NICOLA MINING INC.

(FORMERLY HULDRA SILVER INC.)

November 4, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

For Three and Nine Months Ended September 30, 2015

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(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, 2014 and the unaudited condensed consolidation interim financial statements for the three and nine months ended September 30, 2015.

This MD&A for the three and nine months ended September 30, 2015 was prepared as of November 4, 2015. 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 will be able to satisfy the outstanding payment obligations remaining under the Restructuring Plan approved by the creditors and the Supreme Court of British Columbia (the "Court") in the proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"), (ii) that Nicola or another party may be able to recommence operations at its Treasure Mountain Project and Merritt Mill, (iii) that Nicola will be able to close future tranches of the financing, (iv) that Nicola will be able to process mill feed into its Merritt Mill for third parties, (v) that Nicola will be able to sell any of its real estate properties or any other non-core assets, 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 remaining under the Restructuring Plan in the CCAA proceedings, the Company's ability to recommence operations, including refurbishing 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 is unable to secure additional financing or satisfy its outstanding obligations under the Plan, (2) that Nicola or another party will be unable to recommence operations at its Treasure Mountain Project and Merritt Mill for any reason whatsoever, (3) that the Restructuring Plan that was approved by the creditors and the Court may not be successfully implemented for whatever reason, (4) a downturn in general economic conditions in North America and internationally, (5) volatility and fluctuation in the prices of silver, lead, zinc and other metals, (6) volatility and fluctuation in the price of the Company's stock and stock of resource issuers generally, and (7) 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.

CREDITOR PROTECTION AND RESTRUCTURING

As a result of a combination of events including the decline in the price of silver between January and June, 2013, a further precipitous decline of over 10% in the price of silver between June 20 and 26, 2013, together with a substantial drop in the price of the Company’s shares, the general uncertainty in the equity markets, the inability of the Company to raise equity or debt financing, and an unanticipated breakdown and shutdown of the Company’s Merritt Mill on June 23, 2013, resulting in an interruption of the Company’s cash flow, the Company was left without the working capital to continue operations. On June 26, 2013, the Company was forced to put its Treasure Mountain mine (the “Treasure Mountain Project”) and its mill (the “Merritt Mill”) on care and maintenance.

On July 26, 2013 (the “Filing Date”), Nicola, after careful consideration of all available alternatives, sought creditor protection under the CCAA and obtained a stay order (the “Initial Order”) from the Court. Nicola sought the protection because it was hampered by the equity markets, commodity prices and operational challenges. The CCAA proceedings covered the Company and its wholly-owned subsidiaries, Huldra Properties Inc., Huldra Holdings Inc., and 0913103 B.C. Ltd. (collectively, the “Applicants”). During the stay period of the Initial Order, the Applicants remained in possession and control of their assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, and continued to attempt to restructure their financial affairs. Grant Thornton LLP (the “Monitor”) was appointed by the Court as monitor in the CCAA proceedings and was responsible for reviewing Nicola’s ongoing operations, liaising with creditors and other stakeholders and reporting to the Court.

The Initial Order provided for a stay of proceedings against the Applicants and their property for an initial period ending August 26, 2013 which the Court extended to November 25, 2013 and further extended to November 24, 2014. The stay of proceedings was lifted on November 21, 2014 upon the Company implementing its Plan of Compromise and Arrangement dated August 8, 2014 (the “Plan” or the “Restructuring Plan”), which Plan was approved by the affected creditors under the CCAA proceedings on September 23, 2014 and by the Court on October 10, 2014. The Monitor filed a Certificate of Plan Implementation with the Court on November 21, 2014.

If the Company does not satisfy its outstanding obligations under the Plan, then substantially all remaining debt obligations will then be due and payable immediately, or subject to acceleration, creating an immediate liquidity crisis which would in all likelihood lead to bankruptcy and the liquidation of all of the Applicants’ assets.

CCAA Debtor-in-Possession Loan

In order to provide Nicola with access to the funds needed to conduct its business during the period of the CCAA proceedings, Nicola obtained the debtor-in-possession loan (the “DIP Loan”) from Waterton Global Value, L.P. (“Waterton”), the primary creditor of the Company, pursuant to a credit agreement dated August 15, 2013 (the “DIP Credit Agreement”). The DIP Loan was authorized by the Initial Order of the Court pursuant to the proceedings under the CCAA.

On August 16, 2013, the Company drew down $1,189,024 under the DIP Loan, of which $502,671 was used to re-pay the principal and interest owed to Waterton pursuant to a $500,000 promissory note dated July 8, 2013, $115,000 of which was used to pay the costs and expenses of Waterton pursuant to the DIP Credit Agreement, and the balance of $571,353 was advanced to the Company.

From September 17, 2013 to December 31, 2013, the Company drew down an aggregate of $832,111 under the DIP Loan. During the year ended December 31, 2014, the Company drew down an aggregate of $1,570,454 under the DIP Loan. On July 23, 2014, the Company repaid $146,013 to Waterton. The proceeds from the DIP Loan allowed the Company to continue its care and maintenance program at the Treasure Mountain Project and the Merritt Mill while it attempted to restructure its financial affairs during the CCAA proceedings.

In connection with and as partial consideration for the DIP Loan, the Company also entered into a Royalty Agreement with Waterton, whereby the Company granted to Waterton a 2% net smelter return royalty on the production of all minerals from the Treasure Mountain Project (the "Waterton Royalty").

On August 8, 2014, pursuant to the Company's proceedings under the CCAA, the Court granted an order authorizing filing of the Plan pursuant to the CCAA and *Business Corporations Act* (British Columbia) (the "BCBCA") and approving the procedure proposed by the Company for calling and holding a meeting of the creditors of the Company (the "Creditors' Meeting") to consider and approve the Plan. The Court also granted an order further extending the expiry date of the stay of proceedings and period of creditor protection for the Company and its subsidiaries under the CCAA proceedings from September 2, 2014 to November 7, 2014.

On September 23, 2014, the Creditors' Meeting was held and 100% of the creditors who voted in person or by proxy at the Meeting approved the Plan. On October 10, 2014, pursuant to the Company's proceedings under the CCAA, the Court granted an order sanctioning the creditor approval of the Plan and granting a further extension of the expiry date of the stay of proceedings and period of creditor protection for the Company and its subsidiaries under the CCAA proceedings from November 7, 2014 to November 24, 2014.

Plan of Compromise and Arrangement

The Company entered into a letter agreement dated June 3, 2014 and amended June 24, 2014 with Concept Capital Management Ltd. ("Concept") and Waterton, whereby the parties proposed a restructuring of the affairs of Nicola pursuant to which, among other things: (i) the Company intended to complete a secured convertible debenture financing (the "Financing") for aggregate gross proceeds of up to $8 million; (ii) the Company intended to compromise and settle its debt owing to its creditors under the CCAA proceedings; and (iii) the Company intended to satisfy its obligations to certain creditors outside of the CCAA proceedings, including the amounts owed to Waterton pursuant to the DIP Loan (collectively, the "Restructuring").

Under the Plan, the Company separated its creditors under the CCAA proceeding into two classes, the creditors (the "Secured Creditors") who had secured claims against the Company and the creditors (the "Unsecured Creditors") who had unsecured claims against the Company. In total, under the CCAA proceedings, the Company owed $7,591,158 to the Secured Creditors and $13,968,645 to the Unsecured Creditors.

