



**ATICO MINING CORPORATION  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**For the Year Ended December 31, 2017**

**ATICO MINING CORPORATION**  
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**GENERAL**

This management's discussion and analysis ("MD&A") for Atico Mining Corporation (the "Company" or "Atico") is intended to help the reader understand the significant factors that have affected Atico and its subsidiaries performance and such factors that may affect its future performance. This MD&A, which has been prepared as of April 20, 2018, should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017 and the related notes contained therewith. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included in the following MD&A are in the United States ("US") dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A refers to certain non-GAAP financial measures such as cash cost per tonne of processed ore and cash cost per pound of payable copper produced, used by the Company to manage and evaluate operating performance. These measures are widely reported in the mining industry but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. The Company believes that certain investors use these non-GAAP financial measures to evaluate the Company's performance. Accordingly, non-GAAP financial measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. To facilitate a better understanding of these measures as calculated by the Company, we have provided detailed descriptions and reconciliations as required.

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**COMPANY OVERVIEW**

The Company was incorporated under the laws of the Yukon Territory on April 15, 2010, continued pursuant to the laws of British Columbia effective October 4, 2011, and its fiscal year end is December 31. The Company is headquartered at Suite 501 - 543 Granville Street, Vancouver, British Columbia, Canada and has regional offices in Colombia and Peru.

The Company is engaged in copper-gold mining and related activities including exploration, development, extraction, and processing in Colombia and the acquisition, exploration and development of copper and gold projects in Latin America. The Company completed its initial public offering ("IPO") in March 2012. In conjunction with the IPO, Atico began trading on the TSX Venture Exchange ("TSX-V") under the symbol "ATY".

On November 22, 2013, the Company completed the exercise of its mineral property purchase option, acquiring 90% of the shares of Minera El Roble S.A. ("MINER"), the owner of the El Roble mineral property and took control of the producing El Roble mine and 6,679 hectares of surrounding claims.

MINER's principal asset is the operating El Roble underground copper-gold-silver mine and processing plant, located in Choco, Colombia. With a historic nominal capacity of 400 tonnes per day, the mine has processed over the past twenty-three years, 1.5 million tonnes of ore at an average head grade of 2.6% copper and an estimated gold grade of 2.5 grams per tonne ("g/t"). Since obtaining control of the mine on November 22, 2013, the Company has upgraded the operation from the historic nominal capacity of 400 tonnes per day to the current nominal capacity of 800 tonnes per day.

**FISCAL 2017 FINANCIAL AND OPERATING HIGHLIGHTS**

- Net income for the year ended December 31, 2017 amounted to \$4.04 million, compared with \$0.32 million for last year. Net income for the year was positively affected by increases in concentrate shipped and provisionally invoiced and average realized copper price as compared to 2016, partially offset by increases in direct mining and processing costs, and selling, general and administrative expenses.
- Sales for the year increased 49% to \$57.00 million when compared with 2016. The increase was due to additional concentrate shipped and provisionally invoiced with a higher realized copper price when compared to 2016. Copper ("Cu") and gold ("Au") accounted for 97.6% and 2.4% of the total amount provisionally invoiced during 2017. The average realized price per metal on provisional invoicing was \$2.79 (2016 - \$2.21) per pound of copper and \$1,265.21 (2016 - \$1,256.11) per ounce of gold.
- Income from operations was \$7.58 million (2016 - \$1.56 million) while cash flow from operations, before changes in working capital, was \$18.18 million (2016 - \$11.44 million). Cash used for capital expenditures amounted to \$10.18 million (2016 - \$8.50 million).
- Working capital was \$4.6 million (2016 - \$1.7 million), while the Company repaid principal of \$3.1 million (2016 - \$2.0 million) on its long-term loans payable with \$2.7 million (2016 - \$5.6 million) outstanding at the reporting date.
- Cash costs were \$118.94 per tonne of processed ore and \$1.44 per pound of payable copper produced, which were increases of 20% and 32% over 2016, respectively (refer to non-GAAP Financial Measures). The increase in the cash cost per pound of payable copper net of by products is mainly explained by a higher cost per processed tonne and significant refining surcharge, which is not expected to remain during fiscal 2018.
- Cash margin was \$1.23 (2016 - \$0.99) per pound of payable copper produced, which was an increase of 24.2% over 2016 (refer to non-GAAP Financial Measures).
- All-in sustaining cash cost per payable pound of copper produced was \$2.05 (2016 - \$1.63) (refer to non-GAAP Financial Measures).
- The Company produced 42,801 (2016 - 41,494) dry metric tonnes ("DMT") of concentrate with a metal content of 20.6 million (2016 - 18.7 million) pounds ("lbs") of copper and 10,923 (2016 - 11,159) ounces ("oz") of gold.
- Processed tonnes increased 6% to 256,078 compared to 242,717 in 2016.

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- At the end of the year, 3,797 (2016 - 7,366) wet metric tonnes ("WMT") of non-invoiced concentrate remained at the Company's warehouses.

**FOURTH QUARTER 2017 FINANCIAL AND OPERATING HIGHLIGHTS**

- Income from operations for the three months ended December 31, 2017 ("Q4-2017") was \$1.31 million, compared to \$0.84 million for the comparative period in 2016 ("Q4-2016"); while cash flow from operations, before changes in working capital, was \$3.44 million (Q4-2016 - \$2.43 million). Cash used for capital expenditures amounted to \$2.41 million (Q4-2016 - \$2.82 million).
- Cash costs were \$133.24 per tonne of processed ore and \$1.67 per pound of payable copper produced, which were increases of 26.8% and 40.1% over Q4-2016, respectively (refer to non-GAAP Financial Measures). The increase in the cash cost per pound of payable copper net of by products is mainly explained by a higher cost per processed tonne, a lower gold credit driven by comparatively less ounces produced, and significant refining surcharges, which is not expected to remain during fiscal 2018.
- All-in sustaining cash cost per payable pound of copper produced was \$2.27 (Q4-2016 - \$1.79) (refer to non-GAAP Financial Measures).
- The Company produced 11,224 (Q4-2016 - 10,881) DMT of concentrate with a metal content of 5.3 million (Q4-2016 - 5.1 million) lbs of copper and 2,972 (Q4-2016 - 2,832) oz of gold.
- Processed tonnes increased 2% to 63,948 compared to 62,870 in Q4-2016.

**RESULTS OF OPERATIONS**

**EI Roble mine review**

The EI Roble mine is an underground copper, gold and silver mine and processing plant located in the Department of Choco in Colombia. Its commercial product is a copper concentrate with gold and silver by-product credits.

The mine has processed over the past twenty-three years, with an historic nominal capacity of 400 tonnes per day, a total of over 1.5 million tonnes of ore at an average head grade of 2.6% copper and an estimated gold grade of 2.5 g/t. The operation has completed an expansion to a nominal capacity of 800 tonnes per day. Copper and gold mineralization at the EI Roble property occurs in volcanogenic massive sulfide ("VMS") lenses.

The table below shows the main variables used by management to measure operating performance of the mine: throughput, grade, recovery, metal production and cost.

**EI Roble operating performance**

	YTD	Q4	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
<b>Production (contained metals)<sup>(1)</sup></b>										
Copper (000 lbs)	20,625	5,326	5,099	5,154	5,046	18,724	5,146	4,515	4,786	4,277
Gold (oz)	10,923	2,972	2,831	2,570	2,550	11,159	2,832	2,813	2,948	2,566
Silver (oz)	40,283	9,586	10,840	10,005	9,852	37,820	10,661	8,893	9,953	8,313
<b>Mining</b>										
Ore (tonnes)	269,034	64,705	74,919	65,942	63,468	244,717	64,314	63,539	63,112	53,752
<b>Milling</b>										
Milled (tonnes)	256,078	63,948	66,443	62,802	62,885	242,717	62,870	61,886	64,246	53,715
Tonnes per day	790	763	794	794	810	788	790	766	814	778
Copper grade (%)	3.87	3.98	3.68	3.94	3.89	3.71	3.92	3.48	3.62	3.81
Gold grade (g/t)	2.10	2.25	2.16	2.07	1.92	2.18	2.19	2.08	2.20	2.21
Silver grade (g/t)	9.42	8.24	10.31	9.96	9.12	8.02	8.44	7.70	8.03	7.87

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	YTD	Q4	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
<b>Recoveries</b>										
Copper (%)	94.3	95.0	94.3	94.4	93.5	94.2	94.7	94.6	93.0	94.4
Gold (%)	63.2	64.2	61.1	61.8	65.8	65.9	63.8	67.9	65.0	67.3
Silver (%)	52.5	56.7	49.5	49.9	53.9	60.6	62.5	59.5	59.8	61.4
<b>Concentrate</b>										
Cu concentrate produced (DMT)	42,801	11,224	10,551	10,460	10,566	41,494	10,881	10,221	10,718	9,674
Copper (%)	21.8	21.5	21.7	22.3	21.7	20.5	21.5	20.0	20.3	20.1
Gold (g/t)	7.9	8.2	7.5	7.6	7.5	8.5	8.1	8.6	8.6	8.3
Silver (g/t)	29.3	26.5	29.0	29.7	29.0	28.7	30.5	27.1	28.9	26.7
Payable copper produced (000 lbs)	19,591	5,060	4,844	4,897	4,790	17,776	4,889	4,312	4,547	4,048
Cash cost per pound of payable copper produced <sup>(2)</sup>	1.44	1.67	1.38	1.30	1.41	1.10	1.19	1.35	0.96	0.86

<sup>(1)</sup> Subject to adjustments due to final settlement.

