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Research Note

Nicola Mining – Drilling Underway at MB Zone, Treasure Mountain

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Rating	Target Price
BUY	**$1.60**
Unchanged	*Prev. $1.50*

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Disseminated on behalf of Nicola Mining

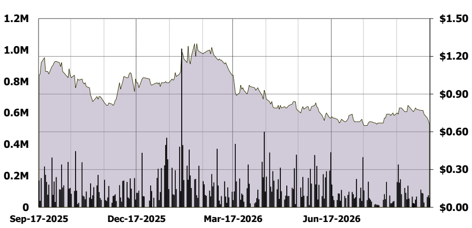
All figures in CAD unless otherwise stated

Nicola Mining Inc.	**NIM:TSXV**
Rating	BUY
Target Price	$1.60
Return to Target	129%

Market Data	
Share Price	$0.70
Average Daily TSXV Volume (K)	169.9
FD ITM Shares (M)	234.0
Market Cap ($M)	$163.8
Cash & Marketable Securities ($M)	$11.5
Debt ($M)	$0.4
Enterprise Value ($M)	$152.8

Valuation	
New Craigmont Project ($M)	$92.7
Merritt Mill & Tailings Facility ($M)	$234.0
Treasure Mountain Silver Mine ($M)	$25.0
Dominion Creek (75% Interest) ($M)	$14.0

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents



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

What you need to know:

- Nicola announced that it has commenced the first-ever drill program at the MB Zone, a previously untested target ~1km northwest of the historical Treasure Mountain silver mine.
- The program comprises four holes (~800m) with drilling expected to finish by the end of September and assays by year-end.
- Historical 2019 to 2022 surface sampling at MB returned 1,300 g/t Ag, 2.59 g/t Au, 27.4% Pb, and 27.2% Zn from exposed vein.
- Visual logging of the first hole (TM26-001) shows intervals of intense sulphide mineralization, giving excitement to the pending assays.

This morning, Nicola Mining (NIM:TSXV, NICM:NASDAQ) announced it has commenced its 2026 exploration drilling program at Treasure Mountain, marking the first-ever drilling at the MB Zone. The four-hole ~800m program is designed to test whether the high-grade silver-lead-zinc-copper-gold veins mapped at surface continue at depth, with drilling expected to wrap up by the end of September and assays due by year-end. Encouragingly, visual logging of the first hole has already identified intervals of intense mineralization, though assays remain pending. **We are maintaining our BUY rating and increasing our target price to $1.60/share (previously $1.50/share) on Nicola Mining.**

A first drill test of the MB Zone. The MB target sits about 1km northwest of the past-producing Treasure Mountain mine and has never been drilled, despite hosting a silver-lead-zinc vein system exposed at surface along a northeast-southwest trend, with the additional presence of copper and gold. The target was defined through soil and rock sampling carried out between 2019 and 2022. Standout historical surface samples include 1,300 g/t Ag, 2.59 g/t Au, 1.16% Cu, 27.4% Pb, and 27.2% Zn from the exposed vein, alongside a separate sample grading 813 g/t Ag, 0.52 g/t Au, 19% Zn, and 4.66% Cu. We note these are historical surface samples rather than drill results but frame the grade potential that the current drill program is testing.

The 2026 program consists of four diamond drill holes totalling ~800m, which are designed to intersect the previously sampled quartz-sulphide veins below surface. Core from the first hole, TM26-001, has been submitted for multi-element analysis. Visual examination has flagged intervals of intense, semi-massive pyrite-pyrrhotite-sphalerite mineralization (see the core photos on page 2), which is geologically encouraging.

Our Take

Today's news moves Treasure Mountain from preservation to active exploration, with the first holes ever drilled at the MB Zone. The intense sulphide mineralization logged in the first core excites us as we await the assay results which are due at year-end. Paired with the planned 2027 restart of the main mine (see our prior note here), a successful MB program would add a second leg to the Treasure Mountain story, and we continue to view the asset as low-cost project with significant upside as it sets itself up for mining in the near-term and processing at Nicola's Merritt Mill.

