# Jervois Mining Limited.

# Management Discussion & Analysis (“MD&A”)

# For the Six-Month Period Ended December 31, 2020

## INTRODUCTION

This discussion and analysis of financial position and results of operations ("MD&A") is prepared as at March 23, 2021 and should be read in conjunction with the audited consolidated financial statements for the six months ended December 31, 2020 and 12 months ended June 30, 2020 of Jervois Mining Limited (the "Company" or "Jervois") with the related notes thereto. The financial year of the Company has changed from June 30 to December 31 to align the year end date of the Company with that of its subsidiary companies in both the United States and Uganda to improve the efficiency of the Company's financial reporting and planning cycles. Accordingly, the financial period reported in the audited consolidated financial statements covers the six-month period from July 1, 2020 to December 31, 2020. Comparative figures for the audited consolidated financial statements cover the twelve-month period from July 1, 2019 to June 30, 2020. The results for the current period are therefore not directly comparable with the results for the prior period.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with Australian Accounting Standards ("AASBs") (AASB 134 Interim Financial Reporting) adopted by the Australian Accounting Standards Board ("AASB"). All dollar amounts included therein and in this MD&A are expressed in Australian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

## FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this MD&A. Any statement that involves discussion with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often, but not always using phrases such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements relate, but are not limited, to: results of the Idaho Cobalt Operations Feasibility Study; Nico Young Preliminary Economic Assessment, estimation of Mineral Resources and Mineral Reserves or other statements relating to the magnitude or quality of mineral deposits; anticipated advancement of Idaho Cobalt Operations, São Miguel Paulista refinery, Nico Young, Kilembe Area and Bujagali; future operations; future exploration prospects; the completion and timing of future development studies; future growth potential of the Company's projects and future development plans; statements regarding planned exploration and development programs and expenditures; proposed exploration plans and expected results of exploration from the Company's projects; Jervois' ability to obtain licenses, permits and regulatory approvals required to implement expected business plans; changes in commodity prices and exchange rates; currency and interest rate fluctuations; and impact of COVID-19 on the timing of construction, operational restart plans, development studies or exploration. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objections, 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 fact and may be forward-looking statements.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, if untrue, could cause actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such statements. Forward-looking statements are based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the future price of cobalt, nickel and copper; anticipated capital and operating costs including working capital and the Company's ability to fund its programs, the Company's ability to construct, commission and operate its sites, or restart and or recommission, carry on exploration and development activities, the timing and results of drilling programs, the discovery of additional Mineral Resources on the Company's mineral properties, the successful conversion of these Mineral Resources into Mine Reserves, the timely receipt of required approvals and permits, including those approvals and permits required for successful project permitting, construction and operation of projects, the costs of operating and exploration expenditures, the Company's ability to operate in a safe, efficient and effective manner, the Company's ability to obtain financing as and when required and on reasonable terms; and the impact of COVID-19 and the resumption of business.

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 expressed or implied. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others: (i) access to additional capital; (ii) uncertainty and variations in the estimation of Mineral Resources and Reserves; (iii) health, safety and environmental risks; (iv) success of construction, operations, restart, development and exploration activities; (v) delays in obtaining or failure to obtain governmental permits, or non-compliance with permits; (vi) delays in getting access from surface rights owners; (vii) the fluctuating price of cobalt, nickel and copper; (viii) assessments by government authorities, including pertaining to taxation, royalties and other regulatory charges; (ix) uncertainties related to title to mineral properties; (x) the Company's ability to identify, complete and successfully integrate acquisitions; (xi) volatility in the market price of Company's securities; (xii) start-up risks; (xiii) general operating risks; (xiv) dependence on third parties; (xv) changes in government regulation; (xvi) the effects of competition; (xvii) dependence on senior management; (xviii) impact of US, Brazilian and Australian economic conditions; and (xix) fluctuations in currency exchange rates and interest rates.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Although the Company believes its expectations are based upon reasonable assumptions and have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. See the section entitled "RISKS AND UNCERTAINTIES" below for additional risk factors that could cause results to differ materially from forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and, accordingly, are subject to change after such date. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. Investors are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online under the Company's profile on SEDAR at www.sedar.com, and the Company's releases lodged with the Australian Securities Exchange ("ASX"), which can be viewed online under the Company's profile at https://www.asx.com.au/.

## DESCRIPTION OF BUSINESS

Jervois was incorporated under the laws of Australia on October 25, 1962.

Jervois is a mineral exploration, development and refining company. In late 2017, Jervois completed a Board and management transformation, with a new focus on the growing battery materials market. Cobalt and nickel form critical components of the cathodes in lithium-ion batteries, which are seeing increased demand as the market for electric vehicles ("EVs") continues to grow. Jervois has plans to construct and operate a portfolio of mines and processing facilities to take advantage of this market, aiming to supply high quality cobalt and nickel for use in EV batteries.

On July 24, 2019, Jervois completed its merger with eCobalt Solutions Inc. ("eCobalt"), as announced on April 1, 2019, and thereby acquired the Idaho Cobalt Operation ("ICO"). The ICO comprises the largest National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") compliant cobalt resource in the United Sates (see details below).

Jervois also holds the Nico Young nickel and cobalt deposit located near Young, New South Wales, Australia. Nico Young comprises two distinct bodies of mineralization and are large, shallow, flat-lying structures.

In September 2020, Jervois announced it had agreed to acquire the São Miguel Paulista ("SMP") nickel and cobalt refinery ("SMP Refinery") in São Paulo, Brazil from Companhia Brasileira de Alumínio ("CBA") (an investee company of Votorantim). SMP Refinery's production capacity was 25,000 metric tonnes per annum ("mtpa") of refined nickel cathode and 2,000mtpa refined cobalt cathode ahead of going into care and maintenance in 2016 due to CBA placing its Niquelândia mine and processing plant in Brazil on care and maintenance due to prevailing market conditions. Niquelândia supplied the SMP Refinery with the majority of its feed.

As a consequence of the acquisition of M2 Cobalt Corp. ("M2 Cobalt"), as announced in January 2019 and completed in June of that year, Jervois acquired control of the Ugandan exploration assets held by M2 Cobalt. Jervois is also in discussions with the Government of Uganda over its potential involvement in a restart of an old Falconbridge mine, known as the

Kilembe Project, and an associated cobalt refinery, Kasese Cobalt Company Limited ("KCCL"). The Government of Uganda owns 100% of the Kilembe Project and its associated licenses and 25% of KCCL.

**COVID-19**

In response to the impacts of COVID-19, the filing of a ICO Bankable Feasibility Study (“BFS”) was completed in September 2020 with the NI 43-101 Technical Report filed on SEDAR on November 13, 2020.

Early in 2020, the ICO project execution plan and schedule was reviewed in light of COVID-19 and associated travel and equipment transportation restrictions, together with the impact on capital markets. As a consequence, a revised development plan envisaging ordering of long lead items and detailed design and engineering to commence in January 2021 now form the basis of the BFS. Site construction activities in Idaho will commence only after the winter melt in Q2 calendar 2021, with a production start date of mid-2022. The Board of Jervois believes this timing is appropriate given the unprecedented dislocation COVID-19 has caused and the operational risks associated with implementing a mobilization schedule during the pandemic.

## OVERALL PERFORMANCE

Trading on TSXV

On May 21, 2019, the Company’s Shares were granted conditional approval to be admitted to official quotation on the TSXV under the Code “JRV”. The Shares of the Company were admitted to official quotation on June 21, 2019.

The Company’s operating segments are outlined below:

| | |
|---|---|
| ***Australia*** | Includes Nico Young and other Australian tenement licenses held. |
| ***Brazil*** | Includes the São Miguel Paulista nickel and cobalt refinery currently under lease. |
| ***Uganda*** | Prospective exploration licences held in Uganda, acquired through the acquisition of M2 Cobalt finalised in June 2019. |
| ***United States*** | Includes the eCobalt cobalt-copper-gold mine under construction in Lemhi County outside of the town of Salmon, Idaho. |
| ***Other*** | Consists of non-core exploration not related to Australia, Brazil, Uganda and the USA, corporate costs, including acquisition costs and financing costs. This is not a reportable segment. |

During the 6 months ended December 31, 2020 and 12 months ended June 30, 2020 the following results were recorded:

| **December 31, 2020** | **Australia A$’000** | **Brazil A$’000** | **Uganda A$’000** | **USA A$’000** | **Other A$’000** | **Total A$’000** |
|---|---|---|---|---|---|---|
| Other income | - | - | - | 27 | 256 | 283 |
| Segment expense | (46) | - | - | (50) | (4,140) | (4,236) |
| Impairment | (236) | - | (20,553) | - | - | (20,789) |
| Depreciation and amortisation | - | (48) | - | (104) | (8) | (160) |
| Interest income | - | - | - | - | - | - |
| Interest expense | - | (114) | - | - | - | (114) |
| Net foreign exchange gain | - | 1,184 | - | (192) | (115) | 877 |
| Income tax expense | - | - | - | - | - | - |
| **Segment result** | (282) | 1,022 | (20,553) | (319) | (4,007) | (24,139) |
| **Segment assets** | 8,135 | 31,847 | 57 | 75,439 | 43,987 | 159,465 |
| **Segment liabilities** | - | (26,915) | - | (10,167) | (866) | (37,948) |

| June 30, 2020 | Australia A$'000 | Uganda A$'000 | USA A$'000 | Other A$'000 | Total A$'000 |
|---|---|---|---|---|---|
| Other income | - | - | 88 | 3,171 | 3,259 |
| Segment expense | (417) | (667) | (230) | (10,534) | (11,848) |
| Depreciation and amortisation | - | - | (304) | (18) | (322) |
| Net finance costs | - | - | (38) | 51 | 13 |
| Net foreign exchange gain | - | - | - | - | - |
| Income tax expense | - | - | - | - | - |
| **Segment result** | (417) | (667) | (484) | (7,330) | (8,898) |
| **Segment assets** | 9,858 | 20,703 | 84,346 | 7,773 | 122,680 |
| **Segment liabilities** | - | (27) | (11,390) | (515) | (11,932) |

The key items impacting the overall performance of the Company are:

- On December 31, 2020, the exploration and evaluation assets in Uganda of A$20.55 million were impaired to A$nil due to the suspension of all exploration activities as a result of ongoing COVID-19 risks, political and regulatory developments in-country and the drilling results to date (which do not meet mineralisation model expectations for copper-cobalt ore deposits).
- On September 29, 2020, the Company announced the results of the ICO BFS and the acquisition of the SMP Refinery in Brazil.

