



**ATICO MINING CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**

**DECEMBER 31, 2015**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Atico Mining Corporation

We have audited the accompanying consolidated financial statements of Atico Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income (loss), comprehensive income (loss), cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Atico Mining Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 12, 2016



**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in United States Dollars)

	December 31 2015	December 31 2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 16)	\$ 3,794,619	\$ 5,102,634
Receivables (Note 3)	3,926,626	2,822,812
Inventories (Note 4)	5,179,035	5,937,506
Prepays and deposits	1,129,185	1,057,483
Other financial assets (Note 5)	223,810	-
<b>Total current assets</b>	<b>14,253,275</b>	<b>14,920,435</b>
<b>Non-current assets</b>		
Advances to suppliers (Note 6)	101,798	26,792
Mineral property, plant and equipment (Note 6)	63,588,218	64,652,848
<b>Total non-current assets</b>	<b>63,690,016</b>	<b>64,679,640</b>
<b>TOTAL ASSETS</b>	<b>\$77,943,291</b>	<b>\$79,600,075</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 5,323,531	\$ 4,253,439
Advance on concentrate inventories (Note 3)	2,320,900	4,677,487
Bank credit facilities (Note 8)	1,550,000	587,000
Taxes payable (Note 12)	917,676	252,523
Current portion of finance lease obligations (Note 9)	140,485	197,039
Current portion of long-term loans payable (Note 10)	4,540,252	6,244,228
<b>Total current liabilities</b>	<b>14,792,844</b>	<b>16,211,716</b>
<b>Non-current liabilities</b>		
Finance lease obligations (Note 9)	285,807	419,802
Long-term loans payable (Note 10)	3,117,720	5,155,519
Decommissioning and restoration provision (Note 11)	1,642,295	1,496,407
Deferred income tax liabilities (Note 12)	19,260,625	17,495,356
<b>Total non-current liabilities</b>	<b>24,306,447</b>	<b>24,567,084</b>
<b>Total liabilities</b>	<b>39,099,291</b>	<b>40,778,800</b>
<b>EQUITY</b>		
Share capital (Note 13)	37,751,114	37,751,114
Share-based payments reserve (Note 13)	2,518,471	2,179,219
Foreign currency translation reserve	(715,935)	(112,939)
Deficit	(4,514,864)	(4,490,982)
<b>Total equity attributable to equity holders of the Company</b>	<b>35,038,786</b>	<b>35,326,412</b>
Non-controlling interests	3,805,214	3,494,863
<b>Total equity</b>	<b>38,844,000</b>	<b>38,821,275</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$77,943,291</b>	<b>\$79,600,075</b>

These consolidated financial statements were authorized for issuance by the Board of Directors on April 12, 2016.

**Approved by the Board of Directors**

\_\_\_\_\_ "Luis F. Sáenz" \_\_\_\_\_ Director

\_\_\_\_\_ "Jorge R. Ganoza" \_\_\_\_\_ Director

The accompanying notes are an integral part of these consolidated financial statements.

