NICOLA
MINING INC

Management's Discussion and Analysis

For the six months ended June 30, 2025

(Expressed in Canadian dollars, unless otherwise noted)

August 29, 2025

The following management's discussion and analysis ("MD&A") was prepared as of date of the report per above and is management's assessment of the operating results and financial condition of Nicola Mining Inc. ("Nicola" or the "Company") together with its subsidiaries. For further information on the Company, reference should be made to its public filings on SEDAR+ at www.sedarplus.ca. Information is also available on the Company's website at www.nicolamining.com. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2024 and unaudited condensed interim consolidated financial statements for the period ended June 30, 2025, and related notes thereto which have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The MD&A contains certain forward-looking statements, please review the disclaimers that are provided on the last page of the report.

OVERVIEW

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.

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".

FISCAL QUARTER JUNE 30, 2025 HIGHLIGHTS

- On March 12, 2025, the Company completed a non-brokered private placement issuing 4,038,955 units at $0.28 per unit, for aggregate gross proceeds of $1,130,907 and paid $98,437 of finder's fees, for net proceeds of $1,032,470. Each unit consists of one common share and one-half of one share purchase warrant, with each warrant entitling the holder thereof to purchase one additional Share of the Company at a price of $0.40 per warrant share for a period of three years from the closing of the offering. If during the exercise period of the warrants, but after the resale restrictions on the shares have expired, the shares trade on the TSX Venture Exchange (or such other exchange on which the shares may be traded at such time) at a closing price of $0.60 or greater per Share for a period of ten (10) consecutive trading days, the Company may accelerate the expiry of the warrants by giving notice to the holders thereof (by disseminating a press release advising of the acceleration of the expiry date of the warrants) and, in such case, the warrants will expire on the thirtieth (30th) day after the date of such notice.

- On May 21, 2025, the Company started receiving gold / silver ore from Talisker Resources Inc. and is currently undergoing pre-production adjustment. The modern $35.0 million plus milling and processing facility, which is located near Merritt, British Columbia, has undergone numerous upgrades in 2H 2024. Production at the modern facility, which is constructed on free-hold industrial-zone land owned 100% by the

Company, is expected to ramp up and reach full capacity in Q3. The Company has also commenced the process of applying for an amendment to its permit, for the purpose of increasing mill throughput.

- On June 9, 2025, the Company received a multi-year area-based exploration permit, Permit Number MX-15-121 (the "MYAB Permit"). On June 4th, 2025. The MYAB Permit allows the Company to conduct extensive exploration on its wholly owned Treasure Mountain Silver Project 1 (the "Treasure Mountain"), a fully permitted silver mine (Permit 239) located 30 km northeast of Hope and about a 3-hour drive from Vancouver, British Columbia.

Receipt of the MYAB Permit, the Company received a ten-year mining lease extension (the "Extension") for Treasure Mountain 2 under its M-239 permit. The Extension is valid through April 26, 2032, and receipt of the MYAB Permit positions the Company to leverage both mining and exploration options.

- On June 20, 2025, the Company announced commencement of the 2025 Exploration Diamond Drilling Program (the "2025 Program") at its New Craigmont Copper Project ("New Craigmont"), near Merritt, BC.

Subsequent to June 30, 2025

- On July 17, 2025, the Company closed its non-brokered private placement which it sold an aggregate of 4,350,000 units (each, a “Unit”) at a price of $0.50 per Unit for gross proceeds of $2,175,000. Each Unit consists of one flow-through common share (each, a “FT Share”) and one-half of one non-flow-through common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant is exercisable at a price of $0.65 and expires on July 17, 2027. Each FT Share of the Company is issued on a “flow-through” basis pursuant to the Income Tax Act (Canada) and in accordance with the policies of the TSX Venture Exchange (the “Exchange”). The Company paid an aggregate of $147,000 to four eligible finders in connection with the Offering.