Private Placements during financial year ended December 31, 2020

In October 2020, the Company announced a non-brokered private placement of 147,540,985 shares at a price of A$0.305 per share for gross proceeds of A$45,000,000, all of which was received as of December 31, 2020. The price represented a 1.2% discount to the 10-day VWAP on the ASX on October 16, 2020, being the last trading price prior to announcement of the private placement.

Grant of Stock Options during the financial year ended December 31, 2020

On October 1, 2020, 5,000,000 share options were granted to employees as long-term incentive options, with an exercise price of A$0.31, expiring on September 30, 2025, vesting on October 1, 2022, subject to continued employment with the Company.

On October 19, 2020, 7,500,000 share options were granted to employees as long-term incentive options, with an exercise price of A$0.33, expiring on October 18, 2028, vesting on October 19, 2023, subject to continued employment with the Company.

On November 26, 2020, 3,250,000 share options were granted to employees as long-term incentive options, with an exercise price of A$0.29, expiring on February 28, 2029, vesting on 1 March 2024, subject to continued employment with the Company.

On November 26, 2020, 6,000,000 share options were granted to employees as long-term incentive options, with an exercise price of A$0.29, expiring on January 3, 2029, vesting on 4 January 2024, subject to continued employment with the Company.

## PROJECT UPDATE

Idaho Cobalt Operations, United States

In September 2020, Jervois announced completion of an updated Bankable Feasibility Study (the "BFS") for its ICO asset in the United States. Since acquiring ICO in mid-2019, Jervois has increased confidence in its ability to successfully bring the site into commercial production.

Jervois' technical quality, rigour and conservatism applied in the BFS confirmed the uniqueness of ICO in its ability to become the only source of domestic cobalt supply in the United States.

The BFS confirmed the potential of ICO to establish a near-term, low-cost cobalt-copper-gold mine, with significant opportunity to increase the mineral resource and extend mine reserves once mining commences. Jervois' January 2020 updated Mineral Resource Estimate was integrated into a revised mine plan and mining reserve, together with design of the metallurgical plant and final infrastructure requirements.

Key drivers for development of ICO was Jervois' recognition that incorporating flexibility in design to enable a final investment decision to be undertaken on either bulk or separated cobalt and copper concentrates, together with potential concentrate roasting or calcination, had the greatest potential to enhance off-take negotiations and underpin an economically optimised operation.

The BFS is based upon design of a concentrator producing a cobalt-copper bulk concentrate with gold credits. Jervois also completed engineering design and costing, flowsheets to produce separated cobalt and copper concentrates, and calcined (roasted) cobalt concentrate as part of the preparation of the BFS. It has received off-take offers from potential customers for a variety of products to support economic trade-offs between flowsheet alternatives. With the recently announced acquisition of the SMP Refinery, Jervois is moving ahead with construction of a flowsheet based on separated concentrates, with the cobalt concentrate (containing gold) to be refined in Brazil, and the copper concentrate to be placed with customers in North America

The BFS was managed by a joint team of DRA Global ("DRA") and M3 Engineering ("M3"), with the latter headquartered in Tucson, Arizona. Input was obtained from specialized North American contractors across mineral resource and reserve estimation and audit, mine design and scheduling including mine rock waste and underground paste fill pump and placement / scheduling, metallurgical test work and laboratory management, process plant and engineering design including site infrastructure and dry stack tailings, together with capital and operating costing. The study was prepared in accordance with both the Australian JORC Code 2012 Edition ("JORC") and Canadian National Instrument 43-101 ("NI 43-101"), the latter of which Jervois published on SEDAR in mid-November 2020.

Key technical outputs from the BFS are summarized in Table 1 below:

**Table 1 : Key ICO Parameters**

| Parameter | Input | Parameter | Result |
|---|---|---|---|
| Production rate | 1,200 stpd ore<br>1,090 mtpd ore | NPV (@ 8% real post-tax) [1] | US$95.7 million |
| Mine life | 7 years | IRR (nom. post-tax) [1] | 40.6% |
| Capital cost [1] | US$78.4 million | EBITDA[2,5] | US$54.8 million per annum |
| Operating cost[2] | US$7.45/lb payable Co (post credits) | EBITDA margin[2] | 52% |
| Cobalt price[3] | US$25.00/lb | Cobalt in conc. (contained)[2] | 1,915 metric tonnes per annum |
| Copper price[4] | US$3.00/lb | Copper in conc. (contained)[2] | 2,900 metric tonnes per annum |
| Gold price | US$1,750/oz | Gold in conc. (contained)[2] | 6,700 oz per annum |

1. Based upon current BFS selling a bulk concentrate; capital is in real 2020 dollars and is in accordance with NI 43-101 requirements which must exclude potential cash collatorisation of environmental bonding, and only include actual cash environmental expenditure.
2. Average life of mine, in real 2020 dollars (as applicable, margin in percentage, unit cost in US$ per lb).
3. Metal Bulletin Standard Grade ("SG") in real 2020 dollars.
4. LME Cash in real 2020 dollars.
5. EBITDA is a non-IFRS measure but is commonly used in evaluating financial performance. While the common definition of EBITDA is "Earnings Before Interest Expense, Taxes, Depreciation and Amortization" as used in the BFS, EBITDA means revenue less mining, processing costs and haulage expenses. EBITDA used in this news release may not be comparable to EBITDA presented by other companies.

The BFS is based on extracting 2.5M metric tonnes of ore at an average grade of 0.55% Co, 0.80% Cu and 0.64 g/t Au. Initial mine life within the revised BFS is 7 years, as Jervois sought to maximise initial operating margins, economics and IRR's. Once underground access has been established and drilling can occur more cost effectively than from surface, unconstrained by seasonality, Jervois has confidence that further resource will be converted to mine reserves (only 60%

of the Measured and Indicated Resource has been included in the mining reserve at this time, and none of the Inferred Resource). In addition to known mineralisation, there exists significant potential for additional tonnes along strike and at depth.

The BFS mine plan does not incorporate any uplift in ultimate metallurgical recoveries associated with processing concentrate at SMP Refinery, and its consequential impacts on reserve cut off and potential extensions to life of mine. Historical cobalt recoveries percentage at SMP Refinery have averaged in the mid 90's over its operating life.

The process route at ICO is well defined and tested using standard existing technologies. Projected metallurgical recoveries to bulk concentrate once operations are ramped up and stabilized are 91.1% for cobalt, 95.5% for copper and 84.9% for gold. Recoveries are dependent on the feed grades, feed grade ratios of Cu:Co, and targeted concentrate grade quality (with 10% cobalt being targeted).

Operating costs will be extremely competitive (US$7.45/lb of payable cobalt after by-product credits), with the mine being the first and only United States supplier of ethically sourced cobalt units into the North American market.

In November 2020, Jervois announced it had elected M3 as lead engineer for the detailed design and site early works for ICO.

M3 is headquartered in Tucson, Arizona and was selected as the preferred engineering contractor due to its work on the BFS. M3 also has extensive construction experience and project delivery in the United States, specifically relating to local conditions in Idaho and regional contractor capabilities.

The detailed design will cover all packages of work to allow orders to be placed on long lead items so construction can restart and site early works in May 2021 can commence, after snow melts allowing safe site access. ICO remains scheduled to be commissioned in July 2022.

In January 2021, Jervois appointed Metso Outotec to undertake engineering and fabrication of a SAG (semi-autogenous grinding) mill for ICO. The contract is for the design, fabrication and delivery of a 4.7-metre diameter and 2.5m-long 750kW SAG (semi-autogenous grinding) mill. The mill design will comfortably accommodate the nameplate 1,200 short tons of ore per day ("stpd") Jervois applied in the ICO BFS.

The mill will be delivered to site prior to end of 2021. As part of the order, Metso Outotec will provide mill layout drawings to Jervois's appointed engineering firm at ICO, M3, so final site layout for upcoming site construction reactivation can be detailed and awarded in Q2 2021.

As a result of the successful outcome of the BFS and reflecting the commencement of the next stage at ICO, the classification of ICO within the Balance Sheet has been changed to Assets Under Construction from Exploration and Evaluation.

*Project Financing*

Jervois continues to work with potential lenders around structuring alternatives, including security packages surrounding either ICO, or ICO and SMP. An integrated financial model is being finalised for lenders. RPM Global was appointed as the Independent Engineer for the ICO mine and mill, and they will shortly be recommencing their work as Jervois looks to finalise lender(s) appointment. Discussion with lenders around due diligence requirements of SMP Refinery continue, to extent this facility forms part of lender security package. Jervois continues to engage with the United States government, and customer and off-take negotiations are also progressing both for supply of nickel and cobalt intermediates into SMP and refined production.

*ICO Environmental Social Governance*

At ICO, Jervois will apply best-in-class environmental and safety standards, systems, and techniques in the production of cobalt in Idaho as part of its overarching environmental, social and governance ("ESG") policies. Key activities related to both the regulatory requirements at ICO as well as voluntary activities form the basis of our aim to be a positive contributor to the local and regional communities, businesses and environments.

During 2020, ICO performed environmental monitoring activities in accordance with all applicable regulatory requirements. These included monitoring of surface water quality, ground water quality, storm water and erosion controls, and reclamation and revegetation activities. As a component of ICO's concurrent reclamation program, extensive revegetation efforts were conducted by seeding with a mix of native grasses and forbs, spreading of open serotinous cones, and transplanting of native trees. Work was also performed to maintain optimal growing conditions in the wetland mitigation cells and to eradicate noxious weeds and other invasive plants.

