Initiation Report

# Nicola Mining – Multi-Asset Explorer with Mill & Cash Flow

| Rating | Target Price |
|---|---|
| **BUY** | **$0.60** |
| *Initiating* | *Initiating* |

**October 24, 2024**

*All figures in CAD unless otherwise stated*

| **Nicola Mining Inc.** | **NIM:TSXV** |
|---|---|
| Rating | BUY |
| Target Price | $0.60 |
| Return to Target | 97% |

| **Market Data** | |
|---|---|
| Share Price | $0.305 |
| Average Daily Volume (K) | 67.7 |
| FD ITM Shares (M) | 168.4 |
| Market Cap ($M) | $51.3 |
| Cash ($M) | $4.1 |
| Debt ($M) | $4.5 |
| Enterprise Value ($M) | $51.8 |

| **Valuation** | |
|---|---|
| New Craigmont Project ($M) | $62.5 |
| Merritt Mill & Tailings Facility ($M) | $25.5 |
| Treasure Mountain Silver Mine | $8.6 |

Please refer to the applicable disclosures on the back page
Disseminated on behalf of Nicola Mining Inc.
Source: Atrium Research, CapitalIQ, Company Documents


Nicola Mining Inc. is a junior mining company that maintains a 100% owned mill and tailings facility, located near Merritt, British Columbia and has signed Mining and Milling Profit Share Agreements with high grade gold projects. Nicola's fully permitted mill can process both gold and silver mill feed via gravity and flotation processes.

**Ben Pirie** | Equity Research Analyst | bpirie@atriumresearch.ca | 647-688-9661
**Nicholas Cortellucci, CFA** | Equity Research Analyst | ncortellucci@atriumresearch.ca | 647-391-3314

**What you need to know:**

- Nicola holds two exploration assets with its flagship brownfield copper project showing early signs of a copper porphyry system.
- The Company has two sources of revenue which minimizes dilution to shareholders – its Merritt Milling business (profit share agreements with its partners) and its Sand/Gravel Pit and Rock Quarry business.
- NIM's mill provides an expedited path to production for its assets.
- We value the Company at $0.60/share, representing 97% upside.

Nicola Mining Corp. (NIM:TSXV, HUSIF:OTC) is a junior mining company focused on the exploration and development of precious and base metals assets in British Columbia. With a heightened focus on copper, Nicola is developing its flagship New Craigmont Copper Project which lies proximal to major copper producers (Teck and New Gold) and sits on the historical Craigmont Mine, greatly reducing exploration and development risk. The Company owns and operates a mineral processing plant which processes ore from its partners' operations and shares in the profits. Nicola also generates revenue from its Sand and Gravel Pit and Rock Quarry which services local infrastructure projects. Cash from its revenue-generating businesses supports Nicola's exploration activities while limiting shareholder dilution. Lastly, NIM's fully-permitted Treasure Mountain Mine is exploring for high-grade silver, lead, and zinc, is past producing, and hosts a high-grade resource. **We are initiating coverage on Nicola Mining with a BUY rating and target price of $0.60/share.**

## Investment Thesis Summary

***Strong Flagship Copper Asset at its Core.*** The New Craigmont Copper Project has all the signs of a legitimate copper asset and the historical high-grade copper mine only increases our confidence in the Company discovering a sizeable resource. As a brownfields project, development & permitting risks are greatly reduced.

***Operational Mill Provides Cashflow & Production Opportunities.*** Nicola's Merritt Mill and Tailings facility is being utilized for profit-sharing agreements where it processes ore for its partners in the region. This business is just beginning to ramp up, and we expect new partnerships and cashflows to accelerate. Additionally, the fully operational mill could ultimately process ore from NIM's own internal assets.

***Revenue Generating Businesses Limit Dilution.*** Nicola's Mill and the Sand/Gravel Pit and Rock Quarry businesses provide non-dilutive cashflow to fund exploration of its core assets. Additionally, the Pit and Quarry are operated by local aboriginal communities, strengthening its relationships with key stakeholders.

***Secondary Asset Provides Upside.*** The Treasure Mountain Mine hosts a silver, lead, and zinc resource and is fully permitted for mineral extraction, making it a highly attractive asset for partnerships with other miners in the area and could also provide an ore source for NIM's milling facility.

***Attractive Valuation*.** We value the New Craigmont Copper Project at $62.5M, assuming the valuation placed on it by Nittetsu Mining in 2023. Additionally, we value the milling business using an NPV of $25.5M and the secondary asset using an EV/oz valuation of $8.6M, resulting in our $0.60/share target price.

## Catalysts

- New Craigmont Diamond Drill Program Results – Q4/24-Q1/25
- Merritt Mill Production Sales and New Partnerships – Ongoing

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## Investment Thesis

Nicola Mining Corp. (NIM:TSXV, HUSIF:OTC) is a junior mining company engaged in the exploration and development of precious and base metals assets in British Columbia. With a primary focus on copper, Nicola is advancing its flagship New Craigmont Copper Project, located near major operations like Teck Resources' (TECK:TSX, $33B mkt cap) Highland Valley Copper Mine adjoining the New Craigmont Project to the north, and southwest of New Gold's (NGD:TSX, $3.3B mkt cap) New Afton Mine. The project also lies on the historic Craigmont Mine, which was once one of the highest-grade major copper producers in Canada, greatly reducing exploration and future development risks.

Nicola's Merritt Mill and Tailings facility is its wholly owned processing plant that processes ore from its partners' operations, sharing in the profits. This business is in its infancy and the Company plans to ramp throughput going forward. In addition, Nicola generates revenue through its Sand and Gravel Pit and Rock Quarry, which supplies local infrastructure projects. This cashflow supports the Company's exploration activities, helping to minimize shareholder dilution. Lastly, Nicola's fully permitted Treasure Mountain Mine, a past producer, is being explored for high-grade silver, lead, and zinc, and it contains a small high-grade resource.

Nicola is led by CEO Peter Espig who is supported by a strong management team and board. The Company is backed by major shareholders such as Concept Capital Management (18%) and BMO Nesbitt Burns (13%). **We are initiating coverage on Nicola Mining Inc. with a BUY rating and a target price of $0.60/share.**


**Figure 1: New Craigmont, Merrit Mill, and Treasure Mountain Project's Regional Location (Source: Company Documents)**

### New Craigmont Copper Project

The New Craigmont Copper Project is Nicola's 100% owned flagship high-grade copper exploration project located in southern BC, 14km northwest of Merritt and 190km northeast of Vancouver. The project is situated amongst major copper producers in BC, lying just southwest of New Gold's New Afton Mine and adjoins Teck's Highland Valley Copper Mine grounds to the north. The project spans ~10,900ha and is host to the historical Craigmont Copper Mine which produced ~888Mlbs of copper, making this project a brownfields project, greatly reducing future development risk.

***Geology, Historical Production & Exploration***

The Craigmont Project is located on the eastern margin of the Quesnel Trough, a highly mineralized terrain that is home to many of BC's major copper districts and projects (such as the New Afton and Highland Valley Copper Mine, as mentioned above). More detail into the regional and property geology can be found in the Company Overview below, but the key feature in this region is the Guichon Creek batholith, which is bounded by two large faults: the Guichon Creek Fault to the east and the Lornex Fault to the west. The Craigmont property covers the southern contact of the Guichon Creek batholith and the Nicola Group rocks composed of volcanic clastic rocks and sedimentary rocks. The Craigmont skarn deposit was hosted by the Nicola Group rocks adjacent to the batholith and the historic Craigmont Mine, which operated from 1962 to 1982, exploited copper-magnetite skarn mineralization within the contact zone between the Guichon Creek batholith and the Nicola Group rocks.

The New Craigmont Property has a significant history with the historic Craigmont Mine at its core. Following the discovery and a few years of exploration, the mine officially opened in 1962 as an underground mine, although an open-pit was developed in its early years. At its peak, Craigmont was one of BC's top copper producers and it is estimated that over the life of the mine, between 33-36Mt of ore was processed yielding ~888Mlbs of copper and 3Blbs of magnetite. The average cut-off grade during production was between 0.7-1.0% Cu. After 20 years, the operation was shut down due to the depletion of high-grade ore, declining copper prices, and increasing operating costs due to the depth of underground workings. However, the site remains highly prospective for several reasons including the presence of significant tailings and waste dumps that contain potentially recoverable copper, historical data and resources that were previously uneconomical but now may be viable due to elevated copper prices, and the extensive prospective land package surrounding the mine.

Since 2015, when Nicola consolidated the Craigmont property, acquiring both the mineral leases and claims covering the historic mine site, the Company has undergone extensive work across the property both expanding the potential extensions of the original orebody and targeting new underexplored targets across the property. Some of this work includes over 18,000m of diamond drilling, ~2,000m of RC drilling, extensive geological mapping, as well as reprocessing of historic waste dumps to recover copper left in the mine's tailings. Excitingly, the Company is also conducting research to investigate the potential for a significant porphyry copper deposit within the property. The ongoing 2024 diamond drill program will target some of the potential porphyry and underexplored targets.

Drill highlights include:

- 1.33% Cu over 100.6m (Embayment Zone)
- 1.11% Cu over 85.9m (Embayment Zone)
- 0.58% Cu over 71.4m (Embayment Zone)
- 1.05% Cu over 76.6m (Craigmont Central)
- 0.28% Cu over 34m and 0.45% Cu over 44m (No. 3 Ore Body)

***Valuation***

We are electing to base our model on the valuation placed on the New Craigmont Copper Project back in September 2023 by Nittetsu Mining Co ($680M mkt cap). For context, Japanese firm, Nittetsu signed a letter of intent with NIM whereby it would provide up to $25M for 40% ownership in the New Craigmont project, valuing the asset at $62.5M or $0.37/share. Nittetsu was planning to contribute $10M to achieve 20% ownership in the project entity as part of the 1$^{st}$ stage of the agreement which would extend for three years. As for the 2$^{nd}$ stage, the project would enter the feasibility stage and Nittetsu would contribute $15M, earning a total of 40% interest in the property. This agreement did not include any of Nicola's other assets.

In November 2023, Nittetsu suspended the agreement after completing a site visit where it found that over 90% of the property was covered with overburden or post-mineral rocks and a lack of drill data. While this poses a justification for a discount to the $62.5M valuation, we believe there are several positive factors that should be mentioned as well. Firstly, the copper price and valuations across the mining sector have increased significantly over the last year, providing reasoning for an even higher valuation of the New Craigmont project. Furthermore, NIM has completed additional work on the property over the last year (including geophysical surveys) and is in the process of a diamond drill program. Lastly, NIM can generate more value out of the project compared to external firms like Nittetsu because of the milling assets it owns. Weighing these factors, we choose to conservatively value the project using the $62.5M valuation.

## Milling & Non-Milling Operations

Nicola has two operating businesses which generate revenue for the Company, the Merritt Mill & Tailings Facility, which partners with local mining companies and processes their ore at its facility, and its Sand/Gravel Pit and Rock Quarry which is operated by local aboriginal communities.

### *Merritt Mill & Tailings Facility*

The Merritt Mill & Tailings Facility is located at the same site as the New Craigmont Project and is licensed to process up to 200tpd of material by way of crushing, grinding, flotation and gravity separation. The plant is the only facility in BC authorized to handle third-party gold and silver mill feed from across the province and is in an ideal location to receive mill feed from nearby mines. Nicola has outfitted the mill building for future expansions and plans to do so when new milling partnerships and contracts are in place.

