



MANAGEMENT’S DISCUSSION & ANALYSIS – 2015 SECOND QUARTER

This Management’s Discussion and Analysis (MD&A) was prepared by management as at July 29, 2015, and was reviewed and approved by the Audit Committee. The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited condensed consolidated interim financial statements of Nevsun Resources Ltd. and notes thereto for the three and six months ended June 30, 2015, as well as the 2014 audited consolidated financial statements, the 2014 MD&A and the 2014 Annual Information Form (AIF) dated February 25, 2015. All references in this MD&A to “Nevsun” or the “Company” include Nevsun Resources Ltd. and each of its wholly and majority owned subsidiaries on a consolidated basis, unless otherwise stated. The information provided herein supplements but does not form part of the financial statements. This discussion covers the three and six months ended June 30, 2015, and the subsequent period up to the date of issue of this MD&A. Unless otherwise noted, all dollar amounts are stated in thousands of United States dollars, except per ounce, per tonne, per pound, per litre and per share data. Information on risks associated with investing in the Company’s securities as well as information about mineral resources and reserves under National Instrument (NI) 43-101 are contained in the Company’s most recently filed AIF which is available on the Company’s website at www.nevsun.com or on SEDAR at www.sedar.com.

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Business of the Company

Nevsun Resources Ltd. and its subsidiaries (collectively, Nevsun or the Company) are engaged in the acquisition, exploration, development and operation of mineral property interests. Nevsun is a mining company listed on the TSX and the NYSE MKT LLC, under the trading symbol "NSU". Nevsun was incorporated under the laws of the Province of British Columbia under the *Company Act* (British Columbia), and is governed by the *Business Corporations Act* (British Columbia). The Company maintains its head office at Suite 760 – 669 Howe Street, Vancouver, British Columbia, Canada, V6B 0C4 and its registered and records office at 1000 – 840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1 and its website address is <http://www.nevsun.com>.

The Company's principal property is the Bisha Property, which hosts a gold, copper and zinc deposit and includes satellite VMS deposits at Harena, Northwest, Hambok, Aderat and Asheli. The Company's principal mining operation is the Bisha Mine which is located on the Bisha Property and is owned and operated by Bisha Mining Share Company (BMSC), an Eritrean registered corporation. Nevsun is a 60% shareholder of BMSC with the remaining 40% ownership in BMSC held by the State-owned Eritrean National Mining Corporation (ENAMCO). BMSC is governed under the terms of a shareholder agreement between Nevsun and ENAMCO. Under Eritrean mining law, the State of Eritrea initially held a 10% free carried interest in the property. In October 2007, ENAMCO agreed to purchase an additional 30% interest in BMSC. On December 12, 2007, BMSC was granted a 20 year mining license for the Bisha project and on July 6, 2012, a 10 year mining license was granted for the Harena property. BMSC also holds the Mogoraib River exploration license which includes the Hambok deposit and it is renewed annually.

The Bisha Mine was in commercial gold production from February 2011 to June 2013 which allowed for an early payback of pre-production capital and funding of the copper phase expansion. Commissioning of the copper flotation plant at the Bisha Mine commenced in late June 2013 and commercial production was achieved on December 1, 2013. Mining of the supergene copper ore is expected to continue until the first half of 2016 at which time the Bisha Mine plans to begin to process ore from the primary phase which contains a significant amount of zinc and copper. Construction of the zinc plant began in 2014 with commissioning scheduled for in the first half of 2016. During the primary phase, the Bisha Mine will produce both zinc and copper concentrate. The Bisha Mine has the full support of the Eritrean Government.

Second quarter highlights

- Earned \$0.05 per share
- Generated \$58 million cash from operating activities
- Working capital of \$499 million, including \$452 million of cash
- Produced 32.4 million pounds of copper
- Continued lowest-quartile C1 cash costs⁽¹⁾ of \$0.97 per payable pound sold
- Paid quarterly dividend of \$0.04 per share
- Continued zinc expansion project – on time and on budget
- Discovered a new VMS mineral deposit in the Bisha District
- Monetized stockpiled precious metals concentrate

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue	\$ 104.2	\$ 169.2	\$ 221.4	\$ 268.4
Operating income	38.6	94.9	81.2	146.9
Net income	19.2	53.7	42.2	81.9
Net income attributable to Nevsun shareholders	9.4	30.5	22.0	45.9
Basic earnings per share attributable to Nevsun shareholders	0.05	0.15	0.11	0.23
Working capital	498.6	497.8	498.6	497.8
Copper price realized, per payable pound sold	2.59	3.21	2.53	3.14
C1 cash cost per payable pound sold ⁽¹⁾	\$ 0.97	\$ 1.05	\$ 1.12	\$ 1.01

(1) C1 cash cost per payable pound sold is a non-GAAP measure – see page 12 of the Q2 2015 MD&A for a discussion of non-GAAP measure.