During 2021, ICO will collaborate with the Idaho Conservation League to develop the Upper Salmon Conservation Action Program ("Program") to protect and restore fish, water quality, wildlife habitat, and biodiversity within the Upper Salmon River basin. This innovative and voluntary partnership, which was formalized in February 2021, will fund projects to protect and enhance this ecologically important region of Idaho. Jervois will contribute US$150,000 per year into a dedicated fund for the Program through the operational life of the ICO mine. The Program is separate from and unrelated to the mitigation measures and other regulatory requirements applicable to ICO. The Program will also include an ongoing dialogue with communities in the area, including the Shoshone-Bannock and Nez Perce Tribes, as well and local, state, and federal agencies, about investment priorities for the Program.

During the COVID-19 pandemic, Jervois provided a cash donation to the Idaho Foodbank's Backpack program. This program ensures that students who are chronically hungry have access to adequate food by providing food caches all over town, full of nutritious, kid-friendly food. Many low-income children have access to nutritious meals through their school's free-and-reduced breakfast and lunch program. Unfortunately, on the weekends and during the evening, these same children have food insecurity. The Backpack program helps these children by providing food support throughout the year.

ICO power will be provided by Idaho Power, an Idaho corporation. In 2019 (last published data at date of this report), 64.1% of Idaho Power's energy mix came from renewables (including hydro) and 11.4% from natural gas. The utility has plans to further increase the share of renewables and eliminate coal-fired energy, which represented 16.3% of generation capacity in 2019. They were the first investor-owned utility to establish a clean energy goal without a government requirement. Idaho Power has set a goal to be 100 percent clean energy by 2045 and offer additional green-energy solutions for more renewable, carbon-free electricity. ICO continues to discuss future opportunities with Idaho Power that may allow ICO to take advantage of Idaho Power' innovative approach toward clean energy; continuing to reduce ICO's already industry leading carbon footprint.

<u>São Miguel Paulista nickel and cobalt refinery, Brazil</u>

In parallel with its ICO BFS release in September, Jervois announced it had agreed to acquire 100% of the SMP Refinery in São Paulo, Brazil, from Companhia Brasileira de Alumínio ("CBA") (an investee company of Votorantim).

*Background*

SMP Refinery is a nickel and cobalt electrolytic refinery designed and constructed by Outotec that commenced operations in 1981. The facility is in an industrial zone in São Paulo, Brazil. It was placed on care and maintenance by CBA in 2016, when CBA also placed its Niquelândia mine and processing plant in Brazil on care and maintenance due to prevailing market conditions at the time. Niquelândia provided the SMP Refinery with nickel carbonate.

SMP Refinery's production capacity was 25,000 metric tonnes per annum ("mtpa") of refined nickel cathode and 2,000mtpa refined cobalt cathode.

SMP Refinery produced electrolytic nickel with 99.9% purity, exceeding the base specification required by the London Metal Exchange ("LME"). This product was historically used in premium applications such as superalloys, specialty stainless steels, electroplating and batteries. SMP Refinery broken cobalt cathodes were also of high quality and historically used in superalloys and batteries. Nickel and cobalt cathodes were sold under the brand "Tocantins" with an established customer base in key regions of demand today – the United States, Europe and Japan.

*Transaction Structure*

Jervois will initially lease SMP Refinery from CBA ("Refinery Lease"), providing Jervois access to undertake a Feasibility Study ("FS") for the restart. Subject to Jervois' Early Termination Right up to September 2021, the lease shall continue until closing of Jervois' acquisition of SMP Refinery ("Closing") which is subject to the satisfaction of usual condition precedents and is expected to occur by December 2021.

Jervois will acquire 100% of SMP Refinery for R$125.0 million cash (US$22.5 million[1] A$31.1 million[2]), payable in tranches:

a) R$15.0 million (US$2.9 million)[3] cash as a deposit ("Deposit Payment"). The Refinery Lease commenced upon receipt by CBA of the Deposit Payment. Should Jervois elect to exercise its Early Termination Right, Deposit Payment will be forfeited and no further tranches will be payable. On Closing, Deposit Payment shall be applied to the purchase price for SMP Refinery.
b) R$47.5 million (US$9.1 million)[3]: on Closing.
c) R$25.0 million (US$4.8 million)[3]: on the earlier to occur of:
    i. SMP refinery meeting certain production thresholds (average of 125mt per month of contained refined nickel and/or cobalt); and
    ii. June 30 2023.
d) R$37.5 million (US$7.2 million)[3]: on June 30, 2023.

In December, Jervois advised it had completed the Deposit Payment of R$15.0 million (US$2.9 million)[3] cash related to the acquisition of SMP Refinery in São Paulo, Brazil.

Following this payment Jervois and CBA, signed the Refinery Lease providing Jervois access to undertake the FS for the restart.

Following Closing, the timing of the balance of the purchase price is conditional upon permitting, restart FS outcomes and future production thresholds – with an outside date of June 2023.

As part of the purchase arrangements and as contained in the Refinery Lease, Jervois will pay for SMP Refinery care and maintenance (including environmental remediation) of the site from March 2021, via the cash payment of a monthly lease cost of R$1.5 million (US$0.3 million[3]). Up until Closing, CBA will continue to manage the site. After Closing, 100% ownership and operating control will transfer to Jervois as it moves forward to restart the refinery.

*Feasibility Study*

Formal tender process for the SMP BFS is underway and will be completed in Q1 2021.

Restart requirements and costs at SMP Refinery are moderate. Planned works include refurbishment of the electrowinning cells, additional crystallizer(s), a gold recovery circuit, plant corrosion treatments, sealing, filtration upgrades and modifications to materials handling.

Jervois' preliminary capital estimates from its due diligence range from R$75 million (US$13.5 million) up to R$150 million (US$27.0 million), depending on the scale of restart potentially supported by additional supplier materials, other than cobalt intermediates from Jervois' ICO.

In parallel with engineering work underway on ICO, Jervois announced the appointment of Perth-based consultancy Elemental to complete modelling of feed integration of hydroxides, carbonates, oxides and sulphide concentrates for the SMP Refinery in Brazil.

Elemental Engineering were engaged to undertake detailed sysCAD modelling of refinery mass balances, and solid / liquid flows, which together with progress on commercial negotiations of supply contracts into SMP, will determine the scope and structure of refinery restart.

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[1] US$ conversion based on 29/09/20 exchange rate of US$1:R$5.55, the transaction values are fixed in R$ and are not convertible into US
[2] A$ conversion based on 29/9/2020 exchange rate of A$1: R$4.02, the transaction values are in R$ and are not fixed in A$
[3] US$ conversion based on exchange rate of US$1: R$5.205, the transaction values are in R$ and are not fixed in US$

Scope included detailed mass and energy balance calculations, reagent consumption, steam and water balances, sysCAD models and flowsheets including impurity removal and recirculating load assessment, together with impact on utility demands including electricity, steam and water. The work was finalized in Q1 2021.

Elemental was awarded the scope of work after strong bids from international engineering firms with expertise in nickel and cobalt refining. Elemental completed similar work for Glencore's Murrin Murrin facility in Western Australia and undertook Nico Young flowsheet modelling for Jervois prior to public release of the NI 43-101 Preliminary Economic Assessment in May 2019.

As a result of Elemental's work, Jervois has determined it shall integrate a POX leach circuit at the SMP Refinery. The inclusion of the POX autoclave offers a number of advantages, namely high metal recovery, low overall operating costs, enhanced ESG metrics due to lower emissions and energy usage, improved refined product purity and compact installation footprint on site. Preliminary POX sighter testwork at SGS Perth Western Australia in conjunction with Elemental's work returned satisfactory results.

Jervois' restart will be staged, and we will be installing a pressure oxidative leach (POX) circuit at SMP refinery: initial commissioning on mixed hydroxide product (MHP) and cobalt hydroxide, followed by the integration of ICO and third-party concentrates using POX. Jervois will also assess the production of refined chemical sulphates, both nickel and cobalt.

The operating scenario and the associated capital estimates will be defined as part of the FS Jervois will complete, including supplier contract negotiations to underpin restart economics. Subject to permitting and Jervois securing supply contracts for other nickel and cobalt intermediates, accelerated restart is to be explored.

Jervois' PEA for Nico Young supported the technical and economic viability of heap leaching laterite ore, based on the production of battery grade nickel sulphate hexahydrate crystal and cobalt sulphide as final, refined products. Within the study scope, Jervois also completed to the equivalent level of engineering, the ability to produce an MHP.

This MHP represents an attractive feed for SMP, with the refinery having processed similar products from other suppliers historically, including from Australia.

Jervois' agreement to acquire the SMP Refinery also potentially enables a revised development plan at its Nico Young nickel-cobalt heap leach development in Australia, to a mixed hydroxide product ("MHP"), suitable for processing based on the existing SMP flowsheet, resulting in estimated capital savings of A$200 million from the prior Nico Young NI 43-101 Preliminary Economic Assessment ("PEA").

<u>Nico Young Nickel-Cobalt Project, New South Wales, Australia</u>

The Nico Young Project is a mineral exploration area for nickel cobalt laterite located approximately 30km west-northwest of Young in New South Wales, Australia.

The Nico Young Project comprises three known soil covered nickel-cobalt laterite deposits: Ardnaree, East and West Thuddungra and have been periodically drill sampled since 1998. An initial Mineral Resource estimate for the Nico Young Project was originally estimated in September 2001. Since that time, there have been multiple programs of air core, RC and diamond drilling within the nominal resource boundaries.

During the 2020 September quarter, Jervois received A$1.5 million in cash from the Australian Federal Government, relating to a research and development ("R&D") tax refund for the financial year ending June 30, 2019.

