NICOLA MINING INC.

November 28, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

For Three and Nine Months Ended September 30, 2016

NICOLA MINING INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For The Three and Nine Months Ended September 30, 2016
(Prepared by Management)

GENERAL

The following discussion of financial performance, financial condition, cash flows and future prospects ("MD&A") should be read in conjunction with the audited consolidated financial statements of Nicola Mining Inc. ("Nicola" or the "Company") and notes thereto for the year ended December 31, 2015 and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016.

This MD&A for the three and nine months ended September 30, 2016 was prepared as of November 28, 2016. Unless otherwise indicated, all dollar amounts set out herein are expressed in Canadian dollars. Additional information and filings are available for review on the Company's SEDAR profile at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements, which reflect management's expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Company, including (i) that Nicola or another party may be able to recommence operations at its Treasure Mountain Project, (ii) that Nicola will be able to close future financings, (iii) that Nicola will be able to continue to process mill feed in its Merritt Mill for third parties, (iv) that Nicola will be able to sell any of its real estate properties or any other non-core assets, (v) that Nicola will be able to close future financings to continue exploration of Thule Copper Property and (vi) that Nicola will enter into any merger and acquisition transactions. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this MD&A. These assumptions, which include management's current expectations, estimates and assumptions about the Company raising sufficient capital such that it is able to meet its obligations, the Company's ability to recommence operations, including refurbishing and modifying the Merritt Mill to produce other metal concentrates, current mineral property interests, the global economic environment, the market price and demand for silver and other minerals, the Company's ability to manage its property interests and operating costs, and the value of its real property holdings and its non-core assets may prove to be incorrect. A number of risks and uncertainties could cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) that Nicola or another party will be unable to recommence operations at its Treasure Mountain Project and continue operations at its Merritt Mill for any reason whatsoever, (2) a downturn in general economic conditions in North America and internationally, (3) volatility and fluctuation in the prices of gold silver, lead, zinc and other metals, (4) volatility and fluctuation in the price of the Company's stock and stock of resource issuers generally, and (5) other factors beyond the Company's control. Readers are cautioned that the foregoing list of factors is not exhaustive.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors and shareholders are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below

Repayment of Waterton Debt Loan and Exiting CCAA

On November 21, 2014, the Company satisfied all of the conditions to implementation of its restructuring plan (the "Plan") which it filed in the proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA"). The Company implemented the Plan on this date by settling an aggregate of $5,718,419 of secured claims by issuing an aggregate of 114,368,382 common shares to secured creditors and by settling an aggregate of $14,063,902 unsecured claims by issuing an aggregate of 278,870,210 common shares to unsecured creditors and making payments to unsecured creditors in the aggregate amount of $25,408.

On October 23, 2015, the Company, Waterton Global Value, L.P. ("Waterton") and Concept Capital Management Ltd. agreed to amend the Letter Agreement dated June 3, 2014 (as amended) as follows:

1. the Company, on closing the first tranche of the unit financing (as discussed below) repaid Waterton $1,250,000 in principal and approximately $37,500 in accrued interest (representing 50% of the accrued interest on the $2,500,000 amount outstanding to Waterton);

2. Waterton agreed to convert the outstanding $1,250,000 in principal and approximately $37,500 in accrued interest (representing 50% of the accrued interest on the $2,500,000 amount outstanding to Waterton) into a new three-year loan (the "Loan"), which will bear interest at a rate of 3% per annum paid annually and will mature November 24, 2018; and

3. Waterton will receive a 2% net smelter returns royalty with respect to the Company's Treasure Mountain Project.

On November 24, 2015, the Company completed the first tranche of its unit private placement financing by issuing an aggregate of 19,375,005 units at a price of $0.08 per unit for gross proceeds of $1,550,000. Proceeds from the first tranche of the unit financing were used to fulfill the remaining payments under the Plan which included the repayment of $1,250,000 principal plus $37,500 interest to Waterton and other secured creditors under the Plan.

On December 9, 2015, the Company announced that it had successfully fulfilled its obligations pursuant to the creditor protection proceedings under CCAA.

This section is qualified in its entirety by the material documents in connection with the CCAA proceeding, including the Court orders, copies of which have been filed and are available under the Company's profile on SEDAR (www.sedar.com).

Subordinated Secured Convertible Debenture Financing

As a precondition to implementation of the Plan, the Company completed the first tranche (the "First Tranche") of a convertible debenture financing by issuing subordinated secured convertible debentures (each, a "Debenture") and common share purchase warrants of the Company (each, a "Warrant"). The Company raised gross proceeds of $7,000,882 pursuant to the First Tranche.