Operating review

Key operating information – Bisha Mine:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Ore mined, tonnes ⁽¹⁾	771,000	697,000	1,428,000	1,184,000
Waste mined, tonnes	2,605,000	2,719,000	6,122,000	6,190,000
Strip ratio, (using tonnes)	3.4	3.9	4.3	5.2
Ore milled tonnes	429,000	386,000	870,000	739,000
Copper feed grade, %	4.2	6.6	4.4	6.4
Recovery, % of copper	82.5	84.6	83.2	84.1
Copper concentrate grade, %	24.9	27.1	24.9	27.9
Copper in concentrate produced, millions of pounds	32.4	47.4	70.4	87.1
Copper in concentrate produced, tonnes	14,700	21,500	31,900	39,500
Payable copper in concentrate sold, millions of pounds ⁽²⁾	33.6	51.5	81.0	85.5
Payable copper in concentrate sold, tonnes ⁽²⁾	15,200	23,400	36,700	38,800

(1) During the three and six months ended June 30, 2015, 267,000 and 394,000 tonnes of primary ore were mined and stockpiled for future production.

(2) Q1 2014 included 4.5 million pounds or 2,000 tonnes of pre-commercial production. Receipts from pre-commercial production sales were credited against mineral property, plant and equipment, net of cost of sales.

Results of operations for the second quarter 2015

Operating income

The Company generated operating income of \$38.6 million for the quarter ended June 30, 2015 (Q2 2014 - \$94.9 million). Quarterly operating income decreased from Q2 2014 as a result of lower copper in concentrate production caused by a decreased copper feed grade. The other significant negative impact on Q2 2015 operating income was the lower realized copper price, which decreased by 19% compared to Q2 2014. The sale of precious metals (PM) concentrate during Q2 2015 positively impacted quarterly operating income by \$12 million.

Production and sales

The Bisha Mine produced 32.4 million pounds of copper in concentrate during Q2 2015 by processing approximately 429,000 tonnes of ore averaging 4.2% copper. Copper production decreased by 32% versus Q2 2014 primarily due to the 36% decrease in copper feed grade. The Company had been expecting to offset some of the decrease in copper feed grade with higher plant throughput, however milling was impacted predominantly by unplanned shutdowns caused by intermittent fuel supply.

A minimum fuel supply level is maintained to ensure continuity of operations. If the fuel supply decreases to an unacceptable level, Bisha shuts down the plant, which is our largest consumer of fuel on site. Accordingly the plant only operated at 75% of expected operating capacity during Q2 2015 which was less than the 79% of expected operating capacity achieved during Q1 2015 when there were other unplanned plant stoppages for the gear box and thickener repairs. The plant had also not operated during the first eleven days of July 2015 due to the continued low fuel supply levels. Company management had an ongoing dialogue with the State-owned fuel supplier and we are comfortable that this issue has been resolved and the risk mitigation measures since implemented by the State of Eritrea are sufficient to ensure a continuous supply of fuel for uninterrupted mine operations going forward.

Based on the updated mine production forecast including the July 2015 plant downtime and the ability to increase the plant's throughput to approximately 6,600 tonnes per day, we have revised our 2015 guidance to between 140 to 150 million pounds of copper produced. We are pleased to report that we have been able to contain our costs and maintain our 2015 C1 cash costs per payable pound of copper guidance of \$1.20 to \$1.40 despite the lower production. Overall sales volume of 33.6 million pounds of payable copper during Q2 2015 remained in-line with the amount of copper produced during the quarter.

Cash costs

Copper cash costs per pound sold for Q2 2015 was \$0.97. Q2 2015 cash costs were exceptionally low as the stockpiled PM concentrate by-product revenue had a \$0.51 impact during the quarter. Our 2015 annual guidance on C1 cash cost included the monetization of the PM concentrate as a by-product. We made the decision to monetize the PM concentrate in one sale rather than blend with our copper concentrate throughout the year based on the most economic outcome. Operating and selling costs per pound increased by \$0.33 per pound compared to Q2 2014 due to lower feed grade and the planned and unplanned shutdowns to the plant.

We have seen lower input prices for fuel in Q2 2015 of \$0.70 per litre (Q2 2014 - \$1.17, per litre) and improved performance for mining and milling costs reflecting better overall mobile equipment availability, mining productivities and reduced grinding media consumption. Accordingly, we have been able to maintain our 2015 C1 cash costs guidance of \$1.20 to \$1.40 per payable pound sold despite the decrease in projected annual production. This cost containment and productivity focus are critical elements of our strategy as we head towards the relatively lower grade primary ore section of the Bisha ore body.

Stockpiled material

There remain three distinct types of stockpiled material. There are approximately 400,000 tonnes of pyrite sand material estimated to contain over 60,000 ounces of gold with significant silver content. As determined in Q1 2015, approximately 50,000 tonnes of the higher grade portions of these stockpiles will be monetized in the short-term. The Company completed a tendering process during Q2 2015 for approximately 20% of the 50,000 tonnes of higher grade portion of the pyrite sand material with a shipment which occurred in July 2015. The tendering process demonstrated that there is an active market for this grade of material. The remaining higher grade portion of the pyrite sand will continue to be monetized within the next twelve months. However, the most economic alternative of monetizing the remaining 350,000 tonnes of pyrite sand material remains uncertain as the Company is continuing to evaluate the most effective way to monetize this material.

The other two remaining stockpiles include approximately 500,000 tonnes of primary ore and 175,000 tonnes of oxide ore. The majority of the primary ore stockpile has been classified as long-term, based on the current estimated start-up date of the zinc plant of mid-2016. The 175,000 tonnes of oxide ore at over 5 g/t gold is estimated to contain over 30,000 ounces of gold which based on current life of mine plan, will be processed at the end of the current mine life through the existing CIL plant.

