

Nicola Mining Inc. CEO Letter to Shareholders

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Vancouver, March 25, 2022 - [Nicola Mining Inc.](#) (TSXV: NIM) (FSE: HLI).

Dear Shareholders and Investors,

Over the past year, [Nicola Mining Inc.](#) (TSXV: NIM) (FSE: HLI) (the "Company" or "Nicola") has released several news releases providing updates on the Company's New Craigmont copper project (the "New Craigmont"), Treasure Mountain silver project ("Treasure Mountain"), and Dominion Gold project, as well as operations at its Merritt Mill gold and silver milling facility ("Merritt Mill Site"). While the diversity of news may cause confusion as to the Company's near, mid, and long term goals, our long term goals remain the same and our near term goals reflect opportunistic flexibility that supports our vision. This letter is intended to provide further clarity and provide a road map for the Company's near term development to become a self-funded exploration and resource company.

New Craigmont Copper Project

Mine Permit M-68: 10,913 hectares of mineral claims

The Mining Journal recently published its Copper Outlook^[1] Report that echoes Wall Street's consensus that under investment / underdevelopment bodes well for the metal and that by 2030, the market observers expect to see a 5.0 million tonne per year shortfall of the green metal. There are several reasons core to management's believe that New Craigmont is our crown asset. Added to this, the wholly-owned New Craigmont is more than a brownfield exploration project, it maintains Mine Permit M-68, is adjacent to the largest copper mine in Canada, is the site of one of North America's highest grade historic copper mines, and is largely unexplored.. The mine closed in 1982, due to low copper prices, and exploration was limited to the Kingsvale capping that made it difficult to conduct induced polarization surveys, as well as for drilling exploration. The significant difference between maintaining a mine permit vs. "exploration project" cannot be underemphasized. For reference, it takes approximately 13 years^[2] in British Columbia to graduate from discovery phase to a mine permit.

One may ask: If Craigmont is the crown asset, why hasn't the Company invested more over the past two years on exploration?

The Company's January 18, 2021 news release, Nicola Mining Announces 2021 Exploration Objectives at New Craigmont Copper Project, outlined both the 2021 exploration objectives for the New Craigmont Project and that the Company had filed for a multi-year area-based ("MYAB") exploration permit that would allow Nicola to move forward on a five-year exploration plan. A MYAB typically requires 12 to 24 months for approval but provides carte-blanche exploration rights for five years. Exploration flexibility is especially important because, as highlighted in our January 20, 2022 news release, the Company announced that it had contracted Geotech Ltd. to perform a 998-line kilometer Z-Tipper Axis Electromagnetic survey ("ZTEM Survey")^[3] across the entirety of New Craigmont. ZTEM Surveys can be a very effective tool in finding porphyry systems, especially in places that have a secondary volcanic covering. The Company anticipates that receipt of MYAB followed by ZTEM Survey results will expand known exploration targets, as well as discover new targets for diamond drilling exploration on both copper skarn and copper porphyry anomalies.

Treasure Mountain Silver Project

Mine Permit M-239: 51 mineral tenures, over 2,850 hectares

Like New Craigmont, Treasure Mountain is a permitted mine site and holds Mine Permit M-239, which allows

the Company to mine up to 60,000 tonnes per year of silver/lead/zinc mill feed. The high-grade silver project maintains 4 fully developed portals, in-situ National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") compliant resource estimate between portals 1 and 2, and exploration potential at the MB Zone, which is located approximately 1.5 km from the Treasure Mountain mine. The MB Zone has never been drilled but has produced very high grade soil and grab samples that include:

- Sample 2100152: 813 grams Ag and 0.518 grams Au per tonne and 19% zinc and 4.66% copper^[4]
- Sample 2100207 was taken from the Exposed Vein and contained 1300 g/t Ag (45.86 ounces per tonne Ag), 2.59 g / Au, and 1.16% Cu, 27.4% Pb and 27.2% Zn^[5]

Again, like New Craigmont, Nicola sees the importance of receiving a MYAB to garner sitewide exploration flexibility and is currently in process of making its formal submission.

Merritt Mill - Gold and Silver Milling Facility

Fully-permitted mill on 900 acres free-hold owned land

The Company acquired the 900-acre land parcel comprising the Merritt Mill Site and, in connection therewith, has invested over \$30.0 MM to construct a modern processing and fully-lined tailings facility, which is British Columbia's only permitted mill capable of receiving gold and silver mill feed from throughout the province. CAPEX expenditure of \$30.0 MM plus does not, as Nicola sees, fully capture the facility's intrinsic value as this would require adding on costs associated with a decade of consultation, environmental impact studies, and economic impact studies. The July 9, 2021, [Nicola Mining Inc. Commences Mill Processing](#), news release was the first of several news releases focused on gold production. On February 24, 2022, the Company announced, Nicola Ships its Largest Shipment of Gold Silver Concentrate, highlighting continued site cash flow; however, cash flow is not only associated with milling activities, but from a cadre of sources.

