NICOLA MINING INC.

February 28, 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

FORM 51-102F1

For the Year Ended December 31, 2021

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For the Year Ended December 31, 2021
(Prepared by Management)

GENERAL

The following discussion and analysis 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 for the year ended December 31, 2021. 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 year ended December 31, 2021, was prepared and approved by the board of directors of the Company (the "**Board**") as of February 28, 2022. 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 (the "**Exchange**") under the symbol "NIM". On November 3, 2021, the Company obtained Depository Trust Company eligibility in United States, shares are quoted on OTCQB operated by the OTC Markets Group Inc. under the ticker "HUSIF".

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, but not limited to: (i) the prospects or exploration upside of Nicola's New Craigmont Project, Treasure Mountain Project and Merritt Mill, (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 conduct surface mapping and sampling programs, as well as evaluating the potential for future induced polarization surveys at its New Craigmont Project, which may be used to follow up any geophysical anomalies identified from the ZTEM Survey (as defined herein), (viii) 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, but not limited to: (1) that Nicola or another party will be unable to recommence operations at its Treasure Mountain Project, (2) that Nicola will be unable to continue custom milling operations at its Merritt Mill, (3) that Nicola may not conduct further surface mapping and sampling programs or induced polarization surveys following the completion of the ZTEM Survey at its New Craigmont Project, (4) a downturn in general economic conditions in North America and internationally, (5) volatility and fluctuation in the prices of gold, silver, lead, zinc, and other precious metals, (6) volatility and fluctuation in the price of the Company's stock as well as the stock of resource issuers generally, and (7) 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 because 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 ha of which 248 ha are active workings. The Company's mineral claim holdings consist of 30 continuous mineral claims covering an area of approximately 2,513 ha, one mining lease covering 335 ha 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. A NI 43-101 compliant resource update was completed in 2009, and an updated Technical Report was published in 2012. From 2012 to 2019, no subsequent mining activity or exploration was completed on the project. To date, the majority of the Company's Treasure Mountain Project 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 existing Treasure Mountain underground development in order to follow up an identified NE-SW geophysical anomaly. Due to unfavorable weather, only 137 sample sites (six lines extending 500m west from the MB Zone) out of a planned 538 sample sites were completed. 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 was identified on the fringe of the western extent, which appears to be associated with the MB Zone. 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 the Treasure Mountain U/G Mine. One of these grab sample contained 813 g/t Ag and 0.518 g/t Au and 19% Zn and 4.66% Cu.

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 in 2012 and subsequently interpreted by SJ Geophysics Ltd.

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

On August 24, 2020, the Company announced it had completed Phase One 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 also 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 forming 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 objective of Phase Two of the 2020 Program was 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. Highlights of grab samples from an exposed vein contained up to 1300 g/t Ag and 2.59 g/t Au and 1.6% Cu, 27.4% Pb and 27.2% Zn.

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 the of 2020 Program. Phase Two which was comprised of an additional 168 soil samples. Phase One sample highlights included the following:

- Fifty (50) soil samples were anomalous in Ag (ranging from 1000-20,080 ppb),
- Two (2) were > 10,000 ppb Ag (12,140 and 20,080 ppb),
- Eighty-three (83) were anomalous in Zn with values up to 1,005 ppm, and
- Thirty-two (32) samples were anomalous in Pb with values up to 710 ppm.

On November 9, 2020, the Company announced assay results from all 14 portable drill holes. The drilling was completed at five locations along the approximately 1.2 km potential mineralized trend identified during Phase One of the 2020 Program. The assay results include an intercept of 589 g/t Ag.

On December 22, 2020, the Company announced assay results from 167 soil samples collected during Phase Two of the 2020 Program. Highlights included six samples anomalous in silver ranging from 1000-3670 ppb.

On January 20, 2022, the Company announced a LIDAR survey was completed by Eagle Mapping Ltd. during the summer of 2021 over an approximate area of 22 km. The Company is in the process of applying for a Multi-Year-Area-Based ("**MYAB**") Exploration Permit for the Treasure Mountain Project, which includes IP Survey and diamond drilling targets. The highest priority target is the MB Zone yet to be drill tested MB Zone located approximately 1.5 km from the underground mine-workings.