<sup>(2)</sup> Net of by-product credits (refer to non-GAAP Financial Measures).

The Company has met and exceeded almost all of the operational goals set for El Roble mine in 2017. Copper and gold production in particular, stand out with the 2017 results being 10% and 9% respectively above the higher end of the guidance range for the year.

In 2017, the Company produced 20.6 million lbs of copper, 10,923 oz of gold, and 40,283 oz of silver. When compared to 2016, production increased 10% for copper and decreased 2% for gold. The increase in copper produced is mainly explained by a 6% increase in processed material and a 4% increase in the copper head grade. In the case of gold, the increase in processed material was offset by a 4% decrease in the head grade along with a 4% decrease in gold recovery.

The average throughput rate in 2017 was maintained at 790 tonnes per day when compared to the 2016 rate of 788 tonnes per day. The number of worked days in 2017 increased 5% to 324 from the 310 days worked in 2016.

Average copper head grade in 2017 increased 4% over the 2016 head grade and was consistently higher throughout the year. The average gold head grade decreased 4% in 2017 relative to 2016 but within the intended operational range for the year.

Copper recovery in 2017 was maintained above the 93% goal, while gold recovery declined to 63%. Lower gold recoveries in Q2-2017 and Q3-2017, due to variability in the process brought by changes in the processing facility to achieve the 22% copper content in the concentrate, affected the average for the year.

Cash costs were \$118.94 per tonne of processed material and \$1.44 per pound of payable copper produced, which were increases of 20% and 32% over 2016, respectively (refer to non-GAAP Financial Measures). The increase in the cash cost per pound of payable copper net of by products is mainly explained by a higher cost per processed tonne and significant refining surcharges.

For fiscal 2017, treatment charges had a variable surcharge component dependent on the copper price. The higher average copper price during fiscal 2017 alone had a negative effect of 8% on the cash cost per payable pound of copper produced over 2016. The variable treatment surcharge does not carry forward to fiscal 2018.

The increase in cash cost per tonne is mainly explained by the following items: a 66% increase in cubic meters of cemented backfill partially offset by a decrease of 21% in the unit cost; 78% increase in hauling cost; 19% increase in the mill cost; a 16% increase in distribution and a 16% increase in general services, driven by maintenance cost.

The Company has launched several cost control initiatives and expects these to yield results as of the second quarter of 2018.

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The Company anticipates the 2018 cash cost per pound of payable copper net of by products will be positively impacted by no treatment surcharges and lower cash cost per tonne of processed material relative to 2017.

Cash margin was \$1.23 (2016 - \$0.99) per pound of payable copper produced, which was an increase of 24% over 2016 (refer to non-GAAP Financial Measures).

For 2017, the all-in sustaining cash cost net of by credit products was \$2.05 (2016 - \$1.63) per pound of payable copper produced (refer to non-GAAP Financial Measures).

The decision to accelerate development of the main decline to the lowest production level in 2017 impacted the all-in sustaining cash cost net of by credit products by \$0.05. As there will be no additional development in the main decline during 2018, the all-in sustaining cash cost net of by credit products will be positively impacted.

Cash used for capital expenditure activities during 2017 were \$10.18 million. Major categories of expenditure included \$3.82 million in underground mine development, \$1.28 million in equipment and infrastructure related to the mine, \$0.83 million in tailings dams, \$1.26 million related to the mill, surface and energy infrastructure, and \$2.17 million in exploration.

Mine production in 2017 came from Maximus-Goliath and Zeus, with Zeus providing over 90% of material for processing. Maximus-Goliath mining continued to be related to recovering in-mine stockpiles and pillar recovery.

The drift-and-fill mining method continues in Zeus with material being sourced throughout the year from primary stopes on sublevels 1722 through to level 1792. By year-end, sublevels 1847, 1837, and 1812 had been completely filled.

During 2017, 600 meters of development at the main access ramp were completed. The Company accelerated ramp development to reach level 1690 during Q4-2017, which is the lowest level of known mineralization. With this achievement the Company is ready to access and prepare all levels of the Zeus body, significantly reducing further development needs for Zeus throughout the remaining life of mine.

In 2017, the frequency index decreased 50% to 3.20 while the severity index increased by 1,267% to 588, when compared to 2016 (frequency index of 6.36 and severity index of 43). The increase in the severity index is explained by an accident in Q4-2017 that carried 4,500 lost hours as per the Colombian normative. The accident occurred on surface and involved poor operation of a vehicle. The Company has taken additional measures to train drivers and operators and to improve control of surface transit. The frequency and severity index in the Colombian legislation represent the number of accidents and workdays lost respectively, for every 240,000 hours worked.

Since the Company took over El Roble mine in late 2013, several initiatives have been launched to enforce the importance of safety practices at the operation which have yielded good results. Examples of the initiatives undertaken by the Company include implementation of OHSAS 18001 "Occupational Health and Safety Management System - Requirements", a yearlong safety training program for supervisors, increasing the number of safety leaders and safety supervisors at the operation, enforcing 5-minute safety talks at the workplace, weekly safety meetings with all workers, counseling for workers with sub-standard work practices, and engaging an external safety consultant among others. The Company continues to be committed to supporting the initiatives launched in the past years to enforce the importance of safety practices at the operation and will assess supporting new initiatives as needed to continue the safety improvement trend.

**Concentrate inventory**

	Q4	YTD	Q4	YTD
Amounts in dry metric tonnes	2017	2017	2016	2016
Opening inventory	3,475.1	7,318.6	6,703.4	4,094.0
Production	11,223.5	42,801.0	10,880.7	41,494.0
Sales	(11,238.3)	(46,722.3)	(10,165.5)	(38,169.4)
Adjustment	(4.9)	58.1	(100.0)	(100.0)
Closing inventory	3,455.4	3,455.4	7,318.6	7,318.6

Production is trucked routinely from the El Roble mine to the port of Buenaventura, where 10,000 WMT of concentrate can be stored at the Company's warehouse. Since the cost of shipping and freight is directly related to the size of the lot to be shipped, the Company prefers to sell lots in excess of 5,000 WMT.

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The Company recognizes revenue from provisional invoicing when the risks and rewards of ownership are transferred to the customer, which under the current off-take agreement is when the Company loads the concentrate onto the performing vessel at the port of Buenaventura, Colombia. As final settlement may occur several months after the provisional invoicing, changes in metal prices during the quotation period may have a material impact on the revenue ultimately recognized.

The number of shipments the Company can export in any given quarter depends on several variables some of which the Company does not control, hence there may be an inherent variability in tonnes shipped and revenue recognized from one quarter to the next.

Given the Company's revenue recognition policy and shipment schedule, the concentrate produced in any given quarter may not be immediately reflected in its revenue. The timing difference between concentrate produced and revenue recognized tends to decrease significantly when viewed on a yearly basis. In 2017, the Company produced 42,801 DMT and sold 46,722 DMT of concentrate; the difference is concentrate inventory carried over from 2016.

### **Exploration at El Roble**

During 2017, 11,764 meters of underground and surface drilling were completed at the El Roble property.

The underground program completed 7,066 meters. Two rigs tested the occurrence of massive sulfide bodies next to known mineralization and extending the deposit at depth and along strike. The third rig prioritized in-filling for mine planning purposes. The underground drill program has been successful in replacing a significant portion of extracted mineralization.

The surface exploration program focused on the Santa Anita, San Lorenzo and Archie targets, completing 4,698 meters at these areas in 2017.

#### *Santa Anita*

At the Santa Anita target, which is located south of El Roble mine, the Company drilled 1,207 meters of core in five drill holes up to a depth of 300 meters. The holes were collared, and oriented to test the favorable "black chert" unit-basalt contact and were between 200 meters and 300 meters apart. This contact is the locus of mineralization for the El Roble mine mineralization.

Drilling in Santa Anita clearly demonstrated a thickening of the "black chert" unit over a strike length of approximately 600 meters indicative of a sub-basin favorable for the deposition and preservation of massive sulfides. The sub-basin appears to be bounded by faults which might have acted as feeders for mineralization. The "black chert" unit also contains 5-10% bedding parallel stringers and blebs of pyrite-pyrrhotite suggesting a distal massive sulfide depositional environment

Hole ATSA-005, drilled on the northern margin of the sub-basin intersected two intervals of highly anomalous gold (3.9 m at 2.25 g/t Au from 114.80 m and 5.3 m at 2.31 g/t Au from 138.55 m) supporting the alteration and pathfinder element vectors. The Company is highly encouraged by these results, which have outlined a depositional subbasin with potential for massive sulfide preservation, elevated base metal, pathfinder and alteration element geochemistry rising sharply at the contact of basalt basement and the overlying favorable host "black chert" unit.

The multi-element geochemistry vectors are concentrated with the sub-basin and trend toward the northern margin of the basin. The drill core was analyzed by ICP and AAS for 32 elements plus silver and gold. The basemetal, pathfinder and alteration element geochemistry values (Au, Ag, Cu, Zn, Hg, Sb, As, Ba, K) in the "black chert" rise strongly immediately above the contact of the underlying basalt unit and show and increase toward the northern margin of the sub-basin. The chloritecarbonate-pyrite alteration index (CCPI), an indicator of hydrothermal alteration commonly associated with massive sulfide mineralization, also increases within the sub-basin and toward the northern margin of the basin.

