OPTIMO RESEARCH

Nicola Mining Inc

28th April 2026

Nasdaq listing is likely to shine a spotlight on this Canadian junior, which is a consolidator of small-scale, high-grade gold & silver projects. Also has high-grade copper and silver projects, all with mining permits in place.

Nicola Mining was crafted from the ashes of Huldra Silver, which operated the Treasure Mountain silver mine and the Merritt Mill. Ex-Goldman Sachs restructuring expert Peter Espig has guided the company through a 12-year turnaround. He swiftly recognised the mill was the crown jewel and put Treasure Mountain on care and maintenance. A series of decisions has positioned Nicola for future success. Firstly, the permit for the Merritt Mill was negotiated on highly favourable terms. Secondly, the New Craigmont Copper Project was acquired in 2015. Thirdly, the 900-acre mill site has been designated as industrial land, enabling the development of several additional cash-flow-generating businesses. Plus, many of these projects have mining permits in place, which are highly valuable in today's market.

• Explosive growth potential expected at cash flow-generating mill facility
Nicola fought hard for a unique licence that allows the mill to process gold/silver ore from anywhere in British Columbia. The company has a series of toll-milling JV profit-sharing deals with local miners. With mill permits difficult to obtain, Nicola has started flexing its M&A muscles to take control of the first of a potential series of small gold plays. First up is Dominion Creek, where the acquisition was based on processing 10,000t of high-grade gold ore, but now looks to be far larger.

• One of the top copper projects in the world to see further drilling in 2026
The New Craigmont Copper Mine is the highest-grade copper mine ever in North America. For 50 years, this project saw no exploration as the owners did not get along. This permitted, super high-grade copper project has now been proven to be a porphyry copper system, and the potassic core is about to be drilled for the first time, which could rapidly push the project up the valuation curve.

• Drilling this year at Treasure Mountain silver mine ahead of 2027 restart
Mining is expected to begin extracting silver ore from a stope with a grade of 28 ounces per tonne in 2027. However, the real excitement exists at the backside of the mountain, where this year ought to see the first drilling of a separate structure where bonanza silver grades as high as 9,200g/t have been discovered.

• Conservative NPV(12) + updated earn-in valuation suggests C$3.30 per share
We have valued the mill at C$250 million and derived an NPV(12) of C$397 million for the pan B.C. gold/silver mining/milling operations. Adding C$125 million for the New Craigmont Copper Project, based on an updated assessment of the 2023 earn-in deal, gives a total valuation of C$808 million.

Table: Financial overview. Source: Company & Optimo Research

Year to end Dec	2023A	2024A	2025E	2026E
Revenue (C$'000)	1,618	818	2,000	71,000
Net profit (C$'000)	(3,326)	(5,231)	(10,696)	49,326
EPS (C$)	(0.02)	(0.03)	(0.06)	0.22

TARGET PRICE – C$3.30

NICOLA MINING INC

Key data

Listing	NASDAQ:NICM TSX.V:NIM, FSE:HLIA
Share price	C$0.79
52 week high/low	C$1.35 - 0.36
Shares in issue	227.41m
Market Cap	C$179.65m

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Business Overview

Nicola Mining Operations

Nicola Mining Inc. is a British Columbia (B.C.) based gold and silver producer and copper exploration company. Its portfolio of projects offers a highly compelling combination of cash flow-generating projects coupled with tremendous discovery potential, all in a low-risk, mining-friendly Tier-1 jurisdiction.

• **Merritt Mill and Tailings Facility (100%) -** A modern, recently upgraded, state-of-the-art 200 tonnes per day (tpd) facility, with over C$35 million invested to date, and the only facility permitted to process third-party gold and silver ores in B.C. The company has a number of longstanding milling and profit share agreements with local mines, which are planned to take production up to nameplate capacity, which is currently being increased. The mill and tailings facility lies on a 900-acre brownfield site, acquired in 2012 for C$8 million. The site also includes additional interests in the form of an operating gravel pit, rock quarry and ready-mixed cement plant, all run in partnership with First Nations.

• **New Craigmont Copper Project (100%)** - Centered on the historic Craigmont Copper Mine, which produced around 900M lbs of copper (34Mt @ 1.28% Cu), and lies adjacent to Teck Resources' Highland Valley, the largest open-pit copper mine in Canada. Nicola has identified high-grade copper skarn with potential for a porphyry copper system. In 2025, a 3,300m diamond drilling programme was undertaken to expand the extent of the observed mineralisation and to test other targets.

• **Treasure Mountain Silver Project (100%) -** An historic high-grade Ag-Pb-Zn underground mine that, in the 1930s, extracted 4,000 tons of ore, producing 40koz of gold, 380K lbs of lead and 88K lbs of zinc. There is a historical (2009) NI 43-101 resource estimate, and since 2011, a total of 69 diamond drill holes for 7,000m was completed, revealing significant exploration upside. The project has a mine permit (M-239) in place, allowing the mining of up to 60,000t per year. In June 2025, the mineral lease was extended until 2032.

• **Dominion Creek Project (75%)** — Hosts a high-grade gold-silver system, with veins outcropping at the surface across eight contiguous mineral claims covering 1,040 ha in central B.C. Twenty-three grab samples collected in 2020 averaged 61.3g/t gold and 173.7g/t silver. A 10,000t bulk sampling programme is planned for 2026, with the ore processed at the Merritt Mill site. Nicola has a 75% economic interest in the mining and milling for the first 10,000t. After that, the company will own a 100% interest.

Merritt Mill. Source: Company

Background

Nicola Mining has evolved from a distressed silver producer into a diversified mining and milling company with copper, gold and silver assets, anchored by its fully permitted Meritt Mill. The company, in its modern form, dates from 2015. However, its roots go back more than four decades.

Incorporated in 1980 as a Canadian mining exploration company under the name Huldra Silver Inc, the company was primarily focused on the Treasure Mountain Silver Project, where more than 4,000m of underground drives were developed as the project advanced towards small-scale production. In 2012, Huldra had a market capitalisation of C$230 million. However, by 2013, the market capitalisation had fallen to C$3 million due to operational and financial difficulties. The company had defaulted on C$38 million of debt and, in July 2013, entered protection under the Companies' Creditors Arrangement Act.

Enter the current CEO, Peter Espig, who worked around mines in B.C. while at university. Since those days, Peter has been a restructuring specialist at Goldman Sachs and is well experienced in restructuring and fixing ailing businesses. This restructuring ultimately led to the company's rebirth as Nicola Mining Inc. Under the new name, the business shifted strategically towards a broad commodity focus encompassing copper, gold, and silver, with an emphasis on custom milling, multi-asset development, and a stronger operational base in the Nicola region in British Columbia. In that year, the company consolidated ownership of the Merritt Mill and Tailings facility and established the toll milling business model.

By 2017, Nicola had completed a major land consolidation around Craigmont, securing 100% of the historic mine area, and had launched the first significant drill programme there in decades. Drilling confirmed copper-bearing skarn zones and validated historic geological models. Follow-up drilling in 2018 expanded the mineralised zones in the Embayment and Skarn areas.

Great strides were made at the Merritt Mill in 2019, with test runs completed for prospective mill feed partners. During the COVID-19 period, the mill and tailings facility were maintained in compliance and in a ready-to-operate condition. Subsequently, the team has strengthened toll-milling relationships with regional gold developers. In 2024, the mill began processing the Talisker feed, and the gravity circuit was reinstalled to handle free-gold material.

In recent years, additional drilling and sampling at Craigmont have refined porphyry targets. A multi-phase drill programme in 2023 expanded the MARB-CAS and Embayment targets, and in 2024 a 4,872m, 14-hole drill programme, the largest in years, was completed. In 2025, Nicola delivered a major exploration success at New Craigmont, including a standout 53m intercept at more than 1% copper, confirming the presence of a larger copper system.

Meanwhile, successful permitting and planning at the Dominion Creek gold-silver project have led to the receipt of the 10,000t bulk sample permit. During the haul road upgrade, additional gold veins were discovered, suggesting Dominion Creek may be a larger project than previously thought and positioning it to generate near-term gold revenue.

Alongside operational and exploration successes in 2025, the company has eliminated the entire current portion of its convertible debentures, thereby materially strengthening the balance sheet. In addition, the board has completed a successful financing to support the ongoing exploration programme and bulk sampling. At the same time, the directors have significantly improved capital markets visibility through stronger investor engagement.

Operations

Nicola Mining controls a diversified set of assets in British Columbia, focused on copper, silver, and gold, as well as revenue-generating milling infrastructure. The portfolio offers a compelling mix of exploration upside, near-term production potential, and an operating mill that provides cash-flow stability.

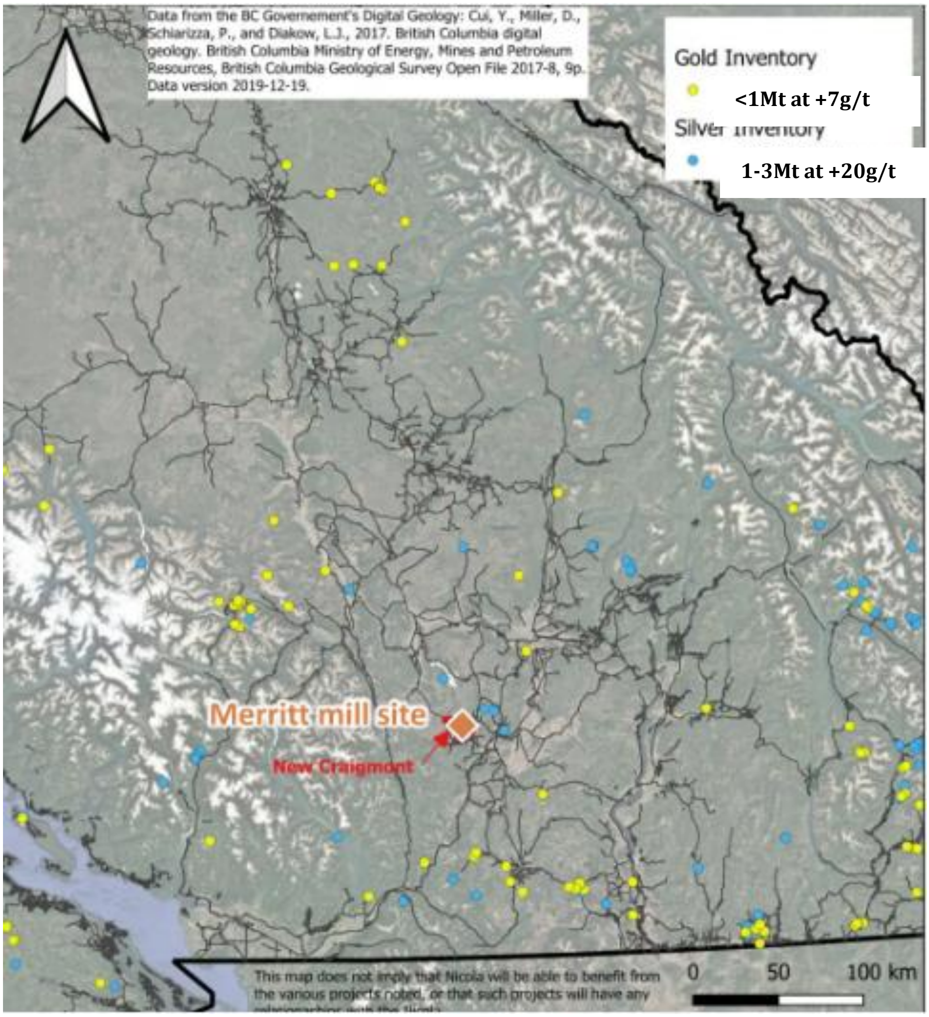
Nicola Mining's project portfolio. Source: Company

