NICOLA MINING INC.

November 27, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

FORM 51-102F1

For the Three and Nine Months Ended September 30, 2020

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For the Nine Months Ended September 30, 2020
(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 unaudited condensed consolidated interim financial statements of Nicola Mining Inc ("**Nicola**" or the "**Company**") for the three and nine months ended September 30, 2020 and the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2019. The financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

This MD&A for the three and nine months ended September 30, 2020 was prepared and approved by the board of directors of the Company (the "**Board**") as of November 27, 2020. 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.

The Company's common stock is quoted on the TSX Venture Exchange under the symbol "NIM".

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) the prospects or exploration upside of Nicola's New Craigmont Project, Treasure Mountain Project and Merritt Mil, (ii) that Nicola or another party may be able to recommence operations at its Treasure Mountain Project, (iii) that Nicola will be able to close future financings, (iv) that Nicola will be able to continue to process mill feed at its Merritt Mill for third parties and move towards commissioning, (v) that Nicola will be able to sell any of its real estate properties or any other non-core assets, (vi) that Nicola will be able to close future financings to continue exploration of the New Craigmont Project, (vii) that Nicola will enter into any merger and acquisition transactions, including a definitive agreement with High Range (as defined herein), and (ix) that additional testing on the historic mine dumps will increase the New Craigmont Project's NI 43 101 (as defined herein) inferred resource. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations and or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance and or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this MD&A. These assumptions, which include management's current expectations, estimates and assumptions about the Company raising sufficient capital such that it is able to meet its obligations, the Company's ability to recommence operations, including refurbishing, modifying and testing 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. The novel strain of coronavirus, COVID-19, also poses new risks that are currently indescribable and immeasurable A number of risks and uncertainties could cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) that Nicola or another party will be unable to recommence operations at its Treasure Mountain Project and continue operations at its Merritt Mill for any reason whatsoever, (2) a downturn in general economic conditions in North America and internationally, (3) volatility and fluctuation in the prices of gold, silver, lead, zinc and other metals, (4) volatility and fluctuation in the price of the Company's stock and stock of resource issuers generally, and (5) other factors beyond the Company's direct control. Readers are cautioned that the foregoing list of factors is not exhaustive.

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 sections entitled "*Risk Exposure and Management*" and "*Risk Factors and Uncertainties*".

DESCRIPTION OF BUSINESS

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

QUALIFIED PERSON

Kevin Wells, P.Geo, a consulting geologist to the Company is the independent qualified person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (**"NI 43-101"**) has reviewed and approved the scientific and technical information contained in this MD&A.

PROJECTS

Treasure Mountain Project

Nicola's Treasure Mountain Project is located 29 kilometres northeast of Hope, British Columbia, approximately 3 hours from Vancouver, British Columbia. In May 2012, the Company received a mining lease covering 335 hectares of which 248 hectares are active workings. The Company's mineral claim holdings consist of 30 mineral claims covering 2,178 hectares, one mining lease covering 335 hectares at the Treasure Mountain Project and a *Mines Act* (British Columbia) (the "**Mines Act**") permit for the Treasure Mountain Project for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of the mill feed offsite for processing. The Treasure Mountain Project has been in care and maintenance since July 26, 2013. 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.

On October 29, 2019, the Company announced a soil sampling program had been conducted on the MB zone, an area north west of the underground development and follow up of the NE-SW geochemical anomaly. Due to unfavorable weather, only 137 sample sites (six lines extending 500m west from the MB Zone) and 3 rock samples out of a planned 538 sample sites were assessed. Accordingly, the Company planned to complete a further soil sampling program in summer of 2020. Results of the 2019 Soil Sampling Program (the "**2019 Soil Program**") were announced by the Company on January 23, 2020. During the 2019 Soil Program a northeast-trending silver anomaly on the fringe of the western extent, which appears to be associated with the MB Zone was identified. This has a similar orientation to that of the silver-bearing veins encountered in the Treasure Mountain underground workings and seen in outcrop at the Cal Vein-trench. Given the encouraging results, the Company determined further work to the south and east of the MB zone, including additional geological mapping of this area, was warranted.

On February 21, 2020, the Company announced assay rock results from rock samples taken during the 2019 Soil Program. A total of five rock samples were taken, three from soil sample locations and two from mineralized material that appears to be part of the Cal Vein. The Cal Vein is a structure located within the

MB Zone and is 1.5 km from Treasure Mountain Mine. One such sample, sample 2100151 taken within the Cal Vein, tested 813 grams Ag and 0.518 grams Au per tonne and 19% zinc and 4.66% copper.

On July 21, 2020, the Company announced commencement of exploration for the completion of the 2019 Soil Program (the "**2020 Program**"). Accordingly, the 2020 Program sought to collect 530 soil samples over the northeast-southwest magnetic trend which was identified in the aeromagnetic survey flown by Scott Hogg and Associates and subsequently interpreted by SJ Geophysics Ltd. in 2012.

The 2020 Program aimed to extend the MB Zone grid, potentially delineating the full strike length of soil anomaly coincident with the magnetic trend to develop targets for future exploration.