The Plan contained the following proposal for the compromise and settlement of the Company's pre-filing debt under the CCAA proceeding:

- Secured Creditors may elect to receive: (i) a combination of a cash payment and common shares of the Company (each, a "Share") in settlement of the balance of the amounts owing to them, or (ii) only Shares of the Company at a deemed price of $0.05 per Share in settlement of the entire amount owing to them; and

- Unsecured Creditors may elect to receive: (i) a cash payment in the amount that is the lesser of $1,000 and the amount owed to such Unsecured Creditor, or (ii) only Shares of the Company at a deemed price of $0.05 per Share in settlement of the entire amount owed to them.

The issue price of $0.05 per Share was on a post-consolidation basis, and was approved by the TSX Venture Exchange (the "Exchange").

After issuance of the Shares to the Secured Creditors and the Unsecured Creditors under the Plan, approximately 7% of the issued and outstanding shares were held by the shareholders of the Company who held shares prior to implementation of the Plan, approximately 27% were held by the Secured Creditors, and approximately 66% were held by the Unsecured Creditors. In addition, the issuance of Shares pursuant to the Plan resulted in the creation of both Waterton and Concept as control persons of the Company, with Waterton holding approximately 26% of the total issued and outstanding Shares on an undiluted basis and Concept holding approximately 23% of the total issued and outstanding Shares on an undiluted basis.

On November 20, 2014, the Company entered into a settlement agreement with Waterton (the "Settlement Agreement"), whereby the Company and Waterton agreed to settle the aggregate of $12,367,460 owed to Waterton (the "Waterton Debt") by the issuance of 108,992,918 Shares (the "Waterton Settlement Shares") to Waterton and the payment of $6,876,328 (the "Waterton Settlement Amount"). The Waterton Debt includes the amount owed to Waterton prior to the Filing Date and the amounts advanced to the Company by Waterton pursuant to the DIP Loan which were outstanding at the time of entry into the Settlement Agreement. The Waterton Settlement Amount included $1,790,732 to be paid to Waterton pursuant to the Plan with respect its pre-Filing Date debt. The Waterton Settlement Amount will be paid as follows: $2,876,328 on the Plan Implementation Date (paid November 21, 2014), $1,500,000 within 6 months of the Plan Implementation Date (paid January 23, 2015) and $2,500,000 within 12 months of the Plan Implementation Date. The Company agreed to pay interest to Waterton at a rate of 3% per annum on the portion of the Waterton Settlement Amount which remains outstanding after the Plan Implementation Date until such time as the Waterton Settlement Amount and interest thereon has been repaid, with such interest to be paid on each payment of the Waterton Settlement Amount. Upon repayment in full of the Waterton Settlement Amount and interest thereon, the Waterton Royalty will be terminated and all of the security interests in the assets and property of Nicola and its subsidiaries will be discharged. The Waterton Settlement Shares were issued on the Plan Implementation Date in accordance with the Plan.

On November 21, 2014, the Company satisfied all of the conditions to implementation of the Plan, and the Monitor filed a Certificate of Plan Implementation with the Court under the CCAA proceedings. The Company implemented the Plan on this date by settling an aggregate of $5,718,419 of secured claims (including a portion of Waterton's pre-filing debt) by issuing an aggregate of 114,368,382 Shares to the Secured Creditors and by settling an aggregate of $14,063,902 unsecured claims by issuing an aggregate of 278,870,210 Shares to the Unsecured Creditors and making payments to the Unsecured Creditors in the aggregate amount of $25,408. Under the Plan, a total of $1,883,049 (including a portion of Waterton's pre-filing debt) is still owed to the Secured Creditors and is payable within 12 months of the Plan Implementation Date, together with interest thereon at a rate of 3% per annum. Upon repayment of this amount to the Secured Creditors, the Monitor's final certificate will be filed with the Court confirming that all distributions to the Company's creditors have been made in accordance with the Plan which will be the final step to the Company exiting CCAA creditor protection. The payment of the settlement amounts constitutes full, final and absolute settlement of all rights of the creditors affected by the Plan. The stay of proceedings granted to the Company pursuant to the CCAA proceedings has been terminated.

There can be no assurance that the Company will satisfy all of its outstanding obligations under the Plan and the Settlement Agreement within the time period prescribed therein, and if the Company fails to do so, substantially all of its remaining debt obligations will become immediately due and payable, or subject to immediate acceleration, which would create an immediate liquidity crisis and would, in all likelihood, lead to the liquidation of the Applicants' assets.

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 the Financing by the issuance of 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, 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 Shares at a conversion price of $0.055 ($0.275 post share consolidation) per Share prior to the Maturity Date. Each Warrant is exercisable into one additional Share for four years from the date of issuance at an exercise price of $0.075 ($0.375 post share consolidation) per Share in the first year after issuance and $0.10 ($0.50 post share consolidation) per 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 bear interest at a rate of 10% per annum, which interest shall be payable annually, 50% in cash and 50% by the issuance of commons shares of the Company. The Debentures will be repayable on May 19, 2018 (the "Maturity Date"). For each $1,000 in principal of Debentures, Nicola issued 5,000 Warrants. The Debentures are convertible into Shares at a conversion price of $0.055 ($0.275 post share consolidation) per Share prior to the Maturity Date. Each Warrant is exercisable into one additional Share for four years from the date of issuance at an exercise price of $0.075 ($0.375 post share consolidation) per Share in the first year after issuance and $0.10 ($0.50 post share consolidation) per 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 October 26, 2015, the Company announced that it plans to raise up to $1,500,000 under the third tranche (the "Third Tranche") of its previously announced offering of secured convertible debentures (each, a "Debenture") and up to $750,000 in units (each, a "Unit"), which proceeds will be used to exit creditor protection under the CCAA.

The Debentures bear interest at a rate of 10% per annum, which shall be payable annually as to 50% in cash and 50% by the issuance of common shares of the Company, at a price equal to the market price at time of issuance. The Debentures will mature three years after the date of issuance (the "Maturity Date"), and the principal amount of the Debentures, together with any accrued and unpaid interest is payable on the Maturity Date. The principal amount of the Debentures is convertible into shares prior to the Maturity Date, at the option of the holder, at a price of $0.275 per share. For every $1,000 of principal of the Debentures, the Company will issue 5,000 non-transferrable common share purchase warrants (each, a "Debenture Warrant"), with each Debenture Warrant exercisable into one Share at an exercise price of $0.375 per Share in the first 12 months after closing of the Third Tranche (the "Closing") and at $0.50 per Share for 36 months thereafter, subject to adjustment. The repayment of the outstanding principal and interest of the Debentures will be secured against the assets of Nicola but will rank subordinate to the debt owed to Waterton (Note 10) until such time as the debt owing to Waterton is repaid in full. Upon repayment by the Company of all amounts owed to Waterton, the holders of the Debentures will share, on a pro-rata basis, in an approximate 2.0% net smelters returns royalty with certain holders of debentures issued in the First and Second Tranche.

In addition, the Company intends to undertake a private placement to raise up to $750,000 by the issuance of Units at a price of $0.08 per Unit. Each Unit consists of one common share (the "Unit Shares") and one common share purchase warrant (each, a "Unit Warrant"). Each Unit Warrant will be exercisable into one common share (each, a “Unit Warrant Share”) at a price of $0.15 per Unit Warrant Share for a period of two years following the closing of the Unit Offering.