The Santa Anita target is considered very prospective and warrants additional drilling. Further drilling will be directed to follow the geochemical vectors by drilling a fence of holes beneath the current holes and both extending and closing the interval between drill holes particularly at the northern end of the Santa Anita target area.

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*San Lorenzo*

Drilling of four holes at the San Lorenzo target was also directed to test the basalt-“black chert” contact. All holes intersected the contact but basemetal, pathfinder, alteration geochemistry was much more subdued and there was very little variation in thickness of the “black chert”. In addition, a reddish “ash unit” occurs within the “black chert” suggesting oxidation conditions at the time of deposition which are generally not compatible with preservation of massive sulfide deposits. Consequently the San Lorenzo prospect has been given lower priority for future exploration.

*Archie*

At the Archie area, the Company discovered a surface exposure of a copper-rich massive sulfide, cropping out some 130 meters north of the El Roble mine mineralization.

The discovery was made while following up on pathfinder element geochemical vectors and the planning of a fence of drill holes between the El Roble and the Archie target. Three channel samples on the outcrop assayed consistently high copper grades as shown in the table below:

<b>Sample #</b>	<b>East</b>	<b>North</b>	<b>Elevation (m)</b>	<b>Cu (%)</b>	<b>Cu (%)</b>	<b>Ag (ppm)</b>
AT16-0232	374839	655664	2276	1.00	7.168	0.21
AT16-0233	374839	655664	2276	1.17	12.468	0.11
AT16-0234	374839	655664	2276	1.27	9.472	0.09

The massive sulfide outcrop shows both banded and breccia textures similar to those encountered in the mine mineralization. The relatively low gold grades may indicate a slightly more distal position to the gold-rich, central, portion of the El Roble mineralization that has been mined to date.

The fifteen drill holes in this area were designed to test the favorable “black chert”-basalt contact zone underneath the newly discovered massive sulfide outcrop and further to the north up to a depth of 300 meters. The 2,863-meter drill program tested up to 450-meter strike length north of the El Roble mine.

The highlight of the drill program was an intersection of 2.8 meters of copper-rich massive sulfide from 18.0 meters in Hole ATDHAR-09, where the intercept assayed 2.39% Cu, 1.69 g/t Au, and 6.5 g/t Ag. Additionally, other highlights include:

- Hole ATDHAR-05 intersected 3.3 meters of 1.00% Cu, 0.88 g/t Au, and 3.9 g/t Ag from 2.2 meters;
- Hole ATDHAR-08 intersected 3.0 meters of 1.17% Cu, 2.24 g/t Au, and 6.59 g/t Ag from 157.2 meters;
- Hole ATDHAR-10 intersected 5.5 meters of 1.27% Cu, 0.17 g/t Au, and 6.66 g/t Ag from 2.5 meters;
- Holes ATDHAR-03, ATDHAR-04, ATDHAR-09 and ATDHAR 13 through ATDHAR 22 encountered “black chert”, the favorable host horizon, and show strong anomalous silver at depth for some 350 meters along strike north of the Zeus mineralization. Geochemically anomalous silver has been shown to form a halo around massive sulfide mineralization.

The drill program significantly clarified the geology of the area between the El Roble mine and the Archie target. A sub-vertical fault filled by andesitic dykes north of the Zeus mineralization has been verified. North of this boundary there is a change in attitude of the prospective basalt-“black chert” contact from sub-vertical to east-dipping. Consequently future exploration to trace the extent to the massive sulfide intercept in Hole ATDHAR-09 should be directed to intersect this east-dipping contact at depth and along strike toward the El Roble Mine.

<b>Hold ID</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Cu (%)</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>
ATDHAR-05	2.2	5.5	3.3	1.00	0.88	3.90
ATDHAR-08	157.2	160.2	3.0	1.17	2.24	6.59
ATDHAR-09	18.0	20.8	2.8	2.39	1.69	6.50
ATDHAR-10	2.5	8.0	5.5	1.27	0.17	6.66

<sup>(1)</sup> “nsr” means no significant results

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The Company completed its goal of drill testing at least three targets in 2017. Two of these targets, Santa Anita and Archie, have confirmed their potential and warrant further drilling.

In 2018, the Company anticipates drill testing three to four new targets out of the twelve remaining areas, with an overall exploration drill program beyond 16,000 meters, the most aggressive regional exploration plan to date at El Roble. Despite this significant increase in the exploration plan size, a continuous evaluation will have to be carried out throughout the year to prioritize targets and allocate drill meters.

**OUTLOOK**

The Company is basing 2018 guidance on year ended December 31, 2017 financial and production results. Please refer to Cautionary Note on Forward Looking Statements at the end of this document.

The Company set the following objectives for 2018 at the El Roble mine:

- Process between 270,000 and 275,000 tonnes.
- Maintain copper recovery above 93% and 62% for gold.
- Maintain an average copper head grade between 3.5% and 3.7%
- Maintain an average gold head grade between 1.8 g/t and 2.0 g/t
- Increase production between 40,000 and 42,000 dry tonnes of concentrate.
- Maintain production between 9,000 and 9,400 tonnes of copper.
- Maintain production between 9,700 and 10,000 ounces of gold.
- Increase the mill mechanical availability to 95% and reach 330 days worked.
- Continue increasing the safety and environmental standards.

**SUMMARY OF QUARTERLY RESULTS**

The following table provides selected financial information for the eight quarters up to December 31, 2017 and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2017 and 2016.

	Q4-2017	Q3-2017	Q2-2017	Q1-2017
Revenue	\$ 13,753,261	\$ 11,955,651	\$ 14,074,005	\$ 17,213,518
Income (loss) from operations	1,305,629	1,152,169	2,320,219	2,800,548
Net income (loss) for the period <sup>(1)</sup>	1,050,586	723,901	488,902	1,111,949
Earnings (loss) per share - basic and diluted	0.01	0.01	0.00	0.01
Weighted average shares outstanding - basic	98,501,337	98,501,337	98,408,170	98,030,087
Weighted average shares outstanding - diluted	98,712,404	98,740,705	98,641,133	98,303,731

	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Revenue	\$ 10,983,059	\$ 11,488,716	\$ 3,659,067	\$ 12,122,542
Income (loss) from operations	838,196	69,036	(1,619,135)	2,272,729
Net income (loss) for the period <sup>(1)</sup>	(447,985)	194,020	(1,290,274)	1,724,678
Earnings (loss) per share - basic and diluted	(0.00)	0.00	(0.01)	0.02
Weighted average shares outstanding - basic	97,689,926	97,591,571	97,591,571	97,591,571
Weighted average shares outstanding - diluted	97,689,926	97,591,571	97,591,571	97,591,571

<sup>(1)</sup> Income (loss) attributable to equity holders of the Company.

<sup>(2)</sup> There is a variability of the Company's quarterly revenues and incomes from operations due to timing difference between production and shipment schedules (see discussion in "Concentrate inventory").

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**FOURTH QUARTER FINANCIAL RESULTS**

Fourth quarter net income was \$1,258,309 compared to net loss of \$470,030 in Q4-2016 and basic and diluted earnings (loss) per share was \$0.01 and \$(0.00), respectively. Income from mining operations was \$3,787,884 (Q4-2016 - \$2,928,827), and the Company had an income from operations of \$1,305,629 (Q4-2016 - \$838,196). The Q4-2017 income from mining operations was affected by a higher average realized copper price as compared to Q4-2016, partially offset by increases in direct mining and processing costs.

**Sales** for Q4-2017 were \$13,753,261 (Q4-2016 - \$10,983,059) from the shipping and provisional invoicing of 11,238.3 (Q4-2016 - 10,165.5) DMT of concentrate and adjustments on shipments made during prior periods. The Company's metal concentrates are provisionally priced at the time of sale based on the prevailing commodity market prices. Final prices are set in a period subsequent to the date of sale based on specified quotational period after delivery. Under the current sales agreement, final pricing for metals concentrates generally occurs four months after the month of sales. Sales for Q4-2017 increased over Q4-2016 due to additional concentrate shipped and provisionally invoiced with a higher average realized copper price.

<b>Three months ended</b>	<b>December 31 2017</b>	December 31 2016
<b>Sales and realized prices</b>		
Provisional invoices	\$ 15,593,260	\$ 11,256,713
Adjustments <sup>(1)</sup>	(1,839,999)	(273,654)
Sales per financial statements	\$ 13,753,261	\$ 10,983,059
<b>Copper</b>		
Provisional sales (000's lbs)	5,190.0	4,831.3
Realized price (\$/lb) <sup>(2)</sup>	3.04	2.38
Net realized price (\$/lb) <sup>(3)</sup>	2.97	2.25
<b>Gold</b>		
Provisional sales (oz)	2,907.6	2,245.0
Realized price (\$/oz) <sup>(2)</sup>	1,289.88	1,206.57
Net realized price (\$/oz) <sup>(3)</sup>	56.78	162.23
<b>Silver</b>		
Provisional sales (oz)	10,189.7	0.0
Realized price (\$/oz) <sup>(2)</sup>	17.03	0.00
Net realized price (\$/oz) <sup>(3)</sup>	0.40	0.00

<sup>(1)</sup> Include adjustments for mark-to-market price, forward sale arrangements, and foreign exchange rates. The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.

<sup>(2)</sup> Based on provisional sales before final price and assay adjustments.

<sup>(3)</sup> Adjusted for payable metals deductions, treatment and refining charges, and transportation charges.