On August 24, 2020, the Company announced it has completed the first phrase of the 2020 Program which included 304 of the planned 530 B-horizon soil samples collected over the MB zone and to the southwest. During the 2020 Program, five outcrops were identified hosting mineralized vein material which were sampled via surface grab samples and shallow drilling via portable drill. The locations indicate a potential strike length of mineralization of approximately 1.2 km that had previously not been tested by the Company. Complimentary to the soils program, the Company has revisited reported locations of silver-bearing veins on the property identified in historic literature of the area. A total of five outcrops of sphalerite-galena-chalcopyrite bearing veins form a potential mineralized corridor of approximately 1.2 km strike length have been identified. These sites include the Cal Vein, which was sampled as part of the 2019 Soil Program. The second phrase of the 2020 Program was aimed to complete the planned soil sampling program.

On September 8, 2020, the Company announced the results of seven grab samples collected during phase one of the 2020 Program ("**Phase One**"). Highlights of grab samples from an Exposed Vein identified on August 24, 2020 news release contained 1300 g/t silver and 2.59 g/t gold. The upcoming portable drill results, which tested this mineralized structure, aims to provide an estimate on the true width and grade to the veins within this potential 1.2km mineralized trend.

On October 5, 2020, the Company announced assay results from the 304 soil samples collected during Phase One of the 2020 Program and that it had completed the second phase of 2020 Program, which was comprised of an additional 168 soil samples. Phase One sample highlights included the following: fifty soil samples were anomalous in silver ranging from 1000-20 080 ppb, two of which had an excess of 10,000 ppb Ag (12 140 and 20 080 ppb), eighty-three samples were anomalous in zinc with a maximum value of 1,005 ppm, and thirty-two samples were anomalous in lead with a maximum value of 710 ppm. Note: Anomalous levels are defined as soil samples assays with greater than, or equal to, 1,000 ppb Ag, 150 ppm Zn and 100 ppm Pb.

On November 9, 2020, the Company announced assay results from all 14 portable drill holes. The drilling was done at five locations along the approximately 1.2 km potential mineralized trend identified during Phrase One of the 2020 Program. The assay results including an intercept of 589 G/T silver at surface demonstrate this vein system contains silver, trace of gold and copper.

New Craigmont Project

The Company's claim holdings at the New Craigmont Project consist of 21 contiguous mineral claims covering approximately 10,913 hectares, and 10 mineral leases covering approximately 347 hectares known as New Craigmont Project located near Merritt, British Columbia, approximately 3 hours from Vancouver, British Columbia.

Overview

The New Craigmont Project (or the "**Project**") does not conform to a "typical" exploration pipeline. The Project is a permitted historic mine site with active permits under mine permit M-68. In addition, extensive work done on the mine (c.1958-c.1982) was focused primarily on ore definition, development and extraction of mineral inventory, known at the time. This work resulted in a cumulative production of 36.75 million tonnes of ore grading 1.28% copper ("**Cu**"). However, the Project had limited exploration beyond its historic operations.

The geological model adopted by Craigmont Mines Ltd. exploration team was one in which the Guichon Creek Batholith was the real heat source with metals (Cu & iron ("**Fe**")) being derived from country rock. Ore grade mineralization occurred along preferential limy lithologies resulting in a strata-bound skarn deposit. This view surmised that no porphyry-sourced fluid was required to form the Craigmont Ore Bodies. This resulted in limited exploration within these units. In the last decade, through increased demand for copper and diminishing copper grades, academic research primarily focussed on low-grade, large tonnage porphyry systems. This research suggests genetic links exist between magmatic-derived fluids (i.e. porphyry deposits) to skarn and epithermal deposits. The Nicola geological team realise that the broader alteration system at the New Craigmont Project was not fully explored. Re-evaluation of this alteration system is believed to aid in efficient and effective exploration of the land package which may have been historically overlooked.

Objectives and Strategy

Nicola's primary objective at the New Craigmont Project is to prove the historic un-exploited mineral inventory through target definition drilling on in-situ bodies and underground surveying to delineate the volume of material remaining in sub-level caves in Craigmont Central area. A NI-43-101 mineral inventory was completed on the Southern mining terraces and 3060 portal dump areas in 2020. Target development and confirmation drilling aims to develop copper targets (copper showings) deemed to have the potential for significant mineralization on the project land package. Nicola has utilized various exploration methods and has generated numerous targets on the New Craigmont Project which are summarized below:

1. Target Development in Promontory Hills,

2. Target Confirmation west of the Craigmont Open Pit in the Embayment Zone, the Eric and the Titan Queen,

3. Target Delimitation in and around the Craigmont Central Zone in the Number 3 body, and

4. Mineral Inventory Development in the mining terraces.

On December 24, 2018, the Company issued 10,040,000 flow-through units for gross proceeds of $1,255,000 to continue exploration at the Project. The subsequent 2019 exploration program included further diamond drilling at mineralized historic pit halo at Craigmont Central, further metallurgical testing program, updating of data base and modelling of deposit, and a resource for historic waste piles following 2017 and 2018 RC drilling programs.