Upon repayment by the Company of all amounts owed to Waterton, the holders of the Debentures issued to the First Tranche will be granted an aggregate 2% net smelter returns royalty with respect to the Company’s Treasure Mountain Mine (“the “First Tranche Royalty”), provided that each holder of such Debentures shall only be entitled to their pro rata share of such royalty based on their individual investment pursuant to the First Tranche. It is expected that certain holders of the Debentures issued pursuant to the First Tranche (the “Sharing Holders”) will agree to share an aggregate of approximately 2% of the First Tranche Royalty (the “Shared First Tranche Royalty”) with the holders of Debentures issued pursuant to the Second Tranche and Third Tranche such that the portion of the First Tranche Royalty that represents the Shared First Tranche Royalty will be allocated on a pro rata basis among the Sharing Holders and the holders of Debentures issued pursuant to the Second Tranche and Third Tranche. The percentage of the Shared First Tranche Royalty may vary depending on who the Sharing Holders will be and their pro rata share of the First Tranche Royalty that they are willing to share. The First Tranche Royalty will replace the 2% net smelter returns royalty with respect to the Company’s Treasure Mountain mine which is currently held by Waterton and will be terminated upon repayment of all amounts owed to Waterton by the Company.

There is no guarantee that the Company will be able to raise additional funds pursuant to the Financing, or that such additional funds, if any, will be raised on terms similar to the First, Second or Third Tranches or on terms that are favourable to the Company.

Repayment of DIP Loan and Waterton Debt

As previously disclosed, pursuant to the Settlement Agreement, Waterton agreed to settle all amounts advanced by them to the Company, including the amounts advanced under the DIP Loan, as follows:

- cash payments in the aggregate amount of $6,876,328, being the Waterton Settlement Amount, to be paid to Waterton as follows:
    - o $2,876,328 on the Plan Implementation Date (paid November 21, 2014),
    - o $1,500,000 on or before May 21, 2015 (paid with interest, January 23, 2015), and
    - o $2,500,000 on or before November 21, 2015; and
- the balance of the amounts owed were settled by the issuance of 108,992,918 Shares at a deemed price of $0.05 per Share on the Plan Implementation Date (issued).

In addition, under the Settlement Agreement, the Company agreed to pay Waterton interest at a rate of 3% per annum on the portion of the Waterton Settlement Amount which remains outstanding after the Plan Implementation Date until such time as the full Waterton Settlement Amount and interest thereon has been repaid. Upon repayment to Waterton in full of all amounts owed to them by the Company, the Waterton Royalty will be terminated and all security interests Waterton has against the assets and property of the Company will be discharged.

In accordance with the Settlement Agreement dated November 20, 2014, with Waterton, the Company owes Waterton $2,500,000 in principal and approximately $75,000 in accrued interest. On October 23, 2015, the Company, Waterton, and Concept Capital Management Ltd., agreed to amend the Letter Agreement dated June 3, 2014 and the First Amendment to the Letter Agreement, dated June 24, 2014 as follows: the Company, on closing will repay Waterton $1,250,000 in principal and approximately $37,500 in accrued interest. Waterton has agreed to convert the outstanding $1,250,000 in principal and approximately $37,500 in accrued interest into an new three-year loan (the “Loan”), which Loan will bear interest at a rate of 3% per annum paid annually and will mature three years after the closing.

Additionally, Waterton will receive a 2% net smelters returns royalty with respect to the Company's Treasure Mountain mine.

Impairment of Assets

As at September 30, 2015, the Company had entered 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. As a result, the Company carried out a review of the carrying amounts of the non-current non-financial assets. The Company has taken the view that the Treasure Mountain Project and the Merritt Mill are determined to be a single cash generating unit for this purpose.

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, 2015 in the amount of $40,461 (December 31, 2014 - $3,836,988).

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 company that until June 26, 2013 was engaged in the business of identification, acquisition, and exploration of mineral property interests.

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. The Company also commenced an exploration program that included geochemical testing, surface trenching, underground sampling and surface diamond drilling. The program continued in 2012 with additional underground sampling, an airborne survey, and further geochemical sampling.

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 Company also received an amended permit for the Merritt Mill, located in Merritt, British Columbia approximately 70 minutes from the Treasure Mountain Project, allowing for the construction and operation of the Merritt Mill, a 200 tonne per day silver/lead/zinc mineral processing plant.

During 2012, the Company continued construction and installation of the Merritt Mill. The commissioning of the Merritt Mill began in August, 2012 and was substantially completed in November, 2012.

As a result of a combination of events including the decline in the price of silver between January and June, 2013, a further precipitous decline of over 10% in the price of silver between June 20 and 26, 2013, together with a substantial drop in the price of the Company's shares, the general uncertainty in the equity markets, the inability of the Company to raise equity or debt financing, and an unanticipated breakdown and shutdown of the Merritt Mill on June 23, 2013, resulting in an interruption of the Company's cash flow, the Company was left without the working capital to continue operations. On June 26, 2013, the Company was forced to put the Treasure Mountain Project and the Merritt Mill on care and maintenance.

On July 26, 2013, Nicola, after careful consideration of all available alternatives, sought creditor protection under the CCAA and obtained the Initial Order from the Court. The Company's Treasure Mountain Project and the Merritt Mill remained on care and maintenance, while Nicola restructured its financial affairs under the supervision of the Monitor.

The stay of proceedings against the Company was lifted on November 21, 2014 upon the Company implementing its Restructuring Plan. The Company intends to keep the Treasure Mountain Project and the Merritt Mill on care and maintenance while Nicola completes its Restructuring Plan and continues to review options for the Treasure Mountain Project, which include reviewing merger and acquisition opportunities, future exploration and recommencing mining and/or milling activity.

Risk Factors

Risks Associated with the CCAA Proceedings

Although the Company has substantially implemented its Plan under the CCAA, the Company has outstanding payments to be made to the Secured Creditors pursuant to the Plan within 12 months of the Plan Implementation Date. The CCAA Proceedings will not be completed until all payments under the Plan have been made and the Monitor has filed a final certificate to this effect with the Court.

Under the terms of the Settlement Agreement, if Nicola is unable to make payments required under the Settlement Agreement and the Plan, Waterton could enforce its security which would in all likelihood lead to bankruptcy and the liquidation of all of the Company's assets.

Following Plan Implementation, while Nicola continues to restructure its affairs, investments in the common shares of the Company will be highly speculative. Although the Company's common shares continue to trade on the Exchange, the trading prices of the common shares may have little or no relationship to the Company's actual business.

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

There can be no assurance that the amounts of cash from operations, if any, together with amounts raised pursuant to the Financing and other financings will be sufficient to fund the Company's operations and care and maintenance program following Plan Implementation, its plan for its business operations and satisfy the outstanding payment obligations under the Plan. 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. The Company will require further capital to satisfy its outstanding payment obligations under the Plan. 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 of it is unable to satisfy all of the outstanding payment obligations under the Plan.

Going Concern Risk

As of September 30, 2015, the Company had an accumulated deficit of $73,002,996 (December 31, 2014 - $71,399,554) and working capital deficiency of $6,604,634 (December 31, 2014 - $5,599,890). 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 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, 2015 were prepared using IFRS, as applied by the Company prior to the filing for CCAA. While the Applicants have filed for and been granted creditor protection, these 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. The CCAA proceedings provided the Company with a period of time to stabilize its operations and financial condition and develop a Restructuring Plan, which was implemented on November 21, 2014. The Company continues to have significant payment obligations under the Plan.