The R&D refund related to applicable costs incurred within the Nico Young NI 43-101 PEA, which was finalized by the Company in May 2019. The PEA supported the technical and economic viability of heap leaching laterite ore and was based on the production of battery grade nickel sulphate hexahydrate crystal and cobalt sulphide as final, refined products.

Within the study scope, Jervois also completed to the equivalent level of engineering, the ability to produce an intermediate mixed hydroxide precipitate ("MHP").

As part of a Feasibility Study for the SMP Refinery, Jervois will examine the potential to utilise MHP at the refinery, which could reduce project capital estimates for Nico Young by about A$200 million.

The Company is continuing discussions which envisage partial off-take in exchange for funding to complete a BFS. At that time, Jervois will reassess its level of equity ownership and uncommitted offtake of Nico Young to determine a suitable ownership structure and marketing strategy to secure the required project financing to move into construction.

Ugandan Exploration Properties

Jervois completed its planned drill programme at its Kilembe area properties in central and western Uganda, and following receipt of assays from Q4 2020 exploration, announced the results on 27 January 2021.

Drilling at the Kilembe Area Properties targeted surficial Au-Cu mineralization detected through earlier geochemical programmes. In total, 1,905 metres of diamond drilling was completed in 17 holes drilled at the Kilembe Area Properties in 2019 and 10 holes in 2020, totalling 1,409m.

Result highlights included:

- Hole 20DDHS006
  - 2.0m @ 6.0 grams per tonne gold ("g/t Au") from 147.4m
- Hole 20DDHS007
  - 24.8m @ 0.9 g/t Au from 53.7m
    Including 1.05m @ 6.4 g/t Au; from 77.45m
- Hole 20DDHS008
  - 10.4m @ 0.6 g/t Au from 14.0m
  - 1.65m @ 1.6 g/t Au from 69.15m
- Hole 20DDHS009
  - 10.0m @ 0.5 g/t Au from 38.0m
    Including 1.0m @ 2.9 g/t Au; from 41.0m
  - 1.0m @ 5.0 g/t Au; from 95.0m

All exploration activities in Uganda have been suspended due to a combination of ongoing COVID-19 risks, political and regulatory developments in-country and results to date outside the above Kilembe Area Properties which do not meet mineralization model expectations for copper-cobalt ore deposits. Jervois is initiating a partnering process for its Ugandan exploration portfolio.

As a result of the suspension of activities, the Ugandan exploration properties book value has been subject to impairment and this has resulted in an impairment expense of A$20.55 million being included in the financial statements for the period.

Kabanga Nickel-Cobalt Deposit Application, Tanzania

Jervois was unsuccessful in obtaining tenure for the Kabanga Nickel-Cobalt deposit.

Non-Core Assets

In the 2020 September quarter, Jervois completed the sale of the King Solomon Project to Hawkstone Mining Limited.

Other interests:

*Khartoum Tin Project, Herberton, Queensland Australia*

Post period end, Jervois completed the sale of the Khartoum Tin Project to Jadar Resources Limited in February 2021.

*Arunta West JV (Gold, Jervois 20%)*

JV operator, Norwest Minerals Ltd (ASX: NWM), undertook exploration programmes to meet the 80% earn-in milestone.

Jervois has now diluted its interest in the Arunta joint venture to 20%.

*Virgin River JV (Uranium, Jervois 2%)*

Further exploration for uranium mineralisation is planned for the 2021 field season on the JV properties in the Athabasca Basin, Canada.

## SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the financial statements of the Company for the six-month period ended December 31, 2020.

| | As at | | |
|---|---|---|---|
| | **December 31, 2020** A$ | **June 30, 2020** A$ | **June 30, 2019** A$ |
| Current assets | $42,943,921 | $6,352,515 | $4,581,492 |
| Non-current assets | $116,520,707 | $116,327,309 | $30,246,615 |
| Total assets | $159,464,628 | $122,679,824 | $34,828,107 |
| Current liabilities | $14,364,876 | $1,015,351 | $2,623,481 |
| Non-current liabilities | $23,582,483 | $10,916,761 | $15,296 |
| Shareholders' equity | $121,517,269 | $110,747,712 | $32,189,330 |
| Total liabilities and shareholders' equity | $159,464,628 | $122,679,824 | $34,828,107 |
| Working capital | $28,579,045 | $5,337,164 | $1,958,011 |

| | Year ended, | | |
|---|---|---|---|
| | **December 31, 2020*** A$ | **June 30, 2020** A$ | **June 30, 2019** A$ |
| Total revenue | $283,365 | $3,259,085 | $4,137,860 |
| Expenses | ($24,308,806) | ($12,170,356) | ($9,515,223) |
| Other items | ($10,783,107) | $3,159,477 | ($6,233,021) |
| (Loss) from continuing operations | ($24,139,204) | ($8,898,271) | ($6,001,444) |
| Comprehensive (loss) for the year attributable to shareholders | ($34,922,311) | ($5,738,792) | ($12,234,465) |
| Basic and diluted loss per share from continuing operations | (3.44) cents | (1.43) cents | (2.7) cents |
| Weighted average number of common shares outstanding | 701,983,648 | 621,519,656 | 224,957,076 |

* Represents 6-month period

There were no dividends paid in the current or prior financial year.

In financial year ended June 30, 2020, the Company disposed of the Bullabulling royalty representing materially all the revenue for 2020. The company did earn any material revenue in the financial year ended December 31, 2020.

The SMP Refinery lease entered into in the financial year ended December 31, 2020 resulted in an increase in assets of A$31,847,132 from the corresponding period. In addition, liabilities increased by A$26,914,609.

Expenses increased significantly in the financial year ended December 31, 2020 due to the impairment of the Uganda exploration and evaluation assets of A$20,552,854. Across all three periods, a significant portion of the expenses related to the share-based payments.

## RESULTS OF OPERATIONS

***Six months ended December 31, 2020 and year ended June 30, 2020***

During the six months ended December 31, 2020, the Company incurred a net loss of A$24,139,204 and a comprehensive loss of A$34,922,311 (twelve months ended June 30, 2020: A$8,898,271 and A$5,738,792, respectively). The losses are comprised of the following major items:

- Impairment of exploration and evaluation assets of A$20,788,757 (twelve months ended June 30, 2020: A$1,063,219), with this being mainly related to the impairment of the Uganda exploration and evaluation assets due to the suspension of all exploration activities as a result of ongoing COVID-19 risks, political and regulatory developments in-country and the drilling results to date (which do not meet mineralisation model expectations for copper-cobalt ore deposits). For the year ended June 30, 2020 this mainly related to the Khartoum exploration and evaluation asset in Queensland, Australia and the M2 Cobalt Silverside cobalt/silver asset in Ontario, Canada as both were deemed non-core to the business.

- Accounting and audit fees of A$471,804 (twelve months ended June 30, 2020: A$391,583) related to annual financial reporting, year-end audit and tax preparation. For the year ended June 30, 2020 these were mainly for half year and annual financial reporting, year-end audit and tax preparation.

- Listing fees of A$312,776 (twelve months ended June 30, 2020: A$384,660) related to annual sustaining fees on the ASX and TSXV, as well as fees related to the A$45,000,000 private placement in October 2020. This compared to the year ended June 30, 2020 which was mainly associated with the listing on the ASX, TSXV and OTCQB as well as TSX-V annual sustaining fees and fees for private placements (including Jervois' A$16,500,000 equity issuance), stock option grants and transaction review costs payable to the ASX and TSXV in relation to the eCobalt transaction.

- Legal fees of A$263,144 (twelve months ended June 30, 2020: A$315,502) mainly related to the acquisition of SMP Refinery. For the year ended June 30, 2020 this was mainly related to completing the acquisition of eCobalt.

- Employee costs of A$760,253 (twelve months ended June 30, 2020: A$1,456,678). In both the six-month period to December 31, 2020 and the twelve-month period to June 30, 2020 these amounts included amounts paid to the Directors, the CEO, Senior Executives, and other employees as well as the required statutory payments associated with salaries. See "Related Party Transaction" section for details.

- Share-based compensation of A$1,372,578 (twelve months ended June 30, 2020: A$3,483,916) incurred during the six-month period ended December 31, 2020 and the year ended June 30, 2020 was the fair value of the stock options granted in the current and prior period amortized over their vesting periods.

- Office and miscellaneous of A$311,405 (twelve months ended June 30, 2020: A$321,572) for both periods was due to office rent, activities and associated costs.

- Travel and related expenses of A$158,020 (twelve months ended June 30, 2020: A$390,224) in the current period was related to travel associated with the completion of the ICO BFS and the agreement to acquire SMP Refinery, which was lower period-on-period due to COVID-19.

- Professional fees of A$17,109 (twelve months ended June 30, 2020: A$2,656,583). For the year ended June 30, 2020 these related to the acquisition of eCobalt.

The Company completed exploration and development activities on its ICO and Uganda projects in the six months to December 31, 2020. During the six months ended December 31, 2020, the Company incurred a total of A$2,414,553 expenditures on its exploration and development programs with A$1,825,838 at ICO and A$527,468 in Uganda. In addition, following the successful completion of the ICO BFS, this asset was reclassified as Assets Under Construction.

***Three-month period ended December 31, 2020 and 2019***

During the three months ended December 31, 2020, the Company incurred a net loss of A$22,479,814 (three months ended June 30, 2020: A$2,402,900). The losses are comprised of the following major items:

- Impairment of exploration and evaluation assets of A$20,788,757 (three months ended June 30, 2020: A$1,058,916), with this being mainly related to the impairment of the Uganda exploration and evaluation assets due to the suspension of all exploration activities as a result of ongoing COVID-19 risks, political and regulatory developments in-country and the drilling results to date (which do not meet mineralisation model expectations for copper-cobalt ore deposits). Other impairments of exploration and evaluation expenditure carried at cost in Jervois' balance sheet for the year ended June 30, 2020 were related to the Khartoum exploration and evaluation asset in Queensland, Australia and the M2 Cobalt Silverside cobalt/silver asset in Ontario, Canada as both were deemed non-core to the business.