New Craigmont Project

The Company's claim holdings at the New Craigmont Project consist of 22 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, which covers an area approximately 1400 ha. 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 and mineralization occurred along preferential carbonaceous lithologies resulting in a strata-bound skarn deposit. This view surmised that hydrothermal convection from the emplacement Guichon Creek Batholith led to the scavenging of metals from the country rock only, and metals were endogenously derived.

Field relationships from mapping completed since 2015 and drilling in 2016 have observed that the Guichon Creek Batholith is crosscut by veins containing propylitic alteration sequences, indicating that a hydrothermal event occurred post-Guichon Creek emplacement. It is possible and more likely that the source of these metals was sequestered from a younger exogenous source, possibly from a porphyritic intrusive body. 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 geological team at Nicola Mining 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 using modern exploration techniques and targeted definition drilling on in-situ bodies. The Company also plans also to re-evaluate the potential from material not processed at the time of mining and unlock its value with increasing commodity prices from global demand. To this effect, target development and confirmation drilling aims to develop targets deemed to have the potential for significant mineralization on the project land package, and a NI-43-101 compliant mineral resource was completed on the Southern Mining Terraces and 3060 Portal Dump areas in 2020.

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 several selected diamond drill and RC drill holes to determine Cu recovery and the Fe recovery after the copper extraction. A total of 39 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, and
- 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 the results for a 39-hole Reverse Circulation ("**RC**") drill program on the 3060-RC Portal Dump area. 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. It is important to note that the previous mining operation used 0.7% Cu as their cut-off grade. The RC program's results confirmed significant grades of Cu and magnetite, which are combined to create a CuEq. The second phase of RC drilling used an updated CuEq calculation for both 2017 and 2018 RC drill holes. The highlights of these results included an average grade of 0.24% Cu and 0.4% CuEq for the 39 holes.

On April 8, 2019, the Company announced additional drill results from the Central Zone designed to explore the boundaries of the historic open pit during the 2018 exploration program. A total of 8 diamond drill holes totalling 2,755 m was 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 across stratigraphy from north to south toward the open pit, testing a previously unexplored corridor between the mine and the contact with the Guichon Creek batholith. Mineralization was encountered as shallow as 50 m from surface, with high-grade intercepts appearing to be extensions of the Craigmont Skarn. Of the eight (8) diamond drill holes, three (3) 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
- Hole CC-18-04 intercepted 6.0m at 0.7% and 63.4m at 0.49% CuEq.

On May 27, 2019, the Company announced that it had commenced the 2019 drilling program (the "**2019 Program**") where the objective was to intersect the unexploited and incompletely delineated historic Number 3 Body ("**No.3 Body**") at Craigmont Central. The No.3 Body is characterized by silicified sediments with fine-grained chalcopyrite and little or no associated iron. This differentiating it from the extracted ore bodies numbers 1 and 2, which contained abundant massive magnetite. The objective of this program was mainly to intersect the No. 3 Body and extend its strike length westward (toward the N-S striking Embayment Fault) and eastward. The stratigraphy north of the open pit would also be explored to potentially 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, and reconnaissance geological mapping were completed.

On July 24, 2019, the Company announced assay results of diamond drill holes CC-19-71 and CC-19-72 that intersected the No. 3 Body. A second mineralized zone was intersected at shallower depth (the "**Upper Zone**"), south of the open pit. An observation of significance is the copper mineralization is association with potassic alteration, indicative of a relatively high temperature fluids and has implications for further exploration.

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 m grading Cu 0.34% (CuEq 0.46%) of the shallower Upper Zone. This is a 50 m westward step-out which demonstrates the lateral continuity of the Upper Zone encountered in the first two (2) drill holes. The mineralization intersected in the No.3 Body is characterized by disseminated and fracture-controlled chalcopyrite.

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. The tests were designed to simulate copper and magnetite recovery into separate concentrates through floatation and magnetic separation. A sample from the 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 a copper recovery of 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. The copper mineralization provided insight into a potentially larger mineralized system, as highlighted below:

- Two (2) styles of mineralization are present: drill holes intersected skarn-type mineralization typical of the historical mine and for the first time, mineralization with porphyry-style characteristics, and
- Extension of Mineralization and Alteration: The 2019 Drill Program expanded the length of the west-trending corridor of copper mineralization up 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") and was prepared in accordance with NI 43-101, this supported the Inferred Copper Resource for the Southern Dump and 3060 Portal Dumps. 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.