Exploration

The Company continues to explore the Bisha VMS district for new deposits and for extensions of its known deposits in an effort to extend the mine life of the Bisha operations. The exploration work conducted in 2014 was very successful, particularly at Harena, where the indicated resource increased by 1.4 million tonnes and the inferred resource increased by 6.1 million tonnes. The methodology that is being applied at Harena is also being utilized across the Company's entire licensed area and has resulted in the discovery of a new massive sulphide deposit at Asheli on the Mogoraib River Exploration license.

In Q2 2015, the Company spent \$3.2 million to fund 10,896 metres of exploration diamond drilling (29 holes), ground and borehole geophysical surveying and other geological work. The main areas of focus were the continuation of the drilling of the Harena deposit, the initiation of drilling at the Asheli prospect and limited drilling at Bisha, both at depth and along strike.

At Harena, a total of 8 holes (3,581 metres) were completed in Q2 2015. The Company issued a press release on April 28, 2015, providing details on the drilling results.

At the Asheli prospect, a total of 18 holes (6,317 metres) were completed in the quarter. A new massive sulphide deposit was discovered and the Company issued a press release on June 18, 2015 outlining the key features of this new discovery.

Drilling at Bisha during Q2 2015 tested for the continuation of the deposit both at depth and along strike. Three holes were completed (998 metres). Assays are still pending for these holes.

Bisha zinc expansion project

The Company will begin processing material predominantly from the primary phase in mid-2016. The zinc expansion project adds zinc flotation capacity to the Bisha processing plant which is required for the primary ore phase of the Bisha Mine. This zinc flotation plant floats zinc concentrate after existing copper flotation. The two flotation circuits will enable the production of both zinc and copper concentrate.

The overall project is nearly 70 percent complete. Engineering, which includes design and fabrication, is mostly complete for all major components. These components include: major infrastructure; equipment engineering; procurement of mechanical, piping, electrical and automation packages; and critical civils construction with steel erection utilizing the onsite specialist contractors well progressed. Electrical and instrumentation installation with the onsite specialist contractors will begin in Q3. Overall construction is on schedule for completion in Q2 2016 with start-up anticipated mid-2016.

The overall forecast to complete the project is now \$89 million inclusive of a \$4 million contingency. As at June 30, 2015, \$67 million of the revised budget has been committed, of which \$44 million has been incurred. We believe the new more robust flotation process plant will not only meet latest production forecast estimates, but facilitate potential future throughput expansions and extended mine life. Combined zinc and copper concentrate production will average approximately 300,000 tonnes per year, which is similar to 2014 production rates. Accordingly, no additional capital will be required for the land transport or port infrastructure to export the copper and zinc concentrates produced from the primary ore phase starting in mid-2016.

Corporate Social Responsibility

On April 23, 2015, the Company issued its 2014 CSR report which can be found on the Company's website at: <http://www.nevsun.com/responsibility/reporting/>. The Company continues with its transparent approach to operations and contributions to the communities and the State of Eritrea. The Company commissioned an independent human rights impact assessment (HRIA) in 2013 which was carried out by an experienced and internationally recognized human rights lawyer. The results of the HRIA were published in April 2014 and an independent update audit was carried out during Q2 2015. Final results of this audit are expected to be posted on the Company's website during August 2015.

Outlook for 2015

2015 Objectives

- Maintain top quartile safety performance and social license to operate
- Produce 140 to 150 million pounds of copper at C1 cash costs of \$1.20 to \$1.40 per payable pound sold
- Extend the Bisha mine life through exploration and optimize the mine plan
- Keep zinc expansion project on time and on budget for H1 2016 commissioning
- Opportunistically monetize stockpiled gold ore
- Continue to pay peer leading dividends
- Continue to pursue M&A opportunities supported by our strong balance sheet

We are making good progress towards achieving all of the 2015 Objectives outlined above. This progress demonstrates the Company's focus to deliver on financial and operational performance while meeting the commitments we have made to all of our key stakeholders.

Bisha production during the six months ended June 30, 2015 of 70.4 million pounds was lower than expected due to unplanned plant downtime during 2015. This downtime was caused by the Q1 2015 temporary shutdown in March for the gearbox and thickener repairs and the Q2 2015 fuel supply issue. Based on the updated mine production forecast which also reflects the July 2015 plant downtime and the ability to increase the plant's throughput to approximately 6,600 tonnes per day, we have revised our 2015 production guidance to between 140 to 150 million pounds of copper. Offsetting the plant availability issues during 2015 has been our year-to-date cost performances. We are pleased that our C1 cash costs⁽¹⁾ are well below guidance year-to-date and we are maintaining our \$1.20 to \$1.40 per payable pound sold guidance despite the decrease in projected annual production.

The zinc expansion remains on track for commissioning by the first half of 2016. The overall forecast to complete the project is \$89 million inclusive of a \$4 million contingency. The overall project now includes replacement of the copper vertical regrind mills with an improved horizontal regrind mill to ensure optimal copper recovery for the lower copper grades which will be encountered during the primary ore phase.