**Cost of sales** for Q4-2017 was \$9,965,377 (Q4-2016 - \$8,054,232) consisting of the following components:

<b>Three months ended</b>	<b>December 31 2017</b>	December 31 2016
Direct mining and processing costs	\$ 7,216,584	\$ 5,735,926
Royalties	252,015	162,105
Depletion and amortization	2,496,778	2,156,201
	\$ 9,965,377	\$ 8,054,232

The increased cost of sales for the year ended December 31, 2017 over the comparative period is due to increases in the tonnes of concentrate shipped and provisionally invoiced and production cost per unit.

**Selling, general and administrative** ("SG&A") expenses were higher in Q4-2017 compared to Q4-2016; \$2,267,740 compared to \$1,924,412. Selling expenses accounted for 7% of sales, which included mostly the transportation, storage, and security costs of concentrate prior to provisional invoicing.

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The breakdown of the Company's SG&A expenses is as follows:

	Three months ended December 31, 2017			Three months ended December 31, 2016		
	Operations	Corporate	Total	Operations	Corporate	Total
Selling expenses	\$ 987,569	\$ -	\$ 987,569	\$ 768,172	\$ -	\$ 768,172
Amortization	55,942	4,047	59,989	75,853	343	76,196
Corporate administration	155,377	136,162	291,539	148,160	138,178	286,338
Professional fees	140,018	59,435	199,453	81,011	57,502	138,513
Salaries and benefits	295,245	432,218	727,463	188,856	464,242	653,098
Transfer agent and filing fees	-	1,727	1,727	-	2,095	2,095
	<b>\$1,634,151</b>	<b>\$ 633,589</b>	<b>\$2,267,740</b>	<b>\$1,262,052</b>	<b>\$ 662,360</b>	<b>\$1,924,412</b>

**Other income and expenses:** In Q4-2017, the Company recognized share-based payments of \$214,515 (Q4-2016 - \$166,219) for the 841,119 and 2,490,583, stock options granted in April 2017 and April 2016, and 147,362 and 971,429 restricted share units ("RSUs") granted in April 2016 and 2017, where each has a vesting term over 36 months.

In Q4-2017, the Company recognized interest expense of \$61,415 (Q4-2016 - \$136,944) for various long-term credit facilities, accretion expense of \$129,739 (Q4-2016 - \$44,743) for its provisions, a net realized gain of \$157,780 (Q4-2016 - \$45,678) on settlements of its derivative instruments, and a net negative fair value adjustment of \$199,835 (Q4-2016 - \$509,120) to its derivative instruments outstanding at the reporting date.

In Q4-2017, the Company recognized current income tax expense of \$481,357 (Q4-2016 - \$149,332) and deferred income tax recovery of \$890,769 (Q4-2016 - \$195,152) from changes in Canadian and Colombian effective tax rates.

**FISCAL 2017 ANNUAL FINANCIAL RESULTS**

Selected financial information from the Company's three most recently completed financial years is summarized as follows:

Year ended	December 31 2017	December 31 2016	December 31 2015
Revenue <sup>(1)</sup>	\$ 56,996,435	\$ 38,253,384	\$ 36,722,624
Net income (loss) <sup>(2)</sup>	3,375,338	180,439	(23,882)
Earnings (loss) per share - basic and diluted	0.03	0.00	(0.00)
Total assets	78,224,288	79,398,651	77,943,291
Total long-term liabilities	20,090,462	22,534,545	24,306,447

<sup>(1)</sup> Include adjustments for mark-to-market price and foreign exchange rates.

<sup>(2)</sup> Income (loss) attributable to equity holders of the Company.

For the year ended December 31, 2017, net income was \$4,035,769 compared to \$318,424 in 2016 and basic and diluted earnings per share was \$0.03 and \$0.00, respectively. Income from mining operations was \$15,323,574 (2016 - \$8,407,497), and the Company had an income from operations of \$7,578,565 (2016 - \$1,560,826). The year ended December 31, 2017 income from mining operations was affected by an increase in concentrate shipped and provisionally invoiced and a higher average realized copper price as compared to 2016, partially offset by increase in direct mining and processing costs.

**Sales** for the year ended December 31, 2017 were \$56,996,435 (2016 - \$38,253,384) from the shipping and provisional invoicing of 46,722.3 (2016 - 38,169.4) DMT of concentrate and adjustments on shipments made during prior periods. The Company's metal concentrates are provisionally priced at the time of sale based on the prevailing commodity market prices. Final prices are set in a period subsequent to the date of sale based on specified quotational period after delivery. Under the current sales agreement, final pricing for metals concentrates generally occurs four months after the month of sales. Sales for the year ended December 31, 2017 increased over 2016 due to additional concentrate shipped and provisionally invoiced with a higher average realized copper price.

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<b>Years ended</b>	<b>December 31 2017</b>	December 31 2016
<b>Sales and realized prices</b>		
Provisional invoices	\$ 60,440,552	\$ 39,248,074
Adjustments <sup>(1)</sup>	(3,444,117)	(994,690)
Sales per financial statements	\$ 56,996,435	\$ 38,253,384
<b>Copper</b>		
Provisional sales (000's lbs)	20,072.0	16,700.8
Realized price (\$/lb) <sup>(2)</sup>	2.79	2.21
Net realized price (\$/lb) <sup>(3)</sup>	2.67	2.09
<b>Gold</b>		
Provisional sales (oz)	11,139.9	10,385.9
Realized price (\$/oz) <sup>(2)</sup>	1,265.21	1,256.11
Net realized price (\$/oz) <sup>(3)</sup>	130.33	425.16
<b>Silver</b>		
Provisional sales (oz)	43,288.3	26,418.0
Realized price (\$/oz) <sup>(2)</sup>	17.12	17.43
Net realized price (\$/oz) <sup>(3)</sup>	0.09	0.04

<sup>(1)</sup> Include adjustments for mark-to-market price, forward sale arrangements, and foreign exchange rates. The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.

<sup>(2)</sup> Based on provisional sales before final price and assay adjustments.

<sup>(3)</sup> Adjusted for payable metals deductions, treatment and refining charges, and transportation charges.

**Cost of sales** for year ended December 31, 2017 was \$41,672,861 (2016 - \$29,845,887) consisting of the following components:

<b>Years ended</b>	<b>December 31 2017</b>	December 31 2016
Direct mining and processing costs	\$ 27,896,256	\$ 18,801,082
Royalties	982,262	689,547
Depletion and amortization	12,794,343	10,355,258
	\$ 41,672,861	\$ 29,845,887

The increased cost of sales for the year ended December 31, 2017 over 2016 is due to increases in the tonnes of concentrate shipped and provisionally invoiced and production cost per unit.

**Selling, general and administrative** ("SG&A") expenses were higher for the year ended December 31, 2017 compared to the comparative period in 2016; \$7,220,142 compared to \$6,281,281. Selling expenses accounted for 6% of sales, which included mostly the transportation, storage, and security costs of concentrate prior to provisional invoicing. The breakdown of the Company's SG&A expenses is as follows:

	Year ended December 31, 2017			Year ended December 31, 2016		
	Operations	Corporate	Total	Operations	Corporate	Total
Selling expenses	\$3,547,367	\$ -	\$3,547,367	\$2,897,209	\$ -	\$2,897,209
Amortization	154,316	16,191	170,507	254,143	1,690	255,833
Corporate administration	660,448	564,024	1,224,472	482,557	554,720	1,037,277
Professional fees	246,238	123,433	369,671	152,759	195,375	348,134
Salaries and benefits	806,704	1,053,307	1,860,011	597,982	1,115,356	1,713,338
Transfer agent and filing fees	-	48,114	48,114	-	29,490	29,490
	\$5,415,073	\$1,805,069	\$7,220,142	\$4,384,650	\$1,896,631	\$6,281,281

**Other income and expenses:** For the year ended December 31, 2017, the Company recognized share-based payments of \$524,867 (2016 - \$565,390) for the 841,119, 2,490,583, and 2,870,671 stock options granted in April 2017, April 2016, and July 2014 and 147,362 and 971,429 RSUs granted in April 2016 and 2017, where each has a vesting term over 36 months.

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For the year ended December 31, 2017, the Company recognized interest expense of \$536,189 (2016 - \$609,556) for various long-term credit facilities, accretion expense of \$257,995 (2016 - \$180,729) for its provisions, a net realized loss of \$445,520 (2016 - gain of \$1,017,170) on settlements of its derivative instruments, and a net positive adjustment of \$458,926 (2016 - negative \$756,660) to its derivative instruments outstanding at the reporting date.

For the year ended December 31, 2017, the Company recognized current income tax expense of \$2,646,291 (2016 - \$2,211,692) and deferred income tax recovery of \$336,996 (2016 - \$1,841,608).

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company generated cash flows from operations that have been used to fund capital expenditures for production increases, meet financial obligations and to increase working capital. Prior to January 1, 2014, the Company relied on private placement financings of equity securities, a secured loan facility, and a credit facility (refer to Contractual Obligations) to fund its operating and investing activities.

The Company's cash and cash equivalents as at December 31, 2017 totaled \$2,991,334 (2016 - \$3,617,172) and its working capital was \$4,560,315 (2016 - \$1,711,837). Working capital at any specific point in time is subject to many variables, including seasonality, inventory management, the timing of cash receipts and payments, credit facility and loan payment terms, and fluctuations in foreign exchange rates.

During the year ended December 31, 2016, the Company and Trafigura Pte Ltd. extended the loan repayment schedule to 2019, where each principal payment amount has been reduced and an accelerated payment component, dependent on metal prices, has been added. The Company's debt facility with Trafigura Pte Ltd. is subject to various qualitative and quantitative covenants, and the Company was in compliance with all such debt covenants as at December 31, 2017.