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 to satisfy the remaining payment obligations under the Plan or recommence operations at the Treasure Mountain Project and the Merritt Mill 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 will result in improvements to the financial condition of the Company sufficient to allow it to continue as a going concern. If the Company is unable to obtain the necessary financing to satisfy the remaining payment obligations under the Plan or recommence operations, the Company could be forced into bankruptcy and result in the liquidation of all of the Applicants' assets.

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, 2015 and the audited consolidated financial statements of the Company for the year ended December 31, 2014.

Three Months Ended September 30, 2015

During the three months ended September 30, 2015, the Company recorded a net loss and comprehensive loss of $808,883, compared to a net loss and comprehensive loss of $2,503,442 for the comparable period of 2014. As a result of the Settlement Agreement entered into with Waterton and the settlement of the Unsecured Creditors which both took place in November 2014, finance costs decreased to $420,376 from $1,156,175 for the comparable period in 2014. The decrease in exploration costs to $232,258 from $418,412 was a result of the Company's further cost cutting initiatives with respect to its Treasure Mountain Project and Merritt Mill. A reduced workforce and corresponding reduction in site supplies period over period are the main drivers.

Operating expenses for the three months ended September 30, 2015 decreased to $479,458 from $757,444 for the three months ended September 30, 2014. The decrease in expenses was largely related to a decrease in exploration costs for the three months ended September 30, 2015, which is mainly comprised of care and maintenance operational costs. These costs decreased to $232,258 as compared to $418,412 for the three months ended September 30, 2014. The decrease in exploration costs was a result of the Company's further cost cutting initiatives with respect to its Treasure Mountain Project and Merritt Mill. A reduced workforce and corresponding reduction in site supplies period over period are the main drivers.

For the three months ended September 30, 2015, general and administrative costs decreased to $247,200 as compared to $339,032 for the three months ended September 30, 2014. Consulting fees decreased to $45,000 for the three months ended September 30, 2015 as opposed to $90,060 for the comparable period in 2014. The decrease is mainly attributable to a cost savings of $15,000 per month in related party compensation due to the January 2015 resignation of the former Chief Financial Officer. Professional fees decreased to $31,184 for the three months ended September 30, 2015 as opposed to $158,905 for the comparable period in 2014. The decrease is related to the trending reduction in legal and Monitor fees as the Company continues to move through the CCAA process

An offset to the cost savings is in relation to share based compensation expense. During the three months ended September 30, 2015 the Company expensed $96,984 related to the granting of an aggregate of 1,850,000 stock options with an exercise price of $0.06 per share. All stock options are exercisable for four years from the date of grant. During the three months ended September 30, 2014, there were no stock options granted.

The decrease in finance costs to $420,376 for the three months ended September 30, 2015 from $666,905 for the comparable period in 2014 is due to the increased debt figures that existed on the Company's balance sheet in 2014 with respect to the unsecured convertible debentures and the DIP facility prior to the Company's implementation of the Restructuring Plan on November 21, 2014 as described in detail in the section titled "Plan of Compromise and Arrangement". Additionally, interest rates with respect to the debt instruments post November 21, 2014 were negotiated at much more favorable rates to the Company as compared to the existing debt instruments in place during the third quarter of 2014.

Nine Months Ended September 30, 2015

During the nine months ended September 30, 2015, the Company recorded a net loss and comprehensive loss of $2,503,442 compared to a net loss and comprehensive loss of $5,001,538 for the comparable period of 2014. As a result of the Settlement Agreement entered into with Waterton and the settlement of the Unsecured Creditors which both took place in November 2014, finance costs decreased to $1,156,175 from $2,476,559 for the comparable period in 2014. The decrease in exploration costs to $776,763 from $1,490,001 was a result of the Company's further cost cutting initiatives with respect to its Treasure Mountain Project and Merritt Mill. A reduced workforce and corresponding reduction in site supplies period over period are the main drivers.

Operating expenses for the nine months ended September 30, 2015 decreased to $1,539,108 from $2,549,291 for the nine months ended September 30, 2014. The decrease in expenses was related primarily to a decrease in exploration costs for the nine months ended September 30, 2015, which is mainly comprised of care and maintenance operational costs. These costs decreased to $776,763 as compared to $1,491,001 for the nine months ended September 30, 2014. The decrease in exploration costs was a result of the Company's further cost cutting initiatives with respect to its Treasure Mountain Project and Merritt Mill. A reduced workforce and corresponding reduction in site supplies period over period are the main drivers.

For the nine months ended September 30, 2015, general and administrative costs decreased to $762,345 as compared to $1,059,290 for the nine months ended September 30, 2014. Consulting fees decreased to $180,685 for the nine months ended September 30, 2015 as opposed to $326,420 for the comparable period in 2014. The decrease is mainly attributable to a cost savings of $15,000 per month in related party compensation due to the January 2015 resignation of the former Chief Financial Officer and also the termination of one consulting agreement in the second half of 2014 which resulted in a further cost savings of $6,000 per month. Professional fees decreased to $159,177 for the nine months ended September 30, 2015 as opposed to $459,386 for the comparable period in 2014. The decrease is related to the trending reduction in legal and Monitor fees as the Company continues to move through the CCAA process.

An offset to the cost savings described above is in relation to share based compensation expense. During the nine months ended September 30, 2015 the Company expensed $147,231 related to the granting of an aggregate of 3,290,000 stock options with an exercise price of $0.06 per share. Of the $147,231 expensed, $145,835 has been charged to general and administrative costs and $1,396 has been charged as an exploration (care and maintenance) cost. All stock options are exercisable for four years from the date of grant. During the nine months ended September 30, 2014, there were no stock options granted.

The decrease in finance costs to $1,156,175 for the nine months ended September 30, 2015 from $2,476,559 for the comparable period in 2014 is due to the increased debt figures that existed on the

Company's balance sheet in 2014 with respect to the unsecured convertible debentures and the DIP facility prior to the Company's implementation of the Restructuring Plan on November 21, 2014 as described in detail in the section titled "Plan of Compromise and Arrangement". Additionally, interest rates with respect to the debt instruments post November 21, 2014 were negotiated at much more favorable rates to the Company as compared to the existing debt instruments in place during the nine months ended September 30, 2014.

As a result of the Company entering care and maintenance mode on June 26, 2013, the Company did not ship any further concentrates to the smelter. Entering care and maintenance mode is a potential indicator of impairment of the carrying amount of its non-current non-financial assets. As a result, the Company has carried out a review of the carrying amounts of the non-current non-financial assets. The Company has taken the view that the Treasure Mountain Project and the Merritt Mill are determined to be a single cash generating unit for this purpose. The remaining carrying value of property, plant, and equipment represents 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 mill and related lands was determined with references to related 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 what similar assets were valued at, or recently sold at. Based on its review, the Company recognized a write down of property, plant and equipment for the nine months ended September 30, 2015 in the amount of $40,461 (December 31, 2014 - $3,836,988).

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

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.