Merritt Mill and Tailings Facility (100%)

The Merritt Mill is a modern, recently upgraded, state-of-the-art 200 tonnes per day (tpd) facility, with more than C$35 million invested to date. The mill and tailings facility are located on 900 acres of freehold zoned industrial land, acquired in 2011 for C$8 million. In 2012, the company built a modern, state-of-the-art 200tpd mill facility. This is a brownfield project, as the new mill sits on the site of a previous 30,000tpd of tailings storage capacity from the former Craigmont Mine, resulting in minimal environmental disturbance.

The mill has a permit that allows the processing of material from anywhere in B.C., a unique arrangement. It took management three years to secure the precise wording in the licence, which allows Nicola to accept and process gold and silver ore from anywhere in B.C., subject to giving the Ministry of Mines 10 days' notice. Importantly, for each new source of ore there is no consultation and no testing required that could slow down or derail the mill's operations or the rapid expansion of this project. Suffice to say, it is the only facility permitted to process gold and silver ores from third-party sources in B.C. Without doubt, the mill is in a great location in the Thompson-Okanagan mining district for such toll processing, as it is surrounded by more than 100 small-to-medium-sized gold and silver deposits that lie within an economical trucking distance (see map overleaf).

Nicola's Merritt Mill serves to protect the company and its future profits and market share from competitors because it is the only fully permitted toll milling asset in B.C., and the province's regulatory requirements effectively minimise the likelihood of new third-party entrants and processing supply. This is largely because the approval process would probably take 15-20 years. At the same time, capex for the mill and infrastructure has soared in recent years, so an investment of C$250 million would likely be necessary. In addition, the building of new processing facilities is likely to face strong, well-organised opposition from the general public and the First Nations.



Gold/silver deposits within trucking distance of the Merritt Mill. Source: B.C. Government

Merritt Mill

The large, modern mill has a 200tpd capacity and includes conventional crushing, grinding and flotation circuits, with more than C$35 million invested to date. Currently, the 200tpd ball mill is being twinned with a +500tpd ball mill to dramatically increase capacity. The 250,000m³ tailings facility is fully rubber-lined to prevent leaching into the environment. The project is blessed with good infrastructure. It is easily accessible by road via Highway 8, 10 km from the small city of Merritt in the Nicola Valley in south-central B.C., and 3 hours from the port at Vancouver. There is ample power, as the mill is connected to the B.C. Hydro grid, and all the water permits for mining are already in place. The mill operates on a batch system, so ore feeds from various sources are not blended.

Merritt Mill and Tailings Facility. Source: Company

In recent years, there have been three significant upgrades. Firstly, a water recirculation system has been installed to significantly reduce water consumption. Secondly, a process automation system has been implemented to streamline operations, reduce production costs, improve employee safety and optimise recovery. Thirdly, a gravity separation system has been installed to recover free gold, in addition to gold-silver concentrates.

Ramping up to full capacity

Currently, Nicola has milling and profit-sharing agreements covering 100% of the existing 200tpd capacity. Milling of high-grade gold began under the Talisker partnership and is now ramping up, with ore from Blue Lagoon, which started to be received in Q4 2025. All agreements are structured on a profit-sharing basis, with the company benefiting from rising gold and silver prices on concentrates sold globally.

Key partners	Comments
Blue Lagoon Resources	Long-term mining and milling partnership agreement in place Up to 75ktpa of mill feed from Dome Mountain mine Initially targeting 55ktpa of mill feed with expected recovery of ~15k oz/year of gold Commencing mining activities in July 2025 Nicola is a long-term partner/investor with >6% share in the ownership of Blue Lagoon (CSE:BLLG)
Ocean Partners	High-grade gold-silver flotation concentrate is sold to Ocean Partners, a globally recognised metals trading and finance group. Enables Nicola to sell gold and silver concentrate worldwide US$3.5m line of credit for expansion capital Representatives on Nicola board
Osisko Development	Agreement signed in January 2023 Processed ~15,000t of gold mill feed from Osisko's Cariboo Project
Talisker Resources	Agreement signed in April 2024 and extended in May 2025 Milling production commenced in June 2025 and to run to Jan 2026

Long-term milling and profit share agreements. Source: Company

Blue Lagoon has continued to deliver steady shipments since the start of gold and silver mill feed hauling. In late December 2025, Nicola and Blue Lagoon each received the first payment for selling gold and silver, amounting to US$1 million, to Ocean Partners. Since then, increased mill feed from Blue Lagoon's Dome Mountain Gold Project has enabled a ramp-up in the production of high-grade gold and silver concentrate. To sustainably increase mill feed tonnages, underground development at Dome Mountain continues with the development of additional mining faces.

Blue Lagoon's 3,000t+ stockpile and mill feed being hauled to the mill. Source: Company

The company has worked to transition the Merritt Mill from gravity and flotation gold recovery to a flotation-only recovery circuit. This is to accommodate the sulphide-hosted nature of the new mill feed and to streamline production. The programme is designed to improve metallurgical recoveries, increase concentrate grades, and maximise payable metal content.

Sand & gravel pit and rock quarrying operations

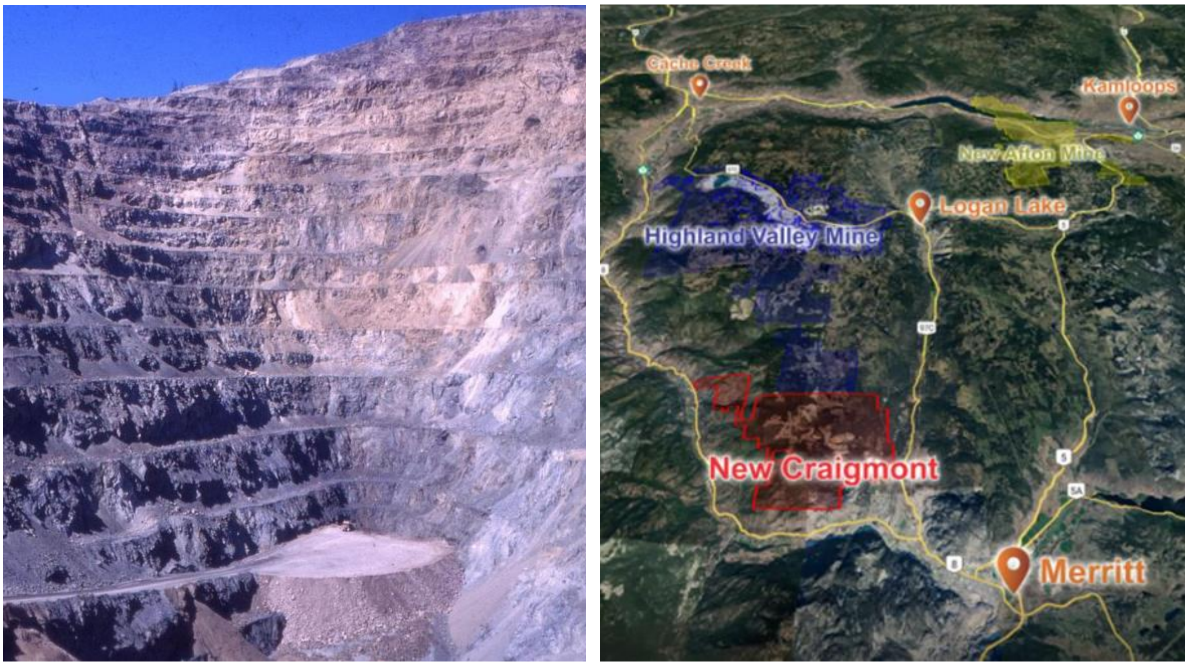
Nicola's has also created Canada's first industrial mine site, so the entire 900 acres is zoned as industrial land. This move allows the site to develop additional business interests, including an operating gravel pit (fully permitted at 100,000 tpa), a rock quarry (fully permitted at 1,500 tpd), and a ready-mixed concrete plant, all operated in partnership with First Nations. Rock pit, sand, and gravel aggregate reserves total 200 Mt, with the ready-mixed concrete plant representing a C$60 million investment.


Sand & gravel pit/rock quarry at the Merritt Mill Property. Source: Company

There is a three-way partnership between Nicola, Infracon (the largest civil construction company in the B.C. Interior), and a First Nations group, the Lower Nicola Indian Band. Infracon operates the gravel pit and the quarry, and Nicola receives royalties from these businesses without bearing any share of the operating costs. Nicola's management team has adopted a strategy of developing vertically integrated businesses to fund exploration and corporate overheads. The expansion of these operations seems assured, as the sand and gravel operations are expected to benefit by at least C$200 million from the C$2.5 billion Teck-Anglo Highland Valley Copper Mine expansion project, which will extend operations at this mine from 2028 to 2046.

New Craigmont Copper Project (100%)

This project lies in the Quesnel Trough, one of Canada's most prolific copper belts, which forms a 1,000 km long chain of alkalic porphyry hosting major mines such as Copper Mountain, Mount Milligan, New Afron Gibraltar, topped by Teck's Highland Valley Copper Mine, which lies adjacent to the company's project.



Historic Craigmont Copper Mine & the project's location. Source: Company

Highland Valley is Canada's largest open-pit copper mine, producing 225M lbs of copper in 2024. It was formed by the amalgamation of three historic mining operations: Bethlehem, Lornex and Highmont. It is a classic calc-alkalic porphyry Cu-Mo system hosted entirely within the Late Triassic Guichon Creek batholith, where multiple intrusive phases and faults localise mineralisation. Copper and molybdenum occur mainly in veins, fractures and breccias with potassic cores, overprinted by phyllic and propylitic alteration. The potassic core represents the innermost, highest temperature alteration zones in the porphyry copper system.