- Accounting and audit fees of A$281,272 (three months ended June 30, 2020: A$209,739) were mainly for year-end audit accruals.

- Legal fees of A$174,174 (three months ended June 30, 2020: A$46,124) is related to corporate maintenance and the acquisition of SMP Refinery.

- Employee costs of A$500,441 (three months ended June 30, 2020: A$301,891) included amounts paid to the Directors, the CEO, Senior Management, and employees. See "Related Party Transaction" section for details.

- Office and miscellaneous of A$70,401 (three months ended June 30, 2020: A$57,538) was mainly due to increased office rent and annual communications costs falling due in the quarter.

- Share-based compensation of A$789,682 (three months ended June 30, 2020: A$695,967) during the current and prior quarter was the fair value of the stock options granted in the current and prior period amortized over their vesting period and applied to the quarter.

The Company completed exploration activities on its ICO and Uganda projects in the three months ended December 31, 2020 and incurred a total of A$1,327,407 in expenditures.

## SUMMARY OF QUARTERLY RESULTS

The Company became a "reporting issuer" in Canada on June 21, 2019 when its securities were listed on the TSXV. From that date until the end of the second quarter (fiscal period) ending December 31, 2019, the Company was a "designated foreign issuer" within the meaning of Canadian National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers. Accordingly, prior to June 21, 2019, the Company was not subject to Canadian continuous disclosure requirements and, until December 31, 2019, the Company was entitled to comply with Canadian continuous disclosure requirements by filing the materials it was required to file in Australia.

Under applicable Australian law and the requirements of the ASX, the Company is not required to and has not historically produced financial statements for the first and third quarters of each fiscal year. Full financial statements are only produced half-yearly and annually. On a quarterly basis, certain cash flow information is publicly reported by the Company to the ASX.

For the foregoing reasons, the Company does not have historical financial statements that would allow it to provide quarterly financial disclosure derived from the Company's financial statements as called for by Canadian Form 51-102F1 – Management's Discussion & Analysis for the comparative three-month periods ended June 30, 2019 or March 31, 2019. The Company has therefore provided the six-month comparative to June 30, 2019.

| | Three-month period ended December 31, 2020 A$'000 | Three-month period ended September 30, 2020 A$'000 | Three-month period ended June 30, 2020 A$'000 | Three-month period ended March 31, 2020 A$'000 |
|---|---|---|---|---|
| Total revenue | Nil | Nil | Nil | Nil |
| Shareholders' equity | $121,517 | $106,280 | $110,748 | $124,066 |
| Net (loss) from continuing operations | ($22,480) | ($1,659) | ($2,403) | ($1,897) |
| Comprehensive (loss) for the period attributable to shareholders | ($27,973) | ($6,949) | ($11,692) | $12,531 |
| Loss per share for the period attributable to shareholders | (2.951) cents | (0.258) cents | (0.390) cents | (0.311) cents |

| | Three-month period ended December 31, 2019 A$'000 | Three-month period ended September 30, 2019 A$'000 | | Six-month period ended June 30, 2019 A$'000 |
|---|---|---|---|---|
| Total revenue | $3,100 | Nil | | $4,036 |
| Shareholders' equity | $110,788 | $115,941 | | $32,189 |
| Net (loss) from continuing operations | ($1,209) | ($1,875) | | ($2,242) |
| Comprehensive (loss) for the period attributable to shareholders | ($1,209) | ($1,875) | | ($4,716) |
| Loss per share for the period attributable to shareholders | (0.195) cents | (0.209) cents | | (2.090) cents |

The activities of the Company over the above periods consist of drilling and study costs to complete the PEA of the Nico Young project in Australia and, following the announcement of the acquisition of M2 Cobalt in January 2019, exploration activities in Uganda (prior to the transaction closing Jervois extended a loan to fund continued exploration). The Company has also undertaken a drilling program at ICO during the second half of calendar 2019 in order to support the completion of the updated BFS which commenced following the completion of the acquisition of eCobalt in July 2019. The Company completed a private placement to raise A$16,500,000 (before expenses) in June 2019 with funds being used to execute ICO BFS study work and associated resource drilling, together with Ugandan exploration activities. In the December 2020 quarter, the Company announced the acquisition of the SMP Refinery and completed a private placement to raise A$45,000,000 (before expenses), with the funds being used to commence early works at ICO and studies related to the restart of the SMP Refinery. Due to the results of the exploration activities in Uganda, along with the political situation in Uganda, the Company has impaired its Uganda assets contributing the majority of the loss in the December 31, 2020 quarter.

On a quarter-by-quarter basis the loss can fluctuate significantly due to a number of factors including exploration activities during the period, impairment of assets, the timing of stock option grants, and changes in nature of the business.

An analysis of the three-monthly results over the periods shows a significant change in financial performance primarily due to the sale of non-core assets and royalties in the periods ending June 30, 2019 and December 31, 2019 offsetting an increase in exploration and expenses related to completion of the PEA at Nico Young in Australia and the BFS at ICO in the United States as well as exploration in Uganda. In addition, the change in fair value of equity instrument (a 4.4% shareholding in eCobalt held prior to the acquisition of all remaining shares) impacted the comparative periods.

The mergers of both M2 Cobalt and eCobalt incurred significant one-off expenses that further offset the revenue in the June 30, 2019 and March 31, 2019 period as compared to exploration and evaluation expenses in the earlier periods. These one-off costs consist primarily of legal, securities exchange expenses and advisory fees.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to-date through the issuance of common shares and sale of non-core assets. The Company continues to seek capital through various means including the issuance of equity and/or debt.

If Jervois is to proceed with construction in 2021 at Idaho Cobalt Operations ("ICO") as outlined above, further financing will be required. As outlined in the ICO discussion earlier, Jervois is in negotiations with debt providers with regard to the provision of a project finance facility to support finishing construction and ramp up.

Jervois has sufficient liquidity to continue its current global operating footprint past March 2022. If required, the Group has the ability to further reduce the forecast expenditure in order to extinguish its liabilities including the minimum expenditure commitments of its exploration licenses and permits and corporate activities, however this is not considered by the Directors or Management to be a desirable or likely scenario.

The Directors believe that the going concern basis of accounting is appropriate for the following reasons:

- During the period, the Company was successful at raising additional equity capital to pursue its strategic business plans and objectives and enhance the Group's liquidity and balance sheet strength.
- Management and the Directors have reviewed the Group's consolidated cashflow requirements for the twelve-month period from the date of signing the December 31, 2020 annual financial statements and the forecast shows that the current cash on hand will be sufficient to meet the planned activities approved by the Board up to the date of signing the December 31, 2020 annual financial statements, and the Group's corporate and working capital requirements during this period. This includes, but is not limited to, the minimum Exploration and Mining Licence compliance obligations over the 12 months following the date of signing the December 31, 2020 annual financial statements (the forecast period).
- The Company completed the BFS on the ICO in September 2020, with the study determining that the project is economically and technically viable.
- The Company entered into a lease as part of the acquisition of the São Miguel Paulista refinery in Brazil, further strengthening the Company's positioning for both nickel and cobalt refining.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

| | December 31, 2020 A$ | June 30, 2020 A$ |
|---|---|---|
| Working capital | $28,579,044 | $5,337,163 |

Net cash used in operating activities for the current period was A$2,585,931 (twelve months ended June 30, 2020: A$2,145,901). The net cash used in operating activities for the current period consists primarily of receipt of funds for the sale of the shares received from the disposal of the Mt Moss and Forest reefs royalties less the operating loss. The net cash used operating activities for the prior year consists primarily of receipt of funds for the sale of the Flemington royalty less the operating loss.

Net cash used in investing activities for the current period was A$1,079,223 (twelve months ended June 30, 2020: A$12,641,035). Net cash used in investing activities for the year consists primarily of the development and exploration expenditure on the ICO and Uganda projects, offset by a research and development refund from the Australian Tax Office of A$1,543,821.

Net cash inflow from financing activities during the current period was A$40,409,490 (twelve months ended June 30, 2020: A$16,254,035). The Company completed one private placement during the six months ended December 31, 2020 for gross proceeds of A$45,000,000 (twelve months ended June 30, 2020: A$16,500,000). The net cash inflow from financing activities in the prior period was primarily due to the private placement in that year.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has sufficient funds to meet the minimum expected development, exploration and administration expenses through the ensuing fiscal year.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## RELATED PARTY TRANSACTIONS

No loans have been made to key management personnel as of December 31, 2020.

(a) The Company acquired a related party relationship between prior M2 Cobalt management personnel, Dr. Jennifer Hinton and Mr. Tom Lamb and an external services company Great Rift Geosciences ("Great Rift") via the M2 Cobalt merger. Acquired in June 2019, Jervois uses Great Rift to provide Ugandan exploration management services including local administration and in-country management, accounting, payroll and treasury services, offices including a core shed and sample preparation area, employee accommodation, and exploration staffing. Dr. Jennifer Hinton and Mr. Tom Lamb are also principals and co-owners of Great Rift. The commercial arrangements with Great Rift are conducted on an arms-length terms.

Amounts below represent payments to Great Rift (Canada) and Great Rift (Uganda) at which Dr. Hinton and Mr. Lamb are Directors. Payments made to Great Rift were solely for the in-country services outlined above.