	Sept 30, 2015 ($)	June 30, 2015 ($)	Mar 31, 2015 ($)	Dec 31, 2014 ($)	Sept 30, 2014 ($)	Jun 30, 2014 ($)	Mar 31, 2014 ($)	Dec 31, 2013 ($)
Net loss	(808,883)	(880,240)	(814,319)	(3,467,497)	(1,402,160)	(1,732,887)	(1,866,491)	(2,058,148)
Loss per share from continuing operations (basic and diluted)[(1)]	(0.01)	(0.01)	(0.01)	(0.09)	(0.25)	(0.31)	(0.34)	(0.37)

[(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 the increased activity pertaining to the Company's exploration and development program at the Treasure Mountain Project and commissioning of the Merritt Mill Project until June 26, 2013 when the Company's mine and mill were put on care and maintenance. Additional explanations for certain significant changes in the table above are as follows:

- The substantial decrease in the net loss for the quarter ended March 31, 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 of property, plant and equipment in the quarter ended December 31, 2014. There was no write down taken in the first quarter of 2015.

- As described above, the Company took a net charge of $3,836,988 of property, plant, and equipment in the quarter ended December 31, 2014. There was no write down taken in the third quarter of 2014.

OUTLOOK

The Company has substantially satisfied all of the conditions to implementation of the Plan and the Settlement Agreement with Waterton. On November 21, 2014, the Company issued an aggregate of 393,238,592 Shares to its creditors and paid an aggregate of $2,901,736 to its creditors, including Waterton. On January 23, 2015, the Company paid $1,500,000 to Waterton plus accrued interest of $21,370, with $2,500,000 remaining due to Waterton and $88,318 due to three other secured creditors on November 21, 2015, with all outstanding amounts accruing interest at 3% per annum. The Company closed Tranche 2 of the Financing in the second quarter of 2015 in the amount of $250,000 to bring the total gross proceeds under the Financing to an aggregate of $7,250,882. On October 26, 2015, the Company announced that it plans to raise up to $1,500,000 under the third tranche (the “Third Tranche”) of its previously announced offering of secured convertible debentures (each, a “Debenture”) and up to $750,000 in units (each, a “Unit”), which proceeds will be used to exit creditor protection under the CCAA.

Additionally, 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 February 25, 2015, the Company entered into a Mining and Milling Profit Share Agreement (the “Milling Agreement”) with High Range Exploration (“High Range”). Under the Milling Agreement, High Range plans to extract mill feed from its wholly-owned Dominion Creek Property, which is located 43 kilometers northeast of the Town of Wells and about 110 kilometers east-southeast of Prince George, and then plans to ship this mill feed to Nicola for processing. Nicola intends to process the mill feed into concentrate for further shipping to a smelter or third party for sale, subject to agreements for the sale of the concentrate being entered into with smelters or third parties.

High Range intends to apply for a Bulk Sample Permit from the Ministry of Energy and Mines for British Columbia, which permit, if obtained, would allow High Range to extract up to 10,000 tonnes of mill feed from the Dominion Creek Property.

According to the Milling Agreement, mill feed will be stored and tested on site to confirm grades greater than 0.5 oz/tonne silver equivalent (15.552 grams/tonne silver equivalent). Once a sufficient stockpile has been achieved the stockpile will be transported to Nicola’s Merritt Mill. The Company plans to store mill feed until approximately 4,000 – 5,000 tonnes has been stockpiled, as well as to reconfirm stockpile grades to be greater than the minimum 0.5 oz/tonne silver equivalent (15.552 grams/tonne silver equivalent) prior to commencing processing operations. Nicola will be responsible for negotiating the sale of concentrate to a smelter or third party purchaser.

Under the Milling Agreement, High Range will be responsible for all costs associated with mining and Nicola will be responsible for all costs associated with milling operations. Upon repayment of costs, according to terms of the Agreement, the parties will equally distribute the remaining proceeds from the sales of concentrates.

On November 2, 2015, the Company announced that it had entered into a Mining and Milling profit share agreement with Siwash Minerals Inc. (the “Siwash Agreement”).

Under the Siwash Agreement, Siwash Minerals Inc. (“Siwash”) plans to ship mill feed that that is already stockpiled, or will be extracted as part of its work permit, which was granted on Oct. 27, 2015. The Siwash property is located in the Siwash Creek area, located approximately eight kilometres northeast of Yale, B.C., and approximately 90 minutes from the Company’s processing facility.

Under the Siwash Agreement, Siwash is required to use its best efforts to transport greater than 7.08738 g/t Au to the company's processing facility. Currently, Siwash has a stockpile of approximately 3,000 tonnes on site and hopes to increase the stockpile by an additional approximate 3,000 tonnes over the next five months, at which time it expects to commence shipping mill feed to Nicola. The Company intends to process the mill feed into concentrate for further shipping to a smelter or third party for sale, subject to agreements for the sale of the concentrate being entered into with smelters or third parties. Under the agreement, Siwash will be responsible for all costs associated with extraction and transportation to Nicola's processing facility while Nicola will be responsible for all costs associated with milling operations. Upon repayment of costs, according to terms of the agreement, the parties will equally distribute the remaining proceeds from the sales of concentrates.

The Company has listed for sale one of its properties, which is non-core to its processing activities.

The Company as party to a Strategic Acquisition Agreement dated March 30, 2011, as amended with Thule Copper Corporation., Huldra Properties Inc., Huldra Holdings Inc., and Craigmont Mines Limited, whereby following closing of the transactions contemplated by Thule Copper Corporation is required to allot and issue common shares to Nicola Mining Inc. and the former shareholders of Huldra Properties Inc. (collectively, the “Craigmont Shareholders”) such that Nicola holds 50.1% of the outstanding Shares and the Craigmont Shareholders collectively hold 49.9% of the outstanding Shares. On April 20, 2015, Thule Copper Corporation allotted and issued 401 Shares to the Company at 0.01 per share (on June 12, 2012 Thule Copper Corporation allotted and issued 100 shares to the Company at $0.01 per share), and allotted and issued 499 shares at 0.01 per share in aggregate to the Craigmont Shareholders.

EXPLORATION AND DEVELOPMENT

Treasure Mountain Project

Since its incorporation in March, 1980, the Company was engaged in the exploration and development of its wholly owned group of mineral tenures and leases located at Treasure Mountain in the Similkameen Mining Division, British Columbia. In 1985, a silver rich vein was discovered on the claims and was subsequently exposed over 250 meters. It was then drill tested by shallow drilling in the summer of 1986.

Between 1987 and 1989, the Company explored the vein zone on four underground levels with 2,740m of crosscuts, drifts and raises, complemented by 1,680m of underground and 3,050m of surface drilling. Preceding the underground work, a bulk sample of 407 tonnes of select high-grade material from the surface vein showing was shipped to the Cominco and Asarco smelters for testing. The smelters found the shipments compatible with their regimes and paid a total of $344,265 for the shipments.

From 1989 to 2010, work at the Treasure Mountain Project included four small drill programs, several geochemical soil surveys, a legal mineral tenure survey by McElhanney and various technical studies by AMEC Earth & Environmental.

In 2011, exploration at the Treasure Mountain Project included approximately 7000m of diamond drilling spread across 69 diamond drill holes, as well as 671 surface soil geochemistry samples, surface sampling, underground sampling on the upper two levels of the mine workings, a 10,000 tonne bulk sample and a small exploration cut on the East Zone 0.8 kilometres from the mine workings.

On April 26, 2012, the Company received a mining lease covering 335 hectares of the Treasure Mountain Project. The existing camp, roads, underground workings and the East Zone exploration area are all covered under this lease area.

On May 18, 2012, the Company received a British Columbia Mines Act permit approving a mine plan and reclamation program for the Treasure Mountain Project. The mine plan for the Treasure Mountain Project called for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of such material offsite for processing.