The Debentures issued in the First Tranche bear interest at a rate of 10% per annum, which interest shall be payable annually as to 50% in cash and 50% by the issuance of shares of the Company. The Debentures will be repayable on November 21, 2017 (the "Maturity Date"). For each $1,000 in principal of Debentures, Nicola issued 5,000 Warrants. The Debentures are convertible into common shares at a conversion price of $0.055 ($0.275 post share consolidation) per common share prior to the Maturity Date. Each Warrant is exercisable into one additional common share for four years from the date of issuance at an exercise price of $0.075 ($0.375 post share consolidation) per common share in the first year after issuance and $0.10 ($0.50 post share consolidation) per common share thereafter. The Debentures rank subordinate to the debt owed to Waterton until such time as the debt to Waterton is repaid in full.

On May 19, 2015, the Company completed the second tranche (the "Second Tranche") of the Financing by the issuance of subordinated secured convertible debentures and common share purchase warrants of the Company. The Company raised gross proceeds of $250,000 pursuant to the Second Tranche. The Debentures issued in the Second Tranche have the same terms as the First Tranche except that the Debentures will be repayable on May 19, 2018 (the "Maturity Date").

Upon repayment by the Company of all amounts owed to Waterton, the holders of the Debentures will be granted an aggregate 2% net smelter returns royalty with respect to the Company's Treasure Mountain Project, provided that each holder of such Debentures shall only be entitled to their pro rata share of such royalty based on their individual investment.

Impairment of Assets

As at September 30, 2016, the Company's Merritt Mill was operating under a custom milling contract processing approximately 5,000 tonnes of mill feed from Gavin Mines Inc. ("Gavin Mines"). The Company's Treasure Mountain Project remains in care and maintenance mode (since June 26, 2013) which is a potential indicator of impairment of the carrying amount of its non-current non-financial assets. The Company carried out a review of the carrying amounts of the non-current non-financial assets.

The remaining carrying value of property, plant, and equipment represented the Company's best estimate of aggregate recoverable value which has been determined based on fair value less costs to sell. The fair value of each significant asset was determined separately by the Company. The fair value of the Merritt Mill and related lands was determined with references to independent valuations and values of recent sales of similar used equipment. The fair value of the heavy machinery and equipment and remaining land was determined based on values or recent sales of similar assets.

Based on its review, the Company recognized an impairment loss at September 30, 2016 in the amount of $nil (December 31, 2015 - $40,461).

Any significant negative change in the key assumptions made in determining the recoverable amount could result in an additional impairment loss.

DESCRIPTION OF BUSINESS

Nicola is a junior exploration and custom milling company that is engaged in the business of identification, acquisition, and exploration of mineral property interests together with custom milling operations at its Merritt Mill.

Nicola's Treasure Mountain Project is located northeast of Hope, British Columbia, approximately 3 hours from Vancouver, British Columbia. In November, 2011, the Company completed the development of the required infrastructure at the Treasure Mountain Project to begin underground mining on a 10,000 tonne bulk sample permit. In May 2012, the Company received a mining lease covering 335 hectares of active workings out of 7,000 acres of mineral tenures at the Treasure Mountain Project and a Mines Act permit for the Treasure Mountain Project for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of the mill feed offsite for processing. The Treasure Mountain Project has been in care and maintenance since July 26, 2013. The Company intends to keep the Treasure Mountain Project on care and maintenance and continues to review options for the Treasure Mountain Project, which includes reviewing merger and acquisition opportunities, future exploration, and recommencing mining activity.

Nicola's Merritt Mill is located 14 km northwest of Merritt, British Columbia, approximately 3 hours from Vancouver, British Columbia. The Merritt Mill and property consists of $8.00 MM for cost of land (900 acres of freehold land), $21.6 MM for the cost of the mill and related infrastructure, and $1.8 MM for cost of construction of a fully lined tailings facility. The Merritt Mill was constructed during 2012, and operated from October 2012 to July 26, 2013. The Merritt Mill was permitted for 200 tonne per day silver/lead/zinc processing plant to process mill feed from Treasure Mountain Project. The Merritt Mill entered care and maintenance July 26, 2013.

On July 31, 2015, the Company filed a permit amendment application to the existing Mines Act permit for custom milling at the Merritt Mill. The British Columbia Mines Act custom milling operations permit was received on April 15, 2016. It allows the Company to enter into third party custom milling contracts and enables it to mill up to 200 tonnes per day at its Merritt Mill. The Merritt Mill is able to process both gold and silver mill feed via gravity and floatation process. On June 16, 2016, the Company commenced custom milling processing approximately 5,000 tonnes material received from Gavin Mines. On August 2, 2016, the Company commenced shipping gold and silver concentrates milled from the Gavin Mines mill feed and entered into an offtake agreement with MRI Trading AG. On September 15, 2016, the Company had shipped 190 dry metric tonnes of gold and silver concentrate grading approximately 100 grams Au and 606 grams Ag per tonne, for an aggregate total of approximately 610 troy ounces Au and 3,702 troy ounces Ag. For the period ending September 30, 2016, the Company received $1,008,649 in recoveries from the sale of concentrate and incurred processing costs of $650,070. The Company will receive final payment upon confirmation of grade and weight. A further 2,000 tonnes material for processing has been received from Gavin Mines during September and October 2016.