Due to the previously mentioned pause in Jervois's exploration activity in Uganda, the Great Rift contract for in-country exploration management services was terminated with an effective date of 19 February 2021.

| | December 31, 2020 A$'000 | June 30, 2020 A$'000 |
|---|---|---|
| Management Services – Great Rift | 169 | 312 |

(b) Details of the remuneration of directors and key management personnel of the consolidated entity are set out in the following tables.

| | Short-term benefits | | | | Post-employment benefits | Share-based payments | Value of options as proportion of | |
|---|---|---|---|---|---|---|---|---|
| 6 months to December 31, 2020 | Salary and directors' fees | Bonus Payments | Non-monetary benefits (1) | Consultancy fees | Superannuation | Equity (2) | total remuneration | Total |
| | $A | | $A | $A | $A | $A | % | $A |
| **Non-Executive Directors:** | | | | | | | | |
| P Johnston (3) | 18,750 | - | - | - | - | 18,891 | 50.2 | 37,641 |
| B Kennedy (3) | 6,000 | - | - | - | - | 25,761 | 81.1 | 31,761 |
| M Callahan (3) | 6,000 | - | - | - | - | 5,635 | 48.4 | 11,635 |
| | | | | | | | | |
| **Executive Directors:** | | | | | | | | |
| B Crocker | 150,405 | 140,000(4) | 8,468 | - | 14,289 | 463,816 | 59.7 | 776,978 |
| | | | | | | | | |
| **Other Key Management Personnel:** | | | | | | | | |
| M Rodriguez (5) | 140,884 | - | - | - | 10,140 | 129,783 | 46.2 | 280,807 |
| K Klassen | - | - | - | 114,441 | - | 94,426 | 45.2 | 208,867 |
| G Young (6) | - | - | - | - | - | 122,698 | 100.0 | 122,698 |
| F Varley (7) | 47,378 | - | - | - | 1,540 | - | - | 48,918 |
| **Total** | **369,417** | **140,000** | **8,468** | **114,441** | **25,969** | **861,010** | **56.7** | **1,519,305** |

1. Includes the value of fringe benefits and other allowances.
2. In accordance with the requirements of Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. options granted under LTIP that remained unvested as at December 31, 2020). The fair value of equity instruments is determined at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not necessarily related to or indicative of the benefit (if any) that senior

executives may ultimately realise should the equity instruments vest. The fair value of the options at the date of their grant has been determined in accordance with AASB 2 *Share-based Payments*. All options granted under the LTIP are equity settled.

3. The Non-Executive Directors waived their fees for the period 1 April 2020 to 30 September 2020 due to the COVID-19 pandemic.
4. STI bonus of A$140,000 paid in December 2020.
5. Includes annual leave accrued during the year of A$34,148.
6. Appointed on 16 October 2020. Mr Young does not receive a salary or other benefits other than the grant of options included in Share-Based Payments.
7. Resigned on 18 October 2020.

| | **Short-term benefits** | | | **Post-employment benefits** | **Share based payments** | **Value of options as proportion of** | |
|---|---|---|---|---|---|---|---|
| **12 months to June 30, 2020** | **Salary and directors' fees** | **Non-Monetary Benefits [1]** | **Consultancy fees** | **Superannuation** | **Equity [2]** | **total remuneration** | **Total** |
| | **$A** | **$A** | **$A** | **$A** | **$A** | **%** | **$A** |
| **Non-Executive Directors:** | | | | | | | |
| P Johnston | 75,000 | - | - | - | 104,963 | 58.3 | 179,963 |
| B Kennedy | 24,000 | - | - | - | 153,546 | 86.5 | 177,546 |
| M Callahan [3] | - | | - | - | 33,588 | 60.4 | 33,588 |
| S Hean [4] | - | - | - | - | - | - | - |
| S Clarke [5] | - | - | - | - | - | - | - |
| | | | | | | | |
| **Executive Directors:** | | | | | | | |
| B Crocker | 315,222[8] | 17,286 | - | 27,096 | 752,673 | 67.7 | 1,112,277 |
| | | | | | | | |
| **Other Key Management Personnel:** | | | | | | | |
| M Rodriguez | 256,732[10] | - | - | 22,069 | 595,608 | 70.1 | 874,409 |
| K Klassen | - | - | 269,229[9] | - | 157,445 | 36.9 | 426,674 |
| Floyd Varley [6] | 345,924[10] | - | - | 8,723 | 575,587 | 62.7 | 930,234 |
| A Edelmeier [7] | - | - | 66,661 | - | - | - | 66,661 |
| **Total** | **1,016,878** | **17,286** | **335,890** | **57,888** | **2,373,410** | **62.6** | **3,801,351** |

1. Includes the value of fringe benefits and other allowances
2. In accordance with the requirements of Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. options granted under LTIP that remained unvested as at June 30, 2020). The fair value of equity instruments is determined at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not necessarily related to or indicative of the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of the options at the date of their grant has been determined in accordance with AASB 2 *Share-based Payments*. All options granted under the LTIP are equity settled.
3. Appointed as Director 24 July 2019
4. Resigned as Non-Executive Director on 19 September 2019
5. Resigned as Non-Executive Director on 24 July 2019
6. Appointed as COO 24 July 2019
7. Resigned as Interim CFO 31 October 2019
8. Includes a payment of A$30,000 for the extension of vesting conditions to 30 September 2022 from 30 September 2019 related to the 1,000,000 shares granted (following shareholder approval) for appointment as an executive director. This amendment was effective on 26 September 2019. The market price of the ordinary shares on this day was A$0.215. There was no change to the fair value of the 1,000,000 ordinary shares due to the change in vesting date.
9. Includes A$15,688 for reimbursement of expenses
10. Includes annual leave accrued during the year of A$24,425 for Michael Rodriguez and A$11,989 for Floyd Varley.

## SIGNIFICANT ACCOUNTING POLICIES, CRITICAL JUDGEMENTS AND ESTIMATES

***Critical accounting judgements estimates and assumptions***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements, estimates and assumptions on historical experience and other factors, including expectations of future events management believes to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period and that have the most significant effect on the amounts recognized in the financial statements are described below:

*Exploration and evaluation costs*
Exploration and evaluation expenditure related to areas of interest is capitalized and carried forward to the extent that rights to tenure of the area of interest are current; and

(a) Costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by sale; or
(b) Where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Such expenditure consists of an accumulation of acquisition costs and exploration and evaluation costs incurred, together with direct overhead expenditure. The carrying value of capitalized exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying value may exceed its recoverable amount.

Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalized costs are determined not to be recoverable in the future, they will be impaired in the period in which this determination is made. All exploration assets are reviewed for impairment at each reporting period.

*Property, plant, and equipment*
Expenditures for new facilities or equipment that extend the useful lives of existing facilities or equipment are capitalized and recorded at cost. Facilities and equipment acquired as part of a lease, build-to-suit or other financing arrangements are capitalized and recorded based on the contractual lease terms. The facilities and equipment are depreciated using the straight-line method at rates sufficient to depreciate capitalized costs over the estimated productive lives of such facilities. These estimated productive lives do not exceed the related estimated mine lives, which are based upon proven and probable reserves.

*Leases*
*Lease term*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has a lease contract that includes a termination option. Judgement is applied in evaluating the likelihood of exercising the termination option. That is, consideration is given to all relevant factors that create an economic incentive to exercise the termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to terminate. The Group includes the period covered by the termination option as part of the lease term only when it is reasonably certain not to be exercised.

*Incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease and, therefore, uses the relevant incremental borrowing rate ("IBR") to measure the lease liability. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when

available and is required to consider certain entity-specific judgements.

*Purchase option*
The Group has a lease contract that includes a purchase option. Judgement is applied in evaluating the likelihood of exercising the purchase option. That is, consideration is given to all relevant factors that create an economic incentive to exercise the purchase option. The purchase option is also payable in stages. Judgement is applied to determine the timing of these payments, based on contractual obligations, if the purchase option is reasonably certain to be exercised by the Group.

*Asset retirement obligation*
The Company records a provision for the estimated future costs of site reclamation and closure of operating projects, which are discounted to net present value using the risk-free interest rate applicable to the future cash outflows. Judgement is used to estimate future costs which incorporate assumptions on the effects of inflation on those future costs, movements in foreign exchange rates, and other specific risks associated with the related liabilities.

*Taxation*
Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized in the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the Consolidated Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all the carrying amounts of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to Profit or Loss.

***New or amended Accounting Standards and Interpretations adopted***

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. A summary of significant standards follows:

*Amendments to AASB 3: Business Combinations*

The amendment to AASB 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Company adopted this amendment to AASB effective July 1, 2020 with no effect.

All of the Company's significant accounting policies and estimates are included in Notes 2 and 3 of its audited consolidated financial statements for the year ended December 31, 2020.

## SUBSEQUENT EVENTS

The Directors of the Company have not identified any subsequent events in the interval between the end of the financial period and the date of this report, which would be material or unusual in nature, and likely to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

| | Number of shares issued or issuable |
|---|---|
| Common shares | 802,291,030 |
| Stock options | 91,675,250 |

## CAPITAL MANAGEMENT

The Company considers its capital to be the components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The Company has sufficient working capital to meet its projected minimum financial obligations for the next 12 months.

## FINANCIAL INSTRUMENTS AND RISKS

The Company's financial liabilities, accounts payable and accrued liabilities, and other payables, are measured at amortized cost. Its financial assets, GST and promissory note receivables, are also measured at amortized cost. The Company's carrying values of these items approximate their fair value due to the relatively short periods to maturity of the instruments.

***Currency risk***

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity manages foreign currency risk by minimizing the amounts of foreign currency required and buying foreign currency only at the time it is required. The average rate applied during the period was CAD$0.9523 to A$ (twelve months ended June 30, 2020: CAD$0.9000) and the reporting date spot rate applied was CAD$0.9823 (June 30, 2020: CAD$0.9380) for A$.

Management monitors the exposure to currency risk on an ongoing basis. The Company operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to the Australian Dollar ("AUD") and the United States Dollar ("USD").

***Credit risk***

Credit risk arises if there is a risk of default on a counterparty to which the Company holds financial assets.

Management monitors the exposure to credit risk on an ongoing basis. The maximum exposure to credit risk on financial assets which have been recognized on the balance sheet are generally the carrying amount, net of any provisions.

