharge its liabilities in the normal course of operations. Such adjustments could be material.

**2 Summary of significant accounting policies**

**Basis of presentation**

These consolidated financial statements have been prepared using accounting principles generally accepted in the United States (“U.S. GAAP”) and include the accounts of NovaCopper and its wholly-owned subsidiary, NovaCopper US. All significant

intercompany transactions are eliminated on consolidation. These financial statements were approved by the Company's Board of Directors for issue on February 5, 2015.

All figures are in United States dollars unless otherwise noted.

These financial statements include the historical assets, liabilities and expenses directly related to the Arctic Project and allocations of NovaGold's general and administrative expenses, as described in note 1, to present the financial position, results of operations and cash flows of the Arctic Project on a standalone basis. The consolidated financial statements have been presented under the continuity of interest basis of accounting whereby the amounts are based on the amounts recorded by NovaGold.

The consolidated financial statements may not necessarily reflect the financial position, results of operations and changes in cash flows of the Company in the future or what they would have been had the Company been a separate, stand-alone entity for all of the periods presented.

### **Cash and cash equivalents**

Cash and cash equivalents comprise of highly liquid investments maturing less than 90 days from date of initial investment. Cash and cash equivalents are designated as loans and receivables.

### **Plant and equipment**

Plant and equipment are recorded at cost and amortization begins when the asset is substantially put into service. Amortization is calculated on a straight-line basis over the respective assets' estimated useful lives. Amortization periods by asset class are:

Computer hardware and software	3 years
Machinery and equipment	3 years
Office furniture and equipment	5 years
Vehicles	3 years

### **Mineral properties and development costs**

All direct costs related to the acquisition of mineral property interests are capitalized. Mineral property exploration expenditures are expensed when incurred. When it has been established that a mineral deposit is commercially mineable, an economic analysis has been completed in accordance with SEC Industry Guide 7 and permits are obtained, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Capitalized costs will be amortized following commencement of commercial production using the unit of production method over the estimated life of proven and probable reserves.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify the title to mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its mining assets are properly recorded, there can be no assurance that such title will be secured indefinitely.

### **Impairment of long-lived assets**

Management assesses the possibility of impairment in the carrying value of its long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, proven and probable reserves and other mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted future cash flows. Management's estimates of mineral prices, mineral resources, foreign exchange, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset. It is possible that material changes could occur that may adversely affect management's estimates.

### **Income taxes**

The liability method of accounting for income taxes is used and is based on differences between the accounting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes using



enacted income tax rates expected to be in effect for the period in which the differences are expected to reverse. Deferred income tax assets are evaluated and, if realization is not considered more likely than not, a valuation allowance is provided.

### **Uncertainty in income tax positions**

The Company recognizes tax benefits from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the taxing authorities. Related interest and penalties, if any, are recorded as tax expense in the tax provision.

### **Financial instruments**

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, management uses readily observable market inputs where available or, where not available, inputs generated by management. Changes in fair value of held-for-trading financial instruments are recorded in income or loss for the period. Held-for-trading financial liabilities consist of other liabilities. The Company has no held-for-trading financial assets.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other than temporary, the unrealized loss is recognized in net earnings. Investments in equity instruments that do not have an active quoted market price are measured at cost. The Company has no available-for-sale financial assets.

Loans and receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method. Loans and receivables consist of cash and cash equivalents, accounts receivable, and deposits.

Other financial liabilities are recorded initially at fair value and subsequently at amortized cost using the effective interest rate method. Other financial liabilities include accounts payable and accrued liabilities.

### **Translation of foreign currencies**

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, and non-monetary assets and liabilities at the exchange rate in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rate in effect at the time of transactions. Exchange gains or losses arising on translation are included in income or loss for the period.

The Company's functional and reporting currency is the United States dollar.

### **Loss per share**

Loss per common share is calculated based on the weighted average number of common shares outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Since the Company has losses, the exercise of outstanding convertible securities has not been included in this calculation as it would be anti-dilutive.

During the year ended November 30, 2012, in order to complete the spin-out of NovaCopper, a stock split was completed to be able to distribute 46,578,078 common shares to the shareholders of NovaGold. As a result of the stock split, historical earnings per share have been restated for all prior periods. Under the continuity of interest basis, the earnings per share have been presented as if the shares outstanding following the stock split had always been outstanding including prior to incorporation of the entity.

## Stock-based compensation

Compensation expense for options granted to employees, directors and certain service providers is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected dividend yield and the risk-free interest rate over the expected life of the option. The cost is recognized using the graded attribution method over the vesting period of the respective options. The expense relating to the fair value of stock options is included in expenses and is credited to contributed surplus. Shares are issued from treasury in settlement of options exercised.

Compensation expense for restricted share units and deferred share units granted to employees and directors, respectively, is determined based on estimated fair values of the units at the time of grant using quoted market prices or at the time the units qualify for equity classification under ASC 718. The cost is recognized using the graded attribution method over the vesting period of the respective units. The expense relating to the fair value of the units is included in expenses and is credited to other liabilities or contributed surplus based on the unit plan's classification. Units may be settled in either i) cash, and/or ii) shares purchased in the open market, and/or iii) shares issued from treasury, at the Company's election at the time of vesting.

## Use of estimates and measurement uncertainties

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions of future events that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of expenditures during the reported period. Significant estimates include the basis of impairment of mineral properties and income taxes. Actual results could differ materially from those reported.

## Recent accounting pronouncements

### *i. Income tax disclosure*

The Financial Accounting Standards Board (the "FASB") issued "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11") which amended Topic 740, Income Taxes to provide guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. It was released to provide clear guidance to minimize divergence in practice when disclosing unrecognized tax benefits. ASU 2013-11 is effective for fiscal years beginning after December 15, 2013. We adopted this standard for the fiscal year ending November 30, 2014. The adoption of ASU 2013-11 did not have any impact as our disclosure meets the recommended practice.