**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
(Expressed in United States Dollars)

	Year ended December 31 2015	Year ended December 31 2014
<b>Sales</b>	\$36,722,624	\$25,398,829
<b>Cost of sales</b>		
Direct mining and processing costs	(14,952,242)	(10,927,070)
Royalties	(764,102)	(499,400)
Depletion and amortization	(9,846,493)	(4,555,145)
<b>Total cost of sales (Note 4)</b>	<b>(25,562,837)</b>	<b>(15,981,615)</b>
<b>Income from mining operations</b>	<b>11,159,787</b>	<b>9,417,214</b>
Selling, general and administrative expenses	(5,745,590)	(5,263,074)
Project investigation costs	-	(216,888)
Share-based payments (Note 13)	(339,252)	(674,271)
<b>Income from operations</b>	<b>5,074,945</b>	<b>3,262,981</b>
Interest on long-term loans payable (Note 10)	(874,222)	(1,147,634)
Accretion of decommissioning and restoration provision (Note 11)	(145,888)	(98,642)
Interest and other expenses	(566,143)	(442,115)
Unrealized gain on derivative instruments (Note 5)	223,810	-
Settlement of contingency (Note 19)	(200,000)	-
Foreign exchange gain (loss)	(160,963)	75,927
<b>Income before income taxes</b>	<b>3,351,539</b>	<b>1,650,517</b>
Current income tax expense (Note 12)	(1,299,801)	(722,024)
Deferred income tax expense (Note 12)	(1,765,269)	(4,159,555)
<b>Net income (loss)</b>	<b>\$ 286,469</b>	<b>\$ (3,231,062)</b>
Net income (loss) attributable to:		
Equity holders of Atico Mining Corporation	\$ (23,882)	\$ (3,256,938)
Non-controlling interests (Note 15)	310,351	25,876
	<b>\$ 286,469</b>	<b>\$ (3,231,062)</b>
Earnings (loss) per share - basic (Note 14)	\$ (0.00)	\$ (0.03)
Earnings (loss) per share - diluted (Note 14)	\$ (0.00)	\$ (0.03)
Weighted average no. of shares outstanding - basic (Note 14)	97,591,571	97,407,219
Weighted average no. of shares outstanding - diluted (Note 14)	97,591,571	97,407,219

The accompanying notes are an integral part of these consolidated financial statements.

**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Expressed in United States Dollars)

	Year ended December 31 2015	Year ended December 31 2014
<b>Net income (loss)</b>	\$ 286,469	\$ (3,231,062)
<b>Other comprehensive income (loss)</b>		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment	(602,996)	(56,729)
<b>Total other comprehensive income (loss)</b>	(602,996)	(56,729)
<b>Total comprehensive income (loss)</b>	\$ (316,527)	\$ (3,287,791)
Total comprehensive income (loss) attributable to:		
Equity holders of Atico Mining Corporation	\$ (626,878)	\$ (3,313,667)
Non-controlling interests	310,351	25,876
	\$ (316,527)	\$ (3,287,791)

The accompanying notes are an integral part of these consolidated financial statements.

**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in United States Dollars)

	Year ended December 31 2015	Year ended December 31 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 286,469	\$ (3,231,062)
Items not affecting cash and cash equivalents:		
Depletion and amortization	10,054,607	4,636,015
Share-based payments	339,252	674,271
Accretion of decommissioning and restoration provision	145,888	98,642
Interest on finance lease obligations	57,242	22,363
Interest income	(3,680)	(12,669)
Interest expense	1,095,473	1,274,011
Unrealized gain on derivative instruments	(223,810)	-
Deferred income tax expense	1,765,269	4,159,555
Unrealized foreign exchange effect	(971,628)	(369,746)
	12,545,082	7,251,380
Changes in non-cash operating working capital items (Note 16)	848,945	(2,312,555)
<b>Net cash provided by operating activities</b>	<b>13,394,027</b>	<b>4,938,825</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on mineral property, plant and equipment	(7,973,228)	(13,091,144)
Interest received	3,680	12,669
<b>Net cash used in investing activities</b>	<b>(7,969,548)</b>	<b>(13,078,475)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term loans payable	(4,951,207)	(756,352)
Proceeds from long-term loans payable	-	1,974,040
Payments on finance lease obligations	(176,793)	(56,368)
Advance on concentrate inventories received (paid), net	(2,350,321)	4,671,221
Bank credit facilities withdrawn, net	963,000	587,000
Interest paid	(227,517)	(102,274)
Shares issued	-	874,111
<b>Net cash provided by (used in) financing activities</b>	<b>(6,742,838)</b>	<b>7,191,378</b>
Effect of exchange rate changes on cash and cash equivalents	10,344	(32,965)
<b>Change in cash and cash equivalents</b>	<b>(1,308,015)</b>	<b>(981,237)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>5,102,634</b>	<b>6,083,871</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,794,619</b>	<b>\$ 5,102,634</b>

Supplemental disclosure with respect to cash flows (Note 16)

The accompanying notes are an integral part of these consolidated financial statements.