Catalysts

- New Craigmont Exploration – Ongoing
- Merritt Mill Production Growth & Throughput Permit Amendment – Ongoing
- Treasure Mountain Drill & Sampling Results – Q4/26
- Cash Flow Acceleration – Ongoing

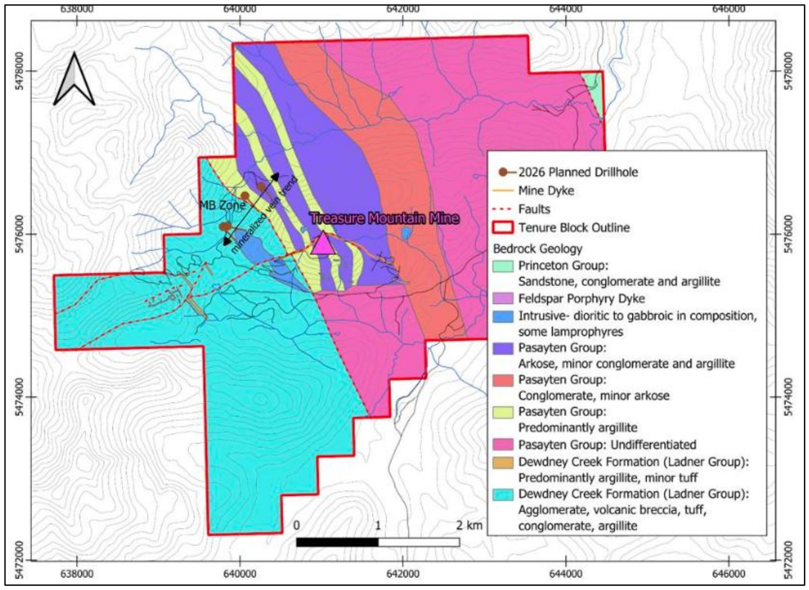


Figure 1: Location Map of the Planned Drill Holes and Geological Setting (Source: Company Documents)

Figure 2: TM26-001 Core Photos (Source: Company Documents)

Valuation Update

We are increasing our valuation of Treasure Mountain to $25M, up from $9.8M, reflecting the project's improving near-term production potential following the reopening of Portals 1 and 2 and the start of drilling at the MB Zone. We recognize that $25M remains conservative for a potential mine restart; once NIM provides firmer guidance on restart timing, production rates and grades, we intend to integrate the asset directly into our mine model, but until then we will remain on the side of caution. Our valuations on all other assets remain unchanged, and we are raising our target price on NIM to $1.60/share.

	Amount (C$)	Per Share (C$/share)
Mining Assets		
New Craigmont Copper Project	92.7	0.40
Merritt Mill & Tailings Facility	234.0	1.00
Treasure Mountain Silver Mine	25.0	0.11
Dominion Creek (75% Interest)	14.0	0.06
Enterprise Value	**365.8**	**1.56**
Corporate Adjustments		
(+) Cash	11.5	0.05
(-) Debt	0.4	0.00
Equity Value	**376.8**	**1.61**
Target Price (Rounded)		**$1.60**
Upside		***129%***

Figure 3: Valuation Summary

Why We Like NIM

- The New Craigmont Copper Project has all the signs of a legitimate copper asset, and the historical high-grade copper mine only increases our confidence in the Company discovering a sizeable resource.
- Nicola’s Merritt Mill and Tailings facility is being utilized for profit-sharing agreements, where it processes ore for its partners in the region. This business is just beginning to ramp up, and we expect new partnerships and cash flows to start rolling in.
- NIM’s Mill and the Sand/Gravel Pit and Rock Quarry businesses provide non-dilutive cash flow to fund exploration of its core assets. Additionally, the Pit and Quarry are operated by local Aboriginal communities, strengthening its relationships with key stakeholders.
- The Treasure Mountain Mine hosts a silver, lead, and zinc resource and is fully permitted for mineral extraction, making it a key asset for Nicola to process the ore at its mill.

Disclosures

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