Nicola has secured Milling and Profit Share Agreements with prominent partners, including Blue Lagoon Resources Inc., Osisko Development Corporation, and Talisker Resources. Talisker Resources, Nicola's most recent partner, has already had its mill feed processed and shipped by Nicola with initial sales expected within the next 30 days.

*Production & Economics*

As for the milling segment, we conservatively assume that tonnes produced scales upward from 15,000 tonnes in 2025 to 60,000 tonnes by 2029, generating revenue of $51M. Our model estimates that 85% of the revenue generated will flow through to NIM as a prepaid payout. Please see our modelled production below.

| | Q1/25E | Q2/25E | Q3/25E | Q4/25E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Milling*** | | | | | | | | | | | | |
| Tonnes Produced | | 3,000 | 5,000 | 7,000 | 15,000 | 30,000 | 40,000 | 50,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| Gold Revenue | | | 2.7 | 4.5 | 7.2 | 20.3 | 31.6 | 40.6 | 49.6 | 54.1 | 54.1 | 54.1 |
| Silver Revenue | | | 0.1 | 0.2 | 0.2 | 0.7 | 1.1 | 1.4 | 1.7 | 1.9 | 1.9 | 1.9 |
| Prepaid Payout Revenue | 0.0 | 0.0 | 2.4 | 4.0 | 6.3 | 17.9 | 27.8 | 35.7 | 43.6 | 47.6 | 47.6 | 47.6 |
| Market to Market Revenue | 0.0 | 0.0 | 0.4 | 0.7 | 1.1 | 3.2 | 4.9 | 6.3 | 7.7 | 8.4 | 8.4 | 8.4 |
| Interest Associated with Presale | | 0.0 | 0.0 | (0.1) | (0.1) | (0.6) | (1.8) | (2.8) | (3.6) | (4.4) | (4.8) | (4.8) |
| **Total Milling Revenue** | **0.0** | **0.0** | **2.8** | **4.6** | **7.4** | **20.4** | **30.9** | **39.2** | **47.8** | **51.6** | **51.2** | **51.2** |

**Figure 2: Milling Revenue Projections**

### *Sand/Gravel Pit & Rock Quarry*

In partnership with Lower Nicola Site Services (LNSS), Nicola manages a fully permitted and active sand and gravel pit and rock quarry as part of its Merritt Mill Property. This business utilizes the large property and its existing infrastructure to support regional construction and highway projects, providing revenues to the Company and supporting the local communities. This portion of Nicola's business is run in partnership with First Nations communities. Additionally, Nicola is also in the process of constructing a cement and concrete plant which will further integrate its operations into the local supply chain.

*Production & Economics*

The non-milling segment is made up of revenue from Transmountain, Gravel, and Rock Quarry. Based on local market averages, we assume Transmountain leases land at ~$1,500-$2,000 per acre; we also assume 39 acres per quarter, scaling downward in 2026 and 2027. As for gravel, we assume tonnage scales up to 70,000 in 2026 before decreasing to a steady state of 52,500 tons with a gravel price per tonne of $2. Lastly, for the rock quarry, we assume 15,000 tons per year throughout our forecast period and rip rap per tonne of $3. Collectively, this results in $0.9M in revenue in 2025 and $0.8M in revenue in 2026, as seen below.

| | Q1/25E | Q2/25E | Q3/25E | Q4/25E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Non Milling Revenue*** | | | | | | | | | | | | |
| TransMountain Acres | 39 | 39 | 39 | 39 | | 124 | 28 | | | | | |
| TransMountain Revenue | 192,900 | 192,900 | 192,900 | 192,900 | | 626,400 | 136,800 | | | | | |
| Gravel Tonnage | | | 10,000 | 12,500 | | 70,000 | 42,500 | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 |
| Gravel Revenue | | | 20,000 | 25,000 | | 140,000 | 85,000 | 105,000 | 105,000 | 105,000 | 105,000 | 105,000 |
| Rock Quarry Tonnage | | 10,000 | 5,000 | 0 | | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Rock Quarry Revenue | | 30,000 | 15,000 | 0 | | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| **Total Non Milling Revenue** | **0.2** | **0.2** | **0.2** | **0.2** | **0.9** | **0.8** | **0.3** | **0.2** | **0.2** | **0.2** | **0.2** | **0.2** |

**Figure 3: Non-Milling Revenue Projections**

***Valuation***

Regarding the valuation of the non-milling and milling businesses, we utilize an NPV analysis. We assume cost per tonne of mining costs, loading costs, trucking costs, milling costs, and cost of sales; as seen below. Combining this with operating cost assumptions, we arrive at EBITDA and FCFF estimates that we use a 5% discount rate on to obtain our NPV of $25.6M or $0.15/share.

| | Q1/25E | Q2/25E | Q3/25E | Q4/25E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mining Costs | 0.0 | 0.6 | 1.0 | 1.4 | 3.0 | 6.0 | 8.0 | 10.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| Loading | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Trucking Costs | 0.0 | 0.3 | 0.6 | 0.8 | 1.7 | 3.3 | 4.4 | 5.5 | 6.6 | 6.6 | 6.6 | 6.6 |
| Milling Costs | 0.0 | 0.2 | 0.3 | 0.4 | 0.9 | 1.8 | 2.4 | 3.0 | 3.6 | 3.6 | 3.6 | 3.6 |
| Cost of Sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| **Total COGS** | **0.0** | **1.1** | **1.9** | **2.7** | **5.7** | **11.4** | **15.2** | **19.0** | **22.8** | **22.8** | **22.8** | **22.8** |
| **Nicola Proceeds** | **0.0** | **0.0** | **0.5** | **1.0** | **0.8** | **4.5** | **7.8** | **10.1** | **12.5** | **14.4** | **14.2** | **14.2** |
| Nicola Direct Expenses | 0.0 | 0.2 | 0.3 | 0.5 | 1.0 | 2.0 | 2.7 | 3.4 | 4.0 | 4.0 | 4.0 | 4.0 |
| **Nicola Net Proceeds** | **0.0** | **(0.2)** | **0.1** | **0.5** | **(0.2)** | **2.5** | **5.2** | **6.8** | **8.5** | **10.4** | **10.2** | **10.2** |
| **Gross Profit** | **0.2** | **0.0** | **0.3** | **0.7** | **0.7** | **3.3** | **5.4** | **6.9** | **8.6** | **10.5** | **10.4** | **10.4** |
| **Total Opex** | **0.3** | **0.9** | **0.5** | **0.5** | **2.3** | **2.1** | **2.1** | **2.1** | **2.1** | **2.1** | **2.1** | **2.1** |
| **EBITDA** | **(0.1)** | **(0.9)** | **(0.2)** | **0.2** | **(1.6)** | **1.2** | **3.4** | **4.9** | **6.6** | **8.5** | **8.3** | **8.3** |
| Capex | | | | | | 1.2 | | | | | | |
| **FCFF** | **(0.1)** | **(0.8)** | **(0.2)** | **0.2** | **(1.4)** | **(0.1)** | **3.0** | **4.4** | **5.9** | **7.6** | **7.5** | **7.5** |

| **NPV (5%)** | **$25.5M** |
|---|---|

**Figure 4: NPV Valuation**

## Treasure Mountain Silver Mine

The Treasure Mountain Project is a 100% owned high-grade silver, lead, and zinc past-producing underground mine with substantial exploration potential and an active mining permit. Located in the Similkameen Mining Division, BC, the project is accessible via a three-hour drive from Vancouver and spans 2,220ha. The Property is well-connected, with access to key infrastructure such as electricity from the nearby town of Tulameen.

The project hosts a NI43-101 compliant resource (Figure 5) and recently, on August 30th this year, the Company secured a ten-year extension on its mining lease, valid through 2032, allowing for the production of up to 60,000t mined per year. This extension presents the option to reopen the mine in the near term and could expedite permitting approval for new mineralized bodies if discovered.

| Category | Cut-off | Tonnage | Grade | | | Contained Metal | | |
|---|---|---|---|---|---|---|---|---|
| | (Ag oz/t) | (tonnes) | Ag (oz/t) | Pb (%) | Zn (%) | Ag (oz) | Pb (Lb) | Zn (Lb) |
| Indicated | 5 | 52,000 | 18.1 | 3.26 | 3.40 | 1,040,000 | 3,740,000 | 3,910,000 |
| | 10 | 33,000 | 24.2 | 4.16 | 3.80 | 880,000 | 3,030,000 | 2,760,000 |
| Inferred | 5 | 161,000 | 22.0 | 2.48 | 3.86 | 3,900,000 | 8,800,000 | 13,710,000 |
| | 10 | 120,000 | 27.0 | 2.79 | 4.36 | 3,580,000 | 7,370,000 | 11,540,000 |

**Figure 5: Treasure Mountain Total Resource (Source: Company Documents)**

In 2025, the Company is planning a 1,000m drill campaign with a focus on showing the prospectivity and resource potential across the large land package outside of the current mine area. It hopes that this drill campaign, if successful, will spark excitement from peers in the area and bring potential partnership opportunities as the Company focuses on its core asset, New Craigmont.

***Valuation***

When valuing the Treasure Mountain Silver Mine, we will convert the existing resource into silver equivalent ounces, combining the indicated and inferred resources. This brings the total silver equivalent resource to 213Kt at 29.0 oz/t AgEq (~900 g/t AgEq) and 6.2Moz AgEq. We apply the global average US$1.0 per silver ounce in-the-ground to this resource to arrive at a valuation of US$6.2M or C$8.6M ($0.05/share). While this is not NIM's flagship project, it still deserves a strong EV/oz valuation because of its active mining permits (derisking the project relative to its peers) and processing plant which ore can be sent to.

***Dominion Creek Property***

Not included in our valuation is the Company's 75% interest in Dominion Creek Gold, a high-grade gold project located near Smithers, BC. Its partner, High Range Exploration, has received a Letter of Support from First Nations for a bulk sample and submitted revised engineering reports to the Ministry of Energy, Mines and Low Carbon Innovation in conjunction with its revised 10,000t bulk sample application. Upon application approval, the bulk sample is planned to be sent to the Company's Merritt Mill whereby Nicola will benefit both through its milling services business and its economic interest in the Dominion Creek Project. There have been several news releases on the project and it could add to the bottom line, but we exclude it from our analysis for simplicity.

## Quesnel Trough & BC

The Quesnel Trough in BC is one of Canada's most geologically significant regions for copper and gold production. The trough stretches from Washington State to the Yukon border, the geological formation is known for hosting some of the largest copper-gold porphyry deposits in North America. Notable operators include Taseko Mines, Imperial Metals, Hudbay, Teck, Newmont, and New Gold. This strategic region is recognized for its copper deposits, which are essential in the growing demand for green technologies and economic expansion and as such, will be important for the next several decades. The Quesnel Trough is known for its high-quality ore and stable political framework, providing a safe and lucrative opportunity for Nicola. The established mines in the region demonstrate the high geological potential and strong investor interest in the Quesnel Trough. In this environment, Nicola Mining stands out, particularly with its New Craigmont Project which the Company is turning its focus to the exploration of a potential copper porphyry deposit.