On November 19, 2015, the Company entered into an agreement with former shareholders (collectively, the "CMJV Parties") of the Company's wholly-owned subsidiary, Huldra Properties Inc. pursuant to which the CMJV Parties agreed to transfer an aggregate of 499 common shares (the "Thule Shares") of the Company's subsidiary, Thule Copper Corporation ("Thule"), to the Company. The acquisition of the Thule Shares resulted in the Company being the sole shareholder of Thule. In consideration of the foregoing, the Company agreed to grant Aberdeen Ventures Inc., one of the CMJV Parties, a 2% net smelter royalty with respect to certain mineral claims and leases held by Thule in southwestern British Columbia. The Thule Copper Property consists of 20 mineral claims and 10 mineral leases totaling approximately 10,084 hectares which cover the southern flanks of the Guichon Batholith where it intrudes Nicola Group volcano-sedimentary units and intrusive rocks. The Thule Copper Property is located approximately 50 km south of the Highland Valley Copper Partnership operation.

On December 22, 2015, the Company issued 3,750,000 flow-through shares for gross proceeds of $300,000 to conduct a diamond drill program on its Thule Copper Property. On June 29, 2016, the Company commenced the diamond drill program focusing in on three key target zones: the Eric, the Embayment and the Titan Queen zones. On September 7, 2016, the Company announced a significant copper mineralization had been intersected on the Thule Copper Property by an intersection of 1.11% copper over 85.92 meters in THU-002, through the Embayment Zone, located approximately 1 km northwest of the past-producing Craigmont Mine. The drilling results support the Embayment Zone as a fault-offset, westward continuation of the skarn zone that hosts the Craigmont deposit. A follow-up drill program will be designed to determine continuity of mineralization further west along strike and at depth from THU-002. An aggregate of 1,084 meters were diamond drilled with all 5 holes intersecting copper mineralization in all three target zones. In addition, drilling at the Titan Queen Zone encountered alteration and mineralization features commonly observed in association with porphyry-style copper deposits, including the Highland Valley porphyry complex located 50 km north of the Thule Property. Follow-up work is currently underway to outline drill targets over a broader area and further test porphyry-style mineralization potential.

On October 3, 2016, the Company entered into an Exploration and Material Purchase Agreement with Teck Highland Valley Copper Partnership ("HVCP"), a wholly owned subsidiary of Teck Resources Limited. The Company will work with HVCP to conduct an exploration program on the historic stockpiles on the Thule Copper Property in order to gather information regarding the grade and other characteristics of the stockpiled material. Following the exploration campaigns, HVCP will have the right to purchase stockpile material mined by the Company. The Company will carry out the exploration program, and HVCP has agreed to reimburse the Company for certain costs related to the exploration program. Work has commenced to outline drill targets and obtain necessary permits to commence exploration.

Risk Factors

The Company may be unable to meet its liquidity requirements for operations

There can be no assurance that the amounts of cash from operations, together with amounts raised through financings will be sufficient to fund the Company's operations and care and maintenance program. If these amounts are insufficient to meet the Company's liquidity requirements, it may have to seek additional financing. There can be no assurance that such additional financing would be available or, if available, offered on acceptable terms. Failure to secure any necessary additional financing would have a material adverse impact on the Company's continued operations and viability.

The Company's ability to maintain acceptable credit terms with its suppliers may be impaired as a result of the Company previously being subject to creditor protection under the CCAA. The Company may be required to pay cash in advance to certain suppliers and may experience restrictions on the availability of trade credit which could reduce its liquidity. Liquidity problems could materially and adversely affect its ability to source key services. In addition, suppliers may be reluctant to enter into long term agreements with the Company due to its financial condition.

Mineral Exploration and Development Activities are Inherently Risky

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into mineral deposits with significant value. Unusual or unexpected ground conditions, geological formation pressures, fires, power outages, labour disruptions, flooding, earthquakes, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. There are also physical risks to the exploration personnel working on the site of a mineral project. The Company's exploration properties and any future mining operations will be subject to all the hazards and risks normally incidental to exploration, development and production of silver and other metals, any of which could result in damage to or destruction of exploration facilities or mines, damage to life and property, environmental damage and possible legal liability for any or all damage. Although the Company maintains insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

Uncertainty of Mineral Resources

The figures for mineral resources for the Treasure Mountain Project disclosed in the Company's Annual Information Form for the year ended December 31, 2012 and in its technical report filed on SEDAR on June 12, 2012, are only estimates. Mineral reserves at the Treasure Mountain Project have not been defined therefore the mineral resources currently cannot be considered ore. There is no certainty that any expenditures made in the exploration of the Company's mineral properties will result in identification of commercially recoverable quantities of ore or that ore reserves will be mined or processed profitably. In addition, substantial expenditures will be required to develop the mining and processing facilities and infrastructure at any site chosen for mining.