The Company has treasury policies in place for deposit transactions to be conducted with financial institutions with a minimum credit rating. At reporting date:

- cash is held with Tier 1 financial institutions which all meet the Company's minimum credit rating required by the approved treasury policy; and
- trade and other receivables, net of provision for doubtful receivables, are not overdue or in default.

The Company does not require collateral in respect of financial assets.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2020, the Company had a cash balance of A$42,331,473 to settle current liabilities of A$14,364,876. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

***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 currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risks is insignificant.

***Price risk***

The Company has disposed of its investments in other listed entities and is not exposed to fluctuations in market price.

## DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## RISKS AND UNCERTAINTIES

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be broadly categorized as environmental, operational, financial, regulatory and foreign country risks.

*Idaho Cobalt Operations*

Risks associated with mining, geology and process has been largely mitigated through the Idaho Cobalt Operations Feasibility Study and the 2019 drilling and testwork programs. Geological risk will always remain on grade, which is planned by the company to be further mitigated by infill drilling once underground access has been opened.

Key risks moving forward at ICO identified in the Idaho Cobalt Operations Feasibility Study are:

- Construction of environmental systems – environmental systems and early works includes completion of the portal bench, miners dry and mining infrastructure, commissioning of the water treatment plant and pump back systems. This work has to be completed before mining development can commence in October 2021 and is subject to seasonal construction and can only start in June 2021.
- Long lead procurement Schedule Risk – procurement of the SAG mill in Q1 -2021 is on the Process Plant critical path and was achieved within the required time frame. In order to complete EC&I installation during winter 2021 the mechanical installation and the milling building construction has to be completed by October 2021.
- Detail Design Schedule Risk – detail design is important in terms of the construction schedule for both environmental systems/infrastructure and Process Plant Construction.
- Site Access and road usage – limiting road traffic and access to site is an environmental and safety risk which will be mitigated during construction by completing construction of the camp which will accommodate the bulk of construction and mining development resources/labour. Material and equipment deliveries will be managed/controlled through the Salmon warehouse to ensure deliveries to site are coordinated.

We cannot determine at this time whether a mine will ultimately be developed at ICO.

*Coronavirus (COVID-19) and Global Health Crisis*

The COVID-19 global pandemic and efforts to contain it may have an impact on the Company's business. These may extend to local impacts at the operational level, international travel restrictions, together with the broader global economic fallout. The Company continues to monitor the situation and the impact COVID-19 may have on the Company's mineral properties and refinery assets. Should the virus spread, travel bans remain in place or should one or more of the Company's executives become seriously ill, the Company's ability to advance its mineral properties or refinery assets may be impacted. Similarly, the Company's ability to obtain financing and the ability of the Company's vendors, suppliers, consultants and partners to meet obligations may be impacted as a result of COVID-19 and efforts to contain the virus.

*Global Operating Footprint*

The Company has investments across Australia, the United States, Brazil, and Uganda. The integration and ongoing management of this portfolio imposes heightened risks related to the ongoing business prospects of Jervois, particularly in the context of COVID-19 travel restrictions.

*Commodity Prices*

The Company is not currently a producing entity so is not directly exposed to fluctuations in commodity prices although these will affect equity market sentiment, the value of its securities and its ability to raise further capital on desired terms. As the Company transitions to become a producer this risk will become the most material factor affecting its financial results.

The development of the Company's properties is dependent on the future prices of cobalt and nickel. Once the Company's properties enter commercial production, the Company's profitability will be significantly affected by changes in the market prices of cobalt and nickel. Metal prices are subject to volatile price movements, which can be material and occur over short periods of time and which are affected by numerous factors, all of which are beyond the Company's control. Such factors include, but are not limited to, interest and exchange rates, inflation or deflation, fluctuations in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, speculative trading, the costs of and levels of metal production, and political and economic conditions. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems, the strength of and confidence in the U.S. dollar (the currency in which the prices of metals are generally quoted) and political developments. The effect of these factors on the prices of precious metals, and therefore the economic viability of the Company's mineral properties, cannot be accurately determined. The prices of cobalt and nickel have historically fluctuated widely, and future price declines could cause the development of (and any future commercial production from) the Company's mineral properties to be impracticable or uneconomic. As such, the Company may determine that it is not economically feasible to commence commercial production, which could have a material adverse impact on the Company's financial performance and results of operations. In such a circumstance, the Company may also curtail or suspend some or all of its exploration activities.

*Currency Fluctuations*

The Company's operations in the U.S., Brazil and Australia make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position, operational results and cashflows. The Company typically raises equity in Australian dollars, reports its financial results in Australian dollars, however the majority of transactions are denominated in U.S. dollars. The Company does not currently use an active hedging strategy to reduce the risk associated with currency fluctuations.

*Credit Risk*

Credit risk is the risk of loss if a counterparty fails to meet their contractual obligations. Potential non-performance by Company suppliers, customers or financial counterparties is carefully assessed and managed. In relation to its cash balances and (when applicable) marketable securities, the Company manages credit risk by banking with leading global financial institutions.

*Reliance on Management*

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its Directors, officers or other qualified personnel required to operate its business, however, it does have a short-term incentive plan and long-term incentive plan in place to assist in the retention of its senior management.

*Exploration and Development*

Resource exploration and development is a speculative business and involves a high degree of risk. There is no certainty that the expenditures to be made by Jervois in the exploration of its mineral properties or otherwise will result in discoveries of commercial quantities of minerals. The marketability of natural resources which may be acquired or discovered by Jervois will be affected by numerous factors beyond the control of Jervois. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Jervois not receiving an adequate return on invested capital.

*Financing Risks*

The Company will require financing in the future to continue in business and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares, control of the Company may change, and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

*No History of Earnings*

Jervois has no history of earnings, and there is no assurance that the Company's mineral properties, refinery or any other property or business that Jervois may acquire or undertake will generate earnings, operate profitably, or provide a return on investment in the future. Jervois has no capacity to pay dividends at this time and has no plans to pay dividends for the foreseeable future.

*Negative Operating Cash Flow / Liquidity Risk*

The Company is an exploration and development company with opportunities to progress to an operating stage, however Jervois has not yet generated positive cash flow from operations. As a pre-revenue company Jervois is subject to liquidity risk. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is devoting significant resources to the development of its properties, however there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it achieves commercial production at a particular project. Due to the lack of positive operating cashflow, Jervois manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring actual and forecast cash flows, and matching the maturity profiles of financial assets and liabilities.

*Environmental Risks and Other Regulatory Requirements*

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining or refining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations, including any proposed development of the Company's mineral properties and restart of the SMP Refinery, may require the submission and approval of environmental impact assessments. Environmental legislation is evolving to stricter standards, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has potential to reduce the profitability of operations.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current environmental laws, regulations and permits governing operations and activities of mining companies and mine reclamation and remediation activities, or more stringent implementation thereof, could have a material adverse impact on Jervois and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or refinery operations, or require abandonment or delays in the development of new mining properties.

*Influence of Third-Party Stakeholders*

The mineral properties in which Jervois holds an interest, or the exploration equipment and road or other means of access which Jervois intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, Jervois' work programs may be delayed even if such claims are not meritorious. Such claims may result in significant financial loss and loss of opportunity for Jervois.

*Insurance*

Exploration, development and production operations on mineral properties and in refineries involve numerous risks, including unexpected or unusual geological operating conditions, ground or slope failures, fires, environmental occurrences and natural phenomena such as prolonged periods of inclement weather conditions, floods and earthquakes. It is not always possible to obtain insurance against all such risks and Jervois may decide not to insure against certain risks because of high premiums or other reasons. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage to Jervois' properties or the properties of others, delays in exploration, development or mining operations, monetary losses and possible legal liability. Jervois expects to maintain insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development. Jervois expects to carry liability insurance with respect to its mineral property operations and refining operations, but is not expected to cover any form of political risk insurance or certain forms of environmental liability insurance, since insurance against political risks and environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs and a decline in the value of the securities of Jervois. If Jervois is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter costly interim compliance measures pending completion of a permanent remedy. The lack of, or insufficiency of, insurance coverage could adversely affect Jervois' future cash flow and overall profitability.

*Significant Competition for Attractive Mineral Properties*

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. Jervois expects to selectively seek strategic acquisitions in the future, however, there can be no assurance that suitable acquisition opportunities will be identified. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Jervois, Jervois may be unable to acquire additional attractive mineral properties on terms it considers acceptable. In addition, Jervois' ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to Jervois may be limited by the number of attractive acquisition targets, internal demands on resources, competition from other mining companies and, to the extent necessary, Jervois' ability to obtain financing on satisfactory terms, if at all.

*Community and Stakeholder Relations*

The Company's relationships with the community in which it operates are critical to ensure the future success of its existing operations and the construction and development of its project. The future success of Jervois is reliant on a healthy relationship with local communities in which the Company operates. While the Company is committed to operating in a socially responsible manner, there is no guarantee that its efforts will be successful, in which case interventions by third parties could have a material adverse effect on the Company's business, financial position and operations.

*Climate Change Risks*

Jervois recognizes that climate change risks cannot be decoupled from business risks, financial and otherwise. Main climate change risks include, but are not limited to changes in the frequency, intensity and duration of acute or prolonged precipitation events or droughts that may affect operations (e.g. water balance, geotechnical stability, forest fires, safe working conditions and employee access) and supply chains (e.g. access to inputs, shipping of products). While global concerns regarding climate change may provide opportunities vis-à-vis EV batteries and other clean technologies, economic implications of climate change may pose additional risks through reduced global demand for products and costs of inputs, among others. Although, through its expanding ESG regime, Jervois is taking steps to mitigate its carbon emissions and assess climate change risks within its business and management processes, the nature and intensity of potential adverse impacts of climate change cannot be precisely ascertained.

*Share Price Fluctuations*

In recent years, capital markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development-stage companies such as the Company, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

*Jervois' Operations are Subject to Human Error*

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage Jervois' interests, and even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to Jervois. These could include loss or forfeiture of mineral claims or other assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort Jervois might undertake and legal claims for errors or mistakes by Jervois personnel.