The project area is centered on the historic Craigmont Copper Mine, which produced around 900M lbs of copper between 1961 and 1982, mining 34Mt at 1.28% copper, indicating proven geology. Since 2015, Nicola has held a 100% interest in this project, which has high-grade skarn and porphyry copper discovery potential.

A copper skarn is a mineral deposit formed when hot, metal-rich fluids from an intrusive body react with carbonate rocks, producing a distinctive zone of altered minerals enriched in copper. Copper skarns and porphyry copper systems are geologically linked components of the same intrusive-hydrothermal system, formed by the same magma but expressed in different rock types and located at varying distances from the intrusion.

Over many seasons of exploration work since 2016, the focus has been not only on defining the potential of the copper porphyry system but also on expanding the extent of the skarn mineralisation. This work involved more than 18,000m of diamond drilling, geological mapping across the entire property, and extensive soil sampling. The work streams were followed by aeromagnetic and ZTEM surveys, as well as IP surveys, across the entire project area. ZTEM surveys measure natural variations in the Earth's magnetic field to map deep conductivity contrasts, making the technology especially useful for finding porphyry and skarn systems at depths of 1-2km.

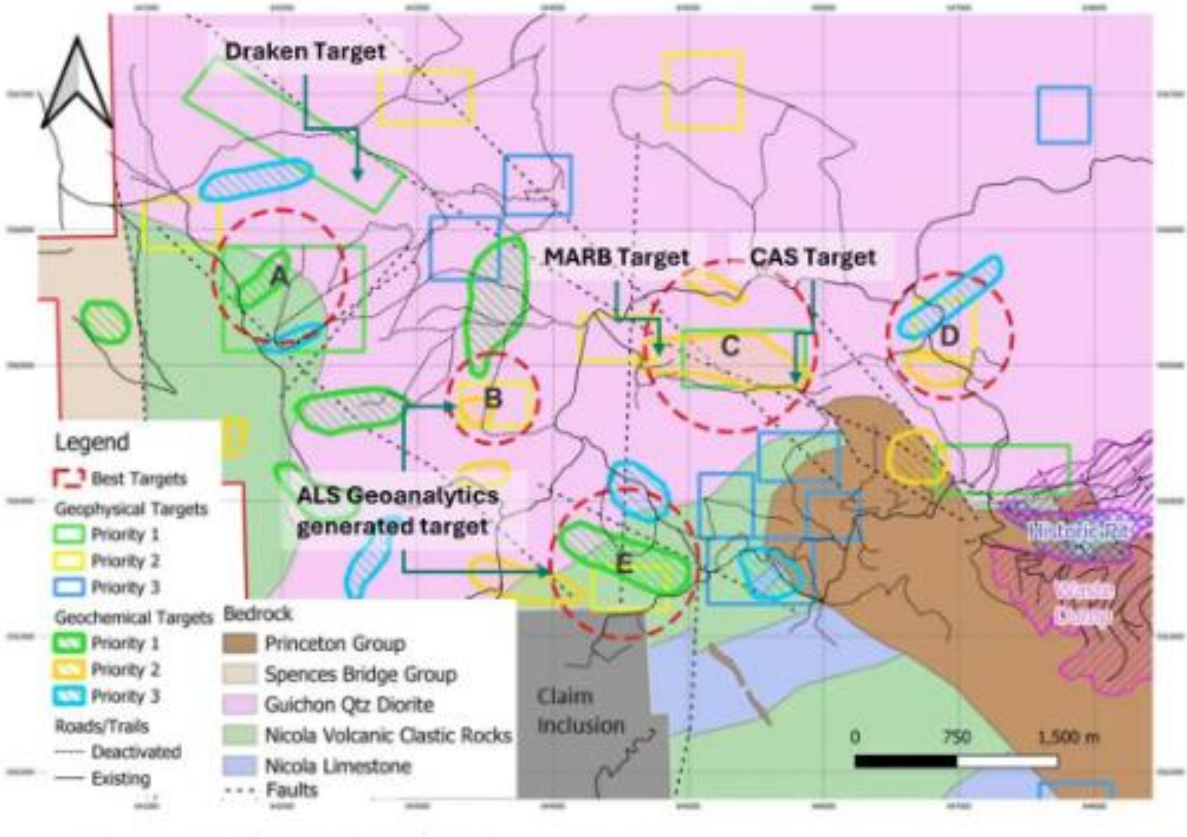
Assay result	Drill hole number	News release
85.9m @ 1.11% Cu	DDH-THU-002	7 September 2016
116.7m @ 0.54% Cu (re-sampling)	S-100	23 January 2017
100.6m @ 1.33% Cu	NC-2018-03	2 April 2018
71.4m @ 0.58% Cu	NC-2018-01	28 February 2018
76.6 @ 1.05% Cu	CC-18-02	8 April 2019
34.0 @ 0.28% Cu 44.0m @ 0.45% Cu	CC-19-72	24 July 2019
56.6m @ 0.17% Cu 75.0m @ 0.36% Cu	NC-24-001	20 February 2024
52.9m @ 1.03%	NC-24-002	20 February 2024

Skarn mineralisation drilling highlights found near the historic Craigmont Mine and in the Embayment Zone. Source: Company

2025 Exploration Programme

In 2025, collaboration with ALS Geoanalytics (ALS' new name for its GoldSpot division) has used AI-based methods to analyse and correlate geophysical and geochemical data from Nicola's large exploration database, to identify five priority exploration targets. Three of these targets were included in the company's 2025 drilling programme.

The new multi-year area-based exploration (MYAB) permit has enabled Nicola to conduct extensive exploration of targets that had not previously been drilled. In June 2025, the team commenced a 7-hole, 3,347m diamond drilling programme. The four main objectives for 2025 were to continue targeting porphyry systems. Firstly, to acquire an enhanced suite of geochemical data for further targeting studies with GoldSpot. Secondly, to expand the extent of mineralisation observed at the MARB and CAS zone targets. Thirdly, to test two new targets at West Craigmont, including Draken. Lastly, to test two new targets generated by GoldSpot in the centre of the property.

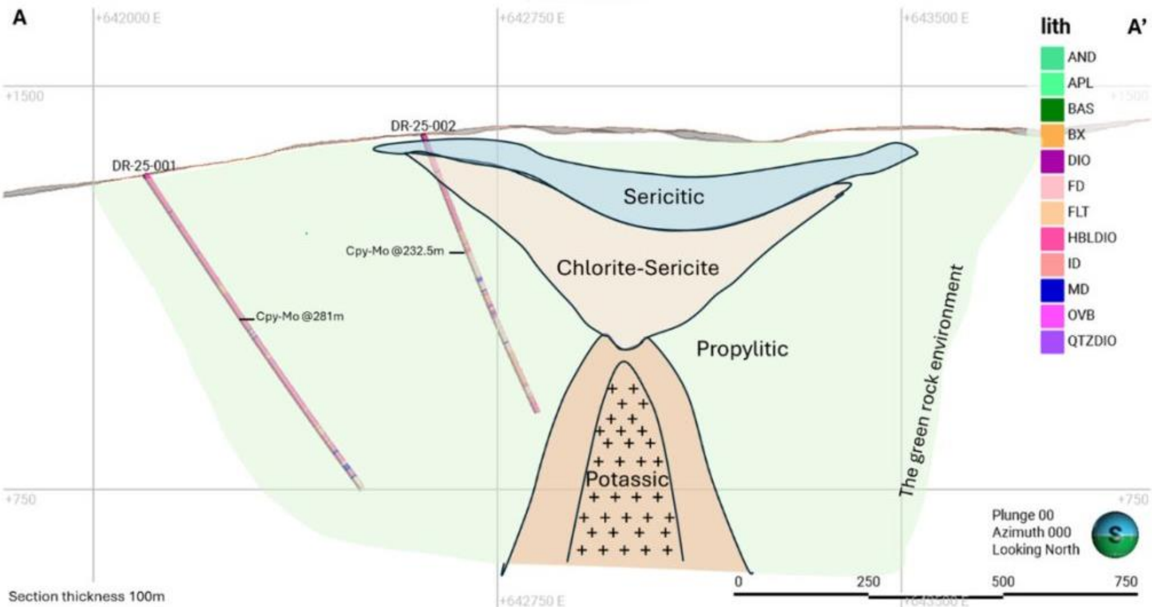


Drill targets selected through collaboration with ALS Geoanalytics to identify five priority exploration targets - three of which were drilled. Source: Company

Targets	Description	Drilling results
Draken	A cluster of copper showings discovered in 2023 that appear to host some of the best-developed porphyry-style alteration documented at New Craigmont	Draken is the most promising target on the west side of the property. Analysis of the 2025 drill core samples confirmed the presence of a porphyry system at Draken, consistent with the findings of the University of British Columbia's Mineral Deposit Research Unit.
MARB	Near-surface porphyry-style copper mineralisation	The copper results here were encouraging, with MB-25-008 returning 9.5m @ 0.37% copper from 220.5 – 230.0m. This interval consists of a Nicola Group basalt fragmental package with mixed patches of intercalated sandstone, siltstone and fragmental units and a porphyritic andesitic section. Nicola's geologists interpret this mineralisation to be associated with the skarn at Embayment and CAS. More drilling will be required to demonstrate continuity.
CAS	Near-surface skarn discovered in 2024	WP/West Craigmont (hole WP-25-007) did not encounter anything visually more indicative of a porphyry system than Draken.