### *ii. Offsetting assets and liabilities*

In January 2013, the FASB issued "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"). ASU 2013-01 clarifies Accounting Standards Update No. 2011-11: "Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11") to restrict the scope of implementation to derivatives accounted for under Topic 815, Derivatives and Hedging, which includes bifurcated embedded derivatives repurchase agreements and reverse repurchase agreements, and securities borrowing and lending transactions that require an offset or are subject to an enforceable master netting arrangement. ASU 2013-01 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. We adopted this standard for the fiscal year ending November 30, 2014. The adoption of ASU 2013-01 did not have a material impact on our results of operations, financial condition, or cash flows.

### *iii. Development stage entity*

In June 2014, the FASB issued "Development Stage Entities – Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation" ("ASU 2014-10"). ASU 2014-10 eliminates the concept of a development stage entity, of which NovaCopper had been classified. Upon adoption, certain financial reporting disclosures will be eliminated including the presentation of an inception-to-date statement of income and cash flow. ASU 2014-10 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption of this standard is permitted, and we expect to adopt for the fiscal year ending November 30, 2015. The adoption of ASU 2014-10 is expected to have an impact on the disclosure and presentation of our statement of loss and comprehensive loss and the statement of cash flows. As a result of adopting the standard, we will no longer include the

cumulative during exploration stage column currently presented on our statement of loss and comprehensive loss and the statement of cash flows.

iv. *Going Concern*

In August 2014, the FASB issued “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”). Historically, there has been no guidance in U.S. GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern. This update provides the guidance to clarify when and how management should be assessing their ability to continue as a going concern. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. Early adoption of this standard is permitted, and we expect to adopt for the fiscal year ending November 30, 2015. We expect the adoption of ASU 2014-15 will have an impact on the frequency with which we conduct going concern assessments. We do not expect the adoption to have significant changes to our disclosure of going concern as we currently comply with appropriate guidance issued by the U.S. Securities and Exchange Commission and guidance under U.S. auditing standards.

**3 Plant and equipment**

*in thousands of dollars*

	<b>November 30, 2014</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
<b>British Columbia, Canada</b>			
Furniture and equipment	46	(15)	31
Leasehold improvements	32	(13)	19
Computer hardware and software	98	(44)	54
<b>Alaska, USA</b>			
Machinery, equipment and camp	2,833	(2,579)	254
Vehicles	275	(218)	57
Computer hardware and software	31	(31)	-
	<b>3,315</b>	<b>(2,900)</b>	<b>415</b>

*in thousands of dollars*

	<b>November 30, 2013</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
<b>British Columbia, Canada</b>			
Furniture and equipment	46	(5)	41
Leasehold improvements	32	(5)	27
Computer hardware and software	80	(17)	63
<b>Alaska, USA</b>			
Machinery, equipment and camp	2,833	(1,949)	884
Vehicles	275	(144)	131
Computer hardware and software	31	(29)	2
	<b>3,297</b>	<b>(2,149)</b>	<b>1,148</b>

**4 Mineral properties and development costs**

*in thousands of dollars*

	<b>November 30, 2013</b>	<b>Acquisition costs</b>	<b>November 30, 2014</b>
	\$	\$	\$
<b>Alaska, USA</b>			
Ambler (a)	26,586	-	26,586
Bornite (b)	4,000	-	4,000
	<b>30,586</b>	<b>-</b>	<b>30,586</b>

*in thousands of dollars*

<b>Alaska, USA</b>	<b>November 30, 2012</b>	<b>Acquisition costs</b>	<b>November 30, 2013</b>
	\$	\$	\$
Ambler (a)	26,586	-	26,586
Bornite (b)	4,000	-	4,000
	<b>30,586</b>	<b>-</b>	<b>30,586</b>

(a) Ambler

On January 11, 2010, NovaGold, through a wholly-owned subsidiary, purchased 100% of the Ambler lands in Northwest Alaska, which contains the copper-zinc-lead-gold-silver Arctic Project and other mineralized targets within the volcanogenic massive sulfide belt. As consideration, NovaGold, issued 931,098 shares with a fair value of \$5.0 million and agreed to make two cash payments to the vendor of \$12.0 million each in January 2011 and January 2012, for total consideration of \$29.0 million. The fair value of these cash payments were \$11.1 million and \$10.3 million, respectively, at the transaction date valued using a discount rate of approximately 8%. The January 2011 payment was made by NovaGold on January 7, 2011 and the January 2012 payment was made by NovaGold in advance on August 5, 2011. Total fair value of the consideration was \$26.5 million, including transaction costs associated with the acquisition of \$0.1 million. The vendor retained a 1% net smelter return royalty that the owner of the property can purchase at any time for a one-time payment of \$10.0 million.

Prior to the acquisition in 2010, NovaGold held an option to earn a 51% interest in the property which was terminated upon entering into the purchase and sale agreement.

As discussed in note 1, the property was acquired on October 17, 2011 by NovaCopper US through a purchase and sale agreement with AGC.

(b) Bornite

On October 19, 2011, NovaCopper US acquired the exclusive right to explore and the non-exclusive right to access and enter on the Bornite lands and lands deeded to NANA through the ANCSA, located adjacent to the Ambler lands in Northwest Alaska. As consideration, NovaCopper US paid \$4 million to acquire the right to explore and develop the combined Upper Kobuk Mineral Projects through an Exploration Agreement and Option to Lease with NANA. NANA also has the right to appoint a member to NovaCopper's board of directors within a five year period following our public listing on a stock exchange. Upon a decision to proceed with construction of a mine on the lands, NANA maintains the right to purchase between a 16%-25% ownership interest in the mine or retain a 15% net proceeds royalty which is payable after NovaCopper has recovered certain historical costs, capital and cost of capital. Should NANA elect to purchase an ownership interest, consideration will be payable equal to all historical costs incurred on the properties at the elected percentage purchased less \$40 million, not to be less than zero. The parties would form a joint venture and be responsible for all future costs, including capital costs of the mine based on their pro-rata share.