On February 19, 2019, the Company announced test results from preliminary metallurgical testing program and the significance of a copper-magnetite grade equivalent magnetite recovery ("**CuEq**"). The Company contracted ALS Metallurgy's Kamloops laboratory to perform magnetic separation and froth floatation testing on samples collected from a number of selected diamond drill and RC drill holes to determine CU recovery and the FE recovery after the copper extraction. A total of thirty-nine samples classified into low-grade and high-grade copper composites that reflect mineralization grades encountered at the Project were analysed. Low-grade copper composite feed assays returned grades of 0.27% Cu and 5.1% Fe. High-grade copper composite returned grades of 3.26% Cu and 11.4% Fe. Based on these results, for the low-grade composite the economic contribution of magnetite accounted for 34% of the overall CuEq, which increased from 0.27% Cu to 0.36% CuEq (an increase of approximately 0.09% CuEq). Nicola believes the contribution and increased CuEq could be significant in cut off grades and future NI 43-101 resource estimates.

On March 1, 2019, the Company announced final results for 39-hole Reverse Circulation ("**RC**") drill program on the 3060-RC Portal Program. The program was designed to evaluate the copper equivalent grade and volume of historical material excavated from underground workings of the Craigmont Mine and piled on surface at 3060-Portal. The program's results confirmed significant grades of Cu and magnetite, which are combined to create a CuEq. The second phrase of RC drilling, conducted in 2018, use an updated CuEq calculation for both 2017 and 2018 RC drill holes. The highlights of these results included an average grade of 2,424 ppm Cu and 0.4% CuEq for the 39 holes.

On March 29, 2019, the Company announced positive results from Outotec's Initial Inspection Study, in which select material from the terraces and highly mineralized zones at the New Craigmont Copper Project were evaluated. The test work was conducted at Tomra Sorting GmbH's Test Center in Hamburg, Germany. The study successfully demonstrated that the COM Tertiary XRT Sorter could clearly distinguish mineralized material from waste material. The material used in the initial inspection was comprised of 29 representative samples of waste, low-grade material, and high-grade material. These samples were collected from the terraces and targeted zones that represent historic waste material at the Project.

On April 8, 2019, the Company announced additional drill results from the Craigmont Central Zone designed to explore the boundaries of the historic open pit during the 2018 exploration program. The economic contribution from magnetite is taken into consideration and reported as CuEq. A total of 8 diamond drill holes totalling 2,755 meters were drilled to test low to moderate grades peripheral to the mine open pit. The focus was on the north of the open-pit and drilled stratigraphy from north toward the open pit, testing a previously unexplored corridor between the mine and the contact with the Guichon batholith. Of the eight diamond drill holes, three intersected significant mineralization: Hole CC-18-02 intercepted 76.6m at 1.35% CuEq including 33.65m at 2.45% CuEq, Hole CC-18-03 intercepted 89.0m at 0.38% CuEq, and Hole CC-18-04 intercepted 6.0m at 0.7% and 63.4m at 0.49% CuEq. Mineralization was encountered as shallow as 50m depth, with high-grade intercepts appearing to be extensions of the Craigmont Skarn. A significant observation was identified within the hornfelsed wacke units, formerly not considered to have potential for economic mineralization. The mineralization and veining within the Units displayed characteristics of porphyry mineralization. Prior to the 2019 exploration program, exploration focussed on skarn mineralization; 2019 exploration focused on understanding porphyry style mineralization. This idea creates potential for exploration beyond the limestone and "limey" sediments, along strike and proximal to the historic Craigmont deposit. Drilling in 2019 will continue to focus on the potential of Craigmont Central.

On May 27, 2019, the Company announced that it has received all required permits and has commenced its 2019 exploration program (the "**2019 Program**"). The diamond drilling program ("**DD Program**") aimed to intersect the unexploited and incompletely delineated historic Number 3 Body ("**No.3 Body**") in Craigmont Central. The No.3 Body is characterized by silicified sediments with fine-grained chalcopyrite and little or no associated iron (Fe), thus differentiating it from the extracted ore bodies numbers 1 and 2. The first two drill pads aim to intersect No.3 Body. The second proposed drill pads aimed to extend strike length westward, toward the approximately N-S striking Embayment Fault. The Company has already conducted and confirmed high-grade mineralization west of the Embayment Fault, indicative that the mineralizing event occurs further West than the historic Craigmont Open Pit and underground workings. The third drill pad will target the eastward extension of the No.3 Body to test the potential mineralization south of the 2,400-level historic drilling. The fourth drill pad aimed to explore stratigraphy on North of the Open pit and extend mineralization at the 3,500-level westward. The 2019 Program also sought to complete a resource estimate of the historic mine terraces. In addition, a substantial soil geochemistry survey, reconnaissance geological mapping, analysis of historic core, and alteration mineral mapping using high-resolution PhotoSat multi-spectral satellite (WorldView-3) is planned for the remainder of the year.

On July 24, 2019, the Company announced assay results of diamond drill holes CC-19-71 and CC-19-72 that intersected the unexploited, and incompletely delineated No. 3 Body. A second mineralized zone was intersected at shallower depth ("**Upper Zone**"), south of open pit. No. 3 Body is directly adjacent to Portal 2,400 and was left in situ for future extraction. A significance observation is the copper mineralization's association with potassic alteration, indicative of a relatively high temperature fluids permeating further south of the Guichon Creek Batholith-Nicola Group contact than originally thought. The Company is reclaiming the historic core with the objective of utilizing this in geological modelling. Soil sampling program has commenced over known geophysical anomalies, with intention of refining targets. Photosat Information Ltd. recently acquired satellite imagery over the New Craigmont Project which will assist in understanding of regional scale alteration system across the property.

