

Nicola Mining – Commencing Gold and Silver Production at its Merritt Mill

Rating
BUY
Unchanged

Target Price
\$0.60
Unchanged

May 21, 2025

All figures in CAD unless otherwise stated

Nicola Mining Inc.	NIM:TSXV
Rating	BUY
Target Price	\$0.60
Return to Target	64%

Market Data

Share Price	\$0.37
Average Daily Volume (K)	169.9
FD ITM Shares (M)	172.7
Market Cap (\$M)	\$63.0
Cash (\$M)	\$3.2
Debt (\$M)	\$6.2
Enterprise Value (\$M)	\$66.0

Valuation

New Craigmont Project (\$M)	\$62.5
Merritt Mill & Tailings Facility (\$M)	\$27.7
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.

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What you need to know:

- Nicola announced that it has started receiving ore from Talisker Resources and is currently undergoing pre-production preparation.
- The Company expects to reach full milling capacity (200tpd) by Q3.
- 640t of run-of-mine material have already been delivered to the Merritt Mill, with stockpiling underway ahead of processing.
- With two other sources of ore from Blue Lagoon Resources and the 10,000t bulk sample from Dominion Creek, the Company is already in the process of amending the permit to increase throughput further.

This morning, Nicola Mining Corp. (NIM:TSXV, HUSIF:OTC) announced that it has started receiving ore (gold and silver) from Talisker Resources Inc (TSK:TSX) and is currently undergoing pre-production initiatives in preparation for production commencing in the near term. The Company stated that it expects to ramp production up to full capacity in Q3 (the mill is permitted to process up to 200tpd). Additionally, NIM is already working on applying for an amendment to its permit to increase throughput further. **We are maintaining our BUY rating and \$0.60/share target price on Nicola Mining.**

The Merritt Mill, which underwent extensive upgrades in H2/24, remains the only facility in British Columbia permitted to accept third party gold and silver ore. Nicola is also collaborating with Ocean Partners UK Limited on the sale of gold and silver concentrate generated from this ore. As stated in Talisker's press release on May 15th, 640t of material has already been transported to the mill and stockpiled in preparation for processing in the near term.

We believe this is a pivotal moment for Nicola as it will soon turn into a long-term gold producer and has timed this moment perfectly to take advantage of elevated metals prices (gold >US\$3,300/oz today). We view today's stock price as a unique buying opportunity as many of NIM's small producing peers have soared since reporting record revenues in the wake of the gold price surging.

Pending Production from Other Sources

This announcement reinforces our view that Nicola's multi-source strategy is gaining momentum. In addition to Talisker's ore, we expect Nicola to begin receiving ore from Blue Lagoon Resources (BLLG:CSE) as early as Q3/25. Blue Lagoon recently received permits for 55,000tpa of production from its Dome Mountain Mine, and Nicola is finalizing preparations to receive high-grade ore from the project. Together with the planned 10,000t bulk sample from Dominion Creek, we anticipate the Merritt Mill will drive significant revenue and cashflow for NIM.

New Craigmont Copper Project

Also in the press release, NIM stated that it is currently preparing to commence copper exploration activities at its New Craigmont Copper Project. We remind readers that New Craigmont is on the same property as the Merritt Mill and shows potential of a legitimate copper asset. The property is also host to a historical high-grade copper mine, reducing exploration, development, and permitting risks. NIM also announced the addition of Vincente Garcia as a senior geologist to help strengthen NIM's geological team. Mr. Garcia is an experienced geologist with a background in copper porphyry deposits.

Catalysts

- New Craigmont 2025 Exploration Program – Ongoing
- Merritt Mill Production and New Partnerships – Ongoing
- Merritt Mill throughput permit amendment – Ongoing

Talisker Announcement – May 15th, 2025

To date, a total of 640t of vein material from the 1060 and 1075 development levels of the Mustang Mine has been delivered to Nicola's Merritt Mill. Nicola expects to build a sufficient stockpile at the facility over the next month to ensure operational continuity, with milling set to begin shortly after. Nicola and Talisker recently renewed their Milling Agreement to process run of mine material from the Mustang Mine at Nicola's mill. This new development replaces Talisker's previous ore purchase agreement with New Gold Inc. and underscores Nicola's growing role as the milling partner of choice for high-grade gold operations in southern British Columbia.

High Grade Shipments

Nicola Mining has begun receiving high-grade gold and silver ore from Talisker Resources, marking the official activation of their renewed milling agreement. The Company is also collaborating with Talisker and Ocean Partners UK Limited on the sale of gold and silver concentrate produced from the mill feed. Delivered ore is currently being stockpiled to build sufficient inventory ahead of processing (Figure 1), with Nicola's upgraded and fully permitted Merritt Mill now positioned to begin operations (Figure 2).



Figure 1: Ore from Talisker's Bralorne Mine



Figure 2: Nicola Mining's Merritt Mill

Why We Like NIM

- 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.
- 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.
- NIM'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.
- 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.

Valuation

We continue to value the New Craigmont Copper Project at \$62.5M or \$0.36/share, based on the valuation placed on the asset by Nittetsu in 2023. We value the Merritt Mill using an NPV-based approach at \$27.7M or \$0.16/share, reflecting its growing throughput from multiple ore sources. Additionally, we assign \$8.6M or \$0.05/share to the fully permitted Treasure Mountain Silver Mine. After adjusting for net debt, we arrive at our unchanged target price of \$0.60/share.

	Amount (C\$)	Per Share (C\$/share)
Mining Assets		
New Craigmont Copper Project	62.5	0.36
Merritt Mill & Tailings Facility	27.7	0.16
Treasure Mountain Silver Mine	8.6	0.05
Enterprise Value	98.8	0.57
Corporate Adjustments		
(+) Cash	3.2	0.02
(-) Debt	6.2	0.04
Equity Value	95.8	0.55
Target Price (Rounded)		\$0.60
Upside		64%

Figure 3: Valuation Summary

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NOT RATED (N/R): Atrium does not provide research coverage on the respective company.

RATING	COVERED COMPANIES
BUY	22
HOLD	0
SELL	0

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