### **Fourth quarter liquidity and capital resources**

During Q4-2017, cash and cash equivalents increased by \$1,065,076. The increase was due to net cash provided by operating activities of \$4,380,375, partially offset by net cash used in investing and financing activities of \$2,253,579 and \$1,061,720, respectively. Exchange rate changes had a negative impact on cash and cash equivalents of \$669.

#### *Operating activities*

During Q4-2017, net cash provided by operating activities amounted to \$4,380,375, which included positive operating cash flow before changes in non-cash operating working capital items of \$3,435,184 and changes in non-cash working capital items of \$945,191. Non-cash working capital changes included the effects from an increase in inventories of \$695,577, offset by a decrease in prepaid expenses of \$803,813 and an increase in accounts payable and accrued liabilities of \$837,616 during the normal course of business.

#### *Investing activities*

Cash used by the Company in investing activities during Q4-2017 totaled \$2,253,579, which were primarily comprised of capital expenditures on underground mine development and acquisition of new equipment.

#### *Financing activities*

During Q4-2017, net cash used in financing activities amounted to \$1,061,720. Primarily, the Company paid \$744,218 of principal and \$43,410 of interest towards its long-term loans payable. Additionally, the Company paid \$211,776 towards its finance lease obligations.

### **Annual liquidity and capital resources**

During the year ended December 31, 2017, cash and cash equivalents decreased by \$625,838. The decrease was due to net cash used in investing and financing activities of \$10,584,691 and \$6,766,981, respectively, offset by net cash provided by operating activities of \$16,720,134. Exchange rate changes had a positive impact on cash and cash equivalents of \$5,700.

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*Operating activities*

During the year ended December 31, 2017, net cash provided by operating activities amounted to \$16,720,134, which included positive operating cash flow before changes in non-cash operating working capital items of \$18,178,685, offset by changes in non-cash working capital items of \$1,458,551. Non-cash working capital changes included the effects from an increase in receivables and other assets of \$843,261 and a decrease in taxes payable of \$2,075,077, offset by an increase in accounts payable and accrued liabilities of \$1,443,951 during the normal course of business.

*Investing activities*

Cash used by the Company in investing activities during the year ended December 31, 2017 totaled \$10,584,691, which were primarily comprised of capital expenditures on underground mine development, acquisition of new equipment, and phase two of the new tailings impoundment facility.

*Financing activities*

During the year ended December 31, 2017, the Company used net cash of \$6,766,981 in its financing activities. The Company repaid net of \$2,346,802 on its credit facilities and received \$332,554 on exercise of stock options. Additionally, the Company paid \$3,066,933 of principal and \$453,685 of interest towards its long-term loans payable.

**Contractual obligations**

As at December 31, 2017, the Company expects the following cash flows for its financial liabilities and other contractual commitments:

	Less than 1 year	1 - 2 years	More than 2 years	Total
Accounts payable and accrued liabilities	\$ 7,923,594	\$ -	\$ -	\$ 7,923,594
Other financial liabilities	73,924	-	-	73,924
Credit facilities	3,003,930	-	-	3,003,930
Finance lease obligations	308,649	340,996	773,688	1,423,333
Share-based payment provision	116,932	161,650	11,007	289,589
Long-term loans payable	2,668,523	-	-	2,668,523
	<b>\$ 14,095,552</b>	<b>\$ 502,646</b>	<b>\$ 784,695</b>	<b>\$ 15,382,893</b>

**Requirement of additional financing**

Management believes that the Company's current operational requirements and capital projects can be funded from existing cash and cash equivalents and cash generated from operations. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through debt financing, the issuance of hybrid debt-equity securities, or additional equity securities. The Company has relied entirely on equity financings and loans for all funds raised to date for its acquisitions, capital expansions, and operations. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. The Company's growth and success may be dependent on external sources of financing which may not be available on acceptable terms.

**TRANSACTIONS WITH RELATED PARTIES**

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

<b>Year ended December 31, 2017</b>	Salary or fees	Share-based payments	Total
Management	\$ 829,875	\$ 359,544	\$ 1,189,419
Outside directors	126,319	122,942	249,261
Seabord Services Corp.	189,313	-	189,313
	<b>\$ 1,145,507</b>	<b>\$ 482,486</b>	<b>\$ 1,627,993</b>

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<b>Year ended December 31, 2016</b>	Salary or fees	Share-based payments	<b>Total</b>
Management	\$ 1,043,800	\$ 392,446	\$ 1,436,246
Outside directors	136,800	130,138	266,570
Seabord Services Corp.	176,829	-	176,829
	<b>\$ 1,357,429</b>	<b>\$ 522,584</b>	<b>\$ 1,880,013</b>

Included in accounts payable and accrued liabilities, as at December 31, 2017 was \$460,266 (2016 - \$832,200) due to directors and management, related to remuneration and performance-based remuneration, which have been included in accounts payable and accrued liabilities.

Seabord Services Corp. ("Seabord") is a management services company controlled by a director. Seabord provides the Chief Financial Officer, Corporate Secretary, accounting staff, administration staff and office space to the Company pursuant to the service agreement. The Chief Financial Officer and Corporate Secretary are employees of Seabord and are not paid directly by the Company. In addition to the service agreement with Seabord, the Company entered into rental agreements with companies with common directors for office space for \$2,200 and \$800 per month, respectively.

#### **DERIVATIVE INSTRUMENTS**

The Company enters into derivative instruments from time to time in the normal course of business in order to manage its exposure to fluctuations in copper price, gold price, and the Colombian peso/US dollar exchange rate. The Company does not enter into or trade derivative instruments for speculative purposes.

The Company has not applied hedge accounting to these derivative transactions. Derivative instruments are marked-to-market at the end of each reporting period based on the terms of the arrangements and the expected settlement prices and/or rates. Any resulting mark-to-market adjustment has been recognized in other financial assets or liabilities on the consolidated statement of financial position. During the year ended December 31, 2017, the Company recognized a positive net fair value adjustment of \$458,926 (2016 - negative \$756,660) on its derivative instruments, and a net realized loss of \$455,520 (2016 - gain of \$1,017,170) on the settlement of its derivative instruments.

#### **Commodity derivative arrangements**

The Company had entered into zero-cost commodity derivative arrangements with Auramet International LLC. These arrangements were net settled based on the difference between the market price and the contracted settlement price, where the Company receives proceeds if the contracted settlement price is above the market price. As at December 31, 2017, the Company did not have any outstanding arrangements.

#### **Commodity forward sale arrangements**

The Company had entered into zero-cost commodity forward sale arrangements with its customer, whereby both parties agreed to preset the prices on metals shipped and to be settled at the end of the settlement period. As at December 31, 2017, the Company did not have any outstanding arrangements.

#### **Currency forward arrangements**

The Company had entered into zero-cost non-deliverable currency forward arrangements with local Colombian banks between the US dollar and Colombian peso. Each arrangement was net settled based on the difference between the market exchange rate and the contracted settlement rate, where the Company received proceeds if the contracted settlement rate is above the market exchange rate to purchase Colombian peso. As at December 31, 2017, the Company had \$5,340,000 (2016 - \$910,000) of currency forward arrangements outstanding and to be settled between January and March 2018.

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**FINANCIAL INSTRUMENTS**

**Fair value**

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

As at December 31, 2017, the Company's financial instruments measured at fair value are as follows:

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<b>Financial assets and liabilities</b>		Level 1	Level 2	Level 3	<b>Total</b>
Trade receivable from provisional sales	\$	-	\$ 3,009,729	\$ -	\$ 3,009,729
Other financial liabilities	\$	-	\$ 73,924	\$ -	\$ 73,924
Share-based payment provision	\$	289,590	\$ -	\$ -	\$ 289,590

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The carrying value of cash and cash equivalents, receivables (excluding trade receivable from provisional sales of metals concentrate), accounts payable and accrued liabilities, and credit facilities approximated their fair value because of the short-term nature of these instruments. The fair values of the Company's long-term loans payable and finance lease obligations are approximated by their carrying values as their interest rates are comparable to market interest rates.

Trade receivable from provisional sales of metals concentrate includes provisional pricing, and final price and assay adjustments. Derivative instruments are forward arrangements that were valued using pricing models, which require a variety of inputs, such as expected copper prices, gold prices, and foreign exchange rates. The trade receivable from sales of metals concentrate and derivative instruments are valued using observable market commodity prices and thereby classified within Level 2 of the fair value hierarchy.

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are metal price risk, credit risk, currency risk, liquidity risk, and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

**Metal price risk**

The Company is exposed to metals price risk given that its revenues are derived from the sale of metals through its metals concentrate products, the prices for which have been historically volatile. Consequently, the economic viability of the Company's mineral property may be adversely affected by fluctuations in metals prices. For concentrate shipped and provisionally invoiced during the year ended December 31, 2017, a 1% change in copper and gold prices would result in an increase/decrease of approximately \$228,000 and \$133,000 respectively in the Company's pre-tax income or loss on an annualized basis, respectively.

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**Interest rate risk**

The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on the US dollar LIBOR plus a fixed-margin. The Company does not enter into derivative contracts to manage this risk. As at December 31, 2017, a 10% change in LIBOR rates would result in an increase/decrease of approximately \$98,000 in the Company's pre-tax income or loss on an annualized basis based on the debt and credit facilities used.

**Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held through large Canadian, international and foreign national financial institutions. All of the Company's trade receivables from concentrate sales are held with a large international metals trading company. The Company mitigates this risk by transacting only with reputable financial institutions and requiring provisional payments of 90% of the value of the concentrate shipped to a single well-known buyer. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company believes it is not exposed to significant credit risk and overall, the Company's credit risk has not declined significantly from the prior year.

**Currency risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and Colombia and incurs expenditures in currencies other than the US dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2017, the Company is exposed to currency risk through the following monetary assets and liabilities:

	Canadian dollars	Peruvian nuevo soles	Euros	Colombian pesos (000's)
Cash and cash equivalents	\$ 93,811	\$ 95,192	\$ -	\$ 2,535,385
Receivables	4,914	55,901	-	7,778,231
Accounts payable and accrued liabilities	(8,546)	(88,857)	-	(19,174,633)
Finance lease obligations	-	-	-	(3,198,494)
Long-term loan payables	-	-	(179,400)	-
<b>Net exposure</b>	<b>\$ 90,179</b>	<b>\$ 62,236</b>	<b>\$ (179,440)</b>	<b>\$ (12,059,511)</b>
US dollar equivalent	\$ 71,852	\$ 19,236	\$ (214,976)	\$ (4,041,828)

Based on the above net exposure, as at December 31, 2017, and assuming that all other variables remain constant, a 1% depreciation or appreciation of the US dollar against the Canadian dollar, Peruvian nuevo sol, Euro, and Colombian peso would result in an increase/decrease of approximately \$42,000 in the Company's pre-tax income or loss.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuing to monitor forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its development plans. The Company strives to maintain sufficient liquidity to meet its short term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash, and its committed liabilities (refer to Contractual Obligations for the expected payments due as at December 31, 2017).

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### **CONTINGENCY**

During the year ended December 31, 2015, the Company's operating subsidiary, Minera El Roble S.A. ("MINER"), received notice of claim from the mining authority in Colombia requesting payment of royalties related to past copper production. The mining authority is basing its claim on the current mining law, which is subsequent to the prevailing mining law under which MINER executed the contract regulating its royalty obligations. The current mining law in Colombia explicitly states that it does not affect contracts executed prior to this law entering into force. Therefore, the Company and its legal counsel's position is that MINER has complied rigorously with royalty payments due and called for under the current contractual obligations. The claim of approximately \$2,000,000 is at an administrative level and the Company will attempt to favorably resolve the claim at this level, and if necessary, will vigorously defend itself should legal action be required. As at December 31, 2017, no provisions have been recorded for any potential liability arising from this matter.

While the outcome of this matter is uncertain, based upon the information currently available, the Company does not believe that this matter in aggregate will have a material adverse effect on its consolidated financial position or results of operations. In the event that management's estimate of the future resolution of this matter changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

### **EVENT AFTER REPORTING DATE**

Subsequent to December 31, 2017, the Company granted 124,644 RSUs and 1,597,678 stock options exercisable at \$0.69 per share for five years to employees, directors, and officers of the Company, all of which will vest over 36 months.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of consolidated financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

#### **Share-based payments**

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the consolidated statement of income and comprehensive income over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

#### **Estimated decommissioning and restoration costs**

The Company's provision for decommissioning and restoration represents management's interpretation of current regulatory requirements, constructive obligations, and best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs, inflation, and assumptions of risks associated with the future cash outflows, and the applicable risk-adjusted discount rate for discounting future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company. Changes to the restoration and decommissioning costs are recorded with a corresponding change to the carrying amount of the related mining property. Adjustments to the carrying amounts of the related mineral property can result in a change to future depletion expense.

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**Inventory valuation**

Consumable parts and supplies, ore stockpiles, and metals concentrates are valued at the lower of cost and net realizable value. Estimates in the carrying values of inventories arise due to the nature of the valuation of ore stockpiles and metals concentrate based on an appropriate allocation of direct mining costs, direct labour and material costs, overhead, and depletion and amortization. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories.

**Income taxes**

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward. The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets.

The tax rates expected to be in effect when temporary differences reverse are 27% for Canada, 33% for Colombia, and 30% for Peru. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

**Mineral reserve and/or resource estimates**

The figures for mineral reserves and/or resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions, including economic assumptions such as metal prices, and the market conditions could have a material effect in the future on the Company's financial position and results of operations.

**Estimated recoverable resources**

The carrying amount of the Company's mineral property is depleted based on recoverable resources. Changes to estimates of recoverable resources and depletable costs including changes resulting from revisions to the Company's mine plan and changes in metal price forecasts can result in a change to future depletion rates.

**Impairment of mineral property, plant and equipment**

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's mineral property, plant and equipment are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mineral property, plant and equipment. Internal sources of information that management considers include the manner in which mineral property, plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral property, plant and equipment, management makes estimates of the future operating results and discounted net cash flows expected to be derived from the Company's mineral property, costs to sell the mineral property and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable mineral reserves, mineral resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral property, plant and equipment.

#### **Amortization rate for plant and equipment and depletion for mineral property**

Depletion and amortization expenses are allocated based on assumed asset lives. Should the asset life, depletion rates, or amortization rates differ from the initial estimate, an adjustment would be made in the consolidated statement of income and comprehensive income.

#### **Valuation of financial instruments**

Financial instrument estimates are based on either unadjusted quoted prices in active markets or direct or indirect observable inputs in accordance with the definitions of the financial instruments. Provisional pricing calculations are determined based on the change in fair value of forward commodity prices of metals. To account for the change in metal prices from the total contract value to the provisional value amount that has been received, estimates of the value of metals concentrate are used to determine the provisionally-priced trade receivables at each reporting date.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

#### **Functional currency**

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### **Recoverability of exploration and evaluation assets**

The Company estimates its mineral reserves and resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to mineral reserves and resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the mineral reserves or resources estimates may impact the carrying value of exploration and evaluation assets, mineral property, plant and equipment, decommissioning and restoration provision, recognition of deferred tax amounts and depletion.

#### **Financial instruments**

Financial assets and liabilities are designated upon inception to various classifications. The designation determines the method by which the financial instruments are carried on the consolidated statements of financial position subsequent to inception and how changes in value are recorded. The designation may require the Company to make certain judgments, taking into account management's intention of the use of the financial instruments.

### **NEW ACCOUNTING STANDARDS**

#### **Accounting standards adopted during the year**

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendment was adopted on January 1, 2017, without a significant impact on the Company's consolidated financial statements.

IAS 7 Statement of Cash Flow was amended on January 29, 2016 by the IASB introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment was adopted on January 1, 2017, without a significant impact on the Company's consolidated financial statements.

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**Accounting pronouncements not yet effective**

The following standards and pronouncements have been issued by the IASB and have not yet been adopted by the Company.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company did not early adopt this standard. The Company analyzed its contract with its customer and does not anticipate any material changes in the timing or measurement of revenue.

IFRS 9 Financial Instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 Financial Instruments: Recognition and Measurement requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company has analyzed the impact of adoption of this standard and does not anticipate that there will be any material impact on the financial statements.

IFRS 16 Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

**OFF-BALANCE SHEET ARRANGEMENTS**

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

**PROPOSED TRANSACTIONS**

There are no proposed transactions of a material nature being considered by the Company at the current time.

**RISK FACTORS**

The Company's ability to generate revenues and profits from its natural resource properties is subject to a number of risks and uncertainties including, without limitation, the following:

**Operating hazards and risks**

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions can occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

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**Substantial reliance on the El Roble Mine**

All of the Company's future revenues will be generated by the El Roble mine. For 2018, the Company anticipates that most if not all of its future revenue will come from the El Roble mine. Unless the Company develops or acquires additional properties or projects, the Company will remain largely dependent upon the operation of the El Roble mine for its revenue and profits, if any. If for any reason, production at the mine is reduced or stopped, the Company's anticipated revenues and profits would decrease significantly.

**General economic conditions**

Turmoil in global financial markets in recent years has had a profound impact on the global economy. Many industries, including the precious and base metals mining industry, have been impacted by these market conditions. Some of the key impacts have included contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. The sovereign debt crisis in Europe has been a visible risk to world financial stability. A continued or worsened slowdown in economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. Specifically:

- under a worst-case scenario, a new global credit/liquidity crisis could impact the cost and availability of financing and the Company's overall market liquidity;
- the volatility of metal prices could impact the Company's revenues, profits, losses and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates could impact the Company's production costs; and
- the devaluation and volatility of global stock markets, which are not related to the Company's operations or assets, could impact the valuation of the Company's equity and other securities.

These factors could have a material adverse effect on the Company's financial condition and results of operations.

**Competition**

The mining industry is intensely competitive in all of its phases, and such competition could adversely affect the Company's ability to acquire suitable resource properties in the future.

**Additional businesses and assets may not be successfully integrated**

The Company undertakes evaluations of opportunities to acquire additional mining assets and businesses. Any acquisitions may be significant in size, may change the scale of the Company's business, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms, and integrate their operations successfully. Any acquisitions would be accompanied by risks such as a significant decline in the relevant metal price after the Company commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of the Company's ongoing business; the inability of management to realize anticipated synergies and maximize the financial and strategic position of the Company; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel, and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that any assets or business acquired will prove to be profitable or that the Company will be able to integrate the required businesses successfully, which could slow the Company's rate of expansion and the Company's business, results of operations and financial condition could suffer.