## Management & Ownership

Nicola has a strong shareholder base with two major institutions being the largest holders, Concept Capital Management (18%) and BMO Nesbitt Burns (13%). The Company is led by Peter Espig who owns 3% of the shares outstanding. Peter has served as CEO since 2013 and specializes in the turnaround of mining projections with experience at Goldman Sachs and Olympus Capital. The board is chaired by Frank Hogel who is on the advisory board of Concept Capital Management and has served as President and Chief Executive Officer of Peter Beck Performance Funds and Peter Beck and Partner Asset Management Company Limited. The remaining management team and board are highly technical and experienced in the region, giving us confidence that the team will execute.

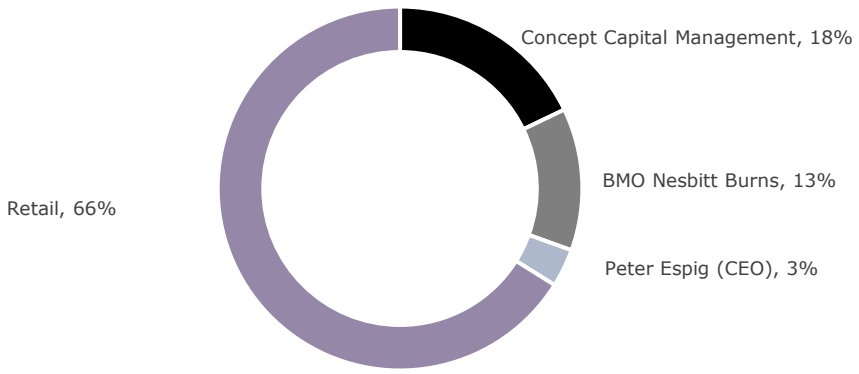


**Figure 6: Ownership Summary**

## Valuation

As seen in the valuation summary below, the largest component is the New Craigmont Project which is valued at $62.5M or $0.37/share. We derived this number using the valuation placed on the asset by Nittetsu in 2023. As seen above, we utilized an $NPV_{5\%}$ valuation for the Merritt Mill, obtaining a valuation of $25.6M or $0.15/share. Lastly, for the Treasure Mountain Silver Mine, we assume $8.6M based on US$1/oz, representing $0.15/share. This sums to a total enterprise valuation of $96.6M. After adjusting for NIM's net debt position, we arrive at our $0.60/share target price, implying 97% upside.

| | Amount (C$) | Per Share (C$/share) |
|---|---|---|
| **Mining Assets** | | |
| New Craigmont Copper Project | 62.5 | 0.37 |
| Merritt Mill & Tailings Facility | 25.5 | 0.15 |
| Treasure Mountain Silver Mine | 8.6 | 0.05 |
| **Enterprise Value** | **96.6** | **0.57** |
| | | |
| **Corporate Adjustments** | | |
| (+) Cash | 4.1 | 0.02 |
| (-) Debt | 4.5 | 0.03 |
| **Equity Value** | **96.1** | **0.57** |
| | | |
| **Target Price (Rounded)** | | **$0.60** |
| ***Upside*** | | ***97%*** |

**Figure 7: Valuation Summary**

## Company Overview

Nicola Mining's key projects include its flagship New Craigmont Copper Project, a high-grade copper asset in BC with ~900Mlbs of historical production and idyllic infrastructure. Additionally, NIM owns The Merritt Mill & Tailings Facility, which is licensed to produce up to 200tpd of third-party mill feed and its Sand & Gravel Pit and Rock Quarry, which the Company owns but does not operate, in partnership with First Nations groups. Finally, NIM owns the Treasure Mountain Project, a historic silver, lead, and zinc mine, which recently secured a ten-year lease extension, allowing for future exploration and potential reopening.

### New Craigmont Copper Project

The New Craigmont Copper Project is Nicola's 100% owned flagship exploration project classified as a high-grade copper project located in southern BC, 14km northwest of Merritt and 190km northeast of Vancouver. The project, hosting the historical Craigmont Copper Mine, benefits from excellent infrastructure including access to paved roads, and hydroelectric power, as well as proximity to major cities like Kamloops (~90km south) and Kelowna (~140km northwest), providing ample access to a skilled workforce. The project lies just southwest of New Gold's New Afton Mine and adjoins Teck Resources highly profitable Highland Valley Copper Mine grounds to the north (Figure 8 below). The property spans over 10,900ha, comprising of 10 mineral leases and 22 mineral claims. The historical Craigmont Copper Mine produced just under 900Mlbs of copper.


**Figure 8: New Craigmont Project Proximity to Teck and New Gold's Operations (Source: Company Documents)**

*Location*
The New Craigmont Project is strategically located in southern British Columbia, 14 km northwest of Merritt and 190 km northeast of Vancouver. This location provides easy access to key urban centres like Vancouver, Kamloops, and Kelowna via paved roads (Figure 8, above). The property benefits from excellent infrastructure, including connection to the British Columbia power grid, which supports ongoing exploration and potential future mining activities. Additionally, the southern location in BC provides a more temperate climate relative to many of Nicola's peers further north in BC in the Golden Triangle.

Notably, New Craigmont is strategically located adjacent to Teck's Highland Valley Copper Mine which is one of the largest producers of copper in North America. For context, the Highland Valley operation produced 100Kt of copper in 2022 for a revenue of $1.1B and gross profit of $391M. Additionally, New Gold's New Afton Copper-Gold Mine is 75km to the northeast of Craigmont and is also a large producer, producing 47.4Mlbs of copper and 67.4Koz of gold in 2023.

The project area spans over 10,900ha, composed of 10 mineral leases and 22 mineral claims (Figure 9). The project area is well-serviced by a network of dirt roads and tracks, ensuring easy access across the property. Additionally, the Merritt Mill, which is located on the property, further enhances the project's infrastructure, providing a local facility for processing ore.

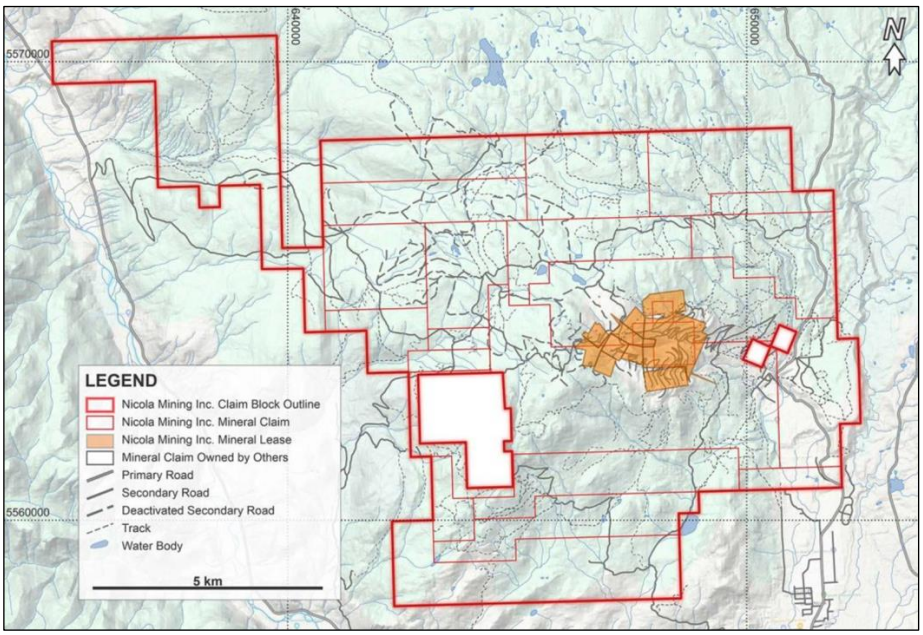


**Figure 9: Tenure Map of the New Craigmont Project (Source: Company Documents)**

*Regional & Local Geology*
The New Craigmont property is located on the eastern margin of the Quesnel Trough, a highly mineralized island-arc terrane that is home to many of British Columbia's major copper districts and projects. This geological belt contains the Upper Triassic Nicola Group rocks, a key formation for copper mineralization, which are intruded by the Upper Triassic-Lower Jurassic Guichon Creek and Iron Mask batholiths. These batholiths host world-class copper porphyry deposits, such as Teck Resources' Highland Valley Copper mine and New Gold's New Afton mine (Figure 10).

The Guichon Creek batholith, a key feature in this region, is bounded by two large faults: the Guichon Creek Fault to the east and the Lornex Fault to the west. These structural features are significant as they control the mineralization and geological setting of the project area. Additionally, the Late Cretaceous Spences Bridge Group volcanic belt, known for epithermal gold mineralization, predominates the western side of the property.

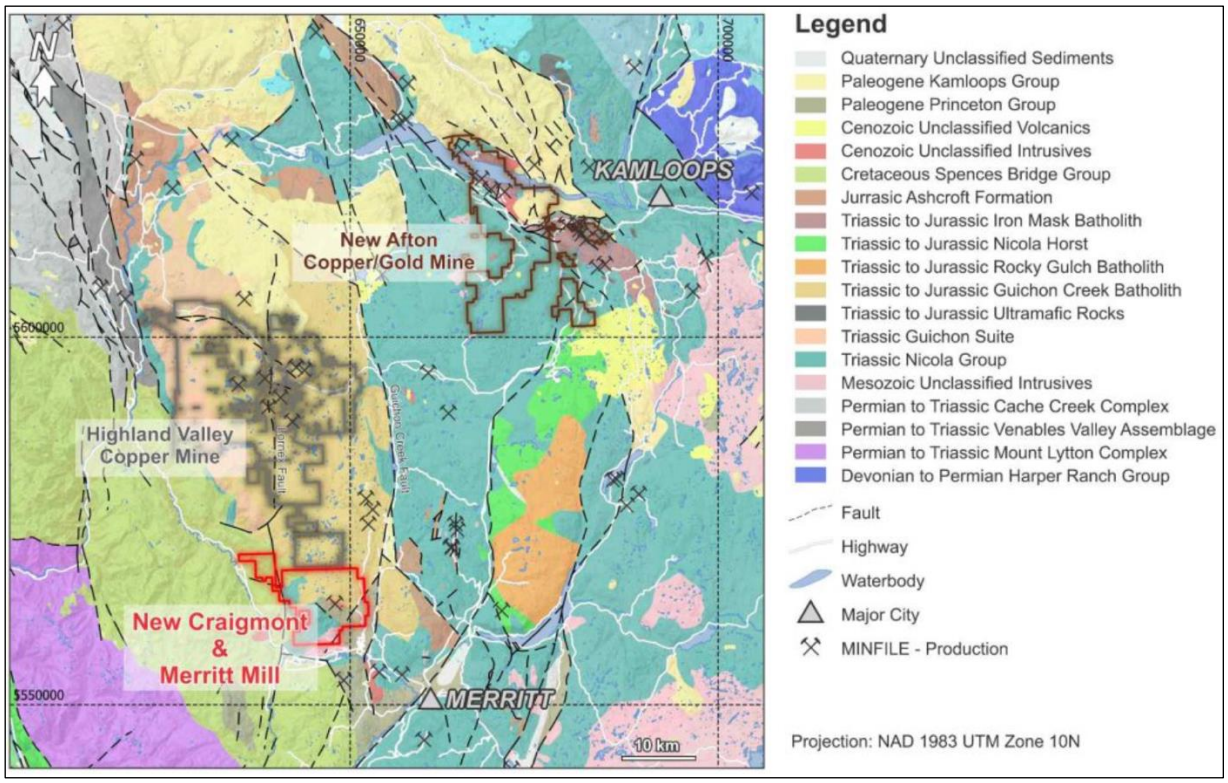


**Figure 10: Regional Geology Map (Source: Company Documents)**

The property covers the southern contact of the Guichon Creek batholith and the Nicola Group rocks composing of volcanic clastic rocks and sedimentary rocks (Figure 11). The Craigmont skarn deposit was hosted by the Nicola Group rock adjacent to the batholith. The historic Craigmont Mine, which operated from 1962 to 1982, exploited copper-magnetite skarn mineralization within the contact zone between the Guichon Creek batholith and the Nicola Group rocks. During its operational life, the mine produced between 33-36Mt of high-grade ore, yielding ~888Mlbs of copper, 3Blbs of magnetite, and minor quantities of gold and silver.