Results from the 2025 drill programme on three priority targets. Source: Company

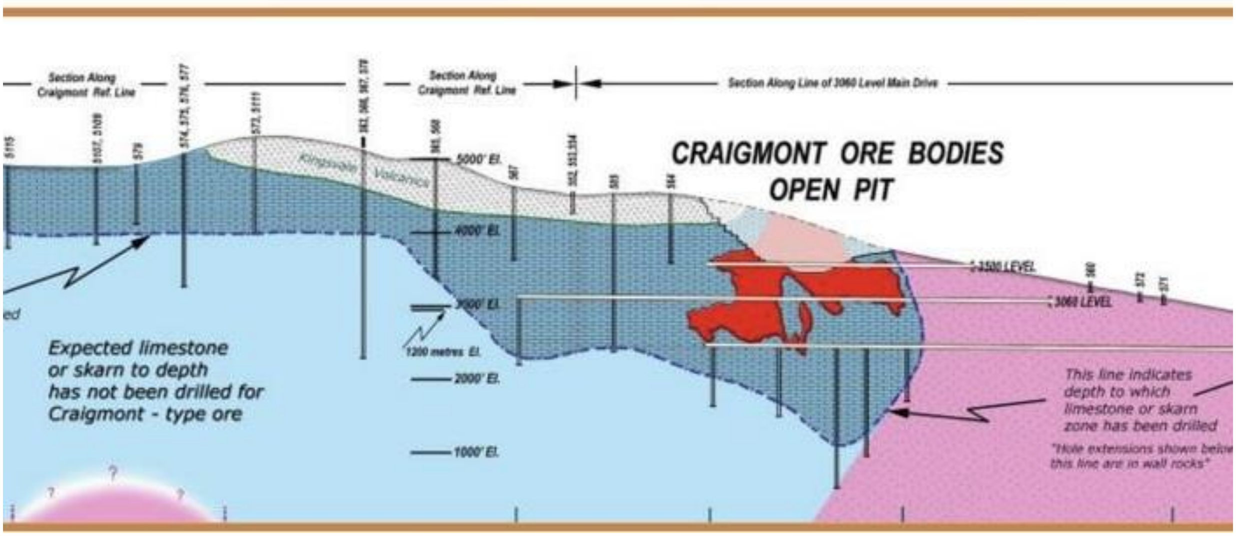
Draken is considered the most promising target on the west side of the property. Moving ahead, the plan is to collect additional geophysical data before drilling a previously identified but untested target, Jotun, north of the old mine. Jotun is an exciting target that could represent the causative intrusion for the high-grade copper skarn historically mined at Craigmont. Nicola is planning a long hole for 2026 to test this hypothesis, as well as developing a target concept for Draken and drill-testing it.



Conceptual interpretation of the Draken showing 2025 drill holes superimposed on a porphyry system. Source: Company

In March 2026, Craigmont was confirmed to be part of the porphyry-linked skarn system. This followed the publication of an MSc thesis by Warren Wegener at the University of British Columbia's Mineral Deposit Research Unit (MDRU) on the New Craigmont copper project. Warren produced a highly impressive dissertation that crucially examined the potential connection between the historic Craigmont skarn mine and undiscovered porphyry systems in the surrounding area. He used modern scientific techniques to reinterpret historical mine data. Based on field observations, petrography, whole-rock and mineral chemistry, and integrated geochronology, Warren's thesis has redefined Craigmont as a porphyry-linked skarn system genetically tied to multi-pulsed Late Triassic magmatism within the Guichon Creek batholith's Border Phase.

This study confirmed that the historical skarn is driven by a nearby porphyry system, consistent with Nicola's current thinking. Painstaking geochemical work has allowed exploration to focus largely on two regions within the property: West Craigmont (Draken target) and east of the historical mine (Jotun target). Nicola is integrating MDRU data into ongoing vectoring work and target generation ahead of the 2026 exploration programme.



Extent of drilling at the New Craigmont Copper Project. Source: Company

Treasure Mountain Silver Project (100%)

The Treasure Mountain mine property lies 100km south of the Merritt Mill, and its licences cover more than 2,200ha. In the 1930s, 4,000 tonnes of ore were mined, producing 40koz of gold, 380k lbs of lead and 88K lb of zinc. In 1985, Huldra Silver discovered a silver-rich vein over a 250m strike length. Between 1987 and 1989, Huldra went on to conduct exploration by driving four underground levels comprising 2,750m of crosscuts, drifts and raises, plus 1,675m of underground drilling and 3,050m of surface drilling.

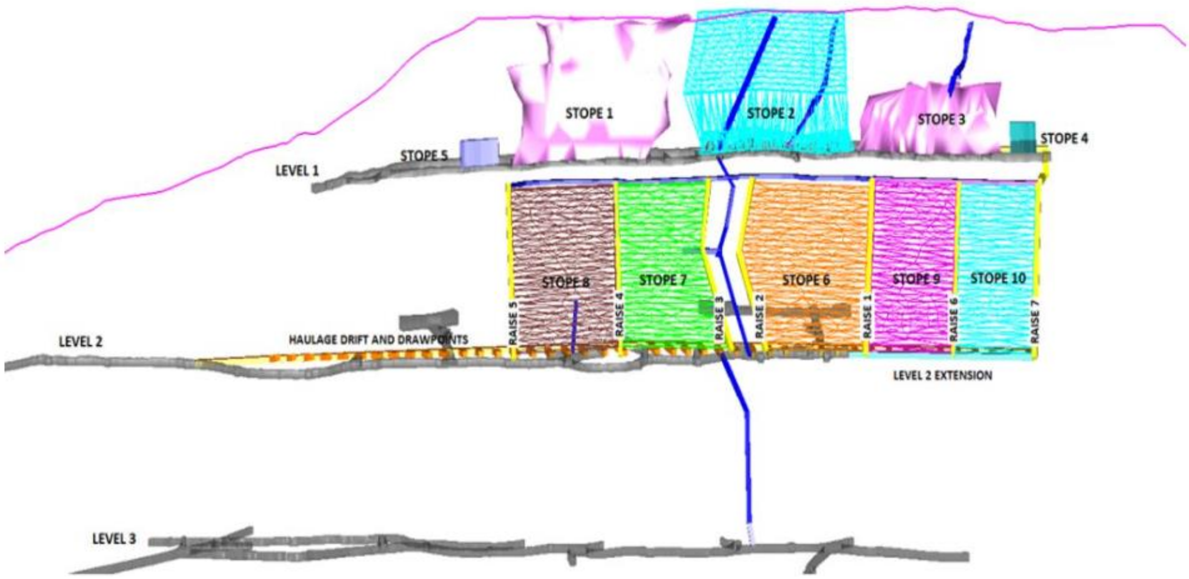
Treasure Mountain Mine- showing the 5 portals and a drill core sample. Source: Company

Since June 2011, a total of 69 DDH for 7,000m have been completed, including 51 holes over a 5,073m strike, targeting the upper 150m of the historic mine.

Hole ID	From (m)	To (m)	Length (m)	Silver (g/t)	Lead (%)	Zinc (%)
TM11-6	25.3	25.5	0.2	1,050.0	9.0	0.5
TM11-9	65.7	68.8	3.1	595.9	4.3	2.5
TM11-13	43.5	43.9	0.4	4,360.0	20.3	4.9
TM11-14	73.9	74.2	0.4	2,478.0	11.0	12.5
TM11-15	48.1	48.7	0.6	1,558.0	5.3	4.0
TM11-21	39.8	40.9	1.1	1,463.5	18.7	1.6
TM11-23	37.9	41.8	3.9	308.0	0.6	4.9
TM11-24	51.3	54.0	2.7	507.8	0.7	6.9
TM11-26	122.7	124.1	1.4	7,013.0	21.8	19.6
TM11-36	144.5	145.7	1.2	1,564.9	13.5	9.9
TM11-47	34.6	35.1	0.5	1,729.0	6.0	5.5
TM11-48	25.8	26.1	0.2	4,473.0	49.9	17.6
TM11-48	35.1	35.5	0.4	1,095.0	5.2	5.1

Highlighted drill results. Source: Technical Report, Project Update, Treasure Mountain 07 June 2012

Ultimately, a mine was permitted through a Notice of Work under the Mines Act to remove a 10,000-tonne bulk sample on Level 1, which was completed in 2012/13, while Stope 2 remains untouched. A Mines Act Permit was amended in 2012, allowing production of up to 60k tonnes a year – Permit M-239. The company retains the option to reopen Level 1 to extract silver mill feed from Stope 2. The latest MRE was conducted in 2009.



Treasure Mountain – showing the stopes, crosscuts, drifts and raises. Source: Company

Category	Cut-off (Ag oz/t)	Tonnage (tonne)	Grade			Contained metal		
			Ag (oz/t)	Pb (%)	Zn (%)	Ag (oz)	Pb (Lb)	Zn (Lb)
Indicated	5.0	52,000	18.1	3.26	3.40	1,040,000	3,740,000	3,900,000
	10.0	33,000	24.2	4.16	3.80	880,000	3,030,000	2,760,000
Inferred	5.0	161,000	22.0	2.48	3.86	3,900,000	8,800,000	13,710,000
	10.0	120,000	27.0	2.79	4.36	3,580,000	7,370,000	11,540,000

Historical (2009) NI 43-101 Compliant Resources estimates. Source: Company

Substantial exploration upside

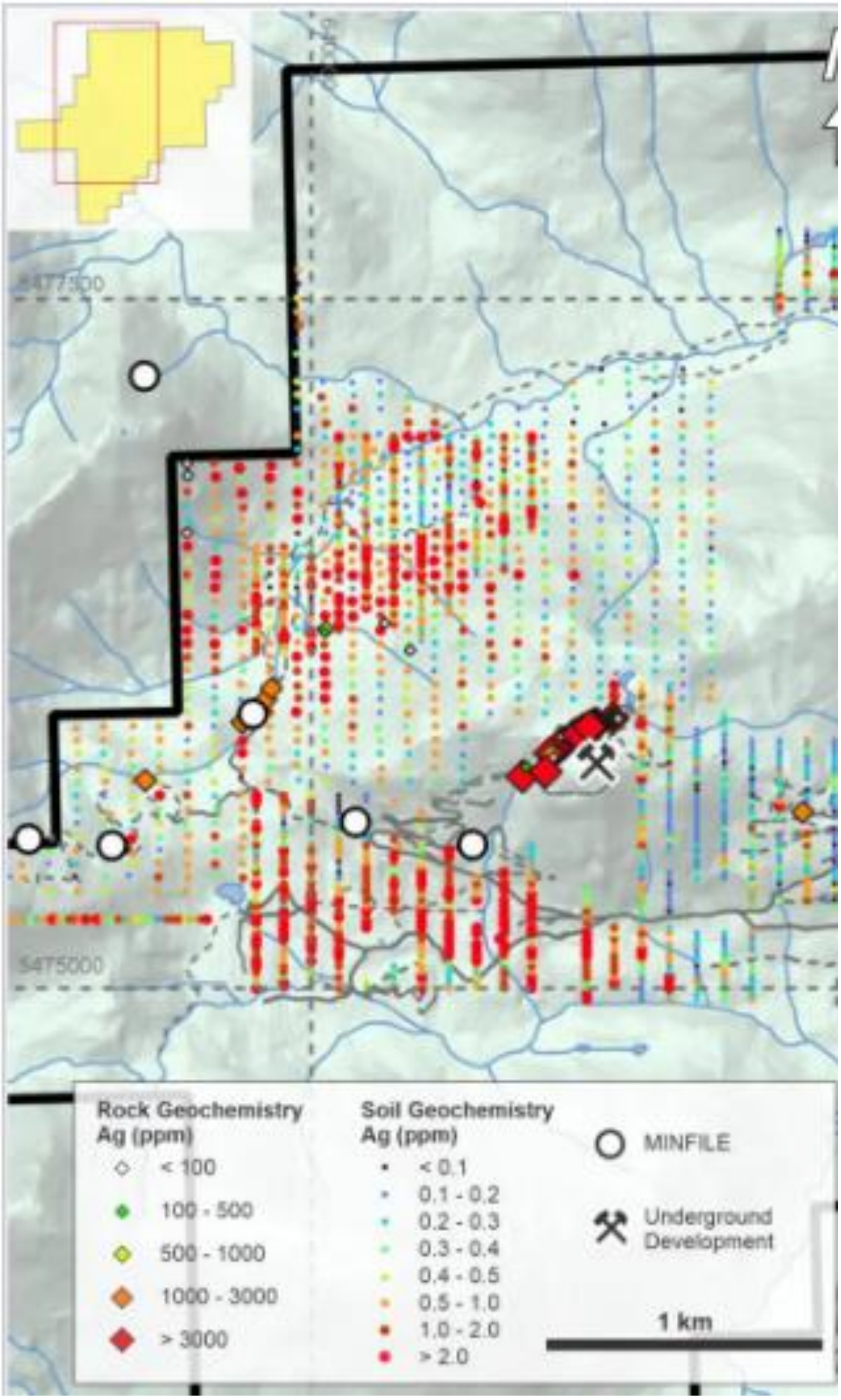
The Treasure Mountain Project offers substantial exploration upside. The potentially interesting targets moving ahead appear to be the MB Zone, JV Vein/Eastern Zone and the Jensen Portal. The MB Zone lies 800m NW of the current mine workings on the undrilled northern flank of the mountain and produced encouraging results in the 2019/20 sampling programmes.