- Nicola's Merritt Mill Site is a key site to Nicola Clean Power^[6] to accept fly and bottom ash for reclamation purposes.
- Nicola supports construction of the Trans Mountain Expansion Project ("TMEP") in Spreads 4B, 5A, 5B, 6 and 7A by receiving hydrovac and cover soils from worksites in these locations. The Merritt Mill Site supports TMEP reclamation in these same areas.
- The Craigmont Site also is permitted to receive certain remediated soils.
- On March 14, 2022, the Company announced that it had entered into a Rock and Gravel Extraction and Preferential Engagement Agreement ("Rock, Gravel, and Site Agreement") with an affiliate company of the Lower Nicola Indian Band to provide rock and gravel for BC infrastructure projects.

To be clear, the confluence of revenue streams does not indicate a dilutive focus away from New Craigmont, Treasure Mountain, or the Merritt Mill, but, rather, provides liquidity that allows us to focus on our core assets. As highlighted in the Rock, Gravel, and Site Agreement, our efforts also transpire beyond revenues to embrace our moral obligations of reclamation and environmental, social, and governance initiatives.

2022 Emphasis

Our priorities for 2022 are simple. First and foremost, upon completion of the ZTEM survey and receipt of MYAB, we believe our crown asset, New Craigmont, morphs from being a long term development goal, to becoming a near term opportunity for targeted exploration. We are truly excited about the prospects of our copper project that holds Mine Permit M-68, and the ability to augment our NI 43-101 permit on the historic mine terraces.

Not to diminish the potential value of Treasure Mountain, we are excited but also understand that the MYAB application implies that extensive exploration is a mid-to-long term reality. The Merritt Mill Site is the glue the bonds everything together and provides liquidity to allow the Company to achieve its operational and exploratory goals. It has, is and will continue to be the asset that has the potential to fuel success for all the core assets of the Company.

Finally, the Company is to repay as much as possible of the principal amount and interest thereon owing under Nicola's convertible debentures, which become due in November of 2022. Simplifying the balance

sheet debt by leveraging our cashflows is an important commitment to the Company.

Qualified Person

Kevin Wells, P.Geo, a consulting geologist to the Company, is the independent qualified person as defined by NI 43-101 for the technical disclosure contained in this letter to shareholders.

Forward-Looking-Statements

Certain statements in this letter are forward-looking statements, which reflect the expectations of management regarding the Company. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future, including, but not limited to, statements regarding: (i) Nicola's near term and long term goals, specifically with regard to its priorities for 2022; (ii) Nicola's ability to move forward on its five-year exploration plan; (iii) the anticipated receipt of the MYAB and the ZTEM Survey results and, as a result thereof, any effect these results may have on Nicola's expansion and diamond drilling exploration plans for both copper skarn and copper porphyry targets; (iv) the final submission of its MYAB application for Treasure Mountain; (v) the value, intrinsic or otherwise, of the Merritt Mill Site; (vi) any cash flows associated with milling activities at the Merritt Mill Site; (vii) the prospects of Nicola's exploration projects, including its New Craigmont, Treasure Mountain and Merritt Mill Site; and (viii) any general statement regarding Nicola's operational and exploratory goals going forward. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements, including risks related to factors beyond the control of the Company. These risks include, but are not limited to: (i) changes in Nicola's business relationships and plans; (ii) changes in the anticipated revenue streams and operational and exploratory goals; (iii) the failure of Nicola to receive the necessary approvals for its MYAB applications and exploration permits, as applicable; (iv) and other general business, economic, or market related risks beyond the director control of the Company and which may affect the Company's business and operations. The novel strain of coronavirus, COVID-19, also continues to pose risks that are currently indescribable and immeasurable. 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. The Company undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change, unless required by law. The reader is cautioned not to place undue reliance on forward-looking information.

[1] Author, "The outlook for copper in 2022", Mining Journal (Date of Publication), online: Add link to online journal access.

[2] Nelson Bennett, "Building a mine in British Columbia: hurry up and wait", Business in Vancouver (January 29, 2021), online (Mining.com): <https://www.mining.com/building-a-mine-in-british-columbia-hurry-up-and-wait>.

[3] Airborne electromagnetic survey system which detects anomalies in the earth's natural magnetic field. These disruptions are caused by zones of rock that conduct or resist electrical current more than the surrounding rock, like ore deposits.

[4] See the Company's news release dated February 21, 2020, which is filed under the Company's profile on SEDAR at www.sedar.com

[5] See the Company's news release dated September 7, 2020, which is filed under the Company's profile on SEDAR at www.sedar.com

[6] Previously called Merritt Green Energy:

<https://www.power-technology.com/marketdata/merritt-green-energy-project-canada/>

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