On August 19, 2019, the Company announced assay results from diamond drill hole CC-19-73 that intersected the No 3 Body and intersected 84 meters grading Cu 0.34% (CuEq 0.46%) of the shallower Upper Zone. This is a 50-meter westward step-out which demonstrates the lateral continuity of the Upper Zone encountered in the first two drill holes. The mineralization intersected in the No.3 Body is characterized by disseminated and fracture-controlled chalcopyrite. The type of mineralization indicates a proximity to a mineralizing porphyry system. The Company continues to work on developing a NI 43-101 resource on the historic waste mine terraces surrounding the historic Craigmont open pit.

On January 7, 2020, the Company announced staking mineral claims totalling 828 hectares to the immediate south of the New Craigmont Project expanding the Company's land package to 10,913 hectares.

On February 11, 2020, the Company announced preliminary grade and CU recovery results on floatation tests conducted at ALS Metallurgy's Kamloops laboratory under program KM5954. The tests were designed to simulate copper and magnetite recovery into separate concentrates through floatation and magnetic separation. A sample from the mine's historic waste rock terraces underwent sorting via Com Tertiary XRT Sorter tests. This material had feed grades of 0.34% Cu and 6.9% Fe and was separated into 2 key concentrates: (1) Cu cleaner concentrate containing 29.6 Cu and 29.4 Fe with copper recovery 73.1%; and (2) magnetite cleaner concentrate containing 64.8% Fe. The Company plans to conduct further testing on the grades and fines in the historic waste rock terraces.

On March 23, 2020, the Company announced the assay results of the diamond drill holes CC-19-74 and CC-19-75 The 2019 Drill Program consisted of five diamond drill holes and targeted potential mineralization in the southwest margins of the historic Craigmont open pit and historic underground workings. All five holes intersected copper mineralization and provided insight into a potentially larger mineralized system, as highlighted below:

1. Two Styles of Mineralization: Drill holes intersected skarn-type mineralization typical of the historical mine and for the first time, mineralization with porphyry-style characteristics, and

2. Extension of Mineralization and Alteration: The 2019 Program expanded drill-tested length of the west-trending corridor of copper mineralization to 900 metres.

On June 2, 2020, the Company announced that it filed on SEDAR an independent technical report titled "*NI 43-101 Technical Report on the Preliminary Copper Resource for the Southern Dump and 3060 Portal Dumps*" (the "**Technical Report**") prepared in accordance with NI 43-101 supporting the Inferred Copper Resource for the Southern Dump and 3060 Poral Dumps at its wholly-owned New Craigmont Copper Mine. The Technical Report was prepared by Kevin Wells, P. Geo. of KWW Geoscience Exploration Corporation and James N. Gray, P. Geo. of Advantage Geoservices Limited, both of whom are independent of the Company and are qualified persons as defined by NI 43-101. The inferred mineral resources are based on estimates and are not mineral reserves, as the Company has not yet demonstrated their economic viability. The inferred mineral resources are based on two areas, the Portal Area and Southern Dumps and not the entire dumps.

On June 15, 2020, the Company announced receipt of the final ALS Metallurgy laboratory report for its upgrading and copper recovery test work that was initially conducted at Tomra's Sorting's Test Center in Hamburg, Germany and subsequently further tested at the ALS Metallurgy's laboratory in Kamloops, British Columbia,. The Technical Report and Bulk Preparation and Testing of Craigmont Samples report, which was filed on SEDAR on June 12, 2020, focussed on the ability to upgrade this material at the site and the ability to produce a concentrate from this upgraded material. ALS Metallurgy's report recommends both trench sampling to determine the grade and volume of fine material within waste piles and to conduct additional Tomra sorting testing on resource material. Combined, Nicola expects that the two tests will augment the Company's understanding of contained copper, as well as provide indications of potential economic value of the preliminary copper resource.

Merritt Mill

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

The Mines Act custom milling operations permit was received on April 18, 2016. It allows the Company to enter into third-party custom milling contracts for silver/lead/gold and enables it to mill up to 200 tonnes per day at its Merritt Mill. The Company has carried out extensive modifications since 2017 to date following testing of mill in 2016. The Merritt Mill has to date not been successfully commissioned.

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, 2020 and the audited consolidated financial statements of the Company for the years ended December 31, 2019 and 2018.

Results of Operations for the three and nine months ended September 30, 2020 compared to three and nine months ended September 30, 2019.

The following table summarizes selected unaudited condensed consolidated interim financial information for the Company's three most recently completed three months to September 30, 2020, 2019 and 2018. All amounts shown are stated in Canadian dollars in accordance with IFRS.

	September 30, 2020 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Net Gain (Loss)	(711,521)	(603,782)	(1,581,261)
Income (Loss) from Continuing Operations (basic and diluted)	(0.00)	(0.01)	(0.01)
Total Assets	11,094,908	11,210,382	11,813,343
Total Non-Current Financial Liabilities	10,352,504	3,766,427	10,895,716
Distribution or Dividends	Nil	Nil	Nil

THREE MONTHS RESULTS TO SEPTEMBER 30, 2020 COMPARED TO SEPTEMBER 30, 2019

During the three months ended September 30, 2020, the Company recorded a net loss and comprehensive loss of $711,521 compared to net and comprehensive loss of $603,782 for the comparable period of 2019. The difference between the two periods was recovery of Part X11.6 taxes of

$120,506 in 2019, reduced gravel and other income in 2020 together with reduced exploration costs in 2020 compared to 2019 period.