A 2km soil anomaly has been identified (see map overleaf) and appears to be associated with a vein system of similar length. The JV Vein/Eastern Zone lies 1 km from the underground mine workings; the Jensen Portal is just 100m west of the Level 3 Portal and was previously mined in the 1920s.

Sample number	Assays
2100151	813g/t silver, 0.52g/t gold, 19% zinc and 4.66% copper
2100152	105g/t silver and 1.18% copper
2100207 from an exposure vein	1,300g/t silver, 2.59g/t gold, 1.16% copper, 27.4% lead and 27.2% zinc

MB Zone 2019/20 sampling programme highlights. Source: Company

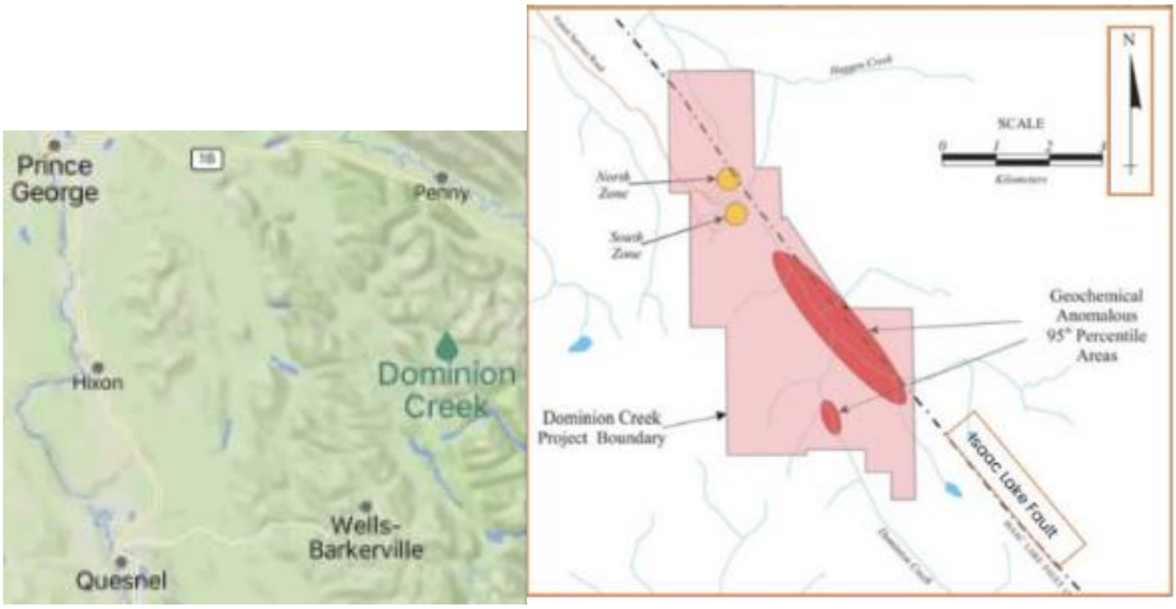
In June 2025, the company received a multi-year exploration permit, allowing it to carry out drilling at 20 sites, build 4,500m of trails, trench 1,400m, and conduct 20km of geophysical surveys over the next 5 years. This mineral lease extension runs through to April 2032. The board recognises the potential value of such a project in a period of soaring silver prices and is exploring a range of options, including M&A and joint ventures, to reopen the historic Treasure Mountain mine.



Compelling rock and soil sampling results from Treasure Mountain. Source: Company

Dominion Creek Project (75%)

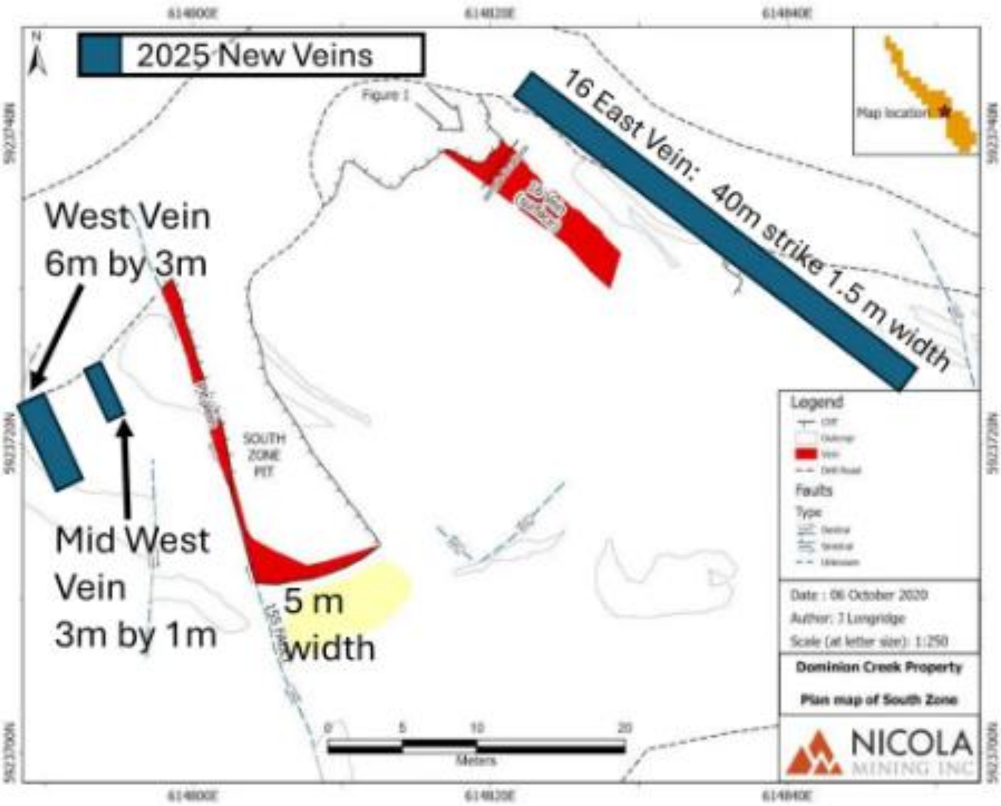
The project is a small, high-grade gold and silver vein system that outcrops at the surface and has near-term production potential, leveraging Nicola's fully permitted Merritt Mill. Dominion Creek lies in central B.C., 43km NE of Wells and 110km ESE of Prince George, and comprises eight contiguous mineral claims totalling 1,040ha. The project is located within the Cariboo Terrane, a well-known gold-bearing belt hosting orogenic and vein-type deposits. High Range Exploration Ltd was seeking to sell the project, and Nicola acquired it through an innovative deal under which the company gained a 75% economic interest in mining and milling a 10,000t bulk sample, with 25% of the profit share going to High Range. Following this, the company would acquire a 100% interest in the project.



Location of the Dominion Creek Property and the geochemical anomalies. Source: Company

There are two mineralised areas, the North and South zones, with a small bulk sample pit and a mineralised outcrop. Noranda drilled 53 holes totalling 3,484m over a 300m by 200m area in the South Zone. The best intersections were 6.55m at 24.7g/t gold and 4.0m at 19.98g/t gold. In 2020, Nicola collected 23 samples from the #16 vein and the Pit Vein zone, averaging 61.3g/t gold and 173.7g/t silver, with values reaching as high as 149.0g/t gold and 270.0g/t silver. The 10,000t bulk sampling programme commenced in July 2025. Nicola has spent C$1.5 million on this work, which has focused on mine development, as the project is now appearing much larger than initially anticipated.

Working faces at bulk sample site (September 2025)- total width of photo is 40m. Source: Company



Veins discovered at the Dominion Creek Property. Source: Company

In parallel, Nicola has begun procuring key mobile equipment and personnel in preparation for the planned extraction. The Dominion project hosts structurally controlled, high-grade gold. The company has well-developed plans to begin extraction, under a bulk sample permit, in July 2026. Gold production will validate grade continuity, metallurgy and mine planning while providing further cash flow to the company.

Strategy for Growth

Nicola Mining has positioned itself as a consolidator of gold projects in British Columbia. In reality, a consolidator model can be stronger than pure exploration, especially in a mature jurisdiction like B.C., where ownership is fragmented and decades of historical exploration work exist. Furthermore, there is a growing number of B.C. juniors whose CEOs are ageing, find it difficult to raise funds in today's market, and are increasingly seen as takeover targets. Markets and investor bases have evolved, and modern capital now requires data-driven targeting, ESG credibility, digital IR, and transparent governance. The era of endless placings is well and truly over. Discipline in dilution is essential as modern CEOs manage leaner, tighter cap tables. Older CEOs, who built their companies through promotion and retail marketing, are discovering that institutional investors are no longer interested.

We see evidence that Nicola is quickly becoming well known as *the* toll miller for British Columbia, as it is the only mill available to process third-party material. So much so that the province's Ministry of Mining and Critical Minerals has been introducing potential joint-venture partners. B.C.'s geology produces numerous narrow-vein or structurally controlled deposits, which naturally lead to lower-tonnage, higher-grade underground mines. These mines use phased development to reduce capital expenditure and have shorter mine lives compared to porphyry-scale systems. Higher gold prices bring plenty of hope to junior miners, but it remains very difficult to afford to put a small gold project through the permitting process, yet alone fund a mill.