NANA would also be granted a net smelter return royalty of between 1% and 2.5% upon the execution of a mining lease or a surface use agreement, the percent which is determined by the classification of land from which production originates.

(c) Mineral properties expense

The following table summarizes mineral properties expense for the years ended November 30, 2014, 2013 and 2012.

	<b>November 30, 2014</b>	<b>November 30, 2013</b>	<b>November 30, 2012</b>
	\$	\$	\$
Community	137	171	159
Drilling	-	1,949	4,685
Engineering	117	1,206	512
Environmental	36	90	243
Geochemistry and geophysics	238	438	1,182
Land and permitting	378	409	81
Other income	(9)	(103)	(82)
Project support	438	2,029	4,971
Wages and benefits	1,177	2,705	3,576
<b>Mineral property expense</b>	<b>2,512</b>	<b>8,894</b>	<b>15,327</b>

Mineral property expenses consist of direct drilling, personnel, community, resource reporting and other exploration expenses as outlined above, as well as indirect project support expenses such as fixed wing charters, helicopter support, fuel, and other camp operation costs. Cumulative mineral properties expense from the initial earn-in agreement on the property in 2004 to November 30, 2014 is \$53.8 million.

## 5 Accounts payable and accrued liabilities

	<i>in thousands of dollars</i>	
	<b>November 30, 2014</b>	<b>November 30, 2013</b>
	\$	\$
Trade accounts payable	36	196
Accrued liabilities	410	427
Accrued salaries and vacation	533	1,119
<b>Accounts payable and accrued liabilities</b>	<b>979</b>	<b>1,742</b>

At November 30, 2014, accrued salaries and vacation included \$384,000 of accrued and unpaid bonuses relating to services provided by officers during the year ended November 30, 2013 which is payable at the time certain conditions are met.

At November 30, 2013, accrued salaries and vacation included \$970,000 of accrued and unpaid bonuses payable to employees and officers relating to services provided during the year ended November 30, 2013. \$711,000 of the accrued salaries due to officers at November 30, 2013 was payable at the time certain conditions are met. With the departure of three officers during 2014, \$293,000 of the obligation was reversed during the year ended November 30, 2014.

## 6 Share capital

Authorized:  
unlimited common shares, no par value

	<i>in thousands of dollars, except share amounts</i>	
	<b>Number of shares</b>	<b>Ascribed value</b>
		\$
<b>November 30, 2011</b>	<b>200</b>	<b>27,280</b>
Issued pursuant to Plan of Arrangement	46,577,878	64,496
Issued pursuant to employment agreement	76,005	316
Exercise of NovaGold Arrangement Options	10,986	76
<b>November 30, 2012</b>	<b>46,665,069</b>	<b>92,168</b>
Exercise of NovaGold Warrants	6,088,262	11,996
Exercise of NovaGold Arrangement Options	52,243	254
NovaGold Performance and Deferred Share Units	16,586	32
Restricted Share Units	244,496	445
<b>November 30, 2013</b>	<b>53,066,656</b>	<b>104,895</b>
Exercise of NovaGold Arrangement options	46,929	631
NovaGold Performance Share Units	14,166	28
Private placement	6,521,740	5,068
Restricted Share Units	492,501	929
Deferred Share Units	154,373	282
<b>November 30, 2014, issued and outstanding</b>	<b>60,296,365</b>	<b>111,833</b>

On July 7, 2014, the Company completed a non-brokered private placement of Units for gross proceeds of \$7.5 million. Each Unit was priced at \$1.15 per Unit and consisted of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$1.60 per share for a period of five years from the closing date. Total net proceeds from the private placement were \$7.2 million. Use of proceeds raised are restricted for 12 months following closing to a maximum of \$4.0 million on general and administrative expenses, \$2.7 million on program expenditures, and \$0.8 million on additional expenses incurred in reducing annual general and administrative expenses.

On April 30, 2012 (the "Effective Date"), under the Plan of Arrangement, NovaGold distributed its interest in NovaCopper to the shareholders of NovaGold on the basis that each shareholder received one share in NovaCopper for every six shares of NovaGold held on the record date. NovaCopper committed to issue up to 6,181,352 common shares to satisfy holders of NovaGold warrants

("NovaGold Warrants"), performance share units ("NovaGold PSUs") and deferred share units ("NovaGold DSUs") on record as of the close of business April 27, 2012 on the same basis as NovaGold shareholders under the Plan of Arrangement. When a warrant is exercised or a unit becomes vested, NovaCopper has committed to deliver one common share to the holder for every six shares of NovaGold the holder is entitled to receive, rounded down to the nearest whole number. An amount of \$12.2 million was recorded in contributed surplus representing a pro-rated amount of the historical NovaGold investment based on the fully diluted number of common shares at the Effective Date.

During the year ended November 30, 2014, the Company issued 14,166 common shares in settlement of NovaGold PSUs which vested on January 29, 2014 (November 30, 2013 – 16,586 common shares). As of November 30, 2014, no NovaGold PSUs remain outstanding.

As of November 30, 2014, 20,685 NovaGold DSUs remain outstanding, which will settle upon the NovaGold directors' retirement.

(a) Stock options

The Company has a stock option plan providing for the issuance of options with a rolling maximum number equal to 10% of the issued and outstanding common shares of the Company at any given time. The Company may grant options to its directors, officers, employees and service providers. The exercise price of each option cannot be lower than the greater of Market Price or Fair Market Value of the shares (as such terms are defined in the plan) at the date of the option grant. The number of shares optioned to any single optionee may not exceed 10% of the issued and outstanding shares at the date of grant. The options are exercisable for a maximum of five years from the date of grant, and may be subject to vesting provisions.