- On July 21, 2025, the Company is electing to accelerate the expiry of outstanding common share purchase warrants of the Company originally issued under financings completed on February 25, 2025 (the "Financings") exercisable at C$0.40 per common share (collectively, the "Warrants"). On August 21, 2025, a total of 2,019,477 Warrants were exercised at C$0.40 per common share for gross proceeds of approximately $807,791.

TREASURE MOUNTAIN PROJECT

Overview

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 31 continuous mineral claims covering an area of approximately 2,200 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 resources update was prepared in 2009 and an updated Technical Report was completed in 2012, in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”). 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 resource has been classified as Inferred according to CIM Definition Standards for Mineral Resources and Mineral Reserves (2014), whereby the economic viability of such resources cannot be determined.

Outlook:

The Company believes that Treasure Mountain's upside potential is not associated with the developed mine, but in its highest priority target, the MB Zone. While 2025 will focus on exploration at New Craigmont, the Company received a multi-year area-based permit to the Ministry of Energy, Mines and Low Carbon Innovation on June 5th, 2025, which authorizes it to conduct exploration activities for up to 5 years. Subsequently, exploration preparation commenced in June, which included a review of soil sampling and an electromagnetic survey in preparation for a drill program in the MB Zone.

NEW CRAIGMONT PROJECT

Overview

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 the New Craigmont Project located near Merritt, British Columbia, approximately 3 hours from Vancouver, British Columbia.

The New Craigmont Project (the "Project") does not conform to a "typical" exploration pipeline. The Project is a permitted historic mine site with active permits under a current 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 Cu and iron ("Fe") were derived from country rock by fluids heated by intrusion of the Guichon Creek Batholith. Mineralization occurred preferentially along calcareous rocks resulting in a strata-bound skarn deposit.

Field relationships from mapping completed since 2015 and drilling in 2016 demonstrate that the Guichon Creek Batholith is cut by veins containing propylitic alteration mineral assemblages and copper mineralization, indicating that hydrothermal events occurred after emplacement of the Guichon Creek batholith. It is possible and more likely hydrothermal alteration and associated Cu mineralization was caused by magmatic-hydrothermal fluids. 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 hydrothermal fluids and porphyry, skarn, and epithermal deposit formation. 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 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. A mineral resource estimate was completed in 2020 in accordance with NI 43-101 on the Southern Mining Terraces and 3060 Portal Dump areas.

Outlook:

The Company completed an IP Survey in May of 2024 to further define drill targets in the WP, Marb and Cas Zones, which were subsequently drilled and results published. The Company also drilled a step out hole at the Embayment Zone, which expanded the known mineralized area. Given the successful results of the

2024 drill program, the Company has finalized targets in the same areas for drilling exploration activities in 2025.

DOMINION CREEK GOLD PROPERTY PROJECT

Overview

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 and to submit 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. The Company’s combined 50% ownership and terms under the Mining and Milling Profit Share Agreement provide it a 75% economic benefit of Dominion Creek.

Upon High Range receiving the permit, the Company would, 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.

Outlook:

High Range has obtained its final bulk sample permit in March 2025. The Company and High Range are currently planning for the commencement of mining, under a bulk sample permit, and milling activities in 2025.

LIQUIDITY AND CAPITAL RESOURCES

A summary of the Company’s cash position and changes in cash and cash equivalents for:

	Six months ended June 30,	
(tabled amounts are expressed in thousands of Canadian dollars)	**2025**	**2024**
Cash (used in) provided by operating activities	$ (2,117)	$ (1,793)
Cash (used in) provided by investing activities	409	(1,057)
Cash (used in) provided by financing activities	1,092	1,118
Increase (decrease) in cash	(616)	(1,732)
Cash and cash equivalents, end of period	$ 847	$ 3,024

As of June 30, 2025, the Company reported a net working capital of $0.1 million, compared to a net working capital deficit of $2.8 million as of December 31, 2024. The decline in net working capital is primarily attributable to cash expenditures related to exploration activities and operational requirements.