On January 18, 2021, the Company announced its 2021 exploration objectives for the New Craigmont Project and described the application for a MYAB permit on the Property. The objectives included diamond drilling the contact aureole between the Guichon Creek Batholith and the Nicola Group along an extensive corridor in areas displaying an anomalous magnetic response (from magnetic vector inversion modelling), which was interpreted to be semi-massive magnetite-chalcopyrite mineralization. Magnetic anomalies would also be drill tested along the margin of the historic pit, where surface outcropping massive magnetite and chalcopyrite mineralization is observed.

On May 12, 2021, the Company announced commencement of 2021 Phase I exploration drilling at the New Craigmont Copper Project (the "**2021 Phase I Program**").

On August 27, 2021, the Company announced completion of the 2021 Phase I Program consisting of five (5) diamond drill holes for a total of 1459.65 meters. The first three (3) holes (CC-21-76, CC-21-77, and CC-21-78) were drilled in a largely untested area between the historic pit and diamond drill holes to the west. Holes CC-21-76 and CC-21-77 were drilled into a large magnetic anomaly west of the pit, which intersected the Guichon Creek Border Phase diorite and contained abundant locally disseminated magnetite with disseminated pyrite and locally intense epidote and chlorite alteration. The third hole (CC-21-78) was drilled to the south, outside and along, the periphery of the magnetic anomaly where it intersected Nicola Group sediments that contained mineralized skarn intervals containing massive chalcopyrite, magnetite, and pyrite mineralization within strongly altered calcareous sediments. The last two (2) holes (CC-21-79, and CC-21-80) were drilled along the NE pit margin into a steeply plunging magnetic anomaly and intersected strongly chlorite altered diorite on the northeast pit margin that contained massive magnetite hosted in fractures and present with clots and disseminated chalcopyrite.

Highlights from 2021 Phase I Program drilling included:

- CC-21-78 intersected 11.5 m grading 2.19% Cu within 71.5 m grading 0.38% Cu demonstrating the mineralized potential in a largely untested area between the Craigmont pit and previous intercepts (DDH-THU-002: 85.6 m at 1.11% Cu and NC-2018-03: 100.6m grading 1.33% Cu) approximately 800 m to the west of historic mining operations.
- CC-21-79 intersected 71.35 m grading 0.29% Cu within 130.35 m grading 0.21% Cu.

On January 20, 2022, the Company announced the completion of a small soil sampling program completed in Fall of 2021 at the Titan Queen and Promontory Hills zones. The program was designed to test the limits of anomalous copper found in soils from a soil survey conducted in 2019. A total of 110 original soil samples were taken; 18 of these samples were anomalous in copper (>100ppm Cu). One of the samples contained 1010 ppm Cu and two others contained values of 656 ppm and 686 ppm CU and are considered highly anomalous. These anomalies found in the 2021 survey extends anomalous copper at the Titan Queen zone in an east-west trend and warrants additional work. Relogging of diamond drill core began in 2021 and will continue throughout the winter of 2021/2022 with emphasis on alteration mineralogy and sequences.

On January 20, 2022, the Company announced an exploration plan for 2022 (the "**2022 Exploration Plan**") to include a 998-line kilometer Z – Tipper Axis Electromagnetic survey (the "**ZTEM Survey**") across the entire New Craigmont Project; Geotech Ltd has been contracted to complete work in late spring of 2022 with results expected by early summer. Geotech Ltd proprietary deep penetrating ZTEM survey will probe for new untested conductive and resistive targets. After receiving the ZTEM Survey results, the Company will conduct surface mapping and sampling programs, as well as evaluating the potential for future induced polarization surveys, which may be used to follow up any geophysical anomalies identified from the ZTEM Survey.

Dominion Creek Gold Property Project

On June 15, 2021, the Company announced the acquisition of a 50% interest in the Dominion Creek Property, located 43 km northeast of the Town of Wells and about 110 kilometers east-southeast of Prince George from High Range Exploration Ltd ("**High Range**"). Pursuant to the terms of a Mineral Property Purchase Agreement (the "**Mineral Property Purchase Agreement**") between the Company and High Range, the Company paid $150,000 for the 50% acquisition of the Dominion Creek Property consisting of 8 continuous mineral claims totalling 1,040 hectares plus $75,000 for High Range to commence work on a 10,000-tonne bulk sample permit application.