Atico may need additional capital to finance other acquisitions. If the Company obtains further debt financing, it will be exposed to the risk of leverage and its operations could become subject to restrictive loan and lease covenants and undertakings. If the Company obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such financings.

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**Political and country risk**

The Company conducts, or will conduct, exploration, development and production activities in Colombia and potentially other countries. The Company is not able to determine the impact of potential political, social, economic or other risks on its future financial position, which include:

- Cancellation or renegotiation of contracts;
- Changes in foreign laws or regulations;
- Changes in tax laws;
- Royalty and tax increases or claims by governmental entities;
- Retroactive tax or royalty claims;
- Expropriation or nationalization of property;
- Inflation of costs that is not compensated by a currency devaluation;
- Restrictions on the remittance of dividend and interest payments offshore;
- Environmental controls and permitting;
- Opposition from local community members or non-governmental organizations;
- Civil strife, acts of war, guerrilla activities, insurrection and terrorism, and
- Other risks arising out of foreign sovereignty over the areas in which the Company's operations are conducted.

Such risks could potentially arise in any country in which the Company operates. Furthermore, in the event of a dispute arising from such activities, the Company may be subject to the exclusive jurisdiction of courts outside North America or may not be successful in subjecting persons to the jurisdiction of the courts in North America, which could adversely affect the outcome of a dispute.

**Metal prices and marketability**

The marketability of any metals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling facilities, metal markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting metals and environmental protection.

The price of the common shares of the Company, the Company's financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of Cu, Au or other metals. The price of Cu, Au or other metals fluctuates widely and is affected by numerous factors beyond the Company's control such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions of major metal-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market value of Cu, Au or other metals could cause continued development of and commercial production from the Company's properties to be impracticable. Depending on the price of Cu, Au and other metals, cash flow from mining operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent upon the prices of Cu, Au and other metals being adequate to make these properties economic.

In addition to adversely affecting the Company's resource estimates and its financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

**Government regulation**

Operations, development and exploration on the Company's properties are affected to varying degrees by political stability and government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price controls, tax increases, maintenance of claims, tenure, and expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. The activities of the Company require licenses and permits from various governmental authorities. While the Company currently has been granted the requisite licenses and permits to enable it to carry on

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its existing business and operations, there can be no assurance that the Company will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects.

**Environmental matters**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties.

**Dependence on key personnel**

The Company is dependent on a number of key management and employee personnel. The Company's ability to manage its exploration, development, construction and operating activities, and hence its success, will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and unskilled employees. The loss of the services of one or more key management personnel, as well as a prolonged labor disruption, could have a material adverse effect on the Company's ability to successfully manage and expand its affairs.

The Company's ability to recruit and assimilate new personnel will be critical to its performance. The Company will be required to recruit additional personnel and to train, motivate and manage its employees. The international mining industry is very active and the Company is facing increased competition for personnel in all disciplines and areas of operation, including geology and project management, and there can be no assurance that it will be able to retain current personnel and attract and retain new personnel.

**Director and officer conflicts of interest**

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. In such case, the Company's directors and officers comply with conflict of interest provisions in Canadian corporate law, including relevant securities regulatory instruments, in order to ensure that they exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest.

**Title to properties**

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore the precise area and location of the properties may be in doubt. The Company's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects. The Company has conducted as thorough investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the properties.

**Dilution from further equity financing**

If the Company raises additional funding by issuing equity securities, such financing may substantially dilute the interests of existing shareholders of the Company and reduce the value of their investment.

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**Foreign currency**

The Company's activities and operations in Colombia make it subject to foreign currency fluctuations. The Company's operating expenses are primarily incurred in Colombian pesos and the fluctuation of the US dollar in relation to this currency will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

**Exploration and development, and infrastructure**

Development of any non-producing property will only follow upon obtaining satisfactory exploration results that confirm economically recoverable and saleable volumes of minerals and metal. The business of mineral exploration and development is speculative in nature and involve a high degree of risk, as few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of reserves of commercial ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish resources and reserves through drilling and development and for mining and processing facilities and infrastructure. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. Economic feasibility of a project is based on several other factors including anticipated metallurgical recoveries, environmental considerations and permitting, future metal prices, and timely completion of the development plan.

Completion of the development of the Company's advanced projects is subject to various requirements, including the availability and timing of acceptable arrangements for power, water, transportation, access and facilities. The lack of, or delay in, availability of any one or more of these items could prevent or delay development of the Company's advanced projects. There can be no assurance that adequate infrastructure, including road access, will be built, that it will be built in a timely manner or that the cost of such infrastructure will be reasonable or that it will sufficiently satisfy the requirements of the advanced projects. As well, accidents or sabotage could affect the provision or maintenance of adequate infrastructure.

**Insurance**

Where practical, a reasonable amount of insurance is maintained against risks in the Company's operations, but coverage has exclusions and limitations. There is no assurance that the Company's insurance will be adequate to cover all liabilities or that it will continue to be available and at terms that are economically acceptable. Losses from un-insured or under-insured events may cause the Company to incur significant costs that could have a material adverse effect on its financial performance.

**Estimation of mineral resources and reserves and precious metal recoveries**

There is a degree of uncertainty attributable to the estimation of resources and reserves and to expected mineral grades. Mineral resources and mineral reserves may require revision based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs and reduced recovery rates, may render certain mineral reserves uneconomic and may ultimately result in a restatement of mineral resources and/or reserves. Short term operating factors relating to the mineral resources and reserves, such as the need for sequential development of ore bodies may adversely affect the Company's profitability in any accounting period.

**Reclamation**

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of the waste rock or tailings and/or revisions to government regulations. Therefore, additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

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**Uncertainty of funding**

The Company's operating cash flow from the El Roble mine may not be sufficient to cover the current costs of exploration and development of the Company's other projects. Exploration and development activities may be dependent upon the Company's ability to obtain financing through joint venturing, equity or debt financing or other means, and although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain additional financing or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of some of its plans.

**Uncertainty of dividends on its common shares**

The Company has paid no dividends on its common shares since incorporation and does not anticipate paying dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

**Legal proceedings**

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on the Company's business.

**Uncertainty of inferred mineral resources**

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. The estimates of mineral resources contained in this MD&A contain estimates of inferred mineral resources. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

**SHARE POSITION AND OUTSTANDING WARRANTS AND OPTIONS**

As at the date of this MD&A, the Company had 98,502,337 common shares issued and outstanding. There were also 7,211,285 options outstanding with expiry dates ranging from July 11, 2019 to February 23, 2023.

**QUALIFIED PERSONS**

Mr. Thomas Kelly (SME Registered Member 1696580), advisor to the Company, and Dr. Demetrius Pohl, Ph.D. AIPG Certified Geologist, are qualified persons under National Instrument 43-101 standards and are responsible for ensuring that the technical information contained in this MD&A is an accurate summary of the original reports and data provided to or developed by the Company.

**NON-GAAP FINANCIAL MEASURES**

Cash cost per pound of payable copper produced and cash cost per tonne of processed ore are key performance measures that management uses to monitor performance. In addition, cash costs are an industry standard method of comparing certain costs on a per unit basis; however, these do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. Management believes that certain investors use these non-GAAP financial measures to evaluate the Company's performance. These performance measures have no meaning under IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies.

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The Company believes that "all-in sustaining cash cost" and "all-in cash cost" better meet the needs of analysts, investors, and other stakeholders of the Company in understanding the cost associated with producing copper, the economics of copper mining, the Company's operating performance, and the Company's ability to generate free cash flow from current operations and on an overall company basis.

The Company, in conjunction with an initiative undertaken within the gold mining industry, has adopted an all-in sustaining cost-performance measure; however, this performance measure has no standardized meaning. The Company conformed its all-in sustaining definition to that set out in the guidance note released by the World Gold Council ("WGC", a non-regulatory market development organization for the gold industry whose members comprise global senior gold mining companies) on June 27, 2013, and that came into effect January 1, 2014.

All-in sustaining cash cost and all-in cash cost are intended to provide additional information only and do not have standardized definitions under the IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with the IFRS. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under the IFRS. Although the WGC has published a standardized definition, companies may calculate these measures differently.

All-in sustaining cost includes total production cash costs incurred at the Company's mining operations, which form the basis of the Company's by-product cash costs. Additionally, the Company includes general and administrative ("G&A") expenses, share-based payments, accretion of decommissioning and restoration provision ("ARO"), sustaining capital expenditures, and brownfields exploration expenditures.

The Company believes that this measure represents the total costs of producing copper from operations and provides the Company and stakeholders of the Company with additional information on the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of copper production from operations, new project capital is not included. Certain other cash expenditures, including tax payments, dividends, and financing costs, are also not included. The Company reports this measure on a payable copper pound produced basis, net of by-product credits.