At the beginning of 2015, the Company had considerable additional value held in stockpiles to be monetized. The best alternative for monetizing this material was uncertain. The Company has made some progress in evaluating the most effective way to monetize this material during 2015. This progress included (i) approximately 6,500 tonnes of PM concentrate, containing approximately 7,000 ounces and 600,000 ounces of gold and silver respectively, which was monetized in its entirety during Q2 2015; (ii) approximately 20% of 50,000 tonnes of higher grade pyrite sand was monetized in July 2015. The remaining higher grade portion of the pyrite sand will continue to be monetized within the next twelve months. Further study is ongoing for the remaining 350,000 tonnes of pyrite sand material. The stockpile of approximately 500,000 tonnes of primary ore will be processed through the new zinc flotation circuit beginning in mid-2016. It is likely a portion of this primary ore stockpile will be processed during Q2 2016 zinc plant commissioning. The approximately 175,000 tonnes of oxide ore at over 5 g/t gold, estimated to contain over 30,000 ounces of gold, is scheduled to be processed through the carbon-in-leach plant at the end of the mine life.

The Company continues to dedicate significant management time and effort evaluating potential for external growth. The Company's approach to M&A is based on capital discipline and staying true to our commitment of generating a financial return on investment for shareholders that will allow us to maintain and grow dividends in the future.

Selected quarterly financial information

Selected consolidated financial information from continuing operations for the most recent eight quarters (unaudited) are presented below. The Company's gold production phase began winding down in Q1 2013, and had ceased by the end of Q2 2013. The Company was in the commissioning and pre-commercial production stages of its copper production phase during H2 2013, and declared commercial copper production on December 1, 2013. The first commercial-stage revenues related to copper production were recognized in Q1 2014. The quarterly variances evident in the following table are largely the result of the transition in production phases.

In US \$000s (except per share data)	2015 2nd	2015 1st	2014 4th	2014 3rd
Revenues	\$ 104,240	\$ 117,172	\$ 138,695	\$ 147,943
Operating income	38,617	42,581	70,323	78,076
Net income for the period	19,165	23,034	40,098	44,599
Net income attributable to Nevsun shareholders	9,447	12,578	21,878	25,548
Earnings per share attributable to Nevsun shareholders – basic	0.05	0.06	0.11	0.13
Earnings per share attributable to Nevsun shareholders – diluted	0.05	0.06	0.11	0.13

In US \$000s (except per share data)	2014 2 nd	2014 1 st	2013 4 th	2013 3 rd
Revenues	\$ 169,223	\$ 99,151	\$ 4,000	\$ 25,783
Operating income	94,955	51,983	587	12,980
Net income (loss) for the period	53,688	28,180	(4,860)	4,306
Net income (loss) attributable to Nevsun shareholders	30,528	15,440	(4,212)	1,170
Earnings (loss) per share attributable to Nevsun shareholders – basic	0.15	0.08	(0.03)	0.01
Earnings (loss) per share attributable to Nevsun shareholders – diluted	0.15	0.08	(0.03)	0.01

Financial results – three months ended June 30, 2015

The following variances result when comparing operations for the three month period ended June 30, 2015, with the same period of the prior year (in US \$000s, except per ounce and per pound data):

Revenues

The Company's Q2 2015 revenues of \$104,240 (Q2 2014 - \$169,223) are comprised of copper concentrate sales of \$87,124 (Q2 2014 - \$165,504), copper concentrate by-product sales of \$28,588 (Q2 2014 - \$17,697) and other revenue of \$1,095 (Q2 2014 – charges of \$229), net of copper concentrate treatment and refining charges of \$12,567 (Q2 2014 - \$13,749). Revenues included sales of 33.6 million payable pounds of copper (Q2 2014 – 51.5 million) at an average realized price of \$2.59 per pound (Q2 2014 – \$3.21). Copper concentrate sales are net of \$2,380 (Q2 2014 – credits of \$1,879) of provisional and final pricing and physical quantity adjustments. By-product revenues for Q2 2015 included the one-time sale of the PM concentrate for \$15,420 (net of treatment and refining costs of \$1,871), comprised of 7,000 ounces of gold and 600,000 ounces of silver, as well as sales of 5,500 ounces of gold (Q2 2014 – 7,800 ounces) and 327,000 ounces of silver (Q2 2014 – 421,600 ounces) in copper concentrate. Copper concentrate treatment and refining charges, which are accounted for as a reduction of revenues, increased by \$0.11 on a per pound basis reflecting a higher benchmark price in 2015 and a lower copper concentrate grade. Copper concentrate by-product credits, excluding the PM concentrate by-product credits, remained consistent on a per pound basis (see page 12 for a reconciliation of C1 cash cost sold).

Operating expenses

The Company recorded operating expenses of \$48,794 in Q2 2015 (Q2 2014 - \$57,601). The decrease from Q2 2014 is the result of a lower quantity of copper concentrate sold. Operating expenses on a per-unit basis increased as a result of lower copper grades and the plant stoppages. However, the Company has experienced overall lower operating costs than expected as we have seen lower input prices for fuel in Q2 2015 of \$0.70, per litre (Q2 2014 - \$1.17, per litre) and significant savings in mining and milling costs reflecting better overall mobile equipment availability, mining productivities and reduced grinding media consumption.