Uncertainty of Economic Viability of Production from the Treasure Mountain Project

The Company has not undertaken any preliminary feasibility study or preliminary economic assessment with respect to the Treasure Mountain Project and does not intend to undertake such a study or assessment. There are significant risks associated with making a production decision without a valid, current, economic analysis and the Company may subsequently determine that recommencing operations at the Treasure Mountain Project is not economically feasible.

Insurance

The mining industry is subject to significant risks that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims. No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company currently maintains insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development, however the insurance the Company has may not be sufficient to cover the full extent of any liabilities that may arise.

Prices, Markets and Marketing of Silver and Metal Prices

World prices for commodities fluctuate and are affected by numerous factors including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of commodities, and the resulting impact on the viability of any of the Company’s exploration projects, cannot accurately be predicted.

Liquidity and Capital Requirements

The Company has a significant working capital deficit, no history of profitable operation and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain Project if the Company chooses to recommence operations at the Treasure Mountain Project. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources, and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development of the Treasure Mountain Project, the loss of substantial dilution of any of its property interests or all the liquidation of all of its assets.

Going Concern Risk

As at September 30, 2016, the Company had an accumulated deficit of $77,492,883 (December 31, 2015 - $74,162,039) and working capital deficiency of $2,025,234 (December 31, 2015 - $3,779,578). These factors represent a material uncertainty that may cast doubt about the Company’s ability to continue as a going concern. In order to continue operations, the Company will be required to raise funds through the issuance of equity or debt, or be successful recommencing operations at the Treasure Mountain Project, and maintaining on-going custom milling at the Merritt Mill. Realization values may be substantially different from carrying values as shown and the Company’s consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2016 were prepared using IFRS, as applied by the Company prior to the filing for CCAA. These condensed consolidated financial statements have been prepared using the going concern concept, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Management believes that these actions continue to make the going concern basis appropriate. However, it is not possible to predict whether the Company will be able to raise the working capital required for maintaining the care and maintenance program at the Treasure Mountain Project, continued custom milling operations at the Merritt Mill and accordingly, substantial doubt exists as to whether the Company will be able to continue as a going concern.

If the “going concern” assumption were not appropriate for such financial statements, then significant adjustments would be necessary in the carrying amounts and/or classification of assets and liabilities.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons could be required to manage and operate the Company.

Environmental Risks

All phases of the mineral exploration and development business present environmental risks and hazards and are subject to environmental regulations. Compliance with such legislation and regulations can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner which may lead to stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of exploration or production, a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Company’s financial condition, results of operations or prospects.

Government Regulation

The natural resource exploration industry is subject to controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other natural resource exploration companies of similar size. The current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company’s ability to acquire suitable properties or prospects in the future. The Company also competes with other mining companies in the recruitment and retention of qualified employees.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of, or may be associated with, other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the *Business Corporations Act* (British Columbia) and any other applicable laws and rules dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his interest and refrain from voting on the matter unless otherwise permitted by the *Business Corporations Act* (British Columbia). In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

No Current Plans to Pay Cash Dividends

The Company has no plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Company's Board of Directors and will depend on, among other things, the Company's financial results, cash requirements, contractual restrictions and other factors that the Board of Directors may deem relevant. In addition, the Company's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness that the Company or its subsidiaries incur. As a result, investors may not receive any return on an investment in the Company's securities unless they sell the securities for a price greater than that which they paid for them.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease estimated income from prospective mining operations, limit access to capital markets and negatively impact the availability of credit facilities or other financing to the Company.

Price Volatility of Public Stock

The market price of the Company's securities has experienced wide fluctuations which may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Any market for the Company's securities may be subject to market trends generally and the value of the Company's securities on the Exchange may be affected by such volatility in response to numerous factors, many of which are beyond the Company's control, including:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- the addition or departure of the Company's executive officers or other key personnel;
- release or other transfer restrictions on outstanding Company securities;
- sales or perceived sales of additional Company securities;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- news reports relating to trends, concerns, competitive developments or regulatory changes; and
- other related issues in the Company's industry or target markets.

Financial markets continue to experience significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company's securities may decline even if the Company's operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Company's securities by those institutions, which could adversely affect the trading price of the Company's securities. There can be no assurance that fluctuations in price and volume will not occur in the future. If increased levels of volatility and market turmoil occur, the Company's operations may be adversely impacted and the trading price of the Company's securities may be adversely affected.