Cash used in operating activities increased compared to the same period in 2024. This increase was primarily driven by the repayment of accounts payable and a decline in revenue from gravel, ash, soil, and other ancillary income sources during the current period.

Cash flow from investing activities amounted to $0.4 million during the current period, largely due to the sale of the Company's strategic investment in Blue Lagoon Resources (“BLLG). This transaction represents a reversal from the prior year, in which the Company invested $1.1 million in BLLG.

Cash flow from financing activities totaled $1.1 million in the current period, compared to a cash inflow of $1.1 million in the prior year. The cash flow from financing activities in the current period is consistent with the comparative period as a similar amount of equity financing was completed during the two periods. No significant debt repayment-related outflows occurred in the current period.

The Company’s ability to continue as a going concern remains dependent on its ongoing capacity to raise capital and sustain profitability in its milling operations.

INTERIM FINANCIAL INFORMATION

In thousands ‘000	Three months ended June 30,		Six months ended June 30,	
	2025	2024*	2025	2024*
Milling revenue	$ 73	$ -	$ 79	$ 75
Gravel, ash, soil, and other income	206	253	424	494
Net income (loss)	1,181	(2,520)	705	(3,548)
Earnings (loss) per share, basic/diluted	0.01	(0.02)	0.00	(0.02)
Cash	847	3,024	847	3,024
Total assets	12,873	25,105	12,873	25,105
Non-current financial liabilities**	15	4,493	15	4,493
Cash dividend declared	-	-	-	-

** The Company has restated certain previously reported amounts. Please refer to Note 2(a) of the audited consolidated financial statements for additional details.*
*** Non-current financial liabilities represent total non-current liabilities excluding the asset retirement obligation (“ARO”).*

For the period ended June 30, 2025, the Company recorded a net income of $0.7 million, compared to a net loss of $3.5 million in the same period of the prior year. The reduced loss was primarily attributable to a revaluation gain recognized on marketable securities, specifically the Company’s holdings in BLLG common shares.

Total assets continue to fluctuate in relation to the Company’s cash position at period-end, which is, in turn, influenced by the level of equity financing. As of June 30, 2025, non-current financial liabilities were nominal, as the Company’s convertible debenture was reclassified to current liabilities in anticipation of its maturity in 2025.

QUARTERLY RESULTS

	June 30, 2025 ($)	March 31, 2025 ($)	December 31, 2024 ($)	September 30, 2024 ($)*	June 30, 2024 ($)*	March 31, 2024 ($)*	December 31, 2023* ($)	September 30, 2023* ($)
Milling revenue	72,842	6,398	743,562	Nil	Nil	74,595	604,169	569,431
Gravel, ash, soil and other income	206,229	218,209	263,727	1,136,445	252,562	316,207	1,016,147	1,546,203
Exploration expense	267,342	131,687	440,987	554,239	586,529	177,655	276,211	520,132
Net Income (loss)	1,181,286	(475,808)	(210,267)	(1,472,665)	(2,519,885)	(1,028,129)	(4,811,599)	(805,874)
Income (loss) per Share (basic and diluted)	0.01	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	(0.03)	(0.01)
Total assets	12,873,068	10,977,505	10,659,233	10,051,414	11,606,576	11,344,465	12,223,887	15,616,193

**The Company has restated previously reported amounts. Please see note 2(a) of the audited consolidated financial statements for further information.*

Three months ended June 30, 2025 compared to all historical quarters

Mill Revenue and Other Income - For the three months ended June 30, 2025, the Company generated combined milling revenue and other income of $0.3 million. Historically, this figure has varied based on the level of milling activity and the timing and volume of other business contracts. As these revenue streams are largely contract-dependent, fluctuations are expected across quarters.