Royalties

The Company incurs a 3.5% royalty on base metal sales and a 5% precious metals royalty on its gold and silver sales. In Q2 2015, royalty expenses of \$4,908 (Q2 2014 - \$4,861) were recorded. In Q2 2015, the Company incurred approximately the same royalty expense as the prior period due to the one-time sale of the PM concentrate. Royalties are payable at the time the material leave the mine, which precedes the revenue recognition point, and are based on estimated values of contained metal at the time of shipment without subsequent adjustment.

Depreciation and depletion

In Q2 2015, depreciation and depletion of \$11,921 (Q2 2014 - \$11,806) was recorded. Depreciation is primarily calculated using the units-of-production method with copper pounds produced and ore tonnes mined as the basis for the calculation. A higher quantity of ore tonnes mined, as well as depreciation being relieved from inventory as copper concentrate stockpiles were drawn down, resulted in the modest increase for the period.

Administrative

Administrative costs in Q2 2015 were \$5,518, up from \$4,415 in Q2 2014. Costs increased versus the prior year as there were increased business development costs during the quarter and higher long-term incentive compensation as a result of a higher share price.

Finance income

The decrease in finance income to \$717 in Q2 2015 (Q2 2014 - \$913) is due primarily to a smaller average balance owing from ENAMCO during the respective periods.

Finance costs

Finance costs in Q2 2015 of \$384 (Q2 2014 - \$1,451) are entirely attributable to accretion expense on the Company's provision for closure and reclamation liability. During 2014, two one-time charges totalling \$1,181 were recorded related to loans to a supplier and the non-controlling interest.

Income taxes

Income tax expense for Q2 2015 of \$14,267 (Q2 2014 - \$36,314) is comprised of current income tax expense of \$9,109 (Q2 2014 - \$30,841) related to the BMSC mining operations and deferred income tax expense of \$5,158 (Q2 2014 - expense of \$5,473). The overall decrease in taxes is a reflection of the decrease in operating income during the quarter.

Financial results – six months ended June 30, 2015

The following variances result when comparing operations for the six month period ended June 30, 2015, with the same period of the prior year (in US \$000s, except per ounce and per pound data):

Revenues

The Company's revenues for the six months ended June 30, 2015, of \$221,412 (six months ended June 30, 2014 - \$268,374) are comprised of copper concentrate sales of \$205,195 (six months ended June 30, 2014 - \$254,315), copper concentrate by-product sales of \$43,337 (six months ended June 30, 2014 - \$31,313) and other revenue of \$1,095 (six months ended June 30, 2014 - \$5,467), net of copper concentrate treatment and refining charges of \$28,215 (six months ended June 30, 2014 - \$22,721). Revenues included sales of 81.0 million payable pounds of copper (six months ended June 30, 2014 - 81.0 million) at an average realized price of \$2.53 per pound (six months ended June 30, 2014 - \$3.14). Copper concentrate sales are net of \$15,282 (six months ended June 30, 2014 - \$3,567) of provisional and final pricing and physical quantity adjustments. By-product revenues for the six months ended June 30, 2015 included the one-time sale of the PM concentrate for \$15,420 (net of treatment and refining costs of \$1,871), comprised of 7,000 ounces of gold and 600,000 ounces of silver, as well as sales of 12,400 ounces of gold (six months ended June 30, 2014 - 13,500 ounces) and 696,000 ounces of silver (six months ended June 30, 2014 - 736,600 ounces). Copper concentrate treatment and refining charges, which are accounted for as a reduction of revenues, increased by \$0.07 on a per pound basis reflecting a higher benchmark price in 2015 and a lower copper concentrate grade. Copper concentrate by-product credits, excluding the PM concentrate by-product credits, decreased on a per pound basis (see page 12 for a reconciliation of C1 cash cost sold) as Q1 2014 contained higher than usual by-product grades.

Operating expenses

The Company recorded operating expenses of \$106,288 in the six months ended June 30, 2015 (six months ended June 30, 2014 - \$91,710). The increase from the six months ended June 30, 2014, is the result of a higher quantity of tonnes mined and milled as well as the drawdown of inventories during 2015 as opposed to the build-up of inventories in 2014. As copper feed grades decrease in line with mine plan expectations, the Company expects operating expenses to increase on a per unit basis. Some of the Company's increased costs were offset in part by a lower cost of fuel delivered to site. We have seen lower input prices for fuel in H1 2015 of \$0.83, per litre (H1 2014 - \$1.19, per litre) and improved performance for mining and milling costs reflecting overall mobile equipment availability, mining productivities and reduced grinding media consumption. Accordingly we have been able to maintain our 2015 C1 cash costs guidance of \$1.20 to \$1.40 per payable pound sold despite the decrease in projected annual production.

Royalties

The Company incurs a 3.5% royalty on base metal sales and a 5% precious metals royalty on its gold and silver sales. During the six months ended June 30, 2015, royalty expense of \$9,727 (six months ended June 30, 2014 - \$10,779) was recorded. In the six months ended June 30, 2015, the Company incurred lower royalties primarily due to lower metals prices during the comparative period. Royalties are payable at the time the material leave the mine, which precedes the revenue recognition point, and are based on estimated values of contained metal at the time of shipment without subsequent adjustment.