Regulatory and Permitting

Regulatory and permitting requirements have a significant impact on the Company's operations and can have a material and adverse effect on future cash flow, results of operations and financial condition. In order to conduct mineral exploration and mining activities the Company must obtain or renew exploration or mining permits and licenses in accordance with the relevant mining laws and regulations required by governmental authorities having jurisdiction over mineral projects. There is no guarantee that the Company will be granted the necessary permits and licenses, that they will be renewed, or that the Company will be in a position to comply with all the conditions that are imposed. Mining is subject to potential risks and liabilities associated with pollution and the disposal of waste from mineral exploration and mine operations. Costs related to discovery, evaluation, planning, designing, developing, constructing, operating, closing and remediating mines and other facilities in compliance with these laws and regulations are significant. In addition to environmental protection, applicable laws and regulations govern employee health and safety. Not complying with these laws and regulations can result in enforcement actions that may include corrective measures requiring capital expenditures, installation of additional equipment, remedial action and changes to operating procedures resulting in additional costs and temporary or permanent shutdown of operations. The Company may also be required to compensate those parties suffering loss or damage and may face civil or criminal fines or penalties for violating certain laws or regulations. Changes to these laws and regulations in the future could have an adverse effect on the Company's cash flow, results of operations and financial condition. Further, the issuance of permits may be subject to review by third parties who may challenge future permitting and the validity of existing permits based on, among other things, the government's obligation to consult and accommodate.

Forward-Looking Statements may Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements contained in this MD&A. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements, or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this MD&A under the heading "Cautionary Note Regarding Forward-Looking Statements".

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This review of the Company's results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2016 and the audited consolidated financial statements of the Company for the year ended December 31, 2015.

Three Months Ended September 30, 2016

During the three months ended September 30, 2016, the Company recorded a net loss and comprehensive loss of $1,436,193, compared to a net loss and comprehensive loss of $808,883 for the comparable period of 2015. The significant fluctuation between the two periods was a result of increased exploration costs with continuing drilling on the Thule Copper project, together with geological and geotechnical work, reclamation work at Treasure Mountain, custom milling and modifications at Merritt Mill. In addition, consulting fees increased with extensive marketing of the Company in the financial community and share-based compensation with issuance of stock options resulted in raising working capital during the period.

Operating expenses for the three months ended September 30, 2016 increased to $1,089,979 from $479,458 for the three months ended September 30, 2015. The increase in expenses was due to extensive marketing of the Company in the financial community with increased consulting fees from $45,000 in 2015 to $131,460 in 2016: Increased exploration costs from $232,258 in 2015 to $458,714 in 2016 due to custom milling operations at the Merritt Mill and exploration on Thule Copper drilling program. Issuance of stock options with increased share-based compensation from $96,984 in 2015 to 340,022 in 2016.

SELECTED QUARTERLY RESULTS

The following table provides selected unaudited financial information for the most recent eight quarters. All amounts shown are stated in Canadian dollars in accordance with IFRS.

	September 30, 2016 ($)	**June 30, 2016 ($)**	**March 31, 2016 ($)**	**Dec 31, 2015 ($)**	**Sept 30, 2015 ($)**	**June 30, 2015 ($)**	**Mar 31, 2015 ($)**	**Dec 31, 2014 ($)**
Net loss	(1,436,193)	(1,184,810)	(710,895)	(1,159,044)	(808,883)	(880,240)	(814,319)	(3,467,497)
Loss per share from continuing operations (basic and diluted)[(1)]	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.09)

(1) Loss per share from continuing operations (basic and diluted) has been calculated as if the consolidations of share capital effective July 17, 2014 and June 1, 2015 had been in place for all periods reported.

As described above under the heading "Results of Operations and Financial Condition", significant fluctuations between the comparative periods resulted from significant write down of property, plant and equipment in December 2014, exiting the CCAA proceedings in December 2015, re-commencement of operations at Merritt Mill and diamond drill program at Thule Copper Property during 2016. Additional explanations for certain significant changes in the table above are as follows:

The increase in net loss for the quarter ended September 30, 2016 compared to the quarter ended June 30, 2016 was due to recommencement of operations at the Merritt Mill with custom milling and modifications. The Thule Copper drilling program continued together with geological and geotechnical work. An extensive reclamation program was completed at the Treasure Mountain mine. Additional issuance of stock options, share based compensation, and consulting fees reflect continued marketing of the Company to the financial community culminating in raising significant working capital during the quarter.

The increase in net loss for the quarter ended June 30, 2016 compared to the quarter ended March 31, 2016 was largely due to increased consulting fees to market the Company in the financial community post CCAA, commencing custom milling operations at Merritt Mill and drilling program at Thule copper project and issuance of stock options reflected in share-based compensation expense.