As discussed earlier in this MD&A, in connection with and as partial consideration for the DIP Loan, the Company also entered into a Royalty Agreement with Waterton, whereby the Company granted to Waterton the Waterton Royalty. Upon repayment by the Company of all amounts owed to Waterton, the holders of the Debentures issued to the First Tranche will be granted an aggregate 2% net smelter returns royalty with respect to the Company's Treasure Mountain Mine ("the "First Tranche Royalty"), provided that each holder of such Debentures shall only be entitled to their pro rata share of such royalty based on their individual investment pursuant to the First Tranche. It is expected that certain holders of the Debentures issued pursuant to the First Tranche (the "Sharing Holders") will agree to share an aggregate of 1.918010331% of the First Tranche Royalty (the "Shared First Tranche Royalty") with the holders of Debentures issued pursuant to the Second Tranche such that the portion of the First Tranche Royalty that represents the Shared First Tranche Royalty will be allocated on a pro rata basis among the Sharing Holders and the holders of Debentures issued pursuant to the Second Tranche. The percentage of the Shared First Tranche Royalty may vary depending on who the Sharing Holders will be and their pro rata share of the First Tranche Royalty that they are willing to share. The First Tranche Royalty will replace the 2% net smelter returns royalty with respect to the Company's Treasure Mountain mine which is currently held by Waterton and will be terminated upon repayment of all amounts owed to Waterton by the Company.

Merritt Mill Property

The Company purchased all of the shares of Craigmont Holdings Ltd. (now Huldra Properties Inc.) ("Huldra Properties") on May 5, 2011. Huldra Properties holds real property, mineral claims and mineral leases, covering approximately 8,400 hectares, located in south central British Columbia, approximately 10 kilometers west of Merritt, British Columbia. The Company constructed a mill facility on the permitted site of the former copper producing mine to process the material from the Treasure Mountain Project, which is located approximately 100 kilometers away.

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. See "Creditor Protection and Restructuring".

From November 16, 2012 to June 26, 2013, the Company processed and sold the following concentrates (net of HST):

Lead/Silver -	1,103.02 dry metric tonnes for approximately US$8,552,973
Zinc/Silver -	856.12 dry metric tonnes for approximately US$419,190

The mark to market loss associated with these sales totaled $1,144,902.

CURRENT STATUS OF THE TREASURE MOUNTAIN PROJECT & MERRITT MILL PROPERTY

Treasure Mountain Project and Merritt Mill Property

As a result of a combination of events including the decline in the price of silver between January and June, 2013, a further precipitous decline of over 10% in the price of silver between June 20 and 26, 2013, together with a substantial drop in the price of the Company's shares, the general uncertainty in the equity markets, the inability of the Company to raise equity or debt financing, and an unanticipated breakdown and shutdown of the mill on June 23, 2013, resulting in an interruption of the Company's cash flow, the Company was left without the working capital to continue operations. On June 26, 2013, the Company was forced to put the Treasure Mountain Project and the Merritt Mill on care and maintenance.

On July 26, 2013, Nicola, after careful consideration of all available alternatives, sought creditor protection under the CCAA and obtained the Initial Order from the Court. The stay of proceedings against the Company was lifted on November 21, 2014 upon the Company implementing its Restructuring Plan. The Company intends to keep the Treasure Mountain Project and the Merritt Mill on care and maintenance, while Nicola 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.

Current Mineral Tenure (Claim) Holdings at the Treasure Mountain Project

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.

Current Mineral Tenure (Claim) Holdings at Merritt Property

The Company's claim holdings at the Merritt Property consist of 20 mineral claims covering approximately 8,457 hectares (20,898 acres), 10 mineral leases covering approximately 347 hectares (858 acres), and 7 district wholly-owned freehold lots covering approximately 391 hectares (966 acres).

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2015, the Company had a working capital deficiency of $6,604,634 that included cash and cash equivalents of $27,017, as compared to a working capital deficiency of $5,599,890 and cash and cash equivalents of $2,471,960 as at December 31, 2014. The increase in the working capital deficiency is attributable to the cash requirements needed to operate the Company in the first nine months of 2015 and the repayment of $1,500,000 plus accrued interest to Waterton on January 23, 2015. The working capital needs of the Company far exceeded the financing activities related to the secured convertible debentures raise in May 2015.

Cash used in operating activities for the nine months ended September 30, 2015 was $1,193,174 compared to $1,294,043 for the nine months ended September 30, 2014. The decrease in cash used in operating activities was largely due to the continued cost cutting initiatives introduced by the Company at the Treasure Mountain Project and Merritt Mill. A reduced workforce and corresponding reduction in site supplies period over period are the main drivers.

Cash provided by investing activities was $30,686 for the nine months ended September 30, 2015 compared to $32,482 cash used by investing activities for the nine months ended June 30, 2014. The net cash provided by investing activities in the first nine months of 2015 resulted from the disposal of certain equipment offset against the purchase of a Company vehicle and trailer. Additionally, the Company purchased a Shop for the Mill Property. The $32,482 spent in the nine months ended September 30, 2014 was for a pump house related to the Mill Property.

Cash used by financing activities was $1,282,454 for the nine months ended September 30, 2015 compared to cash provided by financing activities in the amount of $1,424,182 for the nine months ended September 30, 2014. Cash used in the first nine months of 2015 was attributable to the repayment of the DIP Loan offset by proceeds received related to the May 2015 secured debenture offering. For the nine months ended September 30, 2014 the cash provided by financing activities related to drawdowns on the DIP Loan.

The Company had the following major cash obligations as of September 30, 2015:

- repayment of the amounts outstanding under the Plan (as described below excluding Waterton) in the amount of $90,286; and

- repayment of the amounts owing under the Settlement Agreement with Waterton (as described above) in the amount of $2,551,164.

As at September 30, 2015, the Company had an accumulated deficit of $73,002,996 (December 31, 2014 - $71,399,554) and a working capital deficiency of $6,604,634 (December 31, 2014 - $5,599,890). These factors represent a material uncertainty that cast substantial doubt about the Company's ability to continue as a going concern. The Company has raised funds pursuant to the First Tranche of the Financing as required by the Restructuring Plan in the CCAA proceedings and also has completed a Second Tranche. However, additional funds will be needed to complete the transactions contemplated by the Restructuring Plan and for the development of the Treasure Mountain Project 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 in connection with the Plan and the Settlement Agreement with 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, 2015 were prepared using IFRS, as applied by the Company prior to the filing for CCAA. While the Company and its subsidiaries have filed for and were granted creditor protection under the CCAA, these consolidated financial statements do not purport to reflect or provide for any of the consequences of the CCAA proceedings and 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 the Restructuring Plan and the Settlement Agreement with Waterton and, as such, there is substantial doubt regarding the realization of assets and discharge of liabilities. The CCAA proceedings and the DIP Loan provided the Company with a period of time to stabilize its operations and financial condition and develop a comprehensive Restructuring Plan. Management believes that these actions make the going concern basis appropriate. However, there are substantial payment obligations remaining in connection with the Restructuring Plan and the Settlement Agreement 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 any restructuring will result in improvements to the financial condition of the Company sufficient to allow it to continue as a going concern. If the transactions contemplated by the Restructuring Plan, including the repayment of the substantial outstanding debt obligations, the Company could be forced into bankruptcy resulting in the liquidation of its assets. Under a liquidation scenario, adjustments would be necessary to the carrying amounts and/or classification of assets and liabilities, in these 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.