Depreciation and depletion

In the six months ended June 30, 2015, depreciation and depletion of \$24,199 (six months ended June 30, 2014 - \$18,947) was recorded. Depreciation is primarily calculated using the units-of-production method with copper pounds produced and ore tonnes mined as the basis for the calculation. A higher quantity of ore tonnes mined, as well as depreciation being relieved from inventory as copper concentrate stockpiles were drawn down, resulted in an increased charge for the period.

Administrative

Administrative costs in the six months ended June 30, 2015, were \$8,923, down from \$9,146 in the six months ended June 30, 2014 primarily due to the weaker CAD versus the USD as most of the Company's administrative costs, including salaries and long-term incentive compensation are CAD based expenses. On a CAD basis, administrative costs have increased over the prior year as salaries and business development expenditures have increased.

Finance income

The decrease in finance income to \$1,358 in the six months ended June 30, 2015 (six months ended June 30, 2014 - \$1,866) is due primarily to a smaller average balance owing from ENAMCO.

Finance costs

Finance costs in the six months ended June 30, 2015, of \$768 (six months ended June 30, 2014 - \$1,730) is entirely attributable to accretion expense on the Company's provision for closure and reclamation liability. During 2014, two one-time charges totalling \$1,181 were recorded related to loans to a supplier and the non-controlling interest.

Income taxes

Income tax expense for the six months ended June 30, 2015, of \$30,666 (six months ended June 30, 2014 - \$56,060) is comprised of current income tax expense of \$19,696 (six months ended June 30, 2014 - \$44,501) related to the BMSC mining operations and deferred income tax expense of \$10,970 (six months ended June 30, 2014 - expense of \$11,559).

Reconciliation of realized copper price

In U.S. \$000s (except pounds of payable copper and per payable pound data)	Q2 2015	H1 2015	Q2 2014	H1 2014
Total revenues	\$ 104,240	\$ 221,412	\$ 169,223	\$ 268,374
Add (less):				
Copper concentrate by-product sales	(28,588)	(43,337)	(17,697)	(31,313)
Other revenues	(1,095)	(1,095)	229	(5,467)
Treatment and refining charges	12,567	28,215	13,749	22,721
Provisional and final pricing and quantity adjustments on copper concentrate sales	2,380	15,282	(1,879)	3,567
Copper concentrate revenues, before pricing adjustments	\$ 89,504	\$ 220,477	\$ 163,625	\$ 257,882
Pounds of payable copper sold (millions) ⁽¹⁾	33.6	81.0	51.5	81.0
Realized copper price per payable pound sold, before pricing adjustments	\$ 2.66	\$ 2.72	\$ 3.18	\$ 3.18
Provisional and final pricing and quantity adjustments per payable pound sold	\$ (0.07)	\$ (0.19)	\$ 0.03	\$ (0.04)
Realized copper price per payable pound sold	\$ 2.59	\$ 2.53	\$ 3.21	\$ 3.14
LME average copper price per pound	\$ 2.74	\$ 2.69	\$ 3.07	\$ 3.12

(1) Pounds of payable copper sold during Q1 2014 do not include 4.5 million pounds of copper sold during the pre-commercial production phase. Receipts from pre-commercial production sales were credited against mineral property, plant and equipment, net of cost of sales.

Liquidity and capital resources

The Company's cash and cash equivalents at June 30, 2015, was \$451,966 (December 31, 2014 – \$442,418). Working capital, including cash and cash equivalents, was \$498,644 (December 31, 2014 - \$519,980). Accounts receivable of \$28,327 (December 31, 2014 - \$32,188) include no shipments for which revenue was recognized but provisional payments were not yet received by quarter end (December 31, 2014 – one shipment).

For the six months ended June 30, 2015, cash generated from operating activities was \$116,629 (six months ended June 30, 2014 - \$114,059) reflecting quicker collection of accounts receivable which more than offset the lower sales volumes at significantly lower prices compared to the prior period. In the six months ended June 30, 2015, the Company paid \$21,679 (six months ended June 30, 2014 - \$43,702) in income taxes.

The Company used \$50,866 in investing activities in the six months ended June 30, 2015 (six months ended June 30, 2014 – generated \$18,928). The Company spent \$53,208 (six months ended June 30, 2014 - \$28,085) on mineral properties, plant and equipment in the six months ended June 30, 2015, comprised of \$26,122 on the zinc expansion, \$21,020 on sustaining capital, \$1,818 on mineral properties and \$4,248 on exploration and evaluation. These expenditures were net of changes in non-cash working capital of \$2,342. In the six months ended June 30, 2014, expenditures on mineral properties, plant and equipment were offset by \$49,513 of proceeds received from the sale of pre-commercial production copper concentrate inventory. No such proceeds were received in six months ended June 30, 2015.

The Company used \$34,536 in its financing activities in the six months ended June 30, 2015 (six months ended June 30, 2014 – used \$32,764). During the six months ended June 30, 2015, the Company paid dividends to Nevsun shareholders of \$15,972 (six months ended June 30, 2014 - \$20,920). During 2015, a quarterly \$0.04 per share dividend was paid. During 2014, a quarterly \$0.035 per share dividend was paid during Q2 and the semi-annual dividend declared during the second half of 2013, of \$0.07 per share, was paid during Q1 2014. The Company also distributed \$21,600 to the non-controlling interest during the six months ended June 30, 2015 (six months ended June 30, 2014 - \$28,750). The Company received \$2,600 (six months ended June 30, 2014 - \$16,750) from the non-controlling interest.