During the year ended November 30, 2014, 1,620,000 options (2013 – 65,000 options) at a weighted-average exercise price of CAD\$1.22 (2013 - CAD\$1.98) were granted to employees, consultants and directors exercisable for a period of five years with various vesting terms between nil and two years. The weighted-average fair value attributable to options granted in 2014 was of \$0.44 (2013 - \$0.73).

The fair value of the stock options recognized in the period has been estimated using an option pricing model.

Assumptions used in the pricing model for the period are as provided below.

	November 30, 2014	November 30, 2013	November 30, 2012
Risk-free interest rates	1.16%	1.11-1.46%	1.02-1.59%
Exercise price	CAD\$1.22	CAD\$1.97-1.98	CAD\$1.77-3.11
Expected life	3.0 years	3.0 years	3.0 – 5.0 years
Expected volatility	60.2%	56.2-58.8%	59.0-101.3%
Expected dividends	Nil	Nil	Nil

The Black-Scholes and other option pricing models require the input of highly subjective assumptions. As NovaCopper has no history of granting stock options prior to April 30, 2012, the Company considered historical information from NovaGold in estimating the expected life of the options granted during the period. Further, volatility considered both the Company's historical price observations available and the historical price observations of NovaGold over the expected term of the options.

The Company recognized a share-based payments charge of \$0.5 million for the year ended November 30, 2014, net of forfeitures. For the year ended November 30, 2013, a charge of \$4.7 million was recognized with the majority of the expense recognized for options granted in the previous year with an additional expense of \$0.8 million for options cancelled in 2013, net of forfeitures. For the year ended November 30, 2012 a charge of \$9.2 million was recognized.

On November 22, 2013, the Company cancelled 5,710,000 stock options at an exercise price of CAD\$3.11 which were granted in 2012. The remaining expense of \$0.8 million relating to unvested options at the time of cancellation was accelerated and recognized in the year.

As of November 30, 2014, there were 698,338 non-vested options outstanding with a weighted average exercise price of \$1.09; the non-vested stock option expense not yet recognized was \$0.2 million, and this expense is expected to be recognized over the next two years.

A summary of the Company's stock option plan and changes during the year ended is as follows:

		November 30, 2014	
		Number of options	Weighted average exercise price \$
<b>Balance – beginning of year</b>		168,332	1.79
Granted		1,620,000	1.07
Forfeited		(46,666)	1.74
<b>Balance – end of year</b>		<b>1,741,666</b>	<b>1.11</b>

The following table summarizes information about the stock options outstanding at November 30, 2014.

Range of price	Number of outstanding options	Weighted average years to expiry	Outstanding	Exercisable		Unvested
			Weighted average exercise price \$	Number of exercisable options	Weighted average exercise price \$	Number of unvested options
\$ 1.07 to \$ 1.73	1,741,666	4.65	1.11	1,043,328	1.12	698,338
	<b>1,741,666</b>	<b>4.65</b>	<b>1.11</b>	<b>1,043,328</b>	<b>1.12</b>	<b>698,338</b>

The aggregate intrinsic value of vested share options (the market value less the exercise price) at November 30, 2014 was \$nil (2013 - \$0.01 million, 2012 - \$nil).

(b) NovaGold Arrangement Options

Under the Plan of Arrangement, holders of NovaGold stock options received one option in NovaCopper for every six options held in NovaGold (“NovaGold Arrangement Options”). The exercise price of the options in NovaCopper was determined based on the relative fair values of NovaCopper and NovaGold based on the volume weighted-average trading prices on the Toronto Stock Exchange for the five trading days commencing on the sixth trading day following the Effective Date. All other terms of the options remained the same. A total of 2,189,040 options to acquire NovaCopper shares were granted under the Plan of Arrangement on April 30, 2012. No stock options granted by NovaGold after the Effective Date are subject to the Plan of Arrangement. The fair value of the NovaGold Arrangement Options was estimated using an option pricing model at a weighted average fair value of \$1.74 in 2012.

The Company recognized a stock based compensation recovery of \$(0.02) million for the year ended November 30, 2014, expense of \$0.07 million for the year ended November 30, 2013, and expense of \$0.2 million for the year ended November 30, 2012.

A summary of the NovaGold Arrangement Options and changes during the year ended is as follows:

		November 30, 2014	
		Number of options	Weighted average exercise price \$
<b>Balance – beginning of year</b>		1,709,503	4.08
Exercised		(212,075)	1.15
Forfeited		(301,416)	4.56
Expired		(474,597)	2.58
<b>Balance – end of year</b>		<b>721,415</b>	<b>5.06</b>

The following table summarizes information about the NovaGold Arrangement Options outstanding at November 30, 2014.

Range of price	Number of outstanding options	Weighted average years to expiry	Outstanding	Number of exercisable options	Exercisable	Unvested
			Weighted average exercise price \$		Weighted average exercise price \$	Number of unvested options
\$ 2.98 to \$ 3.99	169,444	0.83	3.13	163,888	3.11	5,556
\$ 4.00 to \$ 5.99	345,036	1.63	5.00	345,036	5.00	-
\$ 6.00 to \$ 7.99	206,935	1.21	6.74	206,935	6.74	-
	<b>721,415</b>	<b>1.32</b>	<b>5.06</b>	<b>715,859</b>	<b>5.07</b>	<b>5,556</b>

The aggregate intrinsic value of vested NovaGold Arrangement Options (the market value less the exercise price) at November 30, 2014 was \$nil (2013 - \$0.02 million, 2012 - \$0.02 million) and the aggregate intrinsic value of exercised options in 2014 was \$0.02 million (2013 - \$0.07 million, 2012 - \$0.03 million).