On October 24, 2021, the Company executed a Mining and Milling Profit Share Agreement with High Range for mill feed to be delivered and processed at the Merritt Mill. High Range is currently preparing a 10,000-tonne bulk sample permit application for the Dominion Creek gold project. Upon High Range receiving the permit, the Company will within 30 days commence incremental funding of $450,000 plus all costs to produce and ship 3,000 tonnes of mill feed to Merritt Mill for processing into concentrate. The $450,000 plus the $75,000 previously advanced as part of the Mineral Property Purchase Agreement shall be reimbursed from the distribution proceeds of the sale of concentrates.

On January 20, 2022, the Company announced that Dominion Gold Project has submitted its Cariboo Mitigation Plan to EMLI. The Company's partner High Range is currently working on an updated pit plan, which is the last required submission for its Bulk Sample Permit.

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 then 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. An amendment to the original permit allows the Company to enter 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.

On April 30, 2021, the Company announced a signed purchase contract executed on April 6, 2022, for gold and silver concentrate with Ocean Partners UK Limited ("**Ocean Partners**"). The purchase contract also includes a USD$500,000 clause that allows the Company to draw down funds for the purpose of working capital. On April 27, 2021, the Company drew down USD$250,000. The loan bears interest at 5.5% plus the three-month LIBOR rate per annum which is payable monthly and repayable on October 27, 2021. On October 14, 2021, the Company repaid the USD$250,000 loan plus interest.

On May 5, 2021, the Company announced that Blue Lagoon signed an amending agreement to the Milling and Smelting Profit Share Agreement dated March 31, 2017, extending the original agreement through to March 31, 2023.

On July 9, 2021, the Company announced recommencement of Merritt Mill operations processing mill feed from Blue Lagoon Resources Inc., the operator of the Dome Mountain Mine. On September 16, 2021, the Company announced a total of 140.9 tonnes of gold and silver concentrate shipped to Ocean Partners.

On December 22, 2021, the Company announced the Mill site was not adversely affected by the recent southern BC flooding. On January 20, 2022, the Company announced planning to ship 103 dry metric tonnes of concentrate, that is stored inside the mill, as soon as possible.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This review of the Company's results of operations should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2021, 2020, and 2019.

The following table summarizes selected audited consolidated financial information for the Company's years ended December 31, 2021, 2020 and 2019. All amounts shown are stated in Canadian dollars in accordance with IFRS.

	December 31, 2021 ($)	**December 31, 2020 ($)**	**December 31, 2019 ($)**
Gravel, ash, soil, and other income	1,401,694	894,335	588,059
Net Income (Loss)	(3,405,235)	(2,890,364)	1,520,718

Income (Loss) per Share from Continuing Operations (basic and diluted)	(0.01)	(0.01)	0.01
Total Assets	12,361,752	11,349,560	11,064,825
Total Non Current Financial Liabilities	4,502,959	10,324,006	9,196,615
Distribution or Dividends	Nil	Nil	Nil

THREE MONTHS RESULTS FOR DECEMBER 31, 2021, COMPARED TO DECEMBER 31, 2020

During the three months ended December 31, 2021, the Company recorded a net loss and comprehensive loss of $424,625 compared to net and comprehensive loss of $1,176,196 for the comparable period of 2020. The decrease is due to decreased mill upgrades, reopening and operating costs and increased exploration costs offset by increased gravel, ash, soil, and other income in the 2021 period.

Operating expenses for the three months ended December 31, 2021, decreased to $788,269 from $1,002,816 for the comparable period of 2020. The significant fluctuations between the two periods included decreased mill upgrades and operating costs of $300,581 in the three months ended December 31, 2021, and $324,753 for the comparable period in 2020, increased exploration costs of $98,015 for the three months ended December 31, 2021, and $65,058 for the comparable period in 2020, increased share- based compensation of $100,213 in the three months ended December 31, 2021 and $Nil for 2020 comparable period and shareholder communications and investor relations of $106,653 in the three months ended December 31, 2021 and $797 for the 2020 comparable period.

Gravel, ash, soil, and other income increased to $630,269 in three months ended December 31, 2021, compared to $170,869 for the comparable period in 2020 and $77,750 gain on disposal of mobile equipment in three months ended December 31, 2021, compared to $Nil in 2020 comparable period.