**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in United States Dollars)

	Number of shares	Share capital	Share-based payments reserve	Foreign currency translation reserve	Non- controlling interests	Deficit	Total equity
<b>Balance as at December 31, 2013</b>	95,706,849	\$36,455,001	\$ 1,926,950	\$ (56,210)	\$ 3,468,987	\$ (1,234,044)	\$ 40,560,684
Exercise of options	5,000	2,825	(547)	-	-	-	2,278
Exercise of finder's warrants	1,879,722	1,293,288	(421,455)	-	-	-	871,833
Share-based payments	-	-	674,271	-	-	-	674,271
Foreign currency translation adjustment	-	-	-	(56,729)	-	-	(56,729)
Net income (loss)	-	-	-	-	25,876	(3,256,938)	(3,231,062)
<b>Balance as at December 31, 2014</b>	97,591,571	37,751,114	2,179,219	(112,939)	3,494,863	(4,490,982)	38,821,275
Share-based payments	-	-	339,252	-	-	-	339,252
Foreign currency translation adjustment	-	-	-	(602,996)	-	-	(602,996)
Net income (loss)	-	-	-	-	310,351	(23,882)	286,469
<b>Balance as at December 31, 2015</b>	97,591,571	\$37,751,114	\$ 2,518,471	\$ (715,935)	\$ 3,805,214	\$ (4,514,864)	\$ 38,844,000

The accompanying notes are an integral part of these consolidated financial statements.

**ATICO MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2015

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**1. NATURE OF OPERATIONS**

Atico Mining Corporation (the "Company") was incorporated in the Yukon Territories on April 15, 2010 and continued to British Columbia on October 4, 2011. 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's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "ATY". The address of its head office is Suite 501 - 543 Granville Street, Vancouver, British Columbia, Canada.

On November 22 2013, the Company acquired 90% of the issued and outstanding common shares of Minera El Roble S.A. ("MINER"), the owner of the El Roble mining property ("El Roble"), an operating copper-gold mine in Colombia.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation and measurement**

The consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**Principles of consolidation**

These consolidated financial statements include the accounts of the parent company and its subsidiaries after eliminating intercompany balances and transactions.

*Subsidiaries*

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The Company's principal operating subsidiaries are as follows:

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Name	Place of incorporation	Ownership %
Minera El Roble SA	Republic of Colombia	90%
Atico Mining Corporation Colombia SAS	Republic of Colombia	100%
Atico Mining Corporation Peru SAC	Republic of Peru	100%

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**ATICO MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2015

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Foreign currency translation**

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of each of the entities in the group is the United States ("US") dollar. The functional currency determinations were conducted through an analysis of the factors identified in IAS 21 The Effects of Changes in Foreign Exchange Rates ("IAS 21").

The presentation currency of the Company is the US dollar.

Transactions in currencies other than the US dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statement of income (loss).

The Company determined that the functional currency of the parent entity had changed to the US dollar from July 1, 2015. In accordance with IAS 21, this change will be accounted for prospectively.

On translation of the parent entity, whose functional currency was the Canadian dollar prior to the change in functional currency, revenues and expenses were translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities were translated at the rate of exchange at the reporting date. Exchange gains and losses, including results of re-translation, were recorded in the foreign currency translation reserve.

**Business combinations**

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed are recorded at 100% of their fair values at the date of acquisition. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. Acquisition related costs of business combinations are recognized as expenses.

Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired on initial recognition and are classified as a separate component of equity. The excess of (a) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (b) the non-controlling interests in the acquiree, over the fair value of net assets acquired, is recorded as goodwill. Any excess of the aggregate fair value of net assets acquired over the consideration paid is recognized in the consolidated statement of income (loss).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

**Revenue recognition**

Revenue arising from the sale of metals concentrate is recognized following the transfer of title and significant risk and rewards of ownership, provided that collection is reasonably assured, the price is reasonably determinable, the Company has no significant continuing involvement, and the costs incurred or to be incurred in respect of the transaction can be measured readily. The Company's metals concentrate is provisionally priced at the time of sale based on the prevailing market price. Sales of metals concentrate are net of refining and treatment charges.