As of November 30, 2014, there were 5,556 non-vested NovaGold Arrangement Options outstanding with a weighted average exercise price of CAD\$3.69; the non-vested stock option expense not yet recognized was \$0.01 million; and this expense is expected to be recognized over the first quarter of 2015.

(c) Restricted Share Units and Deferred Share Units

On November 29, 2012, the Board of Directors approved a Restricted Share Unit Plan (“RSU Plan”) and a Non-Executive Director Deferred Share Unit Plan (“DSU Plan”) to provide long-term incentives to employees, officers and directors. The RSU and DSU Plans may be settled in cash and/or common shares at the Company’s election with each Restricted Share Unit (“RSU”) and Deferred Share Unit (“DSU”) entitling the holder to receive one common share or equivalent value.

On December 5, 2012, 1,295,500 RSUs were granted to employees and officers vesting equally in thirds on June 5, 2013, December 5, 2013, and December 5, 2014. 750,000 DSUs that were granted to directors vested immediately and are to be paid out at the time of retirement from NovaCopper.

On September 9, 2014, 186,650 DSUs were granted to directors vesting upon the commencement of the Company's annual shareholder meeting in Spring 2015. Also in early September, cash payments owing to directors for fees of \$207,000 were cancelled.

The remaining 56,073 DSUs were granted to directors throughout the year ended November 30, 2014 based on their election to receive 50% of their annual retainer in DSUs.

A summary of the Company’s unit plans and changes during the year ended is as follows:

	Number of RSUs	Number of DSUs
<b>Balance – beginning of year</b>	851,673	750,000
Granted	-	242,723
Vested/paid	(492,501)	(154,373)
Forfeited	(21,836)	-
<b>Balance – end of year</b>	<b>337,336</b>	<b>838,350</b>

For the year ended November 30, 2014, NovaCopper recognized a stock-based compensation charge of \$0.4 million (2013 - \$3.4 million), net of forfeitures.

Subsequent to fiscal year end, on December 5, 2014, 337,336 RSUs vested to employees and officers and were settled through the issuance of 337,336 common shares. Following the vesting on December 5, 2014, no RSUs remain outstanding.



## **7 Management of capital risk**

The Company relies upon management to manage capital in order to accomplish the objectives of safeguarding the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and maintain a capital structure which optimizes the costs of capital at an acceptable risk (note 1). The Company's current capital consists of equity funding through capital markets and funding received from its prior owner, NovaGold, prior to its public listing.

As the Company is currently in the exploration phase none of its financial instruments are exposed to commodity price risk; however, the Company's ability to obtain long-term financing and its economic viability may be affected by commodity price volatility.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

## **8 Financial instruments**

The Company is exposed to a variety of risks arising from financial instruments. These risks and management's objectives, policies and procedures for managing these risks are disclosed as follows.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities. The fair value of accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of their maturity. All of the Company's financial instruments are initially measured at fair value and then held at amortized cost.

### **Financial risk management**

The Company's activities expose them to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

#### **(a) Currency risk**

Currency risk is the risk of a fluctuation in financial asset and liability settlement amounts due to a change in foreign exchange rates. The Company operates in the United States and Canada with some expenses incurred in Canadian dollars. The Company's exposure is limited to cash of CAD\$181,000, accounts receivable of CAD\$13,000 and accounts payable of CAD\$171,000. Based on a 10% change in the US-Canadian exchange rate, assuming all other variables remain constant, the Company's net loss would change by approximately \$2,000.

#### **(b) Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company holds cash and cash equivalents with Canadian Chartered financial institutions which are comprised of cash and money market accounts. The Company's accounts receivable consist of GST receivable from the Federal Government of Canada and receivables due for services provided to other parties. The Company's exposure to credit risk is equal to the balance of cash and cash equivalents and accounts receivable as recorded in the financial statements.

#### **(c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties raising funds to meet its financial obligations as they fall due. The Company is in the exploration stage and does not have cash inflows from operations; therefore, the Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in notes 1 and 7 to the consolidated financial statements.

Contractually obligated cash flow requirements as at November 30, 2014 are as follows.

*in thousands of dollars*

	<b>Total</b>	<b>&lt; 1 Year</b>	<b>1–2 Years</b>	<b>2–5 Years</b>	<b>Thereafter</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	979	979	-	-	-
Office lease	429	171	258	-	-
	<b>1,408</b>	<b>1,150</b>	<b>258</b>	<b>-</b>	<b>-</b>

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds excess cash balances in money market funds which limits the risk of loss due to interest rate changes to \$nil.

## 9 Income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

*in thousands of dollars*

	<b>November 30, 2014</b>	<b>November 30, 2013</b>	<b>November 30, 2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Combined federal and provincial statutory tax rate	26.00%	25.67%	25.13%
Income taxes at statutory rate	(2,508)	(6,261)	(7,794)
Difference in foreign tax rates	(580)	(1,590)	(2,652)
Effect of statutory rate changes	-	(20)	6
Expiry of net operating losses	-	-	376
Non-deductible expenditures	243	2,139	2,498
Other	(224)	-	(39)
Valuation allowance	3,069	5,732	7,605
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>

Future income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets and liabilities at November 30, 2014 and 2013 are as follows:

*in thousands of dollars*

	<b>November 30, 2014</b>	<b>November 30, 2013</b>
	<b>\$</b>	<b>\$</b>
Future income tax assets		
Non-capital losses	48,717	45,278
Mineral property interest	14,266	14,704
Deferred interest	9,041	9,041
Property, plant and equipment	24	13
Share issuance costs	235	105
Other deductible temporary differences	699	748
Total future tax assets	72,982	69,889
Valuation allowance	(72,979)	(69,840)
<b>Net future income tax assets</b>	<b>3</b>	<b>49</b>
Future income tax liabilities		
Other taxable temporary differences	3	49
<b>Future income tax liabilities</b>	<b>3</b>	<b>49</b>
<b>Net future income tax assets</b>	<b>-</b>	<b>-</b>

The Company has loss carry-forwards of approximately \$123.1 million that may be available for tax purposes. Certain of these losses occurred prior to the incorporation of the Company and are accounted for in the financial statements as if they were incurred by the Company, as described in note 1. Prior to the Plan of Arrangement, the Company undertook a tax reorganization during the year in order to preserve the future deductibility of these losses for the Company, subject to the limitations below. Future tax assets have been recognized to the extent of future taxable income and the future taxable amounts related to taxable temporary differences for which a future tax liability is recognized can be offset. A valuation allowance has been provided against future income tax assets where it is not more likely than not that the Company will realize those benefits.