TWELVE MONTHS RESULTS FOR DECEMBER 31, 2021, COMPARED TO DECEMBER 31, 2020

During the year ended December 31, 2021, the Company recorded a net loss and comprehensive loss of $3,405,235 compared to a net loss and comprehensive loss of $2,890,364 for the year ended December 31, 2020. The comprehensive loss of $3,405,235 in 2021 period compared to comprehensive loss of $2,890,364 in 2020 period is primarily due to increased mill upgrades, reopening and operating costs, exploration costs, and share-based compensation offset by increased gravel, ash, soil, and other income.

Operating expenses for the year ended December 31, 2021, increased to $3,628,650 compared to $2,556,409 for the year ended December 31, 2020. The increased operating expenses are due to increased exploration activity of $851,926 in 2021 period compared to $348,703 in 2020 period, increased mill upgrades, reopening and operating costs of $1,480,156 in 2021 period compared to $1,034,186 in 2020 period and increased share-based compensation of $438,678 in 2021 period compared to $72,471 in 2020 period.

Gravel, ash, soil, and other income increased to $1,401,694 for year ended December 31, 2021, compared to $894,335 for the year ended December 31, 2020. Finance costs increased to $1,384,857 for the year ended December 31, 2021, compared to $1,299,031 for the year ended December 31, 2020.

SELECTED QUARTERLY FINANCIAL INFORMATION

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.

	December 31, 2021 ($)	September 30, 2021 ($)	June 30, 2021 ($)	March 31, 2021 ($)	December 31, 2020 ($)	September 30, 2020 ($)	June 30, 2020 ($)	March 31, 2020 ($)
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (loss)	(424,625)	(557,129)	(1,476,455)	(947,026)	(1,176,196)	(711,521)	(583,925)	(418,722)
Income (loss) per Share (basic and diluted)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)

The net loss of $424,625 for the quarter ended December 31, 2021, compared to the quarter ended December 31, 2020, of $1,176,196 was due to increased gravel, ash, soil, and other income of $630,269, and gain on disposal of mobile equipment of $77,750.

The reduced net loss of $557,129 for the quarter ended September 30, 2021, compared to the quarter ended September 30, 2020, of $711,521 was due to increased exploration costs of $146,438 in 2021 compared to $99,778 in 2020, plus increased mill upgrades and reopening costs of $324,753 in 2021 compared to $181,915 in 2020 offset by increased gravel, ash, soil, and other income of $460,865 in 2021 compared to $115,319 in 2020.

The net loss of $1,476,455 for the quarter ended June 30, 2021, compared to the quarter ended June 30, 2020, of $583,925 was due to increased mill upgrades and reopening costs of $640,393 in 2021 compared to $228,757 in 2020, increased exploration costs of $506,323 in 2021 compared to $93,486 in 2020, and reduced gravel, ash, soil, and other income of $163,534 in 2021 compared to $232,959 in 2020.

The net loss of $947,026 for the quarter ended March 31, 2021, compared to the net loss of the quarter ended March 31, 2020, of $418,722 was due to increased mill costs of $214,429 in 2021 and $155,026 in 2020 for continued upgrades to the mill and reclamation of mill site, increased share-based compensation of $338,465 in 2021 compared to $72,470 in 2020 and reduced gravel, ash, soil, and other income of $147,026 in 2021 compared to $375,188 in 2020.

SUBSEQUENT EVENTS

1. On January 10, 2022, the Company issued 388,236 common shares at a value of $0.085 per share in settlement of interest of $33,000 on the January 9, 2020, Debentures.

2. On February 24, 2022, the Company shipped 196 tonnes (175 dry metric tonnes) of gold and silver concentrate to Ocean Partners. The material shipped contained an approximate 92 grams of gold per tonne and 562 grams of silver per tonne.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2021, the Company had working capital deficiency of $5,272,297 that included cash and cash equivalents of $916,286 as compared to a working capital surplus of $151,533 that included cash and cash equivalents of $824,705 as at December 31, 2020.

Cash used in operating activities for the year ended December 31, 2021, was $2,220,130 compared to $1,121,122 for the year ended December 31, 2020, after adjusting for non-cash activities. The increased cash used in operations from the 2020 period to 2021 period was due to increased mill upgrades, reopening and operating costs and increased exploration costs.