The decrease in net loss for the quarter ended March 31, 2016 compared to the quarter ended December 31, 2015 was largely due to increased finance costs incurred in the December 2015 quarter with respect to the Debentures due to increasing the interest rate from 10% to 12% and payment in shares for the first year term of the Debentures. In addition, the consulting fees, regulatory and transfer agent fees increased in the quarter ended December 31, 2015 due to the November 2015 financing, restructuring of the Waterton debt obligation, and exiting CCAA.

The substantial decrease in the net loss for the quarter ended June 30, 2015 compared to the quarter ended December 31, 2014 was largely due to the fact that the Company took a write down in the amount of $3,836,988 on property, plant and equipment in the quarter ended December 31, 2014.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2016, the Company had a working capital deficiency of $2,025,234 that included cash and cash equivalents of $1,959,225 as compared to a working capital deficiency of $3,779,578 and cash and cash equivalents of $467,008 as at December 31, 2015. The working capital deficiency is attributable to the cash requirements needed to operate the Company in the first nine months of 2016, expenditures relating to the flow-through exploration program on the Thule Copper Property, modifications to the Merritt Mill and custom milling conducted for Gavin Mines.

Cash used in operating activities for the nine months ended September 30, 2016 was $1,938,794 compared to $1,193,174 for the nine months ended September 30, 2015. The cash used in operating activities increased in 2016 due to increased share-based compensation through the issuance of stock options together with increased exploration expenses for the drilling program on the Thule Copper Property and the custom milling operations at Merritt Mill.

Cash provided by investing and financing activities was $3,304,807 for the nine months ended September 30, 2016 compared to $1,282,454 cash used by investing activities for the nine months ended September 30, 2015. The net cash provided by investing activities in the period enabled investment of upgrading plant and modifying equipment at the Merritt Mill. On April 21, 2016, the unit financing was extended to close on or before April 29, 2016 and increased to an aggregate of $2,750,000. On April 29, 2016, the Company closed the fourth tranche for gross proceeds of $665,500. On May 27, 2016, the Company closed a private placement for gross proceeds of $164,000. On August 25, 2016, the Company closed a non-brokered private placement financing for gross proceeds of $2,200,520.

The Company had the following major cash obligations as of September 30, 2016:

- repayment of the amounts owing under the amended Settlement Agreement with Waterton (as described above) in the amount of $1,320,772; and

- repayment of amounts owing to holders of the Debentures in the amount of $6,907,858.

As at September 30, 2016, the Company had an accumulated deficit of $77,492,883 (December 31, 2015 $74,162,039) and a working capital deficiency of $2,025,234 (December 31, 2015 - $3,779,578). However, additional funds will be needed for the development of the Treasure Mountain Project, Thule Copper Property and Merritt Mill. Realization values may be substantially different from carrying values as shown and the Company's consolidated financial statements which do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Further, the failure to make the payments outstanding to Waterton could materially change the carrying amounts and classifications reported in the consolidated financial statements.

The unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 were prepared using IFRS, as applied by the Company prior to and after exiting CCAA. These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. However, there are substantial payment obligations remaining in connection with Waterton and, as such, there is substantial doubt regarding the realization of assets and discharge of liabilities. Due to the amendment to the Settlement Agreement with Waterton dated October 23, 2015, the various financings completed between November 2015 and November 2016 and the commencement of custom milling operations at the Merritt Mill in June 2016, management believes that these actions make the going concern basis determination appropriate. However, there are substantial payments remaining with Waterton and accordingly substantial doubt exists as to whether the Company will be able to continue as a going concern. Further, it is not possible to predict whether the actions taken in the restructuring, financing and operational activities will result in improvements to the financial condition of the Company sufficient to allow it to continue as a going concern. If the Company were to be forced into bankruptcy resulting in the liquidation of its assets, adjustments would be necessary to the carrying amounts and/or classification of assets and liabilities, in the Company's consolidated financial statements. If the "going concern" assumption were not appropriate for such financial statements, then significant adjustments would be necessary in the carrying amounts and/or classification of assets and liabilities.

OUTLOOK

The Company continues to consider rationalizing its non-core assets, moving towards leveraging the value of its core assets in an effort to generate operational cash flow.

On September 7, 2016, the Company announced a significant copper mineralization has been intersected on the Thule Copper Property. The diamond drilling program commenced on June 29, 2016 resulting in copper mineralization from 1,084 meters drilling in all five holes. Highlight was an intersection of 1.11% copper over 85.92 meters in THU-002 through the Embayment Zone. In addition, drilling at the Titan Queen Zone encountered alteration and mineralization features commonly observed in association with porphyry-style copper deposits, including the Highland Valley porphyry complex located 50 km north of Thule Property. Follow-up work is currently being undertaken in the form of mapping and review of 2005 induced polarization (IP) survey data to outline drill targets over a broader area in the Titan Queen zone, and drill targets for the Embayment Zone. Planning for a drilling program for 2017 for both zones is currently being undertaken.