The losses expire as follows in the following jurisdictions:

	<i>in thousands of dollars</i>	
	<b>Non-capital losses Canada</b>	<b>Operating losses United States</b>
	\$	\$
2015	-	-
2016	-	-
2017	-	-
2018	-	4,206
Thereafter	12,498	106,394
	<b>12,498</b>	<b>110,600</b>

Future use of these U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382, which relates to a 50% change in control over a three-year period, and are further dependent upon the Company attaining profitable operations. An ownership change under Section 382 occurred on January 22, 2009 regarding losses incurred by AGC, of which the attributes of those losses were transferred to NovaCopper US with the purchase of the mineral property in October 2011. Therefore, approximately \$42.6 million of the U.S. losses above are subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited.

An additional change in control may have occurred after November 30, 2011 which may further limit the availability of losses prior to the date of change in control.

## 10 Commitment

On January 25, 2013, the Company entered into a commitment to lease office space effective May 1, 2013 for a period of four years. The future minimum lease payments as at November 30, 2013 are approximately as follows.

	<i>in thousands of dollars</i>
	<b>November 30, 2014</b>
	\$
2015	171
2016	181
2017	77
Total	<b>429</b>

## 11 Subsequent events

On December 5, 2014, 600,000 stock options were granted to directors vesting immediately and 1,020,000 stock options were granted to employees vesting equally in thirds on the grant date, the first anniversary of the grant date, and the second anniversary of the grant date. Also on December 5, 2014, 337,336 RSUs, originally granted on December 5, 2012, vested to employees and were settled through the issuance of 337,336 common shares.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**Item 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted by the Company under U.S. and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules, including providing reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to permit timely decisions regarding public disclosure. Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the US Exchange Act and the rules of Canadian Securities Administration, as at November 30, 2014. Based on this evaluation, the CEO and CFO have concluded that the Company’s disclosure controls and procedures were effective.

**Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the U.S. Exchange Act and National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim filings. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management has used the Committee of Sponsoring Organizations of the Treadway Commission framework (2013) to evaluate the effectiveness of the Company’s internal control over financial reporting. Based on this assessment, management has concluded that as at November 30, 2014, the Company’s internal control over financial reporting was effective.

**Attestation Report of the Registered Public Accounting Firm**

This annual report does not include an attestation report of the company’s registered public accounting firm regarding internal control over financial reporting. As a non-accelerated filer, management’s report was not subject to attestation by the company’s registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which exempts non-accelerated filers from complying with Section 404(b) of the Sarbanes-Oxley Act of 2002.

**Changes in Internal Controls**

There has been no change in our internal control over financial reporting during the year ended November 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. OTHER INFORMATION**

None.

### PART III

#### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

##### Executive Officers of NovaCopper

As of November 30, 2014, we had two executive officers, namely Rick Van Nieuwenhuyse and Elaine Sanders. The following information is presented as of November 30, 2014.

<u>Name and Residence</u>	<u>Age</u>	<u>Held Office Since</u>	<u>Business Experience During Past Five Years</u>
Rick Van Nieuwenhuyse British Columbia, Canada <i>Director, President and Chief Executive Officer</i>	59	April 29, 2011 <sup>(1)</sup>	Chief Executive Officer of NovaCopper (2011 – present); Former President and Chief Executive Officer of NovaGold
Elaine Sanders British Columbia, Canada <i>VP, Chief Financial Officer and Corporate Secretary</i>	45	January 30, 2012 <sup>(2)</sup>	VP and Chief Financial Officer of NovaCopper (2012 – present); Corporate Secretary of NovaCopper (2011 – present); Vice President, Chief Financial Officer and Corporate Secretary of NovaGold (2011 – 2012); and Vice President Finance of NovaGold (2006 – 2011).

<sup>(1)</sup> Mr. Van Nieuwenhuyse was appointed President and Chief Executive Officer on April 29, 2011. He became a full-time employee of the Company on January 9, 2012.

<sup>(2)</sup> Ms. Sanders was appointed Chief Financial Officer on January 30, 2012. She became a full-time employee of the Company on November 13, 2012.

The information responsive to Items 401, 405, 406 and 407 of Regulation S-K to be included in our definitive Proxy Statement for our 2015 Annual Meeting of Shareholders, to be filed within 120 days of November 30, 2014, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “2015 Proxy Statement”), is incorporated herein by reference.

#### Item 11. EXECUTIVE COMPENSATION

The information responsive to Items 402 and 407 of Regulation S-K to be included in our 2015 Proxy Statement is incorporated herein by reference.

#### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information responsive to Items 201(d) and 403 of Regulation S-K to be included in our 2015 Proxy Statement is incorporated herein by reference.

#### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information responsive to Items 404 and 407 of Regulation S-K to be included in our 2015 Proxy Statement is incorporated herein by reference.

#### Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information responsive to Item 9(e) of Schedule 14A to be included in our 2015 Proxy Statement is incorporated herein by reference.