In addition to the Craigmont deposit, the property contains 14 additional copper showings, both of skarn and porphyry-style mineralization, that remain underexplored. Limited drilling has occurred on some of these showings, such as Embayment, Eric, Titan Queen, and Arh, leaving substantial upside potential for future exploration.

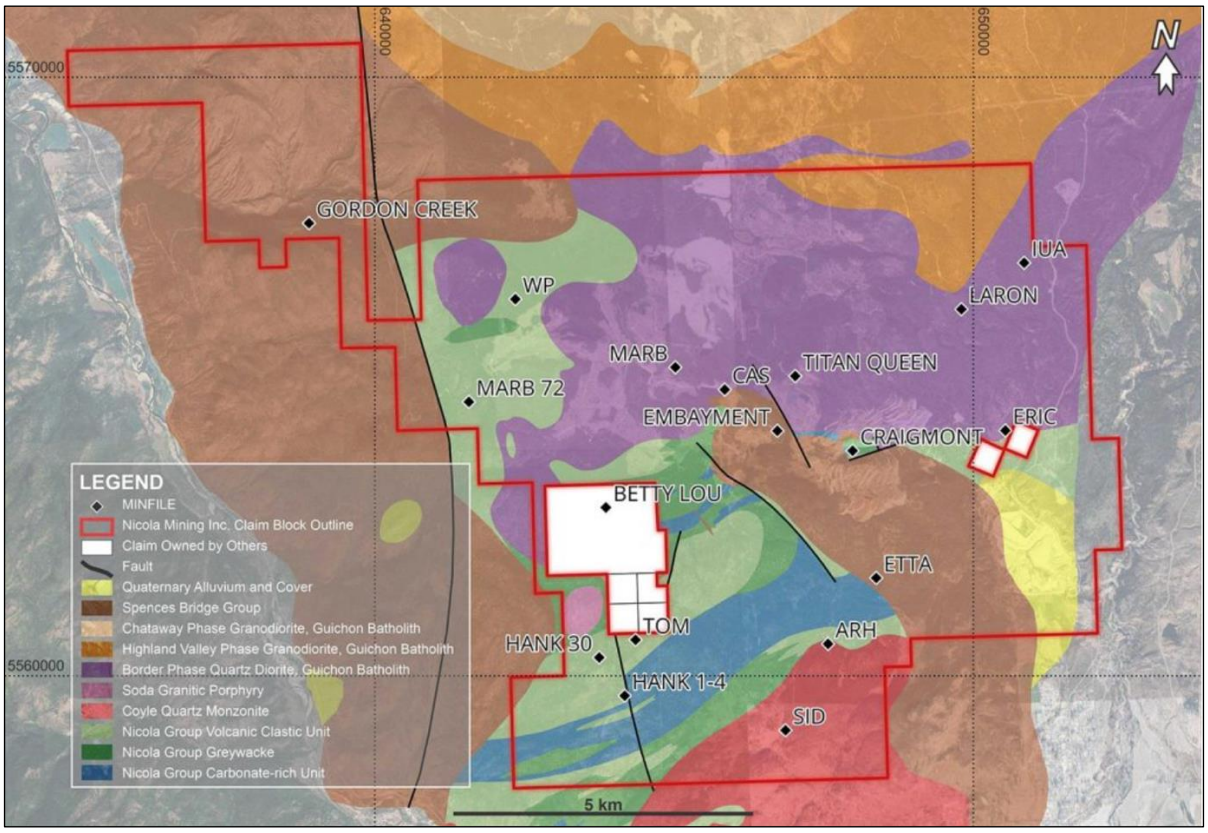


**Figure 11: New Craigmont Property Geology Map (Source: Company Documents)**

*Project History*

The New Craigmont Property has a significant history, namely the historic Craigmont Mine (hence, the 'New' Craigmont name). The Craigmont Mine was a significant copper mine which operated primarily as a producer of copper-magnetite ore and was one of the most productive copper mines in Canada during its peak.

The copper deposit at Craigmont was discovered in 1957 by geologist Douglas Lay, who recognized the potential for copper-magnetite skarn mineralization within the contact zone between the Guichon Creek batholith and the Nicola Group rocks (as discussed above). Following the discovery and a few years of exploration, the mine officially began production in 1962. The primary mining method was underground mining, although an open-pit was developed in the early years of production. The mine's processing plant was designed to recover both copper and magnetite. Production grew rapidly and at its peak, Craigmont was one of BC's top copper producers. It is estimated that over the life of the mine, between 33-36Mt of ore was processed yielding ~888Mlbs of copper and 3Blbs of magnetite. The average cut-off grade during production was between 0.7-1.0% Cu.

Despite the success, by the early 1980's the Craigmont Mine began to face challenges due to a combination of depletion of high-grade ore reserves, declining copper prices, and increasing operating costs due to the depth of underground workings. In 1982, after 20 years of operation, the Craigmont Mine ceased production and was closed. After closure, the site underwent reclamation efforts. The mine's infrastructure, including its mill and tailings storage, was gradually decommissioned. However, the Craigmont site continues to be of interest due to the presence of significant tailings and waste dumps that contain recoverable copper. In 2015, Nicola Mining (formerly Huldra Silver) consolidated the Craigmont property, acquiring both the mineral leases and claims covering the historic mine site.

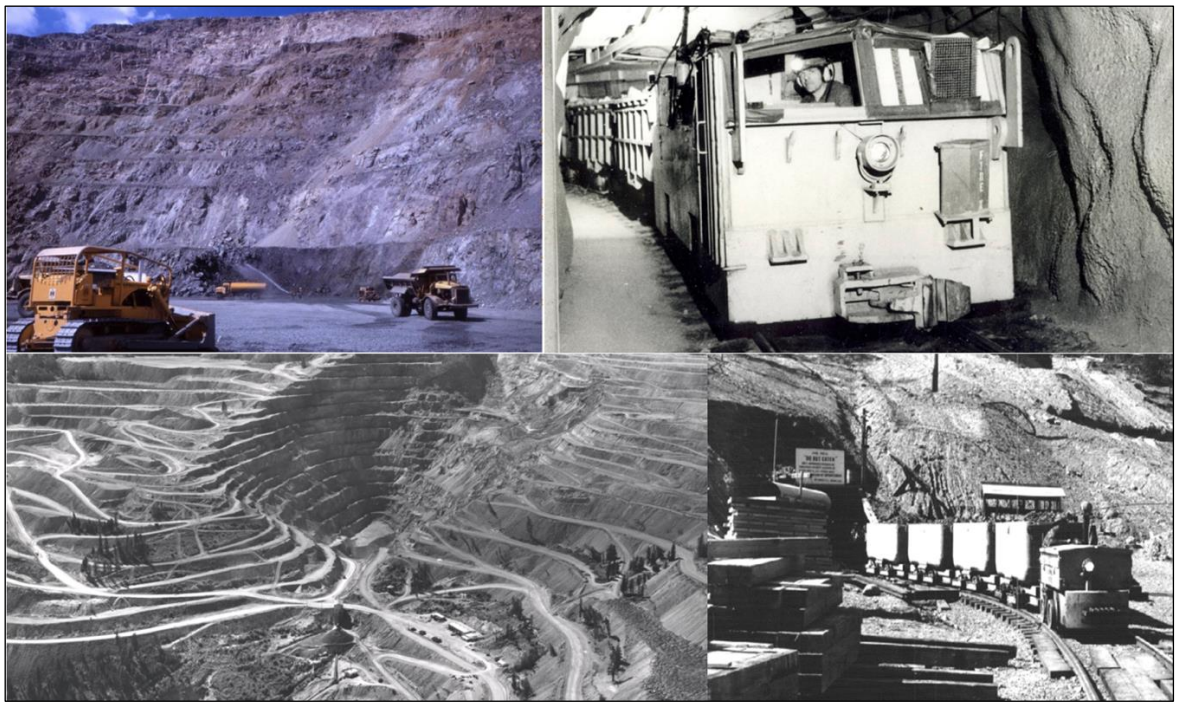

**Figure 12: Images of the Historical Craigmont Mine**
**(Source: Company Documents & The Merritt Herald)**

***NIM's Past Work***

In 2015, Nicola Mining (formerly Huldra Silver) consolidated the Craigmont property, acquiring both the mineral leases and claims covering the historic mine site. This marked the start of renewed interest in the Craigmont area, now referred to as the New Craigmont Copper Project. Since taking ownership, Nicola Mining has focused on the exploration and evaluation of the remaining resources at Craigmont.

Nicola Mining's exploration strategy has focused on two key objectives:

1) Expanding the known skarn mineralization historically mined at Craigmont
2) Exploring for porphyry copper systems, which are believed to be the source of the fluids responsible for the skarn mineralization. This theory is supported by geological observations and geophysical anomalies identified in the area.

A summary of the key activities on the project since acquisition is below:

- Extensive exploration activities to identify new sources of copper, including the possibility of discovering a porphyry copper system beneath the historic Skarn deposit
- Over 18,000 meters of diamond drilling to explore potential extensions of the original ore body and other underexplored targets on the property
- Detailed geological mapping across the property
- Extensive soil sampling to identify geochemical anomalies
- Advanced geophysical surveys, including induced polarization (IP), aeromagnetic surveys, and a ZTEM survey
- Reprocessing of historic waste dumps using advanced technologies, such as X-Ray Transmission (XRT) sorting, to recover copper left in the mine's tailings
- 1,869 meters of reverse circulation (RC) drilling on the Southern Dumps and 3060 Portal Dumps was used to develop an inferred mineral resource of 18.7Mt at 0.13% Cu

In a collaborative effort with the University of British Columbia's Mineral Deposit Research Unit (MDRU), Nicola Mining is conducting research to investigate the potential for a significant porphyry copper deposit within the property.

Several advanced geophysical surveys have yielded promising results. The Magnetization Vector Inversion (MVI) model revealed a significant magnetic anomaly in the MARB-CAS zone, which mirrors the scale of the historic Craigmont Mine and suggests the potential for substantial mineralization. Additionally, the ZTEM resistivity inversion survey identified a large resistivity anomaly in the western region of the property (West Craigmont – WP area), which has become a high-priority target for porphyry copper exploration.