The Company is currently working with HVCP to conduct an exploration program on the historic stockpiles on the property in order to gather information regarding the grade and other characteristics of the stockpiled material. Following the exploration campaigns, anticipated to commence early 2017, HVCP will have the right to purchase stockpiled material. The Company will carry out the exploration program, and HVCP has agreed to reimburse the Company for certain costs related to the exploration programs.

EXPLORATION AND DEVELOPMENT

Treasure Mountain Project

Nicola's Treasure Mountain Project is located northeast of Hope, British Columbia, approximately 3 hours from Vancouver, British Columbia. The Company's claim holdings at the Treasure Mountain Project consist of 51 mineral tenures, comprising 21 legacy claims, 100 cell units, one Crown grant and 5 district lots, for a total of approximately 2,850 hectares (7,000 acres), of which 335 hectares are now under a mining lease.

In November, 2011, the Company completed the development of the required infrastructure at the Treasure Mountain Project to begin underground mining on a 10,000 tonne bulk sample permit. In May 2012, the Company received a mining lease covering 335 hectares of active workings out of 7,000 acres of mineral tenures at the Treasure Mountain Project and a Mines Act permit for the Treasure Mountain Project for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of the mill feed offsite for processing. The Treasure Mountain Project has been in care and maintenance since July 26, 2013. The Company intends to keep the Treasure Mountain Project on care and maintenance and continues to review options for the Treasure Mountain Project, which include reviewing merger and acquisition opportunities, future exploration, and recommencing mining activity.

To date, the majority of the Company's mineral resources have been classified as inferred, whereby the economic viability of such resources cannot be determined. The removal of mill feed from the Company's Treasure Mountain Project is considered an exploration and evaluation activity, and as such, all costs associated with the removal of this mill feed are expensed as exploration costs. Currently, no value has been assigned to any stockpiled mill feed as the removal is considered an exploration and evaluation activity.

Merritt Mill Property and Thule Copper Property

The Merritt Mill is located in south central British Columbia, approximately 14 kilometers west of Merritt, British Columbia. The Company constructed a mill facility on the permitted site of the former Craigmont Copper producing mine (1962-1982) to process the material from the Treasure Mountain Project, which is located approximately 70 kilometers away. The Company's claim holdings at the Merritt property consist of 21 mineral claims covering approximately 10,084 hectares (20,898 acres), 10 mineral leases covering approximately 347 hectares (858 acres) known as Thule Copper Property, and 7 district wholly-owned freehold lots covering approximately 391 hectares (966 acres).

The Company underwent the necessary engineering and environmental work to file a permit amendment application to the existing Mines Act permit on October 31, 2011. The British Columbia Mines Act mill construction and operation permit was received on May 18, 2012.The Company began the civil work on the Mill Property in early November 2011 which was completed in November 2012. The first concentrate shipments were made on November 22, 2012 under the previously announced concentrate purchase agreements. From November 12, 2012 to June 26, 2013, the Merritt Mill was fully staffed and was operating 24 hours a day, 7 days a week. On June 26, 2013, the Merritt Mill was put on care and maintenance. On July 31, 2015 the Company filed a permit amendment application to the existing Mines Act permit for custom milling at the Merritt Mill. The British Columbia Mines Act custom milling operations permit was received on April 15, 2016. On June 16, 2016, the Company commenced custom milling operations and on August 9, 2016 commenced shipping gold and silver concentrates and entered into an offtake agreement.

On November 19, 2015, the Company entered an agreement with former shareholders of the Company's wholly-owned subsidiary, Huldra Properties Inc., pursuant to which the former shareholders agreed to transfer an aggregate of 499 common shares of the Company's subsidiary, Thule to the Company. The acquisition of the Thule shares resulted in the Company being the sole shareholder of Thule. In consideration of the foregoing, the Company has agreed to grant to Aberdeen ventures Inc., one of the former shareholders, a 2.0% net smelter royalty with respect to certain mineral claims and leases held by Thule. On September 7, 2016 the Company completed a 1,084 meter diamond drill program with all five holes intersecting copper mineralization on all three zones at the Thule Copper Property. The Company announced 1.11% copper over 85.92 meters was intersected at the Embayment Zone and alteration and mineralization features commonly observed in association with porphyry-style copper deposits was encountered at the Titan Queen Zone. Follow-up work is currently under way for a 2017 drilling program to be undertaken on both zones. As part of the program the Company hired McElhanney Consulting Services Ltd. to complete a Light Detection and Ranging Survey over the entire wholly-owned Thule Property.