Cash used for investing activities was $336,874 for the year ended December 31, 2021, compared to $11,500 for the year ended December 31, 2020, this included $225,000 acquisition of mineral interests, $214,189 purchase of mill camp and loader for Merritt Mill offset with proceeds of disposal of mobile equipment of $144,000, mill capital equipment of $81,697 and mill recoveries from sale of concentrate of $40,012.

Cash provided in financing activities for the year ended December 31, 2021, was $2,648,585 compared to $1,456,530 for the year ended December 31, 2020, due to issuance of common shares net of issuance costs of $2,490,000, and exercise of stock options of $241,125.

The Company had the following major cash obligations as of December 31, 2021:

- Repayment of three-year term equipment loan in amount of $67,755 repaid monthly and due May 1, 2023.

- Environmental Administrative Penalty totalling $50,000 due October 8, 2022, to the Director of the Provincial Ministry of Environment and Climate Change Strategy in relation to non-compliance with the Company's Environmental Management Act Discharge Permit 105894 at the Treasure Mountain Mine.

- Repayment and refinancing of $6,942,882 November 21, 2019, Debentures due November 21, 2022.

As at December 31, 2021, the Company had an accumulated deficit of $93,265,600 (December 31, 2020 - $89,860,365) and working capital deficiency of $5,272,297 (December 31, 2020 – $151,533 - surplus). Additional funds will be needed for exploration of the Treasure Mountain Project, exploration of the New Craigmont Project and continued operations at 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 audited consolidated financial statements for the year ended December 31, 2021, were prepared using IFRS. These audited consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. However, there are substantial payment obligations remaining in connection with 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 $250,000 Debentures to May 20, 2023, the various financings completed between June 2017 and April 2021, testing milling operations at the Merritt Mill from July 2021, to October 2021, and the flow-through financing in October, 2021, 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 audited 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.

Secured Convertible Debenture Maturity and Financing

On November 21, 2019, Nicola announced the closing of the 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. The terms of the Debentures 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 November 21, 2019, the Company settled the interest owing of $695,588 on the first tranche Debentures by issuing 7,321,981 common shares at a value of $0.095 per share.

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.

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 value of $0.10 per share.

On November 24, 2020, the Company settled the interest owing of $700,088 on the $7,000,882 November 21, 2019, Debentures by issuing 5,600,705 common shares at a value of $0.125 per share.

On January 12, 2021, the Company settled interest owing of $33,000 on the $330,000 January 9, 2020, Debentures by issuing 264,000 common shares at a value of $0.125 per share.

On June 1, 2021, the Company settled interest owing of $23,000 on the $230,000 May 20, 2020, Debentures by issuing 143,750 common shares at a value of $0.16 per share.

On November 22, 2021, the Company settled the interest owing of $694,288 on the $6,942,882 November 21, 2019, Debentures by issuing 6,942,882 shares at a value of $0.10 per share.

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

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 $3,326,734 as at December 31, 2021 (December 31, 2020 - $3,326,734). During the year ended December 31, 2021, the Company reviewed these estimates and revised the term of obligation and estimated it will settle these obligations over 25 years (2020 – 25 years).

During the year ended December 31, 2021, the Company recorded accretion expense of $77,845 (December 31, 2020 – $157,049), and as at December 31, 2021 has an estimated asset retirement obligation of $3,909,679 (December 31, 2020 - $3,831,834). The Merritt Mill reclamation costs were adjusted using a long-term inflation rate of 1.4% (2020 – 1.4%) and then discounted using a risk-free rate of 2.34% (2020 – 2.34%). 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 associated with the Craigmont Site and Merritt Mill, the Company entered a thirty-year ash management contract on August 15, 2017, which was amended on March 15, 2020 with Merritt Operations Services Limited Partnership, which was terminated as of November 30, 2021, following the sale of the Cogen plant to Nicola Clean Energy Power Ltd as of December 1, 2021. The ash management services continue on a month-to-month basis until further notice and the discharge rate remains the same. 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 and 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 2022 Exploration Plan by conducting ZTEM Survey, surface mapping and sampling programs, as well as evaluating the potential for future induced polarization surveys with objective of identifying multiple diamond drill exploration targets. The Company is in the process of applying for a multi-year area-based application to the Ministry of Energy, Mines and Low Carbon Innovation for Treasure Mountain Project, which includes IP Survey and diamond drilling targets with MB Zone as the highest priority.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, included the closure of non-essential businesses. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position, and operating results in the future. In addition, it is possible that estimates in the Company's consolidated financial statements will change in the near term as are a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things impairment of long-lived assets including property, plant, and equipment. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