In 2023, Nicola drilled six diamond drill holes totalling 2,684m adjacent to the historic Craigmont Copper Mine. The program sought to assess the possibility of a southern extension of the historic Craigmont skarn ore body and explore the potential presence of a porphyry copper system. Key findings included the discovery of widespread potassic alteration, propylitic alteration, and localized zones of copper (chalcopyrite) mineralization with traces of molybdenite.

***2024 – Notable News & Updates***

On August 30th, Nicola provided an operations and exploration update. The exploration update stated that four holes totalling ~1,500m at the never-before drilled West Craigmont-WP Zone are almost complete. Initial results are aiding in delineating the Nicola-Guichon contact and local structures. The observed alteration and mineralization are encouraging, aligning with the expectations for the periphery of a porphyry system. Upon completion of the fourth hole, the rig will begin the second phase of drilling on the MARB-CAS target (before possibly moving back to West Craigmont-WP). This portion of drilling aims to develop a framework for the subsurface geology and assess mineralization potential beneath the MARB showing.

Announced on July 18th, NIM commenced its 2024 diamond drilling program. The 2024 program targets both copper porphyry and skarn mineralization.

On July 3rd, Nicola announced the completion of a 3D IP survey at the New Craigmont Project (Figure 13). The survey was aimed at better defining the two principal exploration areas: the MARB-CAS Zone and the West Craigmont Zone (Figure 14). Upon reviewing the 6.5km$^2$ survey, the Company commenced the 2024 diamond drilling program, as mentioned above.

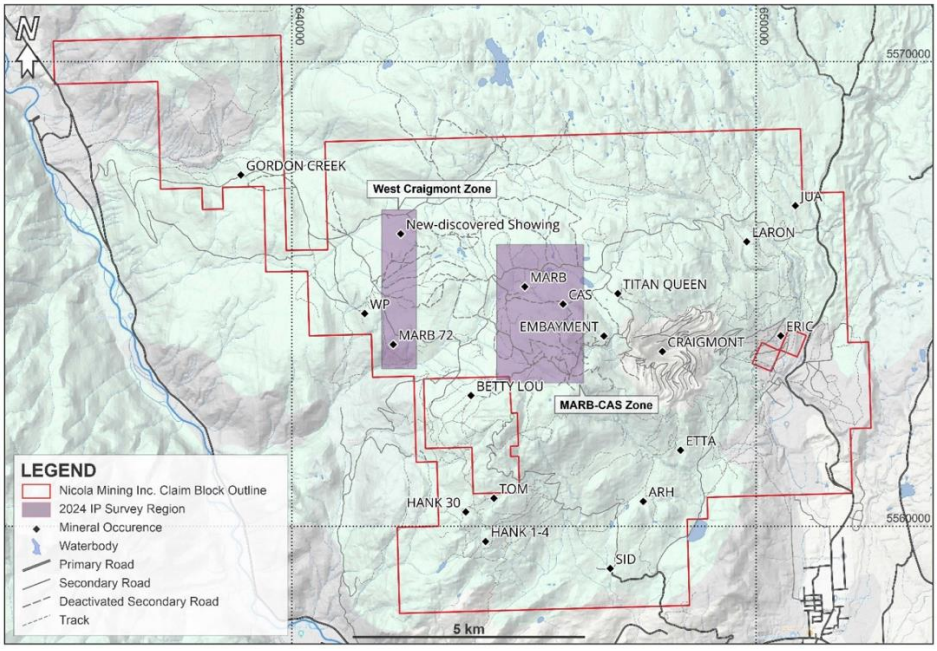


**Figure 13: 2024 IP Survey Areas (Source: Company Documents)**

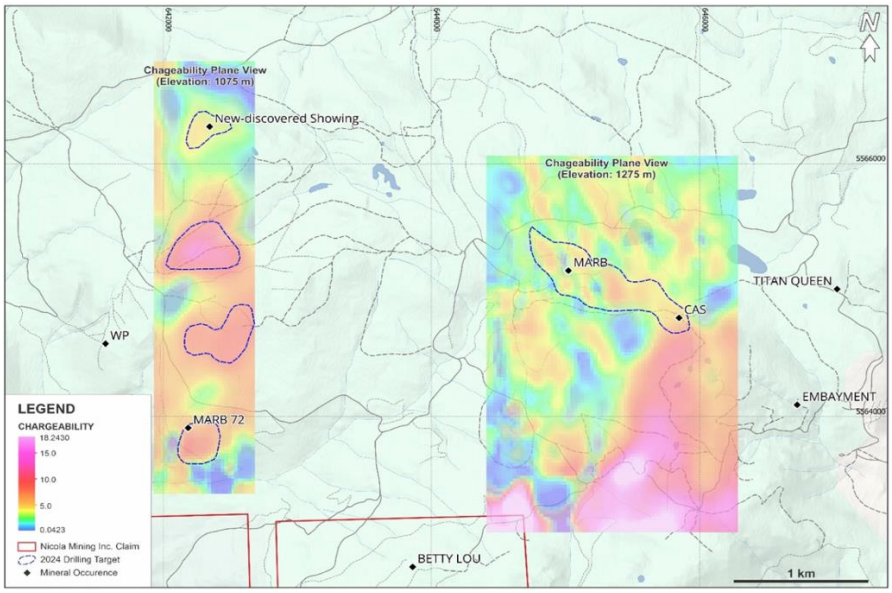


**Figure 14: 2024 IP Survey Results Showing Drill Target Areas (Source: Company Documents)**

***Historical and Recent Exploration Highlights***
Nicola Mining has reported several high-grade copper intercepts from the Embayment Zone, Craigmont Central, and the No. 3 Ore Body in recent drilling campaigns.

Key drilling results include:
DDH-THU-002: 85.92m grading 1.11% Cu (Embayment Zone)
NC-2018-01: 71.4m at 0.58% Cu (Embayment Zone)
NC-2018-03: 100.6m at 1.33% Cu (Embayment Zone)
CC-18-02: 76.6m at 1.05% Cu (Craigmont Central)
CC-19-72: 34m at 0.28% Cu and 44m at 0.45% Cu (No. 3 Ore Body)

These results demonstrate the potential for high-grade copper mineralization at multiple targets on the property, particularly within the Embayment Zone, where consistent copper grades have been observed.

Waste Dump Exploration and Resource Upgrading:
Nicola Mining has also focused on enhancing the copper grades in the historic mine waste dumps using X-Ray Transmission (XRT) sorter technology. A technical report compliant with NI43-101 was published in 2020, detailing the exploration activities on the waste terraces. The Company reported an inferred mineral resource of 18.7 million tonnes at 0.13% copper from the waste dumps. Further studies identified the potential for economic contributions from low-grade magnetite.

***Future Work & Permits***
Nicola Mining has been granted a Multi-Year Area-Based (MYAB) Exploration Permit, which authorizes a wide range of exploration activities through to November 2027. This permit allows for up to 190 diamond drill holes, geophysical surveys, and trenching across 12km, covering an area of 6 hectares.

As of August 30th, the four holes totalling ~1,500m at the never-before drilled West Craigmont-WP Zone are almost complete. Once complete, the rig will begin the second phase of drilling on the MARB-CAS target before possibly moving back to West Craigmont-WP. Much of this drill campaign is geared towards delineating the Nicola-Guichon contact and local structure, as well as potentially proving the existence of a copper porphyry system.

As per our discussions with management, the 2025 exploration program will continue to focus on the same targets confirmed in its 2024 program and will be similar in scope. Nicola's exploration team expects a minimum of 5,000m to be drilled in 2025, with an increased focus on the MARB Zone, which so far has intersected encouraging mineralized intercepts in the 2024 campaign. The focus is expected to further delineate the trend of mineralization and discover its source. The second area of focus is the West Craigmont Zone, where an observed mineralized outcropping still needs to be intersected below surface. Drilling in 2024 at the West Craigmont Zone did, however, discover a sulphidized fault zone that indicates possible copper mineralization at depth.

### Merritt Mill & Tailings Facility

Situated on the old Craigmont Mine mill site (now the New Craigmont Project), the Merritt Mill is in an idyllic location to receive mill feed from nearby mines. The mill and tailings site covers ~980 acres and is licensed for custom milling and processing up to 200tpd using crushing, grinding, and flotation methods. The Merritt Mill is the only facility in BC authorized to process third-party gold and silver mill feed from across the province.

The facility, constructed on freehold, I-3 Industrial zoned land acquired in 2011 for $8M, included a mill and infrastructure built in 2012 at a cost of ~$22M. An additional $1.8M investment was made to establish a fully lined tailings facility to minimize environmental impact. Since 2021, significant upgrades have been made, including a gravity jig separation system for recovering free gold from the mill feed and a tabling system for refining gold concentrate after flotation. These improvements allow the production of free gold concentrate, gold floatation concentrate, and silver concentrate. The mill building is designed for future expansions such as additional flotation tanks and gold screening units (Figure 15).

**Figure 15: Merritt Mill & Tailings Facility (Source: Company Documents)**

The Company has secured Milling and Profit Share Agreements with prominent partners, including Blue Lagoon Resources Inc., Osisko Development Corporation, and Talisker Resources. The most recent partner, Talisker Resources (agreement announced April 9th, 2024), has already seen its mill feed processed by Nicola with its gold concentrate being stockpiled and prepared for sale. The initial sales are expected to occur this month (Figure 16 below). Nicola also has a purchase contract with Ocean Partners UK Limited, a firm specializing in global trading services, allowing Nicola to sell gold and silver concentrate worldwide.

**Figure 16: Mill Concentrate from Talisker Resources (Source: Company Documents)**

As explained in more detail in the Dominion Creek section below, Nicola holds a 75% interest in the Dominion Creek Property, located 43km northeast of Wells and 110km east-southeast of Prince George. A permit for a 10,000t bulk sample extraction destined for the Merritt Mill is currently pending approval from the Ministry of Energy, Mines and Low Carbon Innovation.

***2024 – Notable News & Updates***

On October 23rd, Nicola announced that it has shipped concentrate produced jointly with Talisker Resources Ltd. The initial shipment of concentrate was for ~55 dry tonnes (64 wet tonnes) that contained an estimated average grade of 97.75 g/t Au. The Company also announced concentrate grades have increased during the milling process, mainly attributed to the capturing of free gold via the new gravity and tabling processes.

On August 30th, Nicola provided an operations and exploration update:
The update stated that the Company continues to produce gold concentrate with mill feed from Talisker Resources, adding that because the feed from Talisker contains free gold, Nicola reinstalled a gravity separator circuit for production.

Announced on July 18th, the Company completed further upgrades to the mill that include:

- Water Recirculation System: Installation of a water recirculation system between the mill and lined tailings facility that significantly decreases water consumption
- Process Automation: Installation of automated processes inside the mill, which streamlines processes, decreases production costs, and facilitates employee safety

On April 9th, Nicola announced that it had entered into a milling agreement with Talisker Resources (TSK:TSX) and on July 18th it processed its first gold mill feed from Talisker.