CONTRACTUAL COMMITMENTS

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations as of September 30, 2015:

	Total ($)	Less than 1 year ($)	1 – 3 years ($)	4 - 5 years ($)	After 5 years ($)
Debt	9,892,332	2,641,450	7,250,882	Nil	Nil
Finance Lease Obligations	Nil	Nil	Nil	Nil	Nil
Operating Leases	Nil	Nil	Nil	Nil	Nil
Accounts payable and liabilities	628,237	628,237	Nil	Nil	Nil
Other Obligations	Nil	Nil	Nil	Nil	Nil
Total Contractual Obligations	10,520,569	3,269,687	7,250,882	Nil	Nil

Please refer to the discussion in the section titled "Plan of Arrangement and Compromise" in regards to the settlement of certain contractual commitments referenced in the table above.

Waterton Credit Facility

On June 16, 2011, the Company entered into a credit agreement (the "Credit Agreement") with Waterton pursuant to which Waterton agreed to make a $10,000,000 Credit Facility available to the Company, which could be drawn down, at the Company's option, in up to four advances. The Company drew down the first advance of $3,000,000 on June 17, 2011, the second advance of $2,000,000 on July 28, 2011, the third advance of $2,500,000 on January 17, 2012, and the fourth advance of $2,500,000 on May 23, 2012. In connection with the fourth drawdown, the Company paid Waterton a structuring fee of $25,000 and issued 1,000,000 share purchase warrants, each entitling Waterton to purchase one common share of the Company at a price of $1.30 per share until May 22, 2017. The Company also paid Bayfront Capital a placement fee consisting of a cash payment of $25,000 (being 1% of the principal amount of the fourth advance) and the issuance of 38,462 common shares of the Company at a deemed issue price of $1.30 per share.

A full description of the original terms of the Credit Agreement and the Credit Facility are contained in the Company's Management's Discussion and Analysis for the year ended December 31, 2011.

On May 16, 2012, the Company entered into an amending agreement with Waterton pursuant to which it amended the terms of the Credit Agreement. Under the terms of this amending agreement, Waterton agreed to extend the first repayment date under the Credit Facility from May 31, 2012 to July 31, 2012, with the maturity date for the Credit Facility remaining as April 30, 2013. The amending agreement also amended the conditions necessary for drawdown of the fourth advance of the Credit Facility such that the Company was entitled to drawdown the fourth advance immediately, as the Company had received a Mining Lease and a British Columbia Mines Act permit approving a mine plan and reclamation program for the Treasure Mountain Project, along with an amended permit approving construction and operation of a process plant at the Mill Property. In consideration of the foregoing, the Company increased the number of warrants to be issued to Waterton in connection with the drawdown of the fourth advance from 650,000 warrants to 1,000,000 warrants (now 100,000 warrants – accounting for the share consolidations of both July 17, 2014 and June 1, 2015). The terms of the warrants were also amended so that they would have an exercise price of $1.30 (now $13.00 – accounting for the share consolidations of both July 17,2014 and June 1, 2015) throughout the term of the warrant.

On July 30, 2012, the Company entered into a second amending agreement with Waterton pursuant to which it further amended the terms of the Credit Agreement. Under the terms of this amending agreement, Waterton agreed to amend the repayment terms of the Credit Agreement such that the repayment amount owing on July 31, 2012 was $nil, effectively resulting in the first repayment date under the Credit Agreement being the last business day of August 2012, with the maturity date remaining as April 30, 2013. The amending agreement also reduced the amounts of the payments due in August and September 2012 by over fifty percent, however this resulted in an increase in the repayment terms starting October 31, 2012. In consideration for the amendments, the Company (i) issued 180,000 common shares of the Company to Waterton; and (ii) agreed to pay to Waterton a $200,000 cash payment on the last day of the Repayment Period (as defined in the Credit Agreement).

On October 24, 2012, the Company entered into a third amending agreement with Waterton pursuant to which it further amended the terms of the Credit Agreement. Under the terms of this amending agreement, the repayment term for the payments to be made between October 31, 2012 and April 30, 2013 were amended so that the October 31, 2012 and November 30, 2012 repayment amounts were each reduced by $887,607 with such reduction resulting in a corresponding increase in the March 29, 2013 and April 30, 2013 repayment amounts. The silver adjustment provision was also amended so that the amount payable on each repayment date continued to be based on the debt repayment amount for that date. In consideration for these amendments, the Company agreed to pay Waterton an additional $300,000 cash payment on April 30, 2013 which has been added to the final principal payment amount of the Credit Facility. In addition, the Company entered into a concentrate off-take financing agreement with Waterton whereby Waterton would finance the sales of the concentrate under terms and conditions acceptable to Waterton, acting reasonably.

On January 29, 2013, the Company entered into a fourth amending agreement with Waterton pursuant to which it further amended the terms of the Credit Agreement. Under the terms of this amending agreement, Waterton agreed to amend the repayment terms of the Credit Agreement such that the maturity date was extended from April 2013 to November 2013 and the repayment amounts, other than for January 2013, were reduced accordingly. As consideration for the amendment, the Company agreed to pay a restructuring fee of $125,000 per month for the remainder of the term subject to a minimum restructuring fee of $750,000. Additionally, the calculation for the silver adjustment provision payable formula was changed so that the amount payable is based on the higher of the settlement price per ounce of silver on the business day preceding the repayment date or $32.00 per ounce. Prior to this amendment, the calculation for the silver adjustment provision payable formula required the settlement price per ounce of silver on the business day immediately preceding the repayment date to be at a minimum of $27.50 per ounce in order to trigger a silver adjustment provision amount payable and the maximum amount payable in the formula was based on $34.00 per ounce.

On June 28, 2013, the Company entered into a fifth amending agreement (Waiver of Default) with Waterton pursuant to which the Company and Waterton agreed to eliminate all monthly payment obligations and delay the payment of all obligations under the Credit Facility until October 31, 2013.

On July 8, 2013, the Company received an additional advance of $500,000 under its debt facility with Waterton. The advance was a further advance under and was subject to the terms of the Credit Agreement, bore interest at 5% per annum, calculated and payable on maturity, and was due on the earlier of the date of demand by Waterton, the date that Waterton provides a new loan to the Company or October 31, 2013. The amount to be repaid was also subject to a silver adjustment provision similar to the provision contained in the Credit Agreement, unless Waterton provided a new loan to the Company, in which case the amount to be repaid would only be principal plus interest. In consideration for the advance, the Company paid a restructuring fee of $10,000. This advance was repaid on August 16, 2013 from the proceeds of the first tranche of the DIP Loan.

The amounts owed to Waterton under the Plan have been settled in part by the issuance of the Waterton Settlement Shares. The remaining amounts owed to Waterton under the Plan and DIP Loan have been settled in accordance with the Settlement Agreement. See “Creditor Protection and Restructuring”.

Impact of CCAA Proceedings

The CCAA proceedings triggered defaults under substantially all debt and lease obligations of the Applicants, including debt owing under various financial arrangements with Waterton. The Initial Order generally stayed actions against the Applicants, including steps to collect indebtedness incurred by the Applicants prior to the Filing Date, actions to exercise control over the Applicants' property and actions for breach of contractual or other obligations, subject to certain exceptions described below. Under the terms of the Initial Order, Waterton was unaffected by the stay of proceedings imposed by the Initial Order and was entitled to demand payment of advances under the DIP Loan provided by Waterton in accordance with the Initial Order and all other secured indebtedness of Nicola owing to Waterton upon notice to Nicola following the occurrence of an event of default under the DIP Loan.