*Conflicts of Interest*

Certain Directors and officers of Jervois are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of Jervois. Situations may arise in connection with potential acquisitions in investments where the other interests of these Directors and officers may conflict with the interests of Jervois. Directors and officers of Jervois with conflicts of interest will be subject to the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

*Geopolitical Risk*

The Company's projects are in United States, Australia, Brazil and Uganda. Operating in these jurisdictions may expose the Company to a range of significant country specific risks including general economic, regulatory, legal, social and political conditions. Investing in emerging markets such as Uganda involves greater risk than investing in more developed markets. These and other country specific risks may affect Company's ability wholly or in part to operate its businesses.

Certain of Jervois' projects and operations are located in Uganda, a developing country which has historically experienced periods of civil unrest and political and economic instability. As such the operations of Jervois may be exposed various level of political, economic and other risks and uncertainties. Although the political and economic climate in Uganda is relatively stable, any negative changes in laws, government, regulations, economic conditions or political attitudes in Uganda are beyond the control of Jervois and may adversely affect its business. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, crime, political instability, currency controls, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation and mining laws, regulations and policies, restrictions on foreign exchange and repatriation, and changing political conditions and governmental regulations relating to foreign investment and the mining business.

In Uganda, land titles systems are not developed to the extent found in many developed nations. Jervois believes that it has good title to its mineral properties in Uganda. Whilst rights to explore mineral properties are currently held validly, no assurance can be given that the Ugandan government will not revoke or significantly alter the conditions of the applicable licenses and that such licenses will not be challenged or impugned by third parties. There is no certainty that such rights or additional rights applied for will be granted or renewed on terms satisfactory to Jervois. There can be no assurance that claims by third parties against Jervois' properties will not be asserted at a future date.

*Calculation of Mineral Resources and Mineral Reserves*

There is a degree of uncertainty attributable to the calculation of Mineral Reserves, Mineral Resources and corresponding grades being mined or dedicated to future production. Until Mineral Reserves or Mineral Resources are actually mined and processed, the quantity of Mineral Reserves or Mineral Resources and grades must be considered as estimates only. In addition, the quantity of Mineral Reserves or Mineral Resources may vary depending on mineral prices. Any material change in the quantity of Mineral Reserves, Mineral Resources, grade or stripping ratio may affect the economic viability of Jervois' properties. In addition, there can be no assurance that mineral recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

*Limitations on the Mineral Resource Estimates*

Estimating the quantity and quality of Mineral Resources is an inherently uncertain process and the Mineral Resources stated and any Mineral Resources or Mineral Reserves the Company states in the future are and will be estimates, and may not prove to be an accurate indication of the quantity of mineral that the Company has identified or that it will be able to extract.

The Mineral Resources estimates on the ICO and Nico Young Project are estimates only. No assurance can be given that any particular level of recovery of minerals will in fact be realized or that identified Mineral Resources will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The estimated Mineral Resources on the ICO and Nico Young Project should not be interpreted as assurances of commercial viability or of the profitability of any future operations. Moreover, certain of the Mineral Resources are reported at an "inferred" level. Inferred Mineral Resources have a substantial degree of uncertainty as to their existence, and economic and legal feasibility. Accordingly, there is no assurance that inferred Mineral Resources reported herein will ever be upgraded to a higher category. Investors are cautioned not to assume that part or all of an inferred Mineral Resources exists or is economically or legally mineable.

*Project Assessment and Development Risk*

The Company has completed the Idaho Cobalt Operations Feasibility Study on ICO in September 2020, the study has determined that the project is economically and technically viable. The project is environmentally permitted, and the company is still in the process of applying for final permits as needed and securing finance for the construction and commissioning of the project.

*Capital Management*

With the completion of the Idaho Cobalt Operations Feasibility Study providing an encouraging outcome, the Company will be looking to advance the development of this project with the aim of first production in 2022. In addition, the Company has agreed to acquire the SMP Refinery in Brazil. To fully complete its long-term strategic business plans and objectives, which includes its stated development schedule for the construction at ICO, Jervois may require additional funding. Jervois continues to evaluate multiple financing options including, but not limited to, debt financing for the development of ICO, which supports these objectives while preserving the Company's liquidity and balance sheet strength.

If the Company is not successful in securing additional sources of funding, it still has the ability to fund the planned activities approved by the Board up to the date of signing the December 31, 2020 annual financial statements, including minimum expenditure requirements to maintain tenure on all projects within its global footprint, continued early works at ICO, lease payments at SMP Refinery and corporate and working capital requirements.

There can be no assurance that the Company will be able to obtain or access additional funding when required, or that the terms associated with the funding will be acceptable to the Directors. If the Company is unable to obtain such additional funding, it may be required to reduce the scope of its operations, which could adversely affect its business, financial condition and operating results.

*Pre-existing Environmental liabilities*

Pre-existing environmental liabilities may exist on the properties in which Jervois currently holds an interest or on properties that may be subsequently acquired by Jervois which are unknown to Jervois and which have been caused by previous or existing owners or operators of the properties. In such event, Jervois may be required to remediate these properties and the costs of remediation could be substantial. Further, in such circumstances, Jervois may not be able to claim indemnification or contribution from other parties. In the event Jervois was required to undertake and fund significant remediation work, such event could have a material adverse effect upon Jervois and the value of its securities.

*Infrastructure and Logistics*

Jervois' business depends on adequate infrastructure, including reliable power sources, water supply, roads and other infrastructure. Water shortages, power outages, sabotage, community, government or other interference in the maintenance or provision of such infrastructure could adversely affect Jervois' business, financial condition and results of operations.

*Project Delay*

Jervois has a significant investment planned to complete construction in Idaho, US and to restart the SMP Refinery in

Brazil. There are a number of risks inside and outside its control, such as availability of suitable financing, technical risk, infrastructure and logistics constraints, construction delays, cost overruns, insufficient labour skills or resources, delays in confirmatory permitting to move into construction then the commissioning and operating phases, or any other regulatory matters. Once complete given the risks outlined previously, there is no guarantee the results of ICO or SMP Refinery will be sufficient to offset such capital expenditures and generate adequate investor return.

*Licenses, Permits and Titles*

The Company holds multiple tenements, represented by licenses and/or titles to land that contain mineral resources or are prospective for minerals. At ICO, the Company holds permits for the operation of the project. Each of these tenements, licenses and permits have certain requirements and obligations attached to them, which if not met, will result in the Company losing the rights to operate on these land areas and the resulting negative impact to the future prospects of the Company.

*Permitting*

Jervois' mineral property interests and SMP Refinery are subject to receiving and maintaining permits from appropriate governmental authorities. In particular, prior to any development of any of the Company's mineral properties, Jervois will need to receive numerous permits from appropriate governmental authorities including those relating to mining operations, occupational health, toxic substances, waste disposal, safety, environmental protection, land use and others. There is no assurance that the Company will be able to obtain all necessary renewals of existing permits, additional permits for any possible future developments or changes to operations or additional permits associated with new legislation. Further, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing activities to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions.

*Land Title*

No assurances can be given that there are no title defects affecting the properties in which Jervois has an interest. The Company's mineral properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Other parties may dispute title to a property, or the property may be subject to prior unregistered agreements and transfers or land claims by Indigenous people. Title may also be affected by undetected encumbrances or defects or governmental actions. Jervois has not conducted surveys of the Company's mineral properties and the precise area and location of claims and other mineral rights may be challenged. Jervois may not be able to register rights and interests it acquires against title to applicable mineral properties. An inability to register such rights and interests may limit or severely restrict Jervois' ability to enforce such acquired rights and interests against third parties or may render certain agreements entered into by Jervois invalid, unenforceable, uneconomic, unsatisfied or ambiguous, the effect of which may cause financial results yielded to differ materially from those anticipated. Although Jervois believes it has taken reasonable measures to ensure proper title to its mineral properties, there is no guarantee that such title will not be challenged or impaired.

*Nico Young NI 43-101 PEA*

The Nico Young PEA is based on Inferred Mineral Resources that are not of sufficient certainty to constitute a pre-feasibility study or a feasibility study. Jervois has not declared Proven or Probable Mineral Reserves at Nico Young, and no assurance can be given that we will ever be in a position to declare a proven or probable mineral reserve. For the Nico Young PEA to advance into feasibility study level, delineation of proven or probable mineral reserves will be required, which depends on a number of factors, including:

- the particular attributes of the deposit (including its size, grade, geological formation and proximity to infrastructure);
- metal prices, which are highly cyclical;
- government regulations (including regulations relating to taxes, royalties, land tenure, land use and permitting); and
- environmental protection considerations.

We cannot determine at this time whether any of our estimates will ultimately be correct.

## ADDITIONAL INFORMATION

Additional information about the Company, including the Company's annual information form dated March 23, 2021 for the year end December 31, 2020, is available on the Company's website, www.jervoismining.com.au and on SEDAR at http://www.sedar.com.

## BOARD APPROVAL

The Board of Directors of the Company has approved this MD&A.

## COMPETENT PERSON'S STATEMENT

The information in this MD&A that relates to Mineral Exploration is based on information compiled by David Selfe who is a full-time employee of the company and a Fellow of the Australasian Institute of Mining and Metallurgy and Dean Besserer, P.Geol. who is the GM Exploration for the Company and a member of The Association of Professional Engineers and Geoscientists of Alberta. Both David Selfe and Dean Besserer have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David Selfe and Dean Besserer consent to the inclusion in the release of the matters based on their information in the form and context in which it appears.

## QUALIFIED PERSON'S STATEMENT

The scientific and technical disclosure included in this MD&A has been reviewed and approved by David Selfe who is a full-time employee of the company and a Fellow of the Australasian Institute of Mining and Metallurgy and Dean Besserer, P.Geol., who is the GM Exploration for the Company and each are a Qualified Person as defined by NI 43-101.