Exploration Expense - Exploration expenses for the quarter totaled $267,342. Exploration activity increased in 2024 compared to 2023, largely driven by the completion of several flow-through financings. The lower expense reported in Q1 and Q2 2025 reflects a temporary decrease in exploration activity due to timing differences in project execution and expenditure recognition.

Net Loss - The net income for the quarter was $1,181,286, which is lower than most quarterly losses recorded in fiscal 2024 as well as in Q3 and Q4 of 2023. The improvement is primarily attributable to an unrealized revaluation gain of $2.8 million on marketable securities, specifically BLLG common shares. The net loss in Q4 2023 was notably higher due to a $4.0 million accretion expense related to the asset retirement obligation (ARO) following a change in estimate.

Change in Total Assets

The Company's total assets fluctuated between $12.2 million and $15.6 million throughout 2023, primarily because of significant other income received during the fiscal year. In fiscal 2024 and the first two quarter of 2025, total assets have stabilized around $11.0 million, reflecting normalized operations and the absence of non-recurring income inflows.

SHAREHOLDER'S EQUITY

As at June 30, 2025 and as at the date of this report

The Company's authorized capital stock consists of an unlimited number of common shares without par value. As at June 30, 2025 and the date of this report, the Company has the following shareholder equity items outstanding:

	Restricted share units	Stock options	Share purchase warrants	Common shares
As at June 30, 2025	1,000,000	9,625,000	2,019,477	177,071,368
(i) Stock option grant	-	400,000	-	-
(ii) Stock option exercised	-	(352,500)	-	352,500
(iii) Flow through private placement	-	-	2,175,000	4,350,000
(iv) Warrants exercised	-	-	(2,019,477)	2,019,477
As at date of the report	1,000,000	9,672,500	2,175,000	183,793,345

I. On July 1, 2025, 400,000 stock option with an exercise price of $0.495 and expiry date of July 1, 2030 was granted to an employee.

II. Subsequent to June 30, 2025, 352,500 stock option was exercised; the Company received total proceeds of $96,150.

III. On July 17, 2025, the Company closed its non-brokered private placement which it sold an aggregate of 4,350,000 units (each, a "Unit") at a price of $0.50 per Unit for gross proceeds of $2,175,000. Each Unit consists of one flow-through common share (each, a "FT Share") and one-half of one non-flow-through common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable at a price of $0.65 and expires on July 17, 2027. Each FT Share of the Company is issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) and in accordance with the policies of the TSX Venture Exchange (the "Exchange"). The Company paid an aggregate of $147,000 to four eligible finders in connection with the Offering.

IV. On July 21, 2025, the Company is electing to accelerate the expiry of outstanding common share purchase warrants of the Company originally issued under financings completed on February 25, 2025 (the "Financings") exercisable at C$0.40 per common share (collectively, the "Warrants"). On August 21, 2025, a total of 2,019,477 Warrants were exercised at C$0.40 per common share for gross proceeds of approximately $807,791.

Stock options

Table below provides a summary of the stock options outstanding as at date of the report:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Contractual Life (Years)	Expiry Date
1,625,000	1,625,000	$0.30	0.36	January 8, 2026
525,000	525,000	$0.22	1.10	October 5, 2026
1,822,500	1,822,500	$0.16	2.10	October 5, 2027
100,000	100,000	$0.30	2.68	May 2, 2028
1,850,000	1,850,000	$0.36	2.91	July 26, 2028
100,000	100,000	$0.30	2.93	August 3, 2028
2,750,000	2,750,000	$0.265	3.64	April 18, 2029
500,000	500,000	$0.30	4.31	December 18, 2029
400,000	400,000	$0.495	4.84	July 1, 2030
9,672,500	9,672,500			

Restricted shares units ("RSUs")

As at June 30, 2025 and the date of this report, there are 1,000,000 RSUs outstanding that vest on December 31, 2025.

REGULATORY DISCLOSURES

Off balance sheet arrangements

The Company does not have any off-balance sheet arrangements as at June 30, 2025 and date of this report.