**EI Roble mine cash cost**

The following table presents a reconciliation of cash cost per tonne of processed ore and cash costs per pound of payable copper produced to cost of sales in the consolidated financial statements for the year ended December 31, 2017:

Expressed in \$000's	Q4 2017	YTD 2017	Q4 2016	YTD 2016
<b>Cash cost per tonne of processed ore</b>				
Cost of sales <sup>(1)</sup>	\$ 9,965.4	\$ 41,672.9	\$ 8,054.2	\$ 29,845.9
Add / subtract				
Change in concentrate inventory	192.4	(2,567.8)	386.2	3,129.0
Depletion and amortization in concentrate inventory	123.7	1,581.9	(286.4)	(774.1)
Commercial and government royalties	(252.1)	(982.3)	(162.1)	(689.5)
Distribution costs	987.6	3,547.4	768.2	2,897.2
Depletion and amortization in cost of sales	(2,496.7)	(12,794.3)	(2,156.2)	(10,355.3)
Aggregate cash cost	8,520.2	30,457.7	6,603.9	24,053.6
Total processed ore (tonnes)	63,948	256,078	62,870	242,718
Cash cost per tonne of processed ore (\$/t)	\$ 133.24	\$ 118.94	\$ 105.04	\$ 99.10
Mining cost per tonne	\$ 62.71	\$ 55.95	\$ 48.60	\$ 46.31
Milling cost per tonne	20.79	19.20	16.77	16.20
Indirect cost per tonne	34.78	29.99	27.51	24.65
Distribution cost per tonne	14.96	13.80	12.16	11.61
Total production cost per tonne of processed ore (\$/t)	\$ 133.24	\$ 118.94	\$ 105.04	\$ 99.10

<sup>(1)</sup> Includes depletion, amortization, government royalties and mining taxes.

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Expressed in \$000's	Q4 2017	YTD 2017	Q4 2016	YTD 2016
<b>Cash costs per pound of payable copper produced</b>				
Aggregate cash cost (above)	\$ 8,520.2	\$ 30,457.7	\$ 6,603.9	\$ 24,053.6
Add / subtract				
By-product credits	(3,461.2)	(12,461.4)	(2,943.7)	(12,693.9)
Refining charges	2,864.4	8,244.5	1,720.5	6,465.2
Transportation charges	510.8	1,944.0	432.4	1,649.1
<b>Cash cost applicable to payable copper produced</b>	<b>8,434.2</b>	<b>28,184.8</b>	5,813.1	19,474.0
Add / subtract				
Commercial and government royalties	252.1	982.3	162.1	689.5
G&A expenses	1,280.2	3,672.8	1,156.2	3,384.1
Share-based payments	214.5	524.9	168.2	565.4
Accretion of ARO	39.9	152.6	38.0	146.3
Sustaining capital expenditures <sup>(2)</sup>	1,272.5	6,578.4	1,428.5	4,644.6
<b>All-in sustaining cash cost</b>	<b>11,493.2</b>	<b>40,095.7</b>	8,764.2	28,903.9
Add / subtract				
Non-sustaining capital expenditures <sup>(2)</sup>	64.6	1,626.6	1,301.1	3,409.1
Brownfields exploration expenditures <sup>(2)</sup>	1,062.3	1,966.2	90.2	447.6
<b>All-in cash cost</b>	<b>12,620.1</b>	<b>43,688.5</b>	10,155.5	32,760.1
Total payable copper produced (000's lbs)	5,060.0	19,591.0	4,889.0	17,776.0
<b>Per pound of payable copper produced (\$/lb)</b>				
Cash cost, net of by-product credits	\$ 1.67	\$ 1.44	\$ 1.19	\$ 1.10
All-in sustaining cash cost	\$ 2.27	\$ 2.05	\$ 1.79	\$ 1.63
All-in cash cost	\$ 2.49	\$ 2.23	\$ 2.08	\$ 1.84
Cash margin <sup>(3)</sup>	\$ 1.31	\$ 1.23	\$ 1.06	\$ 0.99

<sup>(2)</sup> Amounts presented on a cash basis.

<sup>(3)</sup> Cash margin is calculated with (a) the net realized price per pound of copper, less (b) the cash cost, net of by-product credits, per pound of payable copper produced.

Given the nature of the Company's metals concentrate management believes providing the cash cost on a co-product basis, presented in the following table, will enhance the reader's understanding of the Company's cash cost structure.

Expressed in \$000's	Q4 2017	YTD 2017	Q4 2016	YTD 2016
<b>Aggregate cash production cost</b>	\$ 8,520.2	\$ 30,457.7	\$ 6,603.9	\$ 24,053.6
<b>Cash cost per pound of payable copper produced</b>				
Cash cost attributable to copper production <sup>(4)</sup>	\$ 8,427.7	\$ 29,740.3	\$ 6,405.8	\$ 21,340.5
Add / subtract				
By-product credit from silver	(0.0)	(0.0)	(0.0)	(0.0)
Refining charges	2,864.4	8,244.5	1,720.5	6,465.2
Transportation charges	505.3	1,897.6	419.4	1,460.2
Cash cost applicable to payable copper produced	11,797.4	39,871.2	8,545.7	29,265.9
Total payable copper produced (000's lbs)	5,060.0	19,591.0	4,889.0	17,776.0
<b>Cash cost per pound of payable copper produced (\$/lb)</b>	<b>\$ 2.33</b>	<b>\$ 2.04</b>	\$ 1.75	\$ 1.65
<b>Cash cost per ounce of payable gold produced</b>				
Cash cost attributable to gold production <sup>(4)</sup>	\$ 93.9	\$ 718.8	\$ 198.1	\$ 2,713.1
Add / subtract				
Refining charges	21.5	90.1	22.2	95.9
Transportation charges	5.5	97.8	13.0	188.9
Cash cost applicable to payable gold produced	119.5	905.3	233.3	2,997.9
Total payable gold produced (oz)	2,701.3	9,891.2	2,569.5	10,158.5
<b>Cash cost per ounce of payable gold produced (\$/oz)</b>	<b>\$ 44.23</b>	<b>\$ 91.53</b>	\$ 90.80	\$ 295.11

<sup>(4)</sup> If copper and gold for the El Roble mine was treated as co-products, the allocation of aggregate cash production cost between copper and gold production is based on provisional invoice(s) issued and revenue (net of treatment and refining charges) recognized in the respective reporting periods.

### **CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A and any documents incorporated by reference into this MD&A constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Section 21E of the United States Securities Exchange Act of 1934, as amended, and forward-looking information within the meaning of applicable Canadian securities legislation (collectively, "forward-looking statements"). Forward-looking statements express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified using words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategies", "targets", "goals", "forecasts", "objectives", "budgets", "schedules", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) and are not statements of historical fact.

Forward-looking statements relate to, among other things:

- mineral "reserves" and "resources" as they involve the implied assessment, based on estimates and assumptions that the resources described exist in the quantities predicted or estimated and can be profitably produced in the future;
- timing of the completion of construction activities at the Company's properties and their completion on budget;
- production rates at the Company's properties;
- cash cost estimates;
- timing to achieve full production capacity at the Company's properties;
- timing for completion of infrastructure upgrades related to the Company's properties;
- timing for delivery of materials and equipment for the Company's properties;
- the sufficiency of the Company's cash position and its ability to raise equity capital or access debt facilities;
- the Company's planned processing, and estimated major investments for mine development, tailings dam expansion, mill expansion and brownfields exploration at the El Roble property in 2015;
- management's belief that the Company's current operational requirements and capital projects can be funded from existing cash and cash equivalents, cash generated from operations, and the available credit facility;
- management's belief that if the Company needs to access the capital markets for additional financial resources, the Company will be able to do so at prevailing market rates;
- the expected maturities of the Company's financial liabilities, finance leases and other contractual
- commitments; and
- management's expectation that none of the investigations, claims, and legal, labor and tax proceedings arising in the ordinary course of business will have a material effect on the results of operations or financial conditions of the Company.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as at the date of such statements, are inherently subject to significant business, economic, social, political and competitive uncertainties and contingencies and other factors that could cause actual results or events to differ materially from those projected in the forward-looking statements. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A which may prove to be incorrect, include, but are not limited to, (1) that all required third party contractual, regulatory and governmental approvals will be obtained for the development, construction and production of its properties, (2) there being no significant disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; (3) permitting, development, expansion and power supply proceeding on a basis consistent with the Company's current expectations; (4) currency exchange rates being approximately consistent with current levels; (5) certain price assumptions for copper, gold and silver; (6) prices for and availability of fuel oil, electricity, parts and equipment and other key supplies remaining consistent with current levels; (7) production forecasts meeting expectations; (8) the accuracy of the Company's current mineral resource estimates; (9) labor and materials costs increasing on a basis consistent with the Company's current expectations; and (10) assumptions made and judgments used in engineering and geological interpretation.

In addition, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements. Known risk factors include, risks associated with mineral exploration and project development; the need for additional financing; operational risks associated with mining and mineral processing; uncertainty relating to concentrate treatment charges and transportation costs; uncertainty relating to capital and operating costs, production schedules, and economic returns; uncertainties relating to general economic conditions;

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the Company's substantial reliance on the El Roble mine for revenues; risks related to the integration of businesses and assets acquired by the Company; risks associated with entering into commodity forward and option contracts for base metals production; potential conflicts of interest involving the Company's directors and officers; risks associated with potential legal proceedings; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Colombia or other countries in which the Company does or may carry on business; the possibility of cost overruns or unanticipated expenses; fluctuations in copper, gold and silver prices; title matters; uncertainties and risks related to carrying on business in foreign countries; environmental liability claims and insurance; reliance on key personnel; currency exchange rate fluctuations; competition; and other risks and uncertainties, including those described in the "Risks Factors" section in the MD&A for the financial year ended December 31, 2017 filed with the Canadian Securities Administrators and available at [www.sedar.com](http://www.sedar.com).

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These forward-looking statements are made as of the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Except as required by law, the Company does not assume the obligation to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.

The Company has not based its production decisions and ongoing mine production on mineral reserve estimates, preliminary economic assessments or feasibility studies, and historically such projects have increased uncertainty and risk of failure. Mineral resources that are not mineral reserves do not have demonstrated economic viability.