Operating expenses for the three months ended September 30, 2020 decreased to $487,204 from $583,200 for the comparable period of 2019. The significant fluctuations between the two periods included decreased exploration costs of $99,778 for the three months to September 30, 2020 from $240,604 for the comparable period in 2019, and increased mill costs of $181,915 in the three months to September 30, 2020 from $141,169 for comparable period in 2019.

Gravel and other income decreased to $115,319 in three months ended September 30, 2020 compared to $159,097 for the comparable period in 2019.

NINE MONTHS RESULTS TO SEPTEMBER 30, 2020 AND SELECTED QUARTERLY RESULTS

During the nine months ended September 30, 2020, the Company recorded a net loss and comprehensive loss of $1,714,168 compared to a net gain and comprehensive income of $2,060,252 for the nine months ended September 30, 2019. The comprehensive loss of $1,714,168 in 2020 period compared to comprehensive income of $2,060,252 in 2019 period is primarily due to flow-through obligation recovery of $4,106,780 combined with Part X11.6 tax refund of $313,696 in period 2019.

Operating expenses for the nine months ended September 30, 2020 decreased to $1,553,593 compared to $1,941,188 for the nine months ended September 30, 2019. The reduced operating expenses are due to reduced exploration activity and related costs of $283,645 in 2020 period compared to $990,320 in 2019 period. The reduced exploration costs were offset by increased mill costs of $565,698 in 2020 period compared to $425,023 in 2019 period with continued upgrades of Merritt mill and increased labour for gravel and other income operations. Consulting fees increased to $213,485 in 2020 period compared to $124,422 in 2019 period due to payments for director’s fees and increased marketing advisory consultant fees.

Gravel and other income increased to $723,466 for nine months to September 30, 2020 compared to $385,737 for nine months to September 30, 2019. Finance costs reduced to $954,782 for nine months to September 30, 2020 compared to $1,078,711 for nine months to September 30, 2019.

SELECTED QUATERLY FINANCIAL INFORMATION

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

	September 30, 2020 ($)	June 30, 2020 ($)	March 31, 2020 ($)	December 31, 2019 ($)	September 31, 2019 ($)	June 30, 2019 ($)	March 31, 2019 ($)	December 31, 2018 ($)
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (loss)	(711,521)	(583,925)	(418,722)	(539,534)	(603,782)	3,420,189	(756,155)	(1,587,592)
Income (loss) per Share (basic and diluted)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	0.01	(0.00)	(0.01)

The net loss of $711,521 for the quarter ended September 30, 2020 compared to the net loss of the quarter ended September 30, 2019 of $603,782 was due to increased mill costs of $181,915 in 2020 and $141,169 in 2019, offset by decreased exploration costs of $99,778 in 2020 and $240,604 in 2019, sand and gravel and other income of $115,319 in 2020 and $159,097 in 2019, nil flow-through share premium in 2020 and $67,644 in 2019, and Part X11.6 tax recovery of $120,506 in the 2019.

The net loss of $583,925 for the quarter ended June 30, 2020 compared to the net income of quarter ended June 30, 2019 of $3,420,189 was due to flow-through obligation recovery of $4,106,780 and Part X11.6 recovery of $208,224 in 2019 period. The operating loss for 2020 period was $551,721 compared to $877,992 in 2019 period primarily due to reduced exploration activity and related costs of $93,486 in 2020 compared to $595,740 for 2019 period.

The net loss of $418,722 for the quarter ended March 31, 2020 compared to net loss of quarter ended March 31, 2019 of $756,155 was due to expense item of $73,674 for share-based compensation in 2020 and nil in 2019, reduced finance costs of $294,209 in 2020 from $366,459 in 2019, reduced exploration costs in 2020 of $90,381 from $153,976 in 2019, and increased gravel and other income of $375,188 in 2020 from $65,216 in 2019.

The net loss of $539,534 for the quarter ended December 31, 2019 compared to net loss of the quarter ended December 31, 2018 of $1,587,592 was due to expense items of $239,700 for share-based compensation and $279,022 for depreciation for prior years in 2018, and recovery of deferred income tax in 2019 from refinancing of November 21, 2019 secured convertible debentures of $468,184.

The decrease in net loss for the quarter ended September 30, 2019 compared to net loss of the quarter ended September 30, 2018 was due to refund of previously paid Part X11.6 tax following a July 11, 2019 ruling from the Canada Revenue Agency ("**CRA**"), reduced exploration costs, professional and consulting fees, together with increased gravel and other income.

The net income for the quarter ended June 30, 2019 compared to net loss for the quarter ended June 30, 2018 was due to recording recovery of flow-through obligation plus Part X11.6 tax following July 11, 2019 ruling from CRA that the Company had incurred sufficient Canadian Exploration Expenses ("**CEE**") at the relevant times in order to allow a full renunciation of CEE to flow-through investors.