## PART IV

### Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed With This Report

1. FINANCIAL STATEMENTS

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Consolidated Statements of Loss and Comprehensive Loss	82
Consolidated Statements of Shareholders' Equity	83
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2. FINANCIAL STATEMENT SCHEDULES

None.

3. EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

NovaCopper Inc. Equity Incentive Plan identified in exhibit list below.

Employment Agreement between the Registrant and Rick Van Nieuwenhuysse, dated January 9, 2012, identified in exhibit list below.

Employment Agreement between the Registrant and Elaine Sanders, dated November 5, 2012, identified in exhibit list below.

2004 Stock Award Plan of NovaGold Resources Inc. (as amended) identified in exhibit list below.

NovaGold 2009 Performance Share Unit Plan identified in exhibit list below.

NovaGold 2009 Deferred Share Unit Plan identified in exhibit list below.

NovaCopper Inc. 2012 Restricted Share Unit Plan identified in exhibit list below.

NovaCopper Inc. 2012 Deferred Share Unit Plan identified in exhibit list below.

(b) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
3.1	Certificate of Incorporation (incorporated by reference Exhibit 99.2 to the Registration Statement on Form 40-F as filed on March 1, 2012, File No. 001-35447)
3.2	Articles of NovaCopper Inc., effective April 27, 2011, as altered March 20, 2011 (incorporated by reference to Exhibit 99.3 to Amendment No. 1 to the Registration Statement on Form 40-F as filed on April 19, 2012, File No. 001-35447)
10.1	Commitment Agreement between NovaGold Resources Inc. and NovaCopper Inc. dated effective April 19, 2012

Exhibit No.	Description
	(incorporated by reference to Exhibit 99.1 to the Form 6-K dated April 25, 2012)
10.2	Exploration Agreement and Option to Lease between NovaCopper US Inc. and NANA Regional Corporation, Inc. dated October 19, 2011(incorporated by reference to Exhibit 99.1 to the Form 6-K dated April 25, 2012)
10.3	Net Smelter Returns Royalty Agreement among Kenecott Exploration Company, Kennecott Arctic Company, Alaska Gold Company, and NovaGold Resources Inc. dated effective January 7, 2010 (incorporated by reference to Exhibit 99.1 to the Form 6-K dated April 25, 2012)
10.4	Employment Agreement between the Registrant and Rick Van Nieuwenhuyse, dated January 9, 2012 (incorporated by reference to Exhibit 4.4 of the Registrant’s registration statement on Form S-8 as filed on April 27, 2012, File No. 333-181020)
10.5	Employment Agreement between the Registrant and Elaine Sanders, dated November 5, 2012 (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form 10-K as filed on February 12, 2013, File No. 001-35447)
10.6	2004 Stock Award Plan of NovaGold Resources Inc. (as amended) (incorporated by reference to Appendix A of Exhibit 99.2 of NovaGold Resources Inc.’s report on Form 6-K as filed on April 29, 2009), as amended pursuant to the Plan of Arrangement (incorporated by reference to Exhibit 99.1 of NovaGold Resources Inc.’s report on Form 6-K as filed on March 1, 2012)
10.7	NovaGold 2009 Performance Share Unit Plan (incorporated by reference to Appendix C of Exhibit 99.2 of NovaGold Resources Inc.’s report on Form 6-K as filed on April 29, 2009), as amended pursuant to the Plan of Arrangement (incorporated by reference to Exhibit 99.1 of NovaGold Resources Inc.’s report on Form 6-K as filed on March 1, 2012)
10.8	NovaGold 2009 Deferred Share Unit Plan (incorporated by reference to Appendix E of Exhibit 99.2 of NovaGold Resources Inc.’s report on Form 6-K as filed on April 29, 2009), as amended pursuant to the Plan of Arrangement (incorporated by reference to Exhibit 99.1 of NovaGold Resources Inc.’s report on Form 6-K as filed on March 1, 2012)
10.9	Form of NovaCopper Inc. Stock Option Agreement (incorporated by reference to Exhibit 4.5 of the Registrant’s registration statement on Form S-8 as filed on April 27, 2012, File No. 333-181020)
10.10	NovaCopper Inc. 2012 Restricted Share Unit Plan (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form 10-K as filed on February 12, 2013, File No. 001-35447)
10.11	NovaCopper Inc. 2012 Deferred Share Unit Plan (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form 10-K as filed on February 12, 2013, File No. 001-35447)
10.12	Form of Unit Subscription Agreement (incorporated by reference to Exhibit 99.3 to the Form 8-K filed July 8, 2014)
10.13	Form of Warrant (incorporated by reference to Exhibit 99.4 to the Form 8-K filed July 8, 2014)
21.1	Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Erin Workman
23.3	Consent of Scott Petsel
23.4	Consent of Tetra Tech
23.5	Consent of BD Resource Consulting, Inc.
23.6	Consent of SIM Geological Inc.
23.7	Consent of International Metallurgical & Environmental Inc.
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)

<b>Exhibit No.</b>	<b>Description</b>
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### NOVACOPPER INC.