On November 21, 2014, upon implementation of the Restructuring Plan, the stay of proceedings against the Company was lifted and the Company exited creditor protection under the CCAA. The settlement of all amounts owed to Waterton, including pre-Filing Date debt and the DIP Loan are expected to be completed by the Company in accordance with the Settlement Agreement and the Plan. A portion of these amounts has already been settled by the issuance of the Waterton Settlement Shares and by the payment of the first installment of the Waterton Settlement Amount. See "Creditor Protection and Restructuring".

Waterton Debtor-in-Possession Credit Facility

In order to provide Nicola with access to the funds needed to conduct its business during the period of the CCAA proceedings, Nicola obtained the DIP Loan from Waterton pursuant to the DIP Credit Agreement. The DIP Loan was authorized by the Initial Order of the Court pursuant to the proceedings under the CCAA.

Under the terms of the DIP Credit Agreement, the DIP Loan was to be advanced by Waterton by way of a First Advance, which was to be advanced in several tranches, of up to $2,300,000 in aggregate and a Second Advance (at Waterton's sole absolute discretion) of up to $2,500,000 in aggregate upon receipt by Waterton of the Plan that is satisfactory to Waterton and its advisors, all on the terms and conditions set out in the DIP Credit Agreement. The Company agreed to repay the DIP Loan in full as follows: if the First Advance (but not the Second Advance) was advanced, then on the date which was four months after the date the First Advance was advanced by Waterton to the Company under the DIP Credit Agreement; and if both Advances were advanced, then in accordance with an amortized repayment schedule to be determined by Waterton which reasonably corresponds to the Plan. Each tranche of each Advance was subject to a number of conditions as set out in the DIP Credit Agreement. Waterton advised the Company that it would not fund any amounts under the Second Advance. Accordingly, all amounts advanced under the First Advance were due on December 16, 2013 subject to extensions or waivers as may have been agreed to by Waterton and the Company from time to time.

On August 16, 2013, under the first tranche of the First Advance, the Company drew down $1,189,024, of which $502,671 was used to re-pay the principal and interest owed to Waterton pursuant to a $500,000 promissory note dated July 8, 2013, $115,000 of which was used to pay the costs and expenses of Waterton pursuant to the DIP Credit Agreement, and the balance of $571,353 was advanced to the Company. The DIP Loan proceeds of the first tranche was used, with the concurrence of the Monitor, to continue its care and maintenance program at its mine and mill while attempting to restructure its financial affairs.

Subsequently, the Company received the advances under the DIP Loan in the amounts set forth below:

Tranche Number	Date of Advance	Amount of Advance[1]
2	September 17, 2013	$347,698
3	October 29, 2013	$250,000
4	December 6, 2013	$200,000
5	December 31, 2013	$34,414
6	January 10, 2014	$180,000
7	January 28, 2014	$112,285
8	February 11, 2014	$97,742
9	February 24, 2014	$110,513
10	March 11, 2014	$165,000
11	March 28, 2014	$75,000
12	April 9, 2014	$154,590
13	April 24, 2014	$127,604
14	May 13, 2014	$183,671
15	June 27,2014	$218,295
16	July 11, 2014	$145,754

(1) Amounts are rounded to the nearest dollar.

The proceeds of these advances allowed the Company to continue its care and maintenance program at the Treasure Mountain Project and the Merritt Mill while attempting to restructure its financial affairs. On July 23, 2014, the Company repaid $146,013 towards repayment of the DIP Loan.

Any advances under the DIP Loan were repayable in an amount in cash equal to the aggregate of the following payments: (a) the amount arrived at when (i) dividing the amount being repaid by 76.5% of the spot price of silver on the business day immediately preceding such repayment date and (ii) multiplying the result thereof by such spot price; and (b) the Profit Participation Amount (as calculated pursuant to the DIP Credit Agreement) relating to such repayment date.

In connection with and as partial consideration for the DIP Loan, the Company also entered into a Royalty Agreement with Waterton, whereby the Company granted to Waterton a 2% net smelter return royalty on the production of all minerals from the Treasure Mountain Project (the “Royalty”).

On November 20, 2014, in connection with the implementation of the Plan, the Company entered into the Settlement Agreement with Waterton, whereby the parties agreed to settle an aggregate of $12,367,460 owed to Waterton, including the amount owed under the DIP Loan. See “Creditor Protection and Restructuring”.

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2015 and 2014, the Company incurred the following expenditures to related parties:

	Nine months Ended Sept 30	
	2015 ($)	2014 ($)
Consulting fees paid or accrued to directors (1)	135,000	270,000
Sale of vehicle by a director	16,800	-

i) Effective July 1, 2013, Garth Braun, former Chief Financial Officer and former director of the Company and Peter Espig, Chief Executive Officer and director of the Company are paid a consulting fee of $15,000 per month. Garth Braun resigned from his position as Chief Financial Officer on January 20, 2015 and resigned as a director on February 2, 2015. There are no formal agreements for either director.

ii) Included in accounts payables as at September 30, 2015 was $93,951 (December 31, 2014 -$42,250) 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 nine months ended September 30, 2015 included $48,851 in share-based compensation expense (September 30, 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 4, 2015:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	80,606,630

- As at November 4, 2015, there were 3,430,500 stock options outstanding.

- As at November 4, 2015, there were 8,021,116 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 December 31, 2014 using the Black-Scholes model with the following assumptions:

Share Price	\$0.05
Exercise Price	\$2.42 or \$2.56 as applicable
Risk Free Rate	0.00%
Discount Rate	1.34%
Expected Life	1.46 years or 2.04 years as applicable

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, 2015 using the Black-Scholes model with the following assumptions:

Share Price	$0.07
Exercise Price	$12.10 or $12.80 as applicable
Risk Free Rate	0.00%
Discount Rate	0.53%
Expected Life	0.71 years or 1.29 years as applicable

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 September 30, 2015 and December 31, 2014:

	Liability at December 31, 2014	Profit Participation Amounts	Mark to Market (gain) loss	Liability at September 30, 2015
Warrant liability	$ 7,995	$ -	$ (5,890)	$2,105
	$ 7,995	$ -	$ (5,890)	$2,105

	Liability at December 31, 2013	Profit Participation Amounts	Mark to Market (gain) loss	Liability at December 31, 2014
Warrant liability	$ 5,763	$ -	$ 2,232	$7,995
	$ 5,763	$ -	$ 2,232	$7,995

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 $0.2 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 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 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 or complete the Restructuring Plan under the CCAA proceeding could result in the delay or indefinite postponement of further exploration and development of the Treasure Mountain property 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, 2015:

	Less than 30 days ($)	**30 days to 1 year ($)**	**1 year to 2 years ($)**	**More than 2 years ($)**
Accounts Payable and Accrued Liabilities	353,852	274,385	Nil	Nil
Payments to Secured Creditors under the Plan	Nil	90,286	Nil	Nil
Payments to Waterton under the Settlement Agreement	Nil	2,551,164	Nil	Nil
Secured convertible debentures	Nil	Nil	Nil	7,250,882
TOTAL:	353,852	2,915,835	Nil	7,250,882

OTHER INFORMATION

This MD&A of the financial position and results of operations of the Company is dated as of November 4, 2015 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2015 and the audited consolidated financial statements for the year ended December 31, 2014. 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.