The decrease in net loss for the quarter ended March 31, 2019 compared to quarter ended March 31, 2018 was due to decreased exploration costs, mill costs and consulting fees. Exploration costs were reduced as 2019 diamond drilling program did not commence till May 23, 2019. Mill costs reduced as all improvements and upgrades were completed in the first quarter of 2018. Consulting fees were reduced as consulting contracts were concluded in fourth quarter of 2018.

SUBSEQUENT EVENTS

1. On November 24, 2020, the Company issued 5,600,705 common shares (each, a "**Share**") at a value of $0.125 in settlement of interest of $700,088.20 on the Debentures (as defined herein).

2. On November 26, 2020, 3,802,500 share purchase warrants expired unexercised.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2020, the Company had working capital of $197,273 that included cash and cash equivalents of $563,005 as compared to a working capital deficiency of $7,315,978 and cash and cash equivalents of $700,922 as at September 30, 2019. The working capital is attributable to refinancing of $7,000,882 Debentures on November 21, 2019 with maturity at November 21, 2022, together with a final tranche Debenture financing of $350,000 on January 9, 2020 maturing January 9, 2023, and refinancing of $250,000 Debentures on May 20, 2020 maturing at May 20, 2023.

On September 2, 2020, the Company issued 5,769,230 units (each, a "**Unit**") at a price of $0.13 per Unit for gross proceeds of $750,000. Each Unit is comprised of one Share and one-half of one Share purchase warrant (each, a "**Warrant**"), with each whole Warrant entitling the holder to acquire one addition a Share at a price of $0.20 per Share for a period of two years.

Cash used in operating activities for the nine months ended September 30, 2020 was $639,432 compared to $1,045,493 for the nine months ended September 30, 2019 after adjusting for non-cash activities. The reduced cash used in operations from the 2020 period to 2019 period was primarily due to combination of reduced exploration costs and increased gravel and other income.

Cash used by investing activities was $197,593 for the nine months ended September 30, 2020 compared to $125,077 for the nine months ended September 30, 2019. The investing activity is continued reclamation of Merritt Mill site and purchase of mobile equipment for the mill.

Cash provided in financing activities for the nine months ended September 30, 2020 was $940,000 compared to $534,000 for the nine months to September 30, 2019. The Company raised $750,000 of equity financing in 2020 period compared to $525,000 in 2019 period, together with $190,000 of Debentures during the 2020 period.

The Company had the following major cash obligations as of September 30, 2020:

- Repayment of three-year term equipment loan in amount of $121,933 repaid monthly and due May 1, 2023.

As at September 30, 2020, the Company had an accumulated deficit of $88,684,169 (December 31, 2019 $86,970.001) and working capital of $197,273 (December 31, 2019 – deficiency of $155,231). However, additional funds will be needed for exploration of the Treasure Mountain Project, exploration of the New Craigmont Project and testing of the 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 under the Debentures could materially change the carrying amounts and classifications reported in the Company's consolidated financial statements.

The unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 were prepared using IFRS. These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. However, there are substantial payment obligations remaining in connection with the Debentures and, as such, there is substantial doubt regarding the realization of assets and discharge of liabilities. Due to the closing of non-brokered private placements of Debentures on November 21, 2019 and January 9, 2020 in the aggregate amount of $7,350,882, and amendment and financing of the second tranche Debentures to May 20, 2023, the various financings completed between June 2017 and September 2020, testing milling operations at the Merritt Mill in June 2016 till November 2016, and the flow-through financing in December, 2019, for continued New Craigmont Project exploration, management believes that these actions make the going concern basis determination appropriate. However, there are substantial payments remaining to the holders of the Debentures and, accordingly, substantial doubt exists as to whether the Company will be able to continue as a going concern. Further, it is not possible to predict whether the actions taken in the restructuring, financing and operational activities will result in improvements to the financial condition of the Company sufficient to allow it to continue as a going concern. If the Company were to be forced into bankruptcy resulting in the liquidation of its assets, adjustments would be necessary to the carrying amounts and/or classification of assets and liabilities, in the Company's unaudited condensed consolidated interim 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.

Secured Convertible Debenture Maturity and Financing

On November 21, 2019, Nicola announced the closing first tranche of its non-brokered private placement of secured convertible debentures (collectively with the second tranche debentures, the "**Debentures**") with proceeds of $7,000,882 for repayment of outstanding first tranche Debentures and general working capital, terms are:

- the principal amount of the Dentures is convertible into Shares prior to the maturity date, at the sole option of the holder, at a conversion price of $0.10 per Share,
- the Debentures bear interest at a rate of 10% per annum, which interest shall be payable annually, in cash or in Shares, at the option of the Company, and
- the Debentures mature on November 21, 2022.

On January 9, 2020, the Company closed the second and final tranche of the Debentures of $350,000 raising total aggregate gross proceeds of $7,350,882.

The outstanding principal and interest of the Debentures are secured against the assets of Nicola.

On November 21, 2019, the Company settled the interest owing of $695,588 on the first tranche Debentures by issuing 7,321,981 Shares at a price of $0.095 per Share.

On May 20, 2020, the Company closed $250,000 secured convertible debentures. The Debentures bear interest at a rate of 10% per annum, which is payable annually, in cash or in Shares, at the option of the Company and mature May 20, 2023. The principal amount of the debentures may be converted into Shares prior to maturity date, at the option of the holder, at a price of $0.10 per share.