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 year ended December 31, 2021, and 2020, the Company incurred the following expenditures to related parties:

	Year ended December 30	
	2021 ($)	**2020 ($)**
Consulting fees paid or accrued to CEO and director (i)	180,000	180,000
Consulting fees paid to directors (iii)	-	40,000
Salaries and benefits (ii)	120,000	120,000
Share-based compensation (iv)	182,206	32,209

(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 in 2020, $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 for 2021 is $Nil (2020 - $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 February 28, 2022:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	**291,752,090**

- As at February 28, 2022, there were 10,400,000 stock options outstanding.
- As at February 28, 2022, there were 9,998,547 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. As at December 31, 2021, the Company's maximum exposure to credit risk is the carrying value of its cash, and cash equivalents, and accounts receivables in the amount of $1,651,156.

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 investments balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating rates.

The Company's Convertible Debenture debt which accrues interest is at a fixed rate and does not expose the Company to interest rate risk.

The Company's advance prepayment loan is subject to interest rate risk, but the Company does not believe that it is exposed to material interest rate risk.

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 a working capital deficiency as at December 31, 2021, 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 under-capitalization, 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

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing on the transaction dates. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured of historical cost in a foreign currency are not retranslated.

The functional currency of the Company is the Canadian dollar. As at December 31, 2021, the Company has not entered into contracts to manage foreign exchange risk.

Commodity and Equity Price Risk

The ability of the Company to explore its exploration assets, recommence milling operations, and the future profitability of the Company are directly related to the market price of copper, gold, silver, and other precious metals. Equity price risk is defined as the potential adverse impact on the Company's performance to movements in individual equity prices or general movements in the level of the stock market.

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 adjusting 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.

Contingencies

During the year ended December 31, 2020, the Company received a demand from Clibetre Exploration Ltd. ("**Clibetre**") for approximately $337,000 in relation to a claimed breach of a Profit-Sharing Agreement dated June 6, 2015, by the Company. The Company and Clibetre sampled and tested the Clibetre material in May 2021. Following testing, Clibetre advised the Company that it had identified a potential buyer for the material and the material was removed from the Company's Merritt Mill site by Clibetre in June 2021. No action is anticipated against the Company but the limitation period for any potential claim expires, at the latest on March 26, 2023.

The following is a summary of the maturities for the Company's non-derivative financial liabilities as at December 31, 2021:

	Less than 30 days ($)	**30 days to 1 year ($)**	**1 year to 2 years ($)**	**More than 2 years ($)**
Accounts Payable and Accrued Liabilities	61,596	508,249	Nil	Nil
Secured convertible debentures	Nil	6,372,891	545,047	Nil
Equipment loan	Nil	57,087	10,668	Nil
Leasing liabilities	Nil	17,553	18,229	19,336
TOTAL:	61,596	6,955,780	573,944	19,336

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 those 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, Gold and Precious 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 working capital deficiency as at December 31, 2021 and a history of 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 further upgrades to the Merritt Mill. As such, the Company is subject to many risks common to exploration enterprises, including under-capitalization, 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 its assets.

Going Concern Risk

As at December 31, 2021, the Company had an accumulated deficit of $93,265,600 (December 31, 2020 - $89,860,365) and a working capital deficiency of $5,272,297 (December 31, 2020 – 151,533 - surplus). These factors represent a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. To continue operations, the Company will be required to raise funds through the issuance of equity or debts 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 audited consolidated financial statements for the year ended December 31, 2021, were prepared using IFRS. These audited consolidated financial statements have been prepared using the going concern concept, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Management believes that these actions continue to make the going concern basis appropriate. However, it is not possible to predict whether the Company will be able to raise the working capital required for maintaining the care and maintenance program at the Treasure Mountain Project, continued custom milling operations at the Merritt Mill 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, 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 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. 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 mining 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 Statement's*".

OTHER INFORMATION

This MD&A of the financial position and results of operations of the Company is dated as of February 28, 2022 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 and audited consolidated annual financial statements for the year ended December 31, 2020. 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.