### Sand / Gravel Pit & Rock Quarry

Nicola Mining, in partnership with Lower Nicola Site Services (LNSS), manages a fully permitted and active sand and gravel pit and rock quarry as part of its Merritt Mill Property. It is also in the process of constructing a cement and concrete plant which will further integrate its operations into the local supply chain. The Company is advancing its operations infrastructure to support regional construction and highway projects, providing revenues to the Company and supporting the local communities. This portion of Nicola's business is run in partnership with First Nations communities.

***Gravel Pit Operations***

- **Capacity:** The gravel pit is fully permitted for annual production of 100,000t per year and is operated by LNSS. It is located in District Lot 4234, Thompson Nicola Regional District, and is adjacent to the historic Craigmont Mine Site.
- **Tolling Agreement:** The gravel pit operates under a tolling agreement with LNSS, providing materials for local projects, including major infrastructure developments.
- **Future Expansion:** Nicola and LNSS have submitted a five-year mine extension permit application for the gravel pit operations to continue supporting local and regional demands for construction materials.

***Rock Quarry Operations***

- **Capacity:** Nicola holds a permit for rock quarry operations, allowing the extraction of up to 1,500tpd. This material is primarily used in highway infrastructure repair projects, and Nicola receives royalties based on the quantity of extracted material.
- **License and Supply Chain:** In April 2022, the Company received License Number 349184 from the Ministry of Forests, permitting the extraction and removal of riprap and related products from the site for five years. The extracted materials are supplied to the Ministry of Transportation and Infrastructure (MOTI) to aid in the repair of highways damaged during the November 2021 floods, including the Trans-Canada Highway and Highways 99, 7, 3, 5 and 8.

***Cement Plant Construction***

- **New Development:** On April 5th, Nicola announced the commencement of construction for a cement plant in partnership with LNSS. This cement plant will be located on the same gravel pit operated by LNSS, adjacent to the Criagmont Mine Site. This strategic move supports Nicola's vertical integration, allowing the Company to not only extract sand, gravel, and riprap but also produce cement for infrastructure projects.
- **Vertical Integration:** With the integration of a cement plant, Nicola can offer a full spectrum of construction materials, further enhancing its position in the market.

**Figure 17: Sand / Gravel Pit and Rock Quarry (Source: Company Documents)**

### Treasure Mountain Project

The Treasure Mountain Project is a 100% owned historic high-grade silver, lead, and zinc underground mine with a valid mining permit and significant exploration upside potential (Figure 18). The project hosts a 43-101 compliant resource and recently, on August 30th, 2024, the Company announced it has received an important ten-year mining lease extension for its wholly owned Treasure Mountain Mine. The extension is now good through April 26, 2032. This extension is on the Mines Act Permit received in 2012 which approved the production of 60,000t of material per year. The extension provides Nicola the option of reopening Treasure Mountain and could expedite permitting approval for new mineralized bodies, if discovered.


**Figure 18: Treasure Mountain Underground Mine – Highlighting Mine Port Access (Source: Company Documents)**

***Location & Infrastructure***

Nicola fully owns the Treasure Mountain mine property, situated in the Similkameen Mining Division of BC Located ~29km northeast of Hope, BC, the property is easily accessible by a 3-hour drive from Vancouver (Figure 19). Spanning over 2,220ha, the property comprises of 31 mineral tenures, including 30 mineral claims and one mineral lease.

The Treasure Mountain mine can be accessed via a seasonal unpaved road that connects directly to the Coquihalla Highway, offering a straightforward route to the site. The area surrounding the Property boasts well-established infrastructure, with electrical power readily available near Tulameen village, situated 28km east of the mine site.


**Figure 19: Treasure Mountain Project Location (Source: Company Documents)**

***Geological Setting & Mineralization***

The Treasure Mountain Property contains polymetallic veins, notably hosting the historic Treasure Mountain silver-lead-zinc mine. The project lies within the northward extension of the Cascade Mountains, which span Washington State and comprises sedimentary and volcanic rocks from the Late Paleozoic to the Cretaceous periods, along with younger intrusions.

The geology of the property is dominated by two key formations (Figure 20). The first is the Jurassic Dewdney Creek Formation of the Ladner Group, composed mainly of fragmental volcanic rocks, with sedimentary components making up about 25%. The second unit is the Cretaceous Pasayten Group, primarily sedimentary, featuring arkose argillite, and conglomerate, which also hosts the Treasure Mountain deposit. These units exhibit a northwest orientation and are intersected by various intrusions and faults, notably the Chuwanten Fault, which separates them locally.

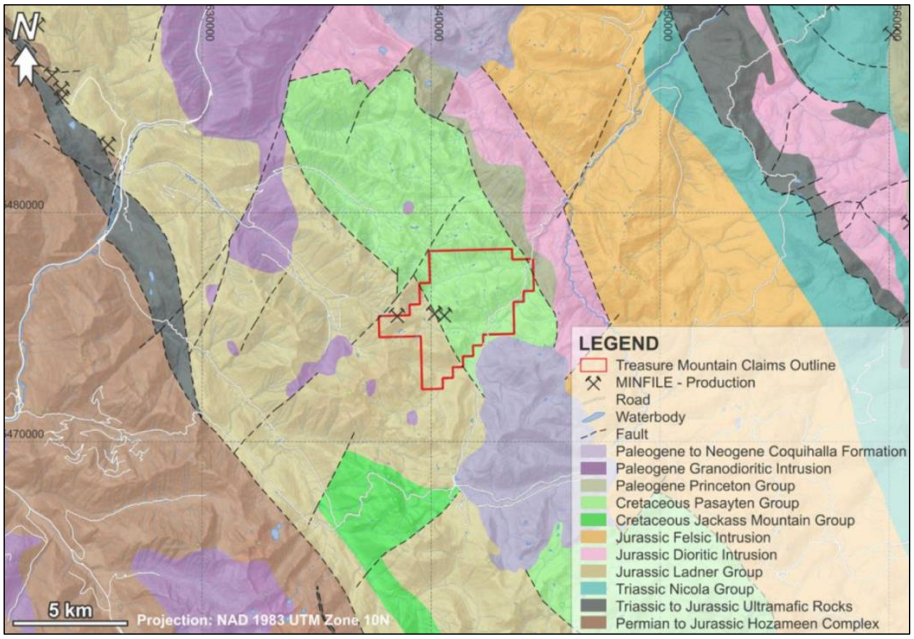


**Figure 20: Regional Geology Map of the Treasure Mountain Property (Source: Company Documents)**

The main Treasure Mountain vein is located near the Treasure Mountain Fault and is associated with a feldspar porphyry dyke (Figure 21). The vein trends northeast and dips southeast, with ore shoots that extend 50-150m in length and vary in thickness from 0.5-1.5m, occasionally reaching over 2.0m. This major mineralized vein, referred to as the "C" vein, has been explored over a dip distance of nearly 350m.

The veins are classified as "fracture controlled", containing minimal gangue, with central bands of massive mineralization extending into surrounding rocks. The primary ore minerals are sulfides, including sphalerite, tetrahedrite, and boulangerite, with silver present in native form and as part of tetrahedrite, galena, and boulangerite. Mineralization occurs along fractures, particularly near a feldspar porphyry dyke, likely related to nearby granitic bodies.

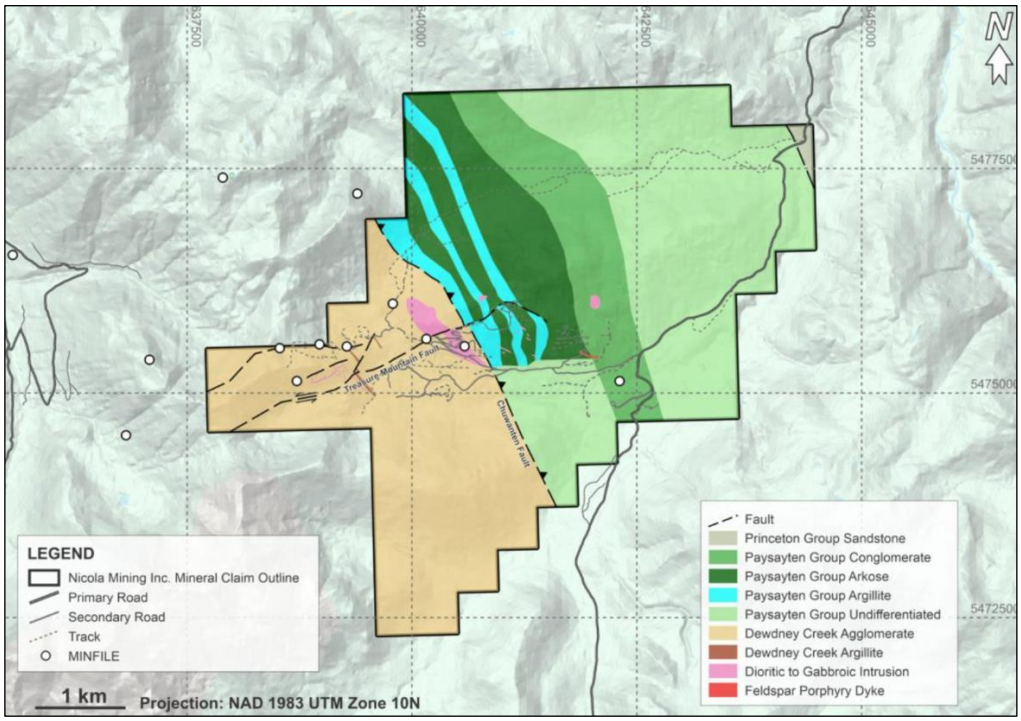


**Figure 21: Local Geology Map of the Treasure Mountain Property (Source: Company Documents)**

***Project History***

In the 1930s, around 4,000t of ore was mined from the Treasure Mountain property, yielding 39,558oz of silver, 379,532lbs of lead, and 88,455lbs of zinc. In 1950, Silver Hill Mines Ltd. built a 50tpd flotation plant, operational until 1956, though no production records exist. Huldra Silver Inc. arrived at Treasure Mountain in 1980 and discovered a silver-rich vein in 1985, leading to further exploration programs.

Between 1987 and 1989, extensive underground exploration was conducted, including 2,750m of tunnelling and over 4,500m of drilling. A bulk sample of 407t was successfully shipped for smelting, yielding $344K in revenues. In 1989, Huldra submitted a proposal to put the mine into production, but the permitting process was never completed.

Historical records state that the mine was ultimately permitted through a Notice of Work under the Mines Act to mine 10,000t of ore from Level 1 of the underground. In 2011, a camp was established, and exploration and development began. A Mines Act Permit was amended in 2012 for production of up to 60Kt per year.

As mentioned above, in August this year, Nicola received a ten-year mining lease extension which is good through April 26, 2032. This is approved for the production of 60Kt per year and provides Nicola with the option of reopening Treasure Mountain (Figure 22).