Flow-Through Share Obligation

The Company in December of 2012 filed for a renunciation of CEE of $3,940,786 and $1,864,693 under the so-called look-back rule for a total of $5,805,479. Following an audit conducted by CRA during 2017, CRA disallowed amounts totalling $5,805,479 on the basis that the Company commenced mining and or commercial production in mid-2012 with the result that the CEE cannot be renounced. The Company filed a notice of objection in the manner and within the time prescribed by the *Income Tax Act* (Canada) on July 19, 2018. On July 11, 2019, the Company announced it had been advised by the CRA Appeals Officer assigned to the matter that sufficient CEE had in fact been incurred by the Company at the relevant times in order to allow renunciation of CEE to the flow-through investors. The Company recorded a recovery for the full amount of the recorded flow-through obligation of $4,106,760. On September 24, 2019, the Company received a tax refund of previously paid Part X11.6 tax in the amount of $328,730 from the CRA.

Asset Retirement Obligation

As part of the acquisition of Craigmont Holdings Ltd., the Company estimates the reclamation costs associated with the Merritt Mill to be $3,359,530 as at September 30, 2020 (December 31, 2019 - $3,545,623). During the nine months ended September 30, 2020 the Company reviewed the estimates and revised the term of obligation and estimated it will settle these obligations over 15 years (2019 – 15 years).

During the nine months ended September 30, 2020, the Company incurred reclamation expenditures of $186,093 (December 31, 2019 – $231,544), recorded accretion expense of $57,048 (December 31, 2019 – $74,328), and as at September 30, 2020 has an estimated asset retirement obligation of $3,545,740 (December 31, 2019 - $3,674,785). The Merritt Mill reclamation costs were adjusted using a long-term inflation rate of 1.4% (2019 – 1.4%) and then discounted using a risk-free rate of 2.34% (2019 – 2.34%). In order to obtain the Merritt Mill permit, the Company has posted collateral of $700,000 with the government to date.

As part of the ongoing reclamation, the Company entered into a thirty-year ash management contract on August 15, 2017, as amended on March 15, 2020 (the "**Agreement**") with Merritt Operations Services Limited Partnership. On June 18, 2020, the Company received approval for the import and storage of fly ash and remediated fill material following its September 17, 2018 application for amendment to the Company's Mine Permit M-68 to blend the ash with fill soil, and plant seeds to assist with the reclamation of the Merritt Mill site. The Company received a Notice of Departure to receive Trans Mountain material for remediation of the Merritt Mill site on October 21, 2020.

OUTLOOK

The Company continues to consider rationalizing its non-core assets, moving towards leveraging the value of its core assets in efforts to generate operational cash flow. The Company continues to develop the New Craigmont Project through development of inferred resource of waste stockpiles following the filing of the Technical Report on historic mine dumps on SEDAR on June 1, 2020, together with ALS Metallurgy's report for upgrading copper recovery test work filed on SEDAR on June 12, 2020, and intends to continue metallurgical testing of diamond drilling core, undertake further mapping, soil sampling and IP surveys. The Company continues the Treasure Mountain Property 2020 soil survey program.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely effected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

PROPOSED TRANSACTIONS

On September 17, 2020, the Company announced that it had signed a Strategic Milling and Profit Share Agreement with High Range Exploration Ltd. ("**High Range**") and continues to conduct due diligence to move towards a definitive agreement. On September 23, 2020, the Company announced that it had signed a Letter of Intent with High Range to acquire 50% of the Dominion Creek property, which is located 43 km northeast of the Town of Wells and about 110 km east-southeast of Prince George.

RELATED PARTY TRANSACTIONS

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 ("**CEO**") and the Chief Financial Officer ("**CFO**").

During the nine months ended September 30, 2020 and 2019, the Company incurred the following expenditures to related parties:

	Nine months ended September 30	
	2020 ($)	**2019 ($)**
Consulting fees paid or accrued to CEO and director (i)	90,000	90,000
Consulting fees paid to directors (iii)	40,000	-
Salaries and benefits (ii)	60,000	60,000
Share-based compensation (iv)	31,887	Nil

(i) Peter Espig, CEO and Director of the Company is paid a consulting fee of $15,000 per month.

(ii) Warwick Bay, CFO, is paid a salary of $10,000 per month.

(iii) Consulting fees paid to following Directors, $20,000 to Frank Hoegel, $10,000 to Doug Robinson and $10,000 to Paul Johnston.

(iv) Share-based payments are the fair value of options granted to key management personnel and directors of the Company under the Company's Stock Option Plan.

Included in convertible debentures is $65,000 (2019 - $65,000) owing to CEO of the Company.

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

OUTSTANDING SHARE DATA

- Authorized and issued share capital as at November 27, 2020:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	**258,553,353**

- As at November 27, 2020, there were 10,675,000 stock options outstanding.
- As at November 27, 2020, there were 16,831,480 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.

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.

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 $563,005.

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.

Interest Rate Risk

The Company's financial assets exposed to interest rate risk consist of cash and short-term investment balances. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificated issued by banking institutions. The Company periodically monitors the investments its makes and is satisfied with credit ratings of its banks.

Liquidity Risk

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

There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has working capital as at September 30, 2020 but a history of working capital deficits, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain and New Craigmont projects and milling operations at its Merritt Mill. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development of the Treasure Mountain and New Craigmont projects 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.