Off-balance sheet arrangements

The Company has not entered into any specialized financial agreements to minimize its commodity risk, investment risk or currency risk. There are no off-balance sheet arrangements.

Contingency

Araya Lawsuit

A lawsuit was filed in the Supreme Court of British Columbia against the Company (the "Araya Lawsuit") on November 20, 2014, by three plaintiffs who claim to have once worked with a local sub-contractor at the Bisha Mine. The plaintiffs claim that the Company is legally responsible for breaches of customary international law and British Columbia law for conduct allegedly engaged in by the local sub-contractor and the Eritrean military. The plaintiffs are also claiming the right to bring the action in a representative capacity on behalf of certain persons who they allege were forced to work at the Bisha Mine (the "Group Members"). The plaintiffs claim general, aggravated and punitive damages for themselves and for the Group Members. No amount of damages is required to be quantified by the plaintiffs at this time. No trial date has been set.

It is not possible at this time to estimate the outcome of the Araya Lawsuit. The Company denies the allegations and will vigorously defend itself in this matter. No amounts have been recorded for any potential liability arising from this matter, as the Company cannot reasonably predict the outcome.

Outstanding share data

As of July 29, 2015, the Company had 199,781,469 shares and 11,938,333 options issued and outstanding.

Financial instruments and risk management

A description of financial instruments and types of risks that the Company is exposed to and its objectives and policies for managing such risks is included in the Company's Annual Information Form for the year ended December 31, 2014, dated February 25, 2015, which is available on SEDAR at www.sedar.com.

The Company's accounts receivable contains an embedded derivative due to the provisional pricing in copper concentrate contracts. Revenues are recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized in revenue in the period in which the final adjustment is settled. The final adjustment recorded for these revenues depends on the actual price when the sale settles. There can also be adjustments for the final amount of metals in the copper concentrate. The settlement dates per current agreements vary from one to four months after shipment.

Proposed transactions

The Company continually reviews opportunities for growth, however, there are no proposed asset acquisitions, business combinations or mergers currently under offer.

Critical accounting policies and estimates

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies applied and recent accounting pronouncements are described in Note 3 and Note 4 to the Company's 2014 annual consolidated financial statements, respectively.

In preparing the condensed consolidated interim financial statements in accordance with the IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Actual results could differ from those estimates. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. Revisions to estimates and the resulting effects on the carrying values of the Company's assets and liabilities are accounted for prospectively. For a description of the critical judgements in application of accounting policies and information about assumptions and estimation uncertainties, refer to the Company's MD&A for the year ended December 31, 2014, which is available on SEDAR at www.sedar.com.

Changes in internal control over financial reporting

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation of financial statements.

The Company's management has determined that there has been no change in the Company's internal control over financial reporting during the three and six months ended June 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of controls and procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Accounting changes and recent accounting pronouncements

There were no significant accounting pronouncements issued during the period ended June 30, 2015.

Quality assurance

Mr. Peter Manojlovic, PGeo, and Vice President Exploration of Nevsun Resources Ltd. is a Qualified Person under the terms of NI 43-101 and has reviewed the exploration section of this MD&A and approved its dissemination.

Non-GAAP performance measure

This document includes a non-GAAP performance measure that does not have a standardized meaning prescribed by

IFRS. This performance measure may differ from those used by, and may not be comparable to such measures as reported by, other issuers. The Company believes that this performance measure is commonly used by certain investors, in conjunction with conventional GAAP measures, to enhance their understanding of the Company's performance. The Company uses this performance measure extensively in our internal decision making process, including to assess how well the Bisha Mine is performing and to assist in the assessment of the overall efficiency and effectiveness of the mine site management team. The table below provides a reconciliation of this non-GAAP measure to the most directly comparable IFRS measures as contained within the Company's issued financial statements.

C1 cash cost per payable pound sold

C1 cash cost per payable pound sold is a non-GAAP measure and represents the cash cost incurred at each processing stage, from mining through to recoverable metal delivered to customers, less net by-product credits. Royalties are excluded from the calculation of C1 cash cost per payable pound sold. The costs included in this definition comprise mine site operating and general and administrative costs, freight, treatment and refining charges, less by-product credits. By-product credits are an important factor in determining the C1 cash costs per pound. The Company produces by-product metals, gold and silver, incidentally to copper production activities. The gold and silver are considered to be by-products as they only represent 20% of total revenues during 2015. The cash cost per payable pound will vary depending on the volume of by-product credits and the relative price of the by-products. The C1 cash cost per payable pound is calculated by dividing the total costs, net of the by-product credits, by payable copper pounds sold. The calculation method is consistent on a period to period basis for purposes of meaningful comparison.

C1 cash cost per payable pound (U.S. \$000s, except per pound amounts)	Q2 2015		Q2 2014	
	Total	per pound	Total	per pound
Pounds of payable copper sold (millions)	33.6		51.5	
Operating expenses and selling costs	\$ 48,794	\$ 1.45	\$ 57,601	\$ 1.12
Add:				
Copper concentrate treatment and refining charges	12,567	0.38	13,749	0.27
Less:				
Copper concentrate by-product credits	(11,297)	(0.34)	(17,697)	(0.34)
Precious metals concentrate by-product credits ⁽¹⁾	(17,291)	(0.51)	-	-
Selling costs not related to concentrate sales	(264)	(0.01)	(87)	-
Total C1 cash cost	\$ 32,509	\$ 0.97	\$ 53,566	\$ 1.05

(1) The precious metals concentrate by-product sale incurred \$1,871 of treatment and refining charges and \$3,587 of operating expenses and selling costs.