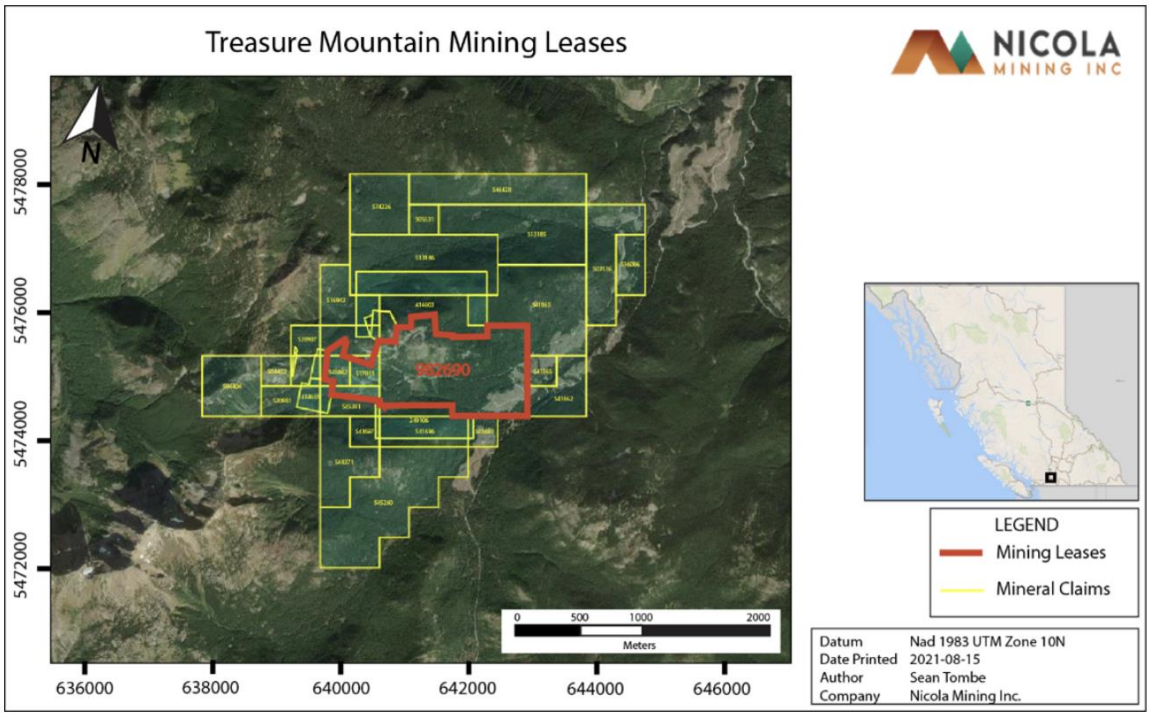


**Figure 22: Mineral Claims and Mining Leases for the Treasure Mountain Property (Source: Company Documents)**

***Resource***

The most recent NI43-101 compliant Mineral Resource Estimate, completed in 2009, reported an indicated resource of 33,000t at an average grade of 24 oz/t Ag (~750 g/t Ag), 4.16% Pb, and 3.8% Zn, based on a 10.0 oz/t (~310 g/t Ag) silver cut-off. Additionally, the inferred resource was estimated at 120,000t, with an average grade of 27.0 oz/t Ag (~840 g/t Ag), 2.79% Pb, and 4.36% Zn, also using a 10.0 oz/t cut-off (Figure 23).

| Category | Cut-off | Tonnage | Grade | | | Contained Metal | | |
|---|---|---|---|---|---|---|---|---|
| | (Ag oz/t) | (tonnes) | Ag (oz/t) | Pb (%) | Zn (%) | Ag (oz) | Pb (Lb) | Zn (Lb) |
| Indicated | 5 | 52,000 | 18.1 | 3.26 | 3.40 | 1,040,000 | 3,740,000 | 3,910,000 |
| | 10 | 33,000 | 24.2 | 4.16 | 3.80 | 880,000 | 3,030,000 | 2,760,000 |
| Inferred | 5 | 161,000 | 22.0 | 2.48 | 3.86 | 3,900,000 | 8,800,000 | 13,710,000 |
| | 10 | 120,000 | 27.0 | 2.79 | 4.36 | 3,580,000 | 7,370,000 | 11,540,000 |

**Figure 23: Treasure Mountain Total Resource (Source: Company Documents)**

Figure 24 below highlights a cross-section of the underground workings at Treasure Mountain. The 10,000t bulk sample was taken from Stope 1 on Level 1 and Stope 2 remains in situ. Nicola has the option to reopen Level 1 to extract silver mill feed from Stope 2.

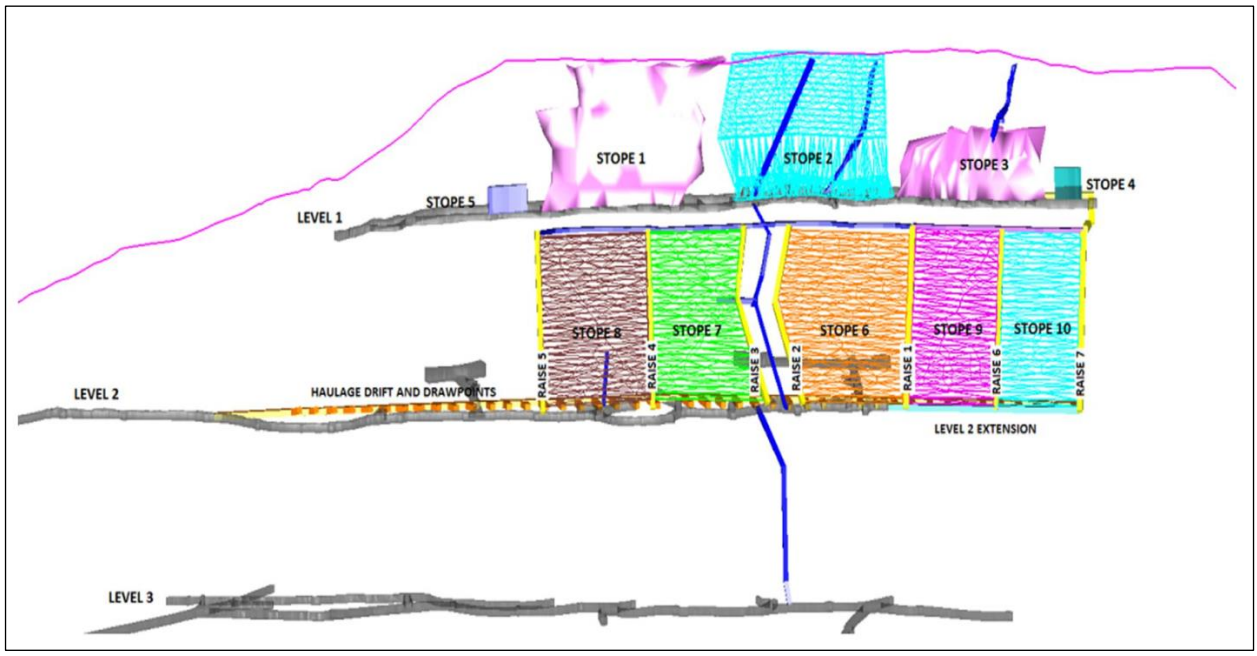


**Figure 24: Cross Section of Underground Workings & Stopes at Treasure Mountain Mine (Source: Company Documents)**

***Exploration & Development***

Since 2011, significant exploration work has taken place at Treasure Mountain, including diamond drilling, surface and underground rock sampling, surface soil geochemistry, and a 10,000t bulk sample. These activities were also supplemented by a small exploration cut in the East Zone, located 8km from the main mine workings.

A total of 69 diamond drill holes have been completed, covering approximately 7,000m. Of these, 51 drill holes, totalling 5,073m were strategically focused on the main mine development area to improve the resource definition within the upper 150m of the mine's infrastructure.

Soil geochemical sampling programs have also been a part of the exploration on the Property. Over 2,456 soil samples have been collected, with a particular focus on the MB Zone and the Camp Zone. The MB Zone ~1.5km from the underground workings on the previous undrilled northern flank, was discovered in 2010 after identifying the Cal Vein. A surface sample from fractured argillite yielded an impressive 9,221 g/t Ag. The Camp Zone, discovered in 1996 through geochemical testing, revealed a significant soil anomaly stretching up to 1,000m below the Jensen Portal.

Further exploration included rock geochemical sampling programs, with 20 surface samples taken from both the MB Zone and the Eastern Zone (JK Vein), and eight underground samples from the D Vein. Highlights from the surface sampling include one sample from the Eastern Zone containing 1,040ppm Ag, and four samples from the MB Zone exceeding 1,000ppm Ag. The D Vein initially uncovered 20m into the hanging wall of the open cut at the top of Treasure Mountain, was re-exposed through mechanical scaling. Among the D Vein samples, DV-8 stood out with a grade of 1,478ppm Ag, 33.65% Pb, and 0.78% Zn.

Figure 25 shows the recent soil and rock geochemical sampling results, highlighting the promising results all around the Main Zone and outside of the near-resource area.

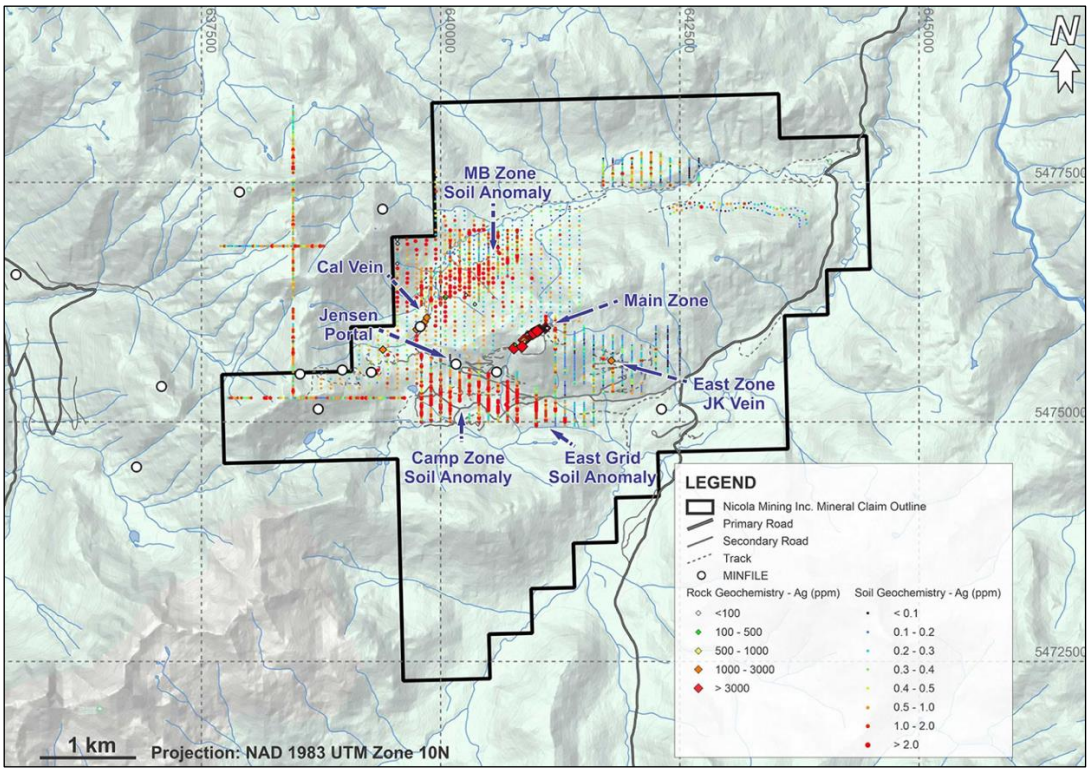


**Figure 25: Results of Recent Soil and Rock Geochemical Sample Programs (Source: Company Documents)**

***Future Work***

Going forward, the Company believes that the geochemical results surrounding the mine show strong resource potential and are worth following up on. In 2025, the Company plans to allocate capital to perform a drill campaign of up to 1,000m. This campaign will be important in showing the prospectivity and resource potential across the large land package outside of the current resource/mine area. It hopes that a successful initial drill campaign will spark excitement from peers in the area and bring potential partnership opportunities as the Company focuses on its main objectives.