There is strong demand from third parties for the company's highly strategic mill facility, which is quite large and built for expansion. Milling and flotation capacity is currently 200tpd, and all the work has been completed to increase capacity to 500tpd over the coming months. This work comes on top of completely automating the mill in 2024 and installing the second-largest gravity concentrator in B.C., as management can see the real scale of the pipeline of potential projects coming their way. There is plenty of empty space on this 900-acre site, which could easily house another five tailings facilities, meaning there is a 20-30-year life left at this site. Nicola has now begun to use its mill as a means of consolidating small mining companies across the region, primarily focusing on projects that are within three years of production. This compelling corporate strategy has only begun to be implemented in recent years, and gold production at the mill is now being significantly increased as management starts to leverage its strength to pursue a series of highly innovative deals.

Nicola's first M&A move was the acquisition of Dominion Creek. The company dislikes earn-in deals because it is risk-averse, and in any case most such agreements revert to the original owner. The vendors of Dominion Creek received five earn-in offers but preferred Nicola's deal, which offered the potential for an outright sale at a reasonable price. The deal involved the company applying for the bulk sample permit, paying the reclamation bond, covering the costs of mining engineering and development, and then extracting, trucking, and milling the ore. After being reimbursed for Nicola's costs on the first 10,000 tonnes, the vendor would receive 25%, and the company would then own Dominion Creek outright. The development work in 2025 uncovered high-grade gold veins. In the cleared area, the central vein is five metres across and averages 2oz/t gold, while the 16 Vein and the New Vein assayed at 37g/t and 9.5g/t gold, respectively. What started off as a 10,000-tonne project is rapidly expanding to an 80,000-tonne or larger resource. Nicola may not be an exploration company per se; however, at Dominion, as they produce, the company will also be exploring.

The New Craigmont Copper Project is the highest-grade copper mine in North American history, featuring extensive underground workings and developments. Given its impressive potential, it is hard to believe that from 1961 to 2015 there was no exploration, caused by disagreements among the seven owners. Essentially, the historic Craigmont Mines lies at the intersection of two major faults in the Quesnel Trough: the Lornex or Highland Valley Fault and the Nicola Fault. The Quesnel Trough extends into an area called The Golden Triangle, and these two metallogenically linked regions form the backbone of B.C.'s copper-gold endowment. They are increasingly viewed by majors as a dual engine driving porphyry copper-gold and high-grade gold-silver mineralisation.

There has even been talk that the combined potential of the Quesnel Trough and The Golden Triangle might surpass that of the Abitibi greenstone belt in Canada, which has produced 200 Moz of gold. High praise indeed.

The New Craigmont Copper Project is seen as the one that got away from Tech Resources, which merged three of its four copper plays into the Highland Valley Copper Mine, the biggest copper mine in Canadian history. The Teck-Anglo HVC Expansion is a major development that will make it the second-largest copper mine in North America, behind one of Freeport McMoran's mines in Arizona. A month after Nicola's successful acquisition, CEO Peter Espig received a call from Dr Paul Johnson, Tech's senior geologist, who told him he had one of the top copper projects in the world, as there were very few super-high-grade projects already permitted. The first hole that Nicola drilled returned 85m at 1.1% copper. The project is now unequivocally a porphyry, and this year will see the heart of the system drilled. Not only is there a mining permit in place, but, given the history, there is a grandfathered permit for a sizeable copper mill. There is huge blue-sky potential to drill and explore, with self-generated funds going forward.

Nicola truly has many potential riches, as the portfolio also includes Treasure Mountain, a high-grade silver mine just 90 minutes from the mill, where there is a well-planned strategy to resume production in 2027. Mining stopped in 2013 due to low silver prices, but the mine has been properly maintained and is ready to restart operations. It is a very promising silver mine in our view, with plans to recommence extraction at mining level 1, stope 2, which has an average grade of 28–38oz/t silver. However, there is much more to this site than meets the eye. Back in 2012, Pohl invested C$5 million in Huldra Silver (Nicola's old name) at a market capitalisation of C$200 million. The Pohl family are savvy investors, recognised for early-stage investments in high-grade silver and gold projects, and they have backed several Canadian junior companies. What excites them most is the potential on the far side of the mountain, where fifteen veins are exposed at the surface and no drilling has yet been carried out. Nicola has spent eight years soil and chip sampling along these veins, revealing grades of 350–9,200g/t silver, 0.2–0.26g/t gold, 1-4% copper, 10-30% lead, and 10-15% zinc, along with indium and other rare earth elements. Clearly, there is something significant here, but its nature remains uncertain, and the first drilling programme is scheduled to begin shortly.

The hybrid business model has positioned the company as a leading B.C. consolidator in mining and infrastructure. In addition to the mill dedicated to gold and silver, there is a sand and gravel operation (with 200Mt of reserves), as well as hard rock and ready-mix cement. Considerable thought went into establishing these businesses, with an ownership structure of 51% LNIB and 49% Infocom, and with Nicola receiving a royalty. In 2025, the company earned C$3 per tonne in passive royalties, and all the staff needed was someone to operate the weighbridge. In practice, if a Crown corporation needs gravel, it turns to First Nations. Infocom's ready-mix cement plant represents a C$60 million investment, with abundant regional work. The government is building 75–80 wind turbines requiring vast amounts of ready-mixed concrete for the foundations. The Highlands Valley Mine Expansion has brought this operation a C$200 million contract, now extended to C$300 million. Not to mention highway projects, other construction jobs, and data centres. These are not the core business, but they cover G&A and must be the envy of many juniors in our view.

We see plenty of good reasons to invest in Nicola. Firstly, it has multiple revenue streams, which is rare for a junior miner. Secondly, the highly potentially cash-generative mill forms the backbone of a highly compelling M&A strategy to consolidate small-scale, high-grade gold and silver projects across B.C. At the same time, Nicola offers exposure to gold, silver, and copper - three metals in high demand. That line hardly does the company justice, as the portfolio includes North America's highest-grade copper mine and a silver-lead-zinc project whose true potential has remained undiscovered for decades. Currently, it appears that Nicola's achievements and potential are little understood by investors. However, we think this could change quite rapidly this year, as the Nasdaq listing, completed in April this year, should help bring the stock to the attention of a much wider audience.

Risks

Geological risks

There are a series of technical risk factors concerning the level of understanding of the geology of the project areas and the areas being targeted, as well as the distribution and magnitude of the indicators identified during exploration.

Resource risks

All resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that are valid when initially determined may change significantly when new information or techniques become available. Resource estimates are inherently imprecise and depend to some extent on interpretation, which may prove inaccurate. There is a significant difference between early resource estimates and what ultimately becomes classified as reserves.

Commodity price risks

Gold, silver, copper, lead and zinc are all tradable, price-volatile commodities. Gold is highly sensitive to global uncertainty, and the recent ratcheting up of geopolitical tensions has been a major factor supporting elevated gold prices, although behind the scenes, the major banks have continued to accumulate the yellow metal. Silver's commodity price risk is higher and more complex than gold's because silver also has industrial demand. Changes in the prices of these precious and base metals can positively or negatively affect the valuation of the company's projects and revenue from metal sales.

Execution and management risk

Exploration success depends heavily on the quality of management. There are well-known risks of over-promotion, unrealistic timelines, poor technical decisions, weak governance, misallocation of capital, and conflicts of interest with related parties.

Operational risk

In mining projects, operational risk stems from geological variability, mining execution failures and processing underperformance, which can disrupt throughput and recovery. Safety and environmental issues can restrict operations, and margins can be eroded by supply chain disruptions and rising costs.

Equity dilution risk

As with any publicly traded company, there is the risk that the issuance of further equity will dilute the interests of current shareholders.

Board of Directors

Peter Espig – Chief Executive Officer and Director

Peter assumed the role of President and CEO in November 2013, and guided the company through its restructuring, which included entering the CCAA and successfully exiting in November 2014. He is experienced in analysing investment opportunities, raising capital, deal sourcing, financial structuring, and corporate turnaround. Peter has structured over US$2 billion in private equity and pre-IPO investment transactions from the principal side and is a pioneer of SPACs, having completed over $1 billion in transactions.

Peter served as Vice-President of the Principal Finance and Securitization Group and the Asia Special Situations Group at Goldman Sachs Japan. Prior to joining Goldman Sachs, he was Vice-President at Olympus Capital, a New York private equity firm, where he participated in corporate restructurings, investment analysis and financing negotiations for domestic and international investments. In 1989, Peter received his B.A. from the University of British Columbia and later earned his MBA from Columbia Business School, where he was a Chazen International Scholar. He has been active in the turnaround of mining projects and has held management and director roles at numerous mining companies.

Frank Hogel – Chairman/Director

Frank is an Asset Manager specialising in the financial evaluation of companies and convertible debenture restructuring. He serves on the advisory board of Concept Capital Management and has been President and Chief Executive Officer of Peter Beck Performance Funds and Peter Beck and Partner Asset Management Company Limited since 2002. He has been active in the mining sector for fifteen years.

Dr Paul Johnston P.Geo - Director

Paul is a professional geoscientist with over 30 years' experience in the mining industry and currently serves as Vice President, Exploration, at Element 29 Resources. He has extensive international experience across early to advanced-stage exploration for gold, copper, and zinc. Paul began his career in the late 1980s as a mine geologist, then joined Teck Resources, where he held a range 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.

Malcolm Swallow – Director

Malcolm has extensive experience providing guidance to operating and developing mining companies and mines, including all aspects of precious and base metals and industrial minerals development, mine and mill construction and operation, start-ups and re-starts of existing operations; project development from green-field site to fully constructed mines, plus overhauls of existing operations and project evaluation. He has a wide knowledge of the construction and operation of underground and open-pit operations, a 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 turnarounds, plus report writing and financial evaluation for both base and precious metals and industrial minerals opportunities.

Brent Omland – Director

Brent has served as Chief Financial Officer and Director of Ocean Partners Holdings Limited since 2013. In 2023, he was appointed as co-CEO of Ocean Partners. Before joining Ocean Partners, Brent was Chief Financial Officer at Ivernia Inc. and Enirgi Metals Group, companies focused on lead mining and secondary lead smelting in Australia. He also held finance roles at Teck Cominco. Brent is a graduate of the University of British Columbia (Commerce) and a Canadian Chartered Accountant with 20 years' experience in the mining, metals, and trading sectors. He also serves on the boards of Galantas Gold Corporation and Dore Copper Mining Corporation.