Proposed Transactions

The Company does not have any proposed transactions as at June 30, 2025 and date of this report other than as disclosed elsewhere in this document.

Financial instruments

Fair Value

The carrying value of cash and cash equivalents, amounts receivables, accounts payable and accrued liabilities, convertible debentures and lease liabilities approximate their fair value because of the short-term nature of these instruments. The carrying value of restricted cash approximates fair value due to the nature of this asset.

The Company records its financial instruments, other than marketable securities which are at fair value through profit or loss, at amortized cost.

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.

Marketable securities are measured using level 1 inputs.

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, interest rate risk, liquidity risk, commodity and equity 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 June 30, 2025, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalent, restricted cash, and amounts receivables in the amount of $2,678,778 (December 31, 2024 - $3,570,649).

All off 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 of 10%, and does not expose the Company to interest rate risk.

Liquidity Risk

Liquidity risk 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.

Management anticipates that it may incur expenditures towards exploring its mineral interests and other Company assets. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has limited working capital, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of its mineral interests. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial, access to 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.

Foreign Exchange Rate Risk

The functional currency of the Company is the Canadian dollar. As at June 30, 2025, 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, continue 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 (deficit). The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern 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 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.

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, and the Chief Financial Officer.

The following is a summary of the Company's key management compensation:

	Three months ended June 30,		**Six months ended June 30,**	
	2025 $	**2024 $**	**2025 $**	**2024 $**
Consulting fees	82,500	122,375	162,000	262,500
Salaries and benefits	-	-	-	35,250
Share-based compensation	71,329	-	131,469	-
	153,829	122,375	293,969	297,750

Consulting fees were paid or accrued to a private company owned by the Chief Financial Officer of the Company, directly to the Chief Executive Officer, and to the directors of the company. Salaries and benefits were paid to the ex-Chief Financial Officer of the Company. Share-based compensation disclosed in this note represents the compensation earned by officers and directors of the Company.

Internal controls and procedures

During the period ended June 30, 2025, there has been no significant change in the Company's internal control over financial reporting since last year. A material weakness in internal controls over financial reporting was identified regarding management's review and assessment of the accounting impact of complex transactions. This control weakness resulted in a restatement of prior year consolidated financial statements. The Company plans to implement procedures to remediate this weakness. Management and the Board of Directors work to mitigate the risk of material misstatement; however, we do not have reasonable assurance that this risk can be reduced to a remote likelihood of a material misstatement.

The President and Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the MD&A and the Company's annual consolidated financial statements for the year ended December 31, 2024 and interim period June 30, 2025 on SEDAR+ at http://www.sedarplus.ca.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

Accounting estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates primarily relate to asset retirement obligations. Actual results could differ from those estimates. The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are described in note 2 of the consolidated financial statements.

Material Accounting Policy Information

Please refer to the audited annual consolidated financial statements for the year ended December 31, 2024 and interim period June 30, 2025 that were filed on SEDAR+.

New Accounting Standards Not Yet Adopted

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at June 30, 2025.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2025, and have not been early adopted in preparing these consolidated financial statements. The Company intends to adopt such standards upon the mandatory effective date.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

1. Three defined categories for income and expenses—operating, investing and financing—to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.

2. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.

3. Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company will be evaluating the impact of the above amendments on its consolidated financial statements.

Risk and Uncertainties

As described further below, the Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, tariffs, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business. These factors represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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 currently has a working capital and a history of working capital deficits, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of 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.

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.

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 may 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 STATEMENT

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, (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 diamond drilling, 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), and, (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, and modifying the Merritt Mill to produce other metal concentrates, current mineral property interests, the global economic environment, the market price and demand for silver and other minerals, the Company's ability to manage its property interests and operating costs, and the value of its real property holdings and its non-core assets may prove to be incorrect. A number of risks and uncertainties could cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements, including, 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 diamond drilling, 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”.

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.