## Quesnel Trough & BC Overview

***Overview of the Quesnel Trough***

The Quesnel Trough in BC is one of Canada's most geologically significant regions for copper and gold production. Stretching from Washington State to the Yukon border, the geological formation is known for hosting some of the largest copper-gold porphyry deposits in North America. Notable mines like Mount Polley, Mount Milligan, and Gibraltar are found here, making the Trough a key contributor to Canada's mining sector. This strategic region is recognized for its copper deposits, which are essential in the growing demand for green technologies and economic expansion and as such, will be important for the next several decades. The Quesnel Trough is known for its high-quality ore and stable political framework, providing a safe and lucrative opportunity for Nicola. Additionally, British Columbia is one of the world's premier mining jurisdictions, consistently ranking in the top 25 of the Fraser Institute survey.

***Prominent Companies Operating in the Quesnel Trough***

The region hosts several major players in the mining industry, including Teck Resources, Hudbay Minerals, Newmont, and Taseko Mines, all of which have capitalized on the Quesnel Trough's vast copper deposits. Highlights include:

- **Gibraltar Mine (Taseko Mines)**: One of North America's largest open-pit copper mines, Gibraltar plays a crucial role in copper production, contributing significantly to the regional and national economy.
- **Mount Polley (Imperial Metals)**: Known for its high-grade copper-gold porphyry deposit, Mount Polley remains a key player in British Columbia's mining landscape despite past operational challenges.

- **Copper Mountain (Hudbay)**: This mine is recognized for its substantial copper production and has undergone expansions to increase output and extend the mine's life.
- **Highland Valley Copper (Teck)**: As the largest open-pit copper mine in Canada, Highland Valley Copper is crucial for the industry, employing advanced mining and processing technologies to maintain high production levels.
- **Red Chris (Newmont)**: Notable for its large-scale copper-gold porphyry deposit, Red Chris, jointly operated by Newmont/Newcrest and Imperial Metals, has significant exploration potential.
- **New Afton (New Gold)**: Known for its efficient underground mining operations, New Afton produces both copper and gold, with modern infrastructure and innovative approaches contributing to its productivity.

These established mines demonstrate the high geological potential and strong investor interest in the Quesnel Trough. In this environment, Nicola Mining stands out, particularly with its New Craigmont Project which the Company is turning its focus to the exploration of a potential copper porphyry deposit.

**Figure 26: Gibraltar Mine (Source: Taseko Mines)**

## Cap Table & Balance Sheet

NIM maintains a healthy balance sheet with $3.0M in cash, $1.0M in marketable securities, and $4.5M in debt as of June 30th. The marketable securities are stock in Blue Lagoon Resources (BLLG:CSE) which NIM made a strategic investment into in January 2024. The Company also has $1.3M in non-current restricted cash which we will not include in our cash figure as it is a deposit with the BC Ministry of Finance as security for its permits and reclamation clean up at the Treasure Mountain Property, the Merritt Mill and decommissioned tailings, and the New Craigmont Property. The debt balance is largely secured convertible debentures with a 10% interest rate which mature in November 2025. NIM prepaid $1.2M of the debentures in December 2023.

The Company currently has 166.7M shares outstanding with no warrants and 10.5M in options. All of the options at ITM with an average exercise price of $0.28/share.

| FD ITM Shares Calculation | |
|---|---|
| Total Basic Shares Out. | 166.7 |
| | |
| Dilutive ITM Shares | 8.3 |
| Proceeds | $2.0 |
| Repurchased Shares | 6.6 |
| Adj. Dilutive ITM Shares | 1.7 |
| **FD ITM Shares** | **168.4** |

| Capital Structure | Millions |
|---|---|
| Common Shares | 166.7 |
| Warrants | 0.0 |
| Options | 10.5 |
| **FD Shares** | **177.2** |

**Figure 27: Shares Outstanding**

## Management

**Peter Espig – President, CEO, & Director**
Mr. Espig has been active in the turnaround of mining projects and has functioned in management and director roles for numerous mining companies. Mr. Espig assumed the role of President & CEO in 2013 and guided the Company through its restructuring, which included entering the company into CCAA and successfully exiting in November 2014. He is experienced in the analysis of investment opportunities, raising capital, deal sourcing, financial structuring, and corporate turnarounds. Peter has structured over US$2.0 billion in private equity and pre-IPO investment transactions from the principal side and is a pioneer of SPACs, having completed over $1.0 BN in transactions. Mr. Espig previously served as Vice-President of the Principal Finance and Securitization Group and Asia Special Situations Group for Goldman Sachs Japan. Prior to joining Goldman Sachs, Mr. Espig was Vice-President of Olympus Capital, a New York private equity firm, where he participated in corporate restructurings, investment analysis and financing negotiations. In 1989, Mr. Espig received his B.A. from the University of British Columbia and later received his MBA from Columbia Business School, where he was a Chazen International Scholar. Peter owns 5.6M shares, representing 3% ownership.

**Will Whitty – VP of Exploration**
Mr. Whitty has over fifteen years of advanced-stage exploration experience, working on a variety of porphyry copper-molybdenum deposits and copper skarns as well as Carlin-style gold and orogenic gold deposits. He started his career as a consultant for TetraTech EBA. He subsequently, moved to Arizona where he worked for Freeport-McMoRan for nine years with the mine site exploration group where he provided geological services to most of the company's mines in the southwestern US. Before coming to Nicola, Mr. Whitty worked for Nevada Gold Mines a Barrick-Newmont joint venture, at the Goldrush Mine, which is located within the Cortez district in northern Nevada. As Senior Geologist at the newly producing mine, he successfully managed multi-million-dollar drill programs. Mr. Whitty completed his B.Sc. degree in geology at Carleton University in Ottawa and his M.Sc. degree in geology with the Mineral Deposit Research Unit at UBC in Vancouver.

**Kairan Liu – Senior Geologist**
Kairan Liu is a seasoned geologist with a decade of experience in the field. He earned his PhD from the Colorado School of Mines, focusing on the geology and genesis of magmatic-hydrothermal systems. Before joining Nicola Mining Inc., Kairan has collaborated with notable organizations such as Silvercorp Metals Inc., Triumph Gold Corp., and Freeport-McMoRan. His contributions have been pivotal in advancing exploration projects across Canada, the USA, and Bolivia. His academic journey also includes a B.Eng from China University of Geosciences and a B.Sc from the University of Waterloo.

**Sam Wong – CFO**
Sam Wong is a Certified Public Accountant with more than 18 years of international experience in the mining and resource sector. He has held senior executive positions in publicly traded mining companies. Mr. Wong's expertise includes financial reporting, corporate risk management, corporate strategy and planning, and investment evaluation. Mr. Wong began his career at Deloitte LLP in Vancouver, where he provided assurance and tax services.

**Frank Hogel – Chairman**
Mr. Hogel is an asset manager actively involved in the financial evaluation of companies and convertible debenture restructuring. He is on the advisory board of Concept Capital Management and has served as President and Chief Executive Officer of Peter Beck Performance Funds and Peter Beck and Partner Asset Management Company Limited since 2002. He has been actively involved in the mining sector for fifteen years. Frank personally owns 117K shares (<1%) while Concept Capital Management owns 29.8M shares (18% ownership)

**Paul Johnston – Director**
Dr. Johnston is a professional geoscientist with over 30 years of mining industry experience and currently serves as Vice President of Exploration at Element 29 Resources. He has accumulated extensive international experience in early to advanced-stage exploration for gold, copper, and zinc. Dr. Johnston began his career in the late 1980s as a mine geologist before joining Teck Resources, where he worked in a variety of international positions, including Regional Chief Geoscientist for South America. He holds a PhD from Queen's University and is a member of the Association of Professional Engineers and Geoscientists of British Columbia. Paul owns 50K shares.

**Malcolm Swallow – Director**
Mr. Swallow has extensive experience in providing guidance to operating and developing mining companies and mines, including all aspects of precious and base metals and industrial minerals developments, mine and mill construction and operation, start-ups and re-starts of existing operations. He has a wide knowledge of the construction and operation of underground and open pit operations, solid knowledge of mineral processing techniques, familiarity with overseas and remote developments in dual languages, permitting and environmental compliance and all other aspects of mine management and mining operational turn arounds.

**Brent Omland – Director**
Brent Omland has served as the CFO and as a Director of Ocean Partners Holdings Limited since 2013. In 2023, Mr. Omland was appointed to the role of Co-CEO of Ocean Partners. Before joining Ocean Partners, Mr. Omland was the CFO for Ivernia Inc. and Enirgi Metals Group, companies focused on lead mining and secondary lead smelting in Australia. Mr. Omland also worked in finance roles for Teck Cominco. Mr. Omland is a graduate of the University of British Columbia (Commerce) and a Canadian Chartered Accountant with 20 years of experience in the mining, metals, and trading business. He also serves on the boards of Galantas Gold Corporation and Dore Copper Mining Corporation.

## Risks

***Operational Risk – Average***
Our investment thesis in NIM is subject to general operational risks including delays in construction and production, unexpected environmental/weather issues, operational personnel risk, and inflationary pressure on costs.

***Exploration Risk – Average***
As a junior mining company, Nicola Mining is engaged in exploration, which comes with the risk that its projects may not yield commercially viable mineral deposits. This uncertainty can lead to significant financial losses if a project does not proceed as expected.

***Financial & Dilution Risk – Low***
The Company has over $4M in debt, most of which is convertible debentures with a 10% interest rate that matures in November 2025. NIM has a large cash and equivalents position and is soon to generate positive cash flow, and as such, we view financial and dilution risk as low.

***Jurisdiction Risk – Low***
As mentioned in throughout, the Quesnel Trough is a prolific mining region in one of the most favourable jurisdictions globally (British Columbia). As such, we view jurisdiction risk as low, however, given the current permitting landscape for Canada, there are potential road bumps and delays for the Company.

## Appendix

| | Exercise Price | Outstanding (M) |
|---|---|---|
| **Basic Shares Outstanding** | | **166.7** |
| **Total Warrants** | | **0.0** |
| **Options** | | |
| 2025-01-20 | $0.24 | 0.4 |
| 2026-01-08 | $0.30 | 1.8 |
| 2026-10-05 | $0.22 | 0.7 |
| 2027-10-05 | $0.16 | 2.0 |
| 2028-05-02 | $0.30 | 0.1 |
| 2028-07-26 | $0.36 | 2.0 |
| 2028-08-03 | $0.30 | 0.2 |
| 2028-10-03 | $0.40 | 0.2 |
| 2029-04-18 | $0.27 | 3.0 |
| **Total Options** | | **10.5** |

**Figure 28: Cap Table**

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| RATING | COVERED COMPANIES |
|---|---|
| BUY | 19 |
| HOLD | 0 |
| SELL | 0 |

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