By: /s/ Rick Van Nieuwenhuysse  
Name: Rick Van Nieuwenhuysse  
Title: President and Chief Executive Officer

Date: February 5, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Rick Van Nieuwenhuysse</u> Rick Van Nieuwenhuysse	President, Chief Executive Officer and Director (Principal Executive Officer)	February 5, 2015
<u>/s/ Elaine Sanders</u> Elaine Sanders	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 5, 2015
<u>/s/ Clynton Nauman</u> Clynton R. Nauman	Lead Director and Authorized US Representative	February 5, 2015
<u>/s/ Tony Giardini</u> Tony Giardini	Director	February 5, 2015
<u>/s/ Thomas Kaplan</u> Dr. Thomas S. Kaplan	Director	February 5, 2015
<u>/s/ Gregory Lang</u> Gregory A. Lang	Director	February 5, 2015
<u>/s/ Igor Levental</u> Igor Levental	Director	February 5, 2015
<u>/s/ Kalidas Madhavpeddi</u> Kalidas V. Madhavpeddi	Director	February 5, 2015
<u>/s/ Gerald McConnell</u> Gerald McConnell	Director	February 5, 2015
<u>/s/ Janice Stairs</u> Janice Stairs	Director	February 5, 2015

**SUBSIDIARIES OF THE REGISTRANT**

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
NovaCopper US Inc. <sup>(1)</sup> .....	Delaware

<sup>(1)</sup> 100% owned by NovaCopper Inc.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-188950 and No. 333-181020) and S-3/A (No. 333-185127) of NovaCopper Inc. of our report dated February 5, 2015, relating to the consolidated financial statements which appears in this Annual Report on Form 10-K for the year ended November 30, 2014.

/s/ PricewaterhouseCoopers LLP

**Chartered Accountants**

Vancouver, British Columbia

February 5, 2015

**CONSENT OF ERIN WORKMAN**

I hereby consent to the inclusion in this Annual Report on Form 10-K, which is being filed with the United States Securities and Exchange Commission, of references to my name and to the use of the technical information included in the “Arctic Project” and the “Bornite Project” sections, in NovaCopper Inc.’s Annual Report on Form 10-K for the year ended November 30, 2014.

I also consent to the incorporation by reference in NovaCopper Inc.’s Registration Statement on Form S-3 (No. 333-185127) and Registration Statements on Form S-8 (No. 333-188950 and No. 333-181020), of references to my name and to the use of the technical information included in the Annual Report on Form 10-K as described above.

DATED: February 5, 2015

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*/s/ Erin Workman*

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Name: Erin Workman

**CONSENT OF SCOTT PETSEL**

I hereby consent to the inclusion in this Annual Report on Form 10-K, which is being filed with the United States Securities and Exchange Commission, of references to my name and to the use of the technical information included in the “Arctic Project – Current Activities” and the “Bornite Project – Current Activities” sections, and the disclosure regarding land size and the number of claims for the Ambler lands, in NovaCopper Inc.’s Annual Report on Form 10-K for the year ended November 30, 2014.

I also consent to the incorporation by reference in NovaCopper Inc.’s Registration Statement on Form S-3 (No. 333-185127) and Registration Statements on Form S-8 (No. 333-188950 and No. 333-181020), of references to my name and to the use of the technical information included in the Annual Report on Form 10-K as described above.

DATED: February 5, 2015

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      /s/ Scott Petsel  
Name: Scott Petsel

**CONSENT OF TETRA TECH**

We hereby consent to the inclusion in this Annual Report on Form 10-K, which is being filed with the United States Securities and Exchange Commission, of references to our name and to the use of the technical report titled “Preliminary Economic Assessment Report on the Arctic Project, Ambler Mining District Northwest Alaska” dated effective September 12, 2013 (the “Technical Report”).

We also consent to the incorporation by reference in NovaCopper Inc.’s Registration Statement on Form S-3 (No. 333-185127) and Registration Statements on Form S-8 (No. 333-188950 and No. 333-181020), of references to our name and to the use of the Technical Report, which is included in the Annual Report on Form 10-K.

DATED: February 5, 2015

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/s/ Hassan Ghaffari

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Name: Tetra Tech

**CONSENT OF BD RESOURCE CONSULTING, INC.**

We hereby consent to the inclusion in this Annual Report on Form 10-K, which is being filed with the United States Securities and Exchange Commission, of references to our name and to the use of the technical report titled “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” dated effective April 1, 2014 (the “Technical Report”).

We also consent to the incorporation by reference in NovaCopper Inc.’s Registration Statement on Form S-3 (No. 333-185127) and Registration Statements on Form S-8 (No. 333-188950 and No. 333-181020), of references to our name and to the use of the Technical Report, which is included in the Annual Report on Form 10-K.

DATED: February 5, 2015

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/s/ Bruce Davis

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Name: BD Resource Consulting, Inc.

**CONSENT OF SIM GEOLOGICAL INC.**

We hereby consent to the inclusion in this Annual Report on Form 10-K, which is being filed with the United States Securities and Exchange Commission, of references to our name and to the use of the technical report titled “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” dated effective April 1, 2014 (the “Technical Report”).

We also consent to the incorporation by reference in NovaCopper Inc.’s Registration Statement on Form S-3 (No. 333-185127) and Registration Statements on Form S-8 (No. 333-188950 and No. 333-181020), of references to our name and to the use of the Technical Report, which is included in the Annual Report on Form 10-K.

DATED: February 5, 2015

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/s/ Robert Sim

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Name: SIM Geological Inc.



**CONSENT OF INTERNATIONAL METALLURGICAL & ENVIRONMENTAL INC.**

We hereby consent to the inclusion in this Annual Report on Form 10-K, which is being filed with the United States Securities and Exchange Commission, of references to our name and to the use of the technical report titled “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” dated effective April 1, 2014 (the “Technical Report”).

We also consent to the incorporation by reference in NovaCopper Inc.’s Registration Statement on Form S-3 (No. 333-185127) and Registration Statements on Form S-8 (No. 333-188950 and No. 333-181020), of references to our name and to the use of the Technical Report, which is included in the Annual Report on Form 10-K.

DATED: February 5, 2015

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/s/ Jeff Austin

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Name: International Metallurgical & Environmental Inc.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

**PURSUANT TO RULE 13a-14(a) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

I, Rick Van Nieuwenhuysse, certify that:

1. I have reviewed this annual report on Form 10-K of NovaCopper Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By:           /s/ Rick Van Nieuwenhuysse            
Rick Van Nieuwenhuysse  
Chief Executive Officer

Date: February 5, 2015