C1 cash cost per payable pound (U.S. \$000s, except per pound amounts)	H1 2015		H1 2014	
	Total	per pound	Total	per pound
Pounds of payable copper sold (millions) ⁽¹⁾	81.0		81.0	
Operating expenses and selling costs	\$ 106,288	\$ 1.31	\$ 91,710	\$ 1.13
Add:				
Copper concentrate treatment and refining charges	28,215	0.35	22,721	0.28
Less:				
Copper concentrate by-product credits	(26,046)	(0.32)	(31,313)	(0.39)
Precious metals concentrate by-product credits ⁽²⁾	(17,291)	(0.21)	-	-
Selling costs not related to concentrate sales	(264)	(0.01)	(672)	(0.01)
Total C1 cash cost	\$ 90,902	\$ 1.12	\$ 82,446	\$ 1.01

(1) Pounds of payable copper sold during Q1 2014, do not include 4.5 million pounds of copper sold during the pre-commercial production phase. Receipts from pre-commercial production sales were credited against mineral property, plant and equipment, net of cost of sales.

(2) The precious metals concentrate by-product sale incurred \$1,871 of treatment and refining charges and \$3,587 of operating expenses and selling costs.

Forward looking statements

This Management's Discussion and Analysis contains statements and information concerning anticipated developments in the Company's continuing and future operations, the adequacy of the Company's financial resources and financial projections. Forward-looking statements include, but are not limited to, statements concerning or the assumptions related to estimates of capital and operating costs, the timing, nature and extent of future copper and gold production, expanding exploration licenses, the estimation of mineral reserves and resources, methodologies and models used to prepare resource and reserve estimates, the realization of mineral reserve estimates, the conversion of mineral properties to reserves and resources, the potential to expand resources, reserves and mine life, future exploration budgets, plans, targets and work programs, capital expenditures and objectives, anticipated timing of grant of permits, mining and development plans and activities and the delivery of parts, equipment and supplies for ongoing plant repairs, upgrades and continued operations, construction and production targets and timetables, grades, processing rates, life of mine, net cash flows, metal prices, exchange rates, reclamation costs, results of drill programs, dividend plans and policy, litigation matters, integration or expansion of operations, requirements for additional capital, government regulation of mining operations, environmental risks, political risks and uncertainties, unanticipated reclamation expenses, and other events or conditions that may occur in the future.

Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimates," "potential," "possible," "budget" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. Information concerning the interpretation of drill results and mineral resource and reserve estimates also may be deemed to be forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed, and in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited.

Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors including, without limitation, the risks that: (i) the Company incurs unanticipated power interruptions or inadequate fuel quality or supply or repairs to the plant required to effectively operate power generators for the plant or otherwise, (ii) the Company experiences shipping delays for fuel or equipment or replacement parts that are required for ongoing mining operations or to complete repairs at the copper plant that could impact mining operations; or (iii) are associated with the speculative nature of exploration activities, periodic interruptions to exploration, failure of drilling, processing and mining equipment, the interpretation of drill results and the estimation of mineral resources and reserves, changes to exploration and project plans and parameters and other risks more fully described in the Company's 2014 Annual Information Form, recent news releases and other filings.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and the Company assumes no obligation to update such forward-looking statements in the future, except as required by law. 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. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

NYSE MKT corporate governance

The Company's common shares are listed on NYSE MKT. Section 110 of the NYSE MKT company guide permits NYSE MKT to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE MKT listing criteria, and to grant exemptions from NYSE MKT listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by U.S. domestic companies pursuant to NYSE MKT standards is

posted on the Company's website at <http://www.nevsun.com/corporate/governance/nyse-amex/> and a copy of such description is available by written request made to the Company.

Cautionary note regarding preparation of Mineral Reserves and Resources

The disclosure in this Management's Discussion and Analysis uses mineral resource and mineral reserve classification terms that comply with Canadian securities laws that differ in certain material respects from the requirements of United States securities laws. Disclosure has been made in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum's Classification System. The NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the disclosure requirements of the SEC.

The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" in documents filed with the SEC, unless such information is required to be disclosed by the law of the Company's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Consequently, mineral resource and mineral reserve information contained in this MD&A is not comparable to similar information that would generally be disclosed by U.S. companies in accordance with the rules of the SEC.

The SEC's Industry Guide 7 applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Accordingly, mineral reserve estimates contained in this MD&A may not qualify as "reserves" under SEC standards.

This MD&A uses the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" to comply with the reporting standards in Canada. The SEC's Industry Guide 7 does not recognize these terms and U.S. companies are generally not permitted to use these terms in documents they file with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into SEC defined mineral "reserves." Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically.

Therefore, investors are also cautioned not to assume that all or any part of an inferred mineral resource exists. In accordance with reporting standards in Canada, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in rare cases. In addition, disclosure of "contained ounces" in a mineral resource estimate is permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this MD&A may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.