Capital Management

The Company considers capital to be the elements of shareholders equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests and Merritt Mill operations. The Company manages its capital structure to maximize its financial flexibility by making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There have been no changes to the management of capital during the current fiscal year.

The following is a summary of the maturities for the Company's non-derivative financial liabilities as at September 30, 2020:

	Less than 30 days ($)	30 days to 1 year ($)	1 year to 2 years ($)	More than 2 years ($)
Accounts Payable and Accrued Liabilities	38,289	454,194	Nil	Nil
Secured convertible debentures	Nil	Nil	Nil	6,727,770
Equipment loan	Nil	42,939	46,222	32,772
Leasing liabilities	Nil	15,662	Nil	Nil
TOTAL:	38,289	512,795	46,222	6,760,542

RISK FACTORS AND UNCERTAINTIES

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

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

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.

The figures for Inferred Copper Resource for the Southern Dump and 3060 Portal Dumps at New Craigmont Copper Mine in the Technical Report filed on SEDAR on June 1, 2020 and final ALS Metallurgy Laboratory report for upgrading and copper recovery test work filed on SEDAR on June 12, 2020 are only estimates. The inferred mineral resources are not mineral reserves as the Company has not yet demonstrated the economic viability.

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 economic assessment or preliminary feasibility study with respect to the Treasure Mountain Project or any of its other projects 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 working capital as at September 30, 2020 but a history working capital deficits, no history of profitable operation and no assurance that additional funding will be available to it for further exploration and development of any of its projects. The Company may also need further financing if it decides to obtain additional mineral properties or upgrade the Merritt Mill. 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 its mineral properties, the loss of substantial dilution of any of its property interests or all the liquidation of all of its assets.

Going Concern Risk

As at September 30, 2020, the Company had an accumulated deficit of $88,684,169 (December 31, 2019 - $86,970,001) and a working capital of $197,273 (December 31, 2019 – deficiency of $155,231). These factors represent a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. In order to continue operations, the Company will be required to raise funds through the issuance of equity or debt or be successful recommencing operations at the Treasure Mountain Project and maintaining on-going pre-commission testing of custom milling at the Merritt Mill. Realization values may be substantially different from carrying values as shown and the Company's consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 were prepared using IFRS. These unaudited condensed consolidated interim financial statements have been prepared using the going concern concept, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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

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

Dependence on Management

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

Environmental Risks

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

Government Regulation

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

Aboriginal Title

The Supreme Court of Canada decision of June 26, 2014 in *Tsilhqot'in Nation v. British Columbia* (the "**Tsilhqot'in Decision**"), which declares aboriginal title for the first time in a certain area in Canada and outlines the rights associated with aboriginal title, could potentially have a significant impact on the Company's mineral properties.

While the Company’s Property is not located within the areas involved in the Tsilhqot’in Decision, there is a risk that the Tsilhqot’in Decision may lead other communities or groups to pursue similar claims in area where the Property is located. Although the Company relies on the Crown to adequately discharge its obligations in order to preserve the validity of its actions in dealing with public rights, including the grant of mineral titles and associated rights, the Company cannot accurately predict whether aboriginal claims will have a material adverse effect on the Company’s ability to carry out its intended exploration and work programs on its properties.

Given this, the Company’s mineral properties may now or in the future be the subject of First Nations land claims. The legal nature of Aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Company’s material interest in its properties and/or potential ownership interest in thereof in the future, cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of Aboriginal rights in the area in which the properties are located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Company’s activities. Even in the absence of such recognition, the Company may at some point be required to negotiate with and seek the approval of holders of Aboriginal interests in order to facilitate exploration and development work on the properties, there is no assurance that the Company will be able to establish a practical working relationship with the First Nations in the area which would allow it to ultimately develop these properties.

Many lands in Canada and elsewhere are or could become subject to Aboriginal land claim to title, which could adversely affect the Company’s title to its properties.

Indigenous Peoples’ title claims and rights to consultation and accommodation may affect our existing operations as well as development projects and future acquisitions.

Governments in many jurisdictions must consult Indigenous Peoples with respect to grants of mineral rights and the issuance or amendment of exploration and project authorizations. Consultation and other rights of Indigenous Peoples may require accommodations, including undertakings regarding financial compensation, employment and other matters in impact and benefit agreements. This may affect our ability to acquire, explore or develop, within a reasonable time frame, mineral titles in these jurisdictions and may affect the timetable and costs of development of mineral properties in these jurisdictions. The risk of unforeseen aboriginal title claims also could affect existing operations as well as exploration and development projects and future acquisitions. These legal requirements may increase our operating costs and affect our ability to expand our operations or to explore and develop new projects.

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) (“**BCBCA**”) 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 BCBCA. 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 Board and will depend on, among other things, the Company's financial results, cash requirements, contractual restrictions and other factors that the Board 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

Unfavourable economic conditions may negatively impact the Company's financial viability. Unfavourable 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 and or capital commitments by or involving the Company or its competitors,
- news reports relating to trends, concerns, competitive developments and 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 together with the trading price of the Company's securities may also 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*"

OTHER INFORMATION

This MD&A of the financial position and results of operations of the Company is dated as of November 27, 2020 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for three and nine months ended September 30, 2020 and audited consolidated annual financial statements for the year ended December 31, 2019. 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.