Other Senior Management

Will Whitty – VP Exploration

Will has over fifteen years of advanced-stage exploration experience across a variety of porphyry copper +/- molybdenum deposits and copper skarns, as well as Carlin-style gold and orogenic gold deposits. He completed his B.Sc. in geology at Carleton University in Ottawa and his M.Sc. in geology with the Mineral Deposit Research Unit ("MDRU") at UBC in Vancouver. After graduating, he worked 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, providing geological services to most of the company's mines in the southwestern US. Before joining Nicola, Will worked for Nevada Gold Mines, a Barrick-Newmont joint venture, at the Goldrush Mine, located within the Cortez district in northern Nevada. As Senior Geologist at the newly producing mine, he successfully managed multi-million-dollar drill programmes.

Vicente García – Senior Geologist

Vicente has more than seven years' exploration experience across porphyry Cu-Mo, IOCG, stratabound copper, epithermal gold-silver, and lithium-rich brine systems. He holds a B.Sc. in Geology from the University of Concepción in Chile. After graduating, he worked for several years with Kura Minerals, an exploration consulting company, where he contributed to programmes targeting a range of commodities. He later joined Quiborax, focusing on Ulexite exploration in salar environments. In 2020, he founded Mayal Exploration, a consulting company through which he provided geological services, including drill-core re-logging, surface mapping, and 3D geological modelling, for various mining clients in Chile. In 2022, Vicente relocated to Canada and joined Dahrouge Geological Consulting, contributing to Ni-Cu sulphide and lithium-pegmatite exploration projects in the Timmins region of Ontario and the James Bay area of Quebec. Before joining Nicola Mining, he worked at Anglo American, supporting international exploration programmes targeting Cu-Mo porphyry systems in Arizona and orthomagmatic Ni-Cu-PGE systems in Greenland.

Bill Cawker – Corporate Development

Bill joined Nicola in March 2023, taking over duties for Corporate & Investor Relations and Social Media, and in March 2024 as Corporate Secretary. He is an experienced in-house specialist who has primarily assisted small-cap/micro-cap publicly listed companies in the fields of technology and natural resources. Bill has worked at leading Canadian financial institutions, has been active with numerous public companies, and is a graduate in economics from the University of British Columbia, where his focus was on Canadian and US economic history, specifically free trade.

Sam Wong – Chief Financial Officer

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

Outcropping veins at the Dominion Creek Property. Source: Company

Financials & Current Trading

Nicola Mining is a British Columbia based gold and silver producer and copper exploration company that has in recent years been ramping up milling of high-grade gold at its cash-generating mill facility.

Y/E 31 December C$'000s	2020A	2021A	2022A	2023A	2024A
Revenue	-	-	-	1,618	818
Pre-tax profit/(loss)		(3,405)	(201)	(3,395)	(5,231)
Net profit/(loss)		(3,405)	(53)	(3,326)	(5,231)

Nicola Mining's five-year trading history. Source: Company accounts

2024 results

The twelve months ended 31st December 2024 saw the operation at the Merritt Mill expand, using mill feed from Talisker Resources, a major drilling programme at the New Craigmont Copper Project, and permitting and development work at the Dominion Creek Project, which progressed towards bulk sampling. The net margin from milling was a loss of C$1.439 million. The net loss before income tax and the loss for the year were C$5.231 million. The loss per share for the period was C$0.03.

Results for the first nine months of 2025

Results for the 9 months ended 30th September 2025, showed major exploration success at New Craigmont, with the expansion of the Embayment Zone, the advancement of the Dominion Creek Gold Project, and a strengthening of the financial position. Financial results showed a sharp rebound in revenue, reflecting that the company is still in transition towards more stable, scalable operations. Revenue increased to C$0.632 million, and net losses narrowed to C$0.329 million. The loss per share was C$0.02.

Recent developments

On 14th April 2026, Nicola's American Depositary Shares (ADSs) began trading on Nasdaq. The public offering consisted of 930,233 ADSs and warrants to purchase 930,233 ADSs at an offering price of US$6.45 per ADS plus an accompanying warrant. Each ADS represents 12 common shares of Nicola. The gross proceeds, before expenses, were US$6.0 million. The warrants have an exercise price of C$12.2213 per ADS, with a five-year life.

In March 2026, the company announced the completion of the University of British Columbia Master's thesis, which concluded that Craigmont is part of a porphyry-linked skarn system. At the time, Peter Espig, Nicola's CEO, was quick to point out that "*The thesis' conclusion aligns with our growing confidence in our three years of geological work, mapping, and 2025 porphyry vectoring. Given the size of our land package and location, which includes sharing Guichon Batholith with Highland Valley Copper, the prospect of having one or more porphyries at New Craigmont is increasingly compelling, as highlighted in the thesis. We are very encouraged to commence our 2026 Exploration Program*."

In February 2026, news emerged that production of high-grade gold and silver concentrates was being increased by processing mill feed from the company's partnership with Blue Lagoon Resources at the Dome Mountain Gold Project. The ore is processed at Nicola's fully permitted Merritt Mill, where Nicola has shifted from gravity and flotation gold recovery to a flotation-only recovery circuit to suit the new mill feed and streamline production. This optimisation reflects the sulphide-hosted nature of the mineralisation and aims to improve metallurgical recoveries, enhance concentrate grades, and maximise payable metal content.

In January 2026, the company announced that Nicola and Blue Lagoon had received the first payment for gold and silver under the long-term partnership, totalling US$1 million. This month also brought news that Nicola had successfully raised C$4.96 million for upgrades and expansion at its Merrit Mill. The investment will increase processing capacity to 500tpd through new milling and flotation equipment. Along with the installation of a secondary ball mill, additional cleaner flotation cells have been added, and the pumping infrastructure has been improved. At the same time, it is intended to carry stocks of spare bowl and mantle assemblies in order to improve operational reliability.

In November 2025, Nicola provided an update on the Dominion Creek Gold Project, noting that all mine development work for the 10,000t bulk sample had been completed. Initially, the company had planned to ship 2,000t to the Merritt Millin 2025 for processing, but has opted to wait until 2026. This month, the board also announced assay results from the project, taken from chip samples collected from all five veins, including the three recently discovered. Assays returned up to 113g/t gold, equivalent to 3.31oz per tonne of gold.

Forecasts

We initiate coverage with forecasts for the financial years ending 31st December 2025 and 2026. Nicola Mining's 2025 achievements included major exploration success at Craigmont, securing bulk-sample permits for Dominion Creek, and eliminating all short-term convertible debt, which created a stronger, cleaner balance sheet heading into 2026.

2025 saw the introduction of profit-sharing arrangements at Nicola's Merritt Mill and Tailings facility. In May 2025, Talisker Resources began hauling run-of-mine (ROM) material from its Mustang Mine for processing at the Merritt Mill. In August 2025, the partners sold 707 ounces of gold, generating proceeds of US$2.3 million. In H2, extensive mill upgrades were completed, including automation to improve flotation recovery and the installation of a large concentrator to optimise free-gold recovery, both of which helped to boost production. By December 2025, Blue Lagoon Resources (BLLG:CSE) had begun transporting high-grade gold and silver mill feed from its Dome Mountain project to the Merritt Mill under a long-term milling agreement, with first gold sales achieved before year-end. The net loss for the year has been forecast at C$10.696 million, with a loss per share of C$0.06.

Year ended 31 December (C$'000s)	**2023A**	**2024A**	**2025E**	**2026E**
Milling revenue	1,618	818	2,000	71,000
Milling – cost of sales	(3,136)	(2,257)	(3,000)	(9,000)
Gross margin	(1,518)	(1,439)	(1,000)	62,000
Care and maintenance	958	(1,045)	(900)	(500)
Exploration costs	(1,210)	(1,759)	(3,400)	(1,500)
Change in estimate and accretion of ARO	(4,328)	287	(250)	(250)
Salaries and benefits	(168)	(99)	(20)	(40)
Share-based compensation	(541)	(757)	9380)	(450)
Professional fees	(207)	(184)	(150)	(300)
Consulting fees	(551)	(553)	(350)	(500)
Office and general	(130)	(461)	(450)	(600)
Travel and investor relations	(394)	(583)	(750)	(650)
Regulatory and transfer agent fees	(41)	(56)	(85)	(90)
Rent	(73)	(45)	-	-
Depreciation	(11)	(13)	(60)	(90)
Total operating expenses	(8,611)	(5,269)	(6,795)	(4,970)
Net profit/(loss) before other items	(10,129)	(6,708)	(7,795)	57,030
Flow-through premium	29	4	(130)	-
Other income	8,146	1,969	900	1,000
Finance costs	(1,446)	(591)	(520)	-
Fair value revaluation – marketable securities	-	103	(3,143)	-
Foreign exchange gain (loss)	5	(9)	98)	-
Net Profit/(loss) before income taxes	(3,395)	(5,231)	(10,696)	58,030
Tax	69	-	-	(8,705)
Net profit/(loss) for the year	(3,326)	(5,231)	(10,696)	49,326
Earnings per share – basic and diluted	(0.02)	(0.03)	(0.06)	0.22
Weighted average number of shares	158,357,885	165,376.575	185,620,931	223,608,371
Total shares plus options and warrants	171,582,000	175,107,000	230,636,480	256,154,570

Source: Company/Optimo Research

In the year ending 31st December 2026, it is expected that Merritt Mill will see increased tonnage of Blue Lagoon Resources' ore from their Dome Mountain project, as well as the processing of the first 10,000t bulk sample from Dominion Creek.

Over the last three years, the mill's infrastructure has been upgraded to allow the current 200tpd ball mill to be swapped out with a 500tpd ball mill in the coming months. This move will not only increase capacity but also allow milling costs to drop significantly. To improve recoveries, concentrate grades, and payable metal content, processing at the mill was transitioned early in the year from a pure flotation circuit, which is better suited to sulphide mineralisation. Revenue is forecast to increase rapidly to C$71 million, giving a gross profit of C$62 million after a C$9 million cost of sales. At first glance, costs may look low, but it has to be appreciated that Nicola's declared revenue stems from a profit share from Dome Mountain and Dominion Creek, plus milling costs charged to partners - some of which come after costs have already been stripped out. The cost of sales is the actual cost of running the mill and processing these ores.

2026 is also expected to see a lot of progress made towards the reopening of the Treasure Mountain Silver Mine, which is already fully permitted for ore production, with its first concentrate sales expected in 2027. Also planned is further drilling at the new Craigmont project and initial drilling at the MB Zone of Treasure Mountain. The net profit for the year has been forecast at C$49.326 million, with earnings per share of C$0.22.

Valuation

We have set out to determine a meaningful valuation for Nicola and set a realistic target price that we believe makes sense in today's market. In our analysis we have used a mixture of discounted cash flow analysis and the update of an earn-in deal to provide a conservative valuation.