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2016 and 2015, the Company incurred the following expenditures to related parties:

	Nine months ended September 30	
	2016 ($)	**2015 ($)**
Consulting fees paid or accrued to directors (i), (ii)	145,000	135,000

(i) Peter Espig, Chief Executive Officer and director of the Company is paid a consulting fee of $15,000 per month and includes a bonus of $10,000.

(ii) Included in accounts payables as at September 30, 2016 was $nil (December 31, 2015- $55,120) due to Peter Espig.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consist of its directors, the Chief Executive Officer and the Chief Financial Officer. Key management personnel remuneration during the year ended December 31, 2015 included $48,851 in share-based compensation expense (December 31, 2014 - $nil).

All related party transactions are in the normal course of business and are measured at the exchange amount.

OUTSTANDING SHARE DATA

Effective July 17, 2014, the Company completed a consolidation of its outstanding shares on the basis of one (1) post-consolidation share for two (2) pre-consolidation shares. Additionally, effective June 1, 2015, the Company completed a consolidation of its outstanding shares on the basis of one (1) post-consolidation share for five (5) pre-consolidation shares.

- Authorized and issued share capital as at November 28, 2016:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	**155,569,005**

- As at November 28, 2016, there were 4,581,500 stock options outstanding.

- As at November 28, 2016, there were 62,891,809 warrants outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements which may affect its current or future operations or conditions.

CHANGES IN ACCOUNTING POLICIES

The following is an overview of accounting standard changes the Company will be required to adopt in future years. The Company will not adopt any of these standards before their effective dates. The adoption of these standards is not expected to have a material impact on the Company’s consolidated financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9 – Financial Instruments Disclosure

IFRS *9 Financial Instruments* introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held with a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payment of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investment are measured at their fair values at the end of subsequent accounting periods.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive earnings (loss).

IFRS 9 amendments are tentatively effective for annual periods beginning on or after January 1, 2018. The Company will continue to evaluate the impact of this standard on its consolidated financial statements.

FINANCIAL INSTRUMENTS

Fair Value

The Company records certain of its financial instruments at fair value using various techniques. These include estimates of fair values based on prevailing market prices (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal and external valuation models, such as discounted cash flow analyses, using, to the extent possible, observable market-based inputs.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.

Level 2 – quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company has categorized the Waterton warrant liability as Level 3 on the fair value hierarchy.

The Company estimated the fair value of the warrant liability relating to the warrants issued to Waterton for the first and third advances under the Credit facility as at September, 30, 2016 using the Black-Scholes model with the following assumptions:

Share Price	$0.24
Exercise Price	$12.10
Risk Free Rate	0.00%
Discount Rate	0.48%
Expected Life	0.29 years

The following tables present the changes in the fair value of the Company's Level 3 financial instruments that are carried at fair value during the periods ended December 31, 2015 and December 31, 2014:

	Liability at January 1, 2016	Profit Participation Amounts	Mark to Market (gain) loss	Liability at September 30, 2016
Warrant liability	$ 1,078	$ -	$ 1,078	$Nil
	$ 1,078	$ -	$ 1,078	$Nil

Risk Exposure and Management

Overview

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, liquidity risk, metal price risk, and currency risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the balance sheet date under its financial instruments is approximately $1.9 million.

All of the Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the parties from whom the receivables are due, including government organizations.

Liquidity Risk

Liquidity is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations as well as care and maintenance, and if warranted, the exploration and development of its Treasure Mountain and Thule Copper properties, and continuing custom milling operations at its Merritt Mill property.

There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has a significant working capital deficiency, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain and Thule Copper properties and recommencing milling operations at its Merritt Mill property. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development of the Treasure Mountain and Thule Copper properties or the loss or substantial dilution of any of its property interests.

Foreign Exchange Rate Risk

The Company currently is not subject to significant foreign exchange risk.

The following is a summary of the maturities for the Company's non-derivative financial liabilities as at September 30, 2016:

	Less than 30 days ($)	**30 days to 1 year ($)**	**1 year to 2 years ($)**	**More than 2 years ($)**
Accounts Payable and Accrued Liabilities	154,331	♦	Nil	Nil
Waterton debt loan	Nil	Nil	NIL	1,320,772

	Less than 30 days ($)	30 days to 1 year ($)	1 year to 2 years ($)	More than 2 years ($)
Secured convertible debentures	Nil	450,207	6,907,858	Nil
TOTAL:	154,331	450,207	6,907,858	1,320,772

OTHER INFORMATION

This MD&A of the financial position and results of operations of the Company is dated as of November 28, 2016 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 and the audited consolidated financial statements for the year ended December 31, 2015. Additional information relating to the Company can be accessed through the Company's public filings on SEDAR at www.sedar.com.

The Company's website address is www.nicolamining.com.