**ATICO MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2015

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Revenue recognition (cont'd...)**

Variations between the price recorded at the delivery date and the final price set under the sales contracts are caused by changes in market prices, and result in an embedded derivative in receivables. The embedded derivative in receivables is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included in sales in the consolidated statement of income (loss).

Revenues from metals concentrate sales are subject to adjustment upon final settlement of metals prices, weights, and assays as of a date that is typically three months after the delivery date. Typically, the adjustment is based on an inspection of the concentrate by the customer and, in certain cases, an inspection by a third party. The Company records adjustments to revenues based on quoted metal prices for the expected settlement period. Adjustments for weights and assays are recorded when results are determinable or on final settlement.

**Earnings (loss) per share**

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to equity holders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings attributable to equity holders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In periods where a loss is reported, diluted loss per share is the same as basic loss per share as the effects of potentially dilutive common shares would be anti-dilutive.

**Financial instruments**

*Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises financial assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of income (loss).

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of income (loss).

Available-for-sale ("AFS") - Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of income (loss).

A financial asset is derecognized when the contractual right of the asset's cash flows expires or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

**ATICO MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

*Impairment of financial assets*

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in accumulated other comprehensive income or loss are reclassified to profit or loss in the period. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

*Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of income (loss).

Other financial liabilities - This category comprises non-derivative liabilities, which are recognized at amortized cost using the effective interest method.

*Derivative financial instruments and embedded derivatives*

Derivative instruments that do not qualify for hedge accounting are initially recorded at fair value and are re-measured at each reporting date to their fair values, and any resulting gains or losses are recognized in the consolidated statements of income (loss).

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

**ATICO MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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FOR THE YEAR ENDED DECEMBER 31, 2015

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

*Effective interest method*

The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition. Income or expense is recognized on an effective interest basis for instruments other than those financial instruments classified as FVTPL.

**Cash and cash equivalents**

Cash includes cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and/or with original maturities of three months or less.

**Inventories**

Inventories include metals contained in concentrate, ore stockpiles, materials and supplies. The classification of metals inventory is determined by the stage in the production process. Finished goods inventories are sampled for metal content and are valued based on the lower of actual production costs incurred or estimated net realizable value based upon the period ending prices of contained metal. Concentrate and ore stockpile inventories are valued at the lower of actual production costs incurred or estimated net realizable value based upon the period ending prices of contained metal expected to be recovered. Production costs include all mine site costs. Materials and supplies are valued at the lower of average cost less allowance for obsolescence or net realizable value. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

**Mineral property**

Operating mineral properties are recorded at cost less accumulated depletion and impairment charges. The costs associated with operating mineral properties include acquired interests in production stage properties representing the fair value at the time they were acquired. Operating mineral properties also include additional capitalized costs after initial acquisition, such as mine development costs. Upon sale or abandonment of an operating mineral property, the carrying value is written off and any gains or losses thereon is included in the consolidated statement of income (loss).

**Plant and equipment**

Completed mineral property, plant and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item are accounted for separately, including major inspection and overhaul expenditures which are capitalized.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income (loss).

**ATICO MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Capital work in progress**

Mineral property development and plant and equipment construction commences when approved by management and/or the Board and the Company has obtained all regulatory permissions to proceed. Development and construction expenditures are capitalized and classified as capital work in progress. Once completed and available for use as intended, the costs associated with all applicable assets, related to the development and construction, are reclassified to the appropriate category within mineral property, plant and equipment.

**Exploration and evaluation assets**

Exploration and evaluation expenditures incurred for regional reconnaissance or property investigations prior to the acquisition of a property or the right to explore are obtained are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets.

Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of exploration and evaluation assets quarterly. In the case of undeveloped projects, there may be only limited data to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for exploration and development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. Where this is the case, it is intended that these will be developed and put into production when the current source of ore is exhausted or to replace the reduced output.

Once an economically viable resource has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to capital work in progress. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If the property is put into production, the costs of acquisition and exploration and evaluation will be amortized over the life of the property. If a project does not prove viable, all non-recoverable costs associated with the project net of any impairment provisions are written off.

**Depletion and amortization of mineral property, plant and equipment**

The carrying amounts of mineral property, plant and equipment are depleted or amortized over the estimated economic life of the specific assets to which they relate, using the depletion and amortization methods and rates as indicated below.

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Categories	Methods	Estimated economic life
Mineral property	Units of production	Estimated mineral resources
Plant and building	Straight line	5 to 10 years
Machinery and equipment	Straight line	3 to 5 years

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On an annual basis, the amortization method, useful economic life and the residual value of each component asset is reviewed, with any changes recognized prospectively over its remaining useful economic life. Amortization commences on the date the asset is available for its use as intended by management.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Impairment of long-lived assets**

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The recoverable amount of an asset is determined as the higher of its fair value less costs of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. For mining assets fair value less costs of disposal is typically estimated using a discounted cash flow approach. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying value, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. When an impairment loss exists it is recorded as an expense immediately.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

**Leases**

A lease is a finance lease when substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. Assets under finance leases are initially capitalized at the lower of the fair value or the estimated present value of the minimum lease payments and are depreciated over the assets' useful lives. The corresponding liability is recognized as a finance lease obligation. The interest element is allocated to reporting periods during the lease term to reflect the rate of interest on the remaining balance of the obligation. Operating lease assets are not capitalized and payments are included in the statement of income (loss) on a straight line basis over the lease term.

**Decommissioning, restoration and other provisions**

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to income (loss). The method of amortization follows that of the underlying asset. The costs related to a decommissioning and restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit. For a closed site or where the asset which generated a decommissioning and restoration provision no longer exists, there is no longer a future benefit related to the costs. As such, adjustments to the provisions are required and the resulting changes in estimates are charged to income in the period in which the adjustment is identified. For operating sites, a revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the capitalized retirement cost.

Provisions are recognized when a present legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using a risk-adjusted market based pre-tax discount rate.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Share capital**

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as part of the share-based payments reserve. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**Share-based payments**

The Company grants stock options to directors, officers, employees and consultants to acquire common shares of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

**Income taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statement of income (loss).

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer.

**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, revenue, 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:

*a) 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.

*b) 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 (loss) 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.

*c) 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.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Critical accounting estimates and judgments (cont'd...)**

*d) 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 26% for Canada, 40% 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.

*e) Mineral reserve and/or resource estimates*

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.

*f) 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.

*g) 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 (loss).

*h) 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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Critical accounting estimates and judgments (cont'd...)**

*i) 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:

*a) 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.

The Company expected a significant majority of the parent entity's operating cash flow to be sourced in the US dollar. The change in functional currency reflects the accumulation over time of those factors which are the main determinants of functional currency. Having considered the aggregate effect of all relevant factors, management concluded that this point was reached. Accordingly, the Company determined that the functional currency of the parent entity had changed to the US dollar from July 1, 2015. In accordance with IAS 21, this change will be accounted for prospectively. The US dollar was determined to be the functional currency for all entities within the corporate group on a prospective basis. All entities continue to measure the items in their financial statements using their functional currencies.

*b) Recoverability of exploration and evaluation assets*

The Company estimates its mineral 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 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 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.

*c) Commercial production*

In concluding when commercial production has been achieved, the Company considered the following factors: all major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed; the mine or mill is operating as per design capacity and metallurgical recoveries were achieved; and the ability to sustain ongoing production of ore at a steady or increasing level.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Critical accounting estimates and judgments (cont'd