Merritt Mill

Nicola's 100%-owned Merritt Mill is a valuable asset. Management believe that it would cost in the order of C$250 million to rebuild a 500tpd fully permitted and operational mill, plus the value of the extensive industrial zoned land at this brownfield site. The facility includes a crushing circuit, a grading circuit and a flotation circuit, all designed to produce high-grade concentrates. This estimated cost includes the expenses associated with obtaining a permit. In B.C., the permitting process takes, on average, 14 years. Thus, having the Merritt Mill and the right to process gold and silver ore from anywhere within the state is a major competitive advantage in B.C., where permitting represents a bottleneck for most juniors. Given these considerations and the rapidly rising costs of mining equipment, which have experienced significant inflation since 2020, we believe that this figure of C$250 million represents a conservative number to transfer into our SOTP table.

Gold and silver mining projects and milling

Nicola is using its Merritt Mill and its unique licence to transition from being a toll miller to a consolidator of small-scale gold and silver projects across British Columbia. Currently, the mill is focused on material from Blue Lagoon Resources, but the M&A strategy has already begun in earnest with developments at Dominion Creek, which is expected to supply ore for milling in the coming months. This year, progress is planned towards starting production at the company's 100%-owned Treasure Mountain Silver Project. The company has a clear strategy of trucking production from its own projects to its Merritt Mill, which has an enviable licence that allows it to process ore from any mine in B.C. without requiring regulatory authorisation.

Our view is that the best way to value the Blue Lagoon and the Dominion Creek profit-sharing deals, further production of Dominion Creek under 100% ownership, and the production from Treasure Mountain, is to use a discounted cash flow analysis. Based on our current visibility, we have built a financial model for the Merrit Mill over the next five years, using data from the company's announcements, website content, and conversations with the management team. For 2026, we have used gold prices of US$4,750/oz and silver prices of US$75/oz, with lower prices in subsequent years. Flat prices of US$1,950 and US$3,450 have been used for lead and zinc over the period of study, which reflect current metal prices.

Dome Mountain - Blue Lagoon looks as though it is making good progress to boost production to the permitted 75,000tpa, a figure that we have modelled as being achieved in 2028. We have assumed that Nicola received 30-40% of the resultant cash flow once all costs have been deducted from the revenue. Grades of 9.7g/t gold and 35.60g/t silver have been used in the analysis.

Dominion Creek - We have assumed that, following the 10,000t bulk sample, the company receives 75% of cash flow after all costs. Following this move, the company will own the project outright. Extensive exploration work on this 1,040ha site has shown that there are two mineralised areas, and the mineralised outcrop, containing multiple distinctive veins, which ought to offer the potential for further bulk samples. The Dominion Creek project comprises eight contiguous mineral claims. Mining legislation allows for one bulk sample per contiguous claim. We have modelled the operation at Dominion Creek to be geared up and permitted, allowing a further 70,000t of ore to be mined over subsequent years, with a similar grade.

Treasure Mountain – Processing of silver-lead-zinc ore from Treasure Mountain has been modelled to begin in 2027, with production rising to hit a run rate of 60,000tpa in 2028, which is the permitted capacity. We based our analysis on the mining of the historical MRE for the project, which was determined in 2009, including both the Indicated and Inferred resources, which would allow for a 3-4 year life of mine; where initial production is planned to come from mining the higher grade 28 ounce per tonne silver ore.

Guidance on costs for Canadian gold and silver projects has indicated mid-range figures of C$180 per tonne for mining and C$0.15 per tonne per km (based on C$100/t from Dominion Creek to the mill) for haulage costs. Milling costs at the current 200tpd operation are C$55 per tonne. Although only 350tpd of the new enlarged 500tpd capacity will be used in the early years, this upgrade makes good sense as the cost per tonne in the larger ball mill is expected to be some 40% lower. Power consumption is expected to be 30% higher than the current C$30,000 per month with a small increase in manpower. These are the costs which have used in our analysis. The recovery factor selected for the concentrate is based on the current mill performance, which is around 94%, with conservative figures used for payability at the refinery, based on percentages achievable for clean, high-grade concentrate.

After applying a 27% tax charge, we have determined the NPV at various discount rates. Rates of 5%, 8% and 10% are commonly used in appraising mining projects. To be conservative, we have elected to use the NPV(12) in our further analysis, as using this higher discount rate risks the resultant cash flows more severely.

Discount rate	**NPV C$ million**
5%	557.90
8%	517.30
10%	491.65
12%	467.10

Merritt Mill – After tax, Net Present Values at various discount rates. Source: Optimo Research

There is a widely used rule of thumb among mining analysts, though it varies slightly from broker to broker. Broadly, professionals seem to employ the risk ratings and weightings shown in the table below. We would suggest that, given the differing development stages of the projects providing ore to the mill, we should risk this C$467.10 million at 15%, giving a valuation of C$397.04 million.

Development stage	**Risking**	**Weighting**
Scoping Study (PEA)	75%	25%
Feasibility	60%	40%
Fully funded construction	40%	60%
Commissioning	20%	80%
Steady-state production	0-5%	95-100%

Risk ratings. Source: Optimo Research

New Craigmont Copper Project (100%)

The valuation we have derived for this project is based on the deal outlined in the non-binding Letter of Intent (LOI) signed by Nicola Mining with Nittetsu Mining in September 2023. This agreement provides for a two-stage earn-in over five years, aimed at advancing the New Craigmont Copper Project to the Feasibility Stage, with a potential C$25 million earn-in that would have granted Nittetsu up to a 40% interest in the project. This approach values the project at C$62.5 million. However, in November 2023, the process towards a definitive agreement was suspended due to limited surface exposure and insufficient drill density. Nevertheless, this formal external valuation provides a compelling indication of the valuation the New Craigmont Copper Project might have attracted in late 2023.

In September 2023, the copper price was US$3.75/lb and is now 50% higher at US$6.03/lb or US$13,300/t. EV/t multiples for copper projects were depressed in September 2023 as the copper price had drifted lower from 2022 peaks (US$10,000/t to US$8,276/t) amid global recession fears and weakness in the China property market. Our analysis shows that copper developers were recently trading at US$0.11/lb CuEq, up from US$0.03–0.05/lb in 2021–24, as they re-rated on higher copper prices. Given this, we are guided to apply a 100% premium to the 2023 earn-in valuation of C$62.50 million and have therefore transferred C$125 million to our SOTP table.

Sum-of-the-parts

Asset	C$ million
Merritt Mill	250.00
Gold, silver, lead and zinc mining/milling	397.04
New Craigmont Copper Project	125.00
Cash and securities	15.0
Debt	-
Sub-total	787.04
EPS based on the number of shares in issue (227,412,796)	C$3.46
Proceeds from warrants & option conversions	21.10
Total	808.14
Fully diluted EPS (244,991,774)	C$3.30

Valuation and the determination of a target price. Source: Optimo Research

This analysis is used to determine a target price for the company as it moves forward with the development of its own gold and silver projects, which provide ore feed for Merritt Mill. Adding together the value of the assets, cash, and debt gives a figure of C$787.04 million. Based on the number of shares expected to be in issue (227,412,796), the per-share valuation would be C$3.46. Using the same assumptions, on the current fully diluted basis (244,991,774), we added the funds from the exercised warrants of C$21.10 million. This gives a total of C$808.14 million, or a share price of C$3.30, which we have adopted as our highly conservative initial target price.

Conclusion

We believe that investors are about to see the first signs of greatness at Nicola Mining. The fruits of a decade of painstaking work are now beginning to be revealed. We estimate a substantial increase in revenues for 2026, resulting in a dramatic improvement in profitability as latent potential begins to be unlocked. With a series of ancillary revenue streams covering G&A, new capital has been focused on fuelling the company's dramatic growth. This comes at a time when the world's heightened focus on precious metals and critical minerals will mean that a decent performance should greatly magnify returns for all shareholders.

There is no doubt that 2026 will be a big year for Nicola, which ought to ensure a very healthy news flow. There will be a ramp-up to full capacity at the Merritt Mill as the company is in the process of more than doubling nameplate capacity. The ongoing processing of ore from the opening of Blue Lagoon's new mine is expected to be boosted by material from the 10,000t bulk sample programme at the Dominion Creek Project. At the same time, significant drilling is planned at the New Craigmont Copper Project, with the first drilling of some key porphyry targets. A decent discovery hole could significantly change the basis of valuing this project. It is not hard to see what is possible, as next door lies Highland Valley Copper, which is Canada's largest open-pit copper mine, boasting something like 5-8 billion pounds of copper.

If that was not enough, Nicola also plans to drill at the backside of Treasure Mountain, the MB Zone, where chip samples have returned as high as 9,200g/t silver. It is not outside the realms of possibility that Nicola could record two home runs in exploration this year. This move comes as the scene is being set for production to restart at the Treasure Mountain Ag-Zn-Pb Project. These moves could firmly push these projects up the valuation curve. We look forward to the opportunity to reassess the company's potential as further key milestones are achieved.

The Nasdaq listing of a Canadian junior miner like Nicola could be transformational. It broadens access to deep US capital pools, increases liquidity, and elevates visibility far beyond what the TSX-V alone can offer. It truly acts as the gateway to the world's largest pool of institutional capital, opening doors to US resource funds, generalist hedge funds, and family offices. Often, US institutions are unable to buy TSX-V stocks due to mandate restrictions, and Nasdaq resolves this issue. Once again, Nicola is being very smart and will be the first Canadian American Depositary Receipt (ADR) trading on Nasdaq, a route popular with many leading overseas companies, including giants like Taiwan Semiconductor Manufacturing Company and BP. No one likes consolidation or rollbacks, and with an ADR, Nicola will be trading on a 1-for-12 basis, which provides a great cushion against the US$5 threshold and the shorter's games.

Investors can take well to consolidation plays. In the resources sector, such companies can create value without taking on significant risk. The market consistently rewards consolidators more than pure exploration plays for several valid reasons. Firstly, they can acquire ounces at a lower cost than their discovery costs by focusing on distressed juniors. Secondly, they reduce risk through scale, often with the potential to develop a district-scale project. Thirdly, such stocks can achieve a re-rating without the need for drilling results or resource updates. Here, Nicola will be playing its trump card, with the only mill in British Columbia that can accept third-party gold and silver ore. Small players in B.C. really have nowhere else to go to monetise their resources. We think that investors are just beginning to glimpse the size of the rewards that the M&A strategy could deliver. It is important not to focus solely on Nicola's current five assets, as we believe these merely mark a starting point for far greater potential.

We are initiating coverage on Nicola Mining with a target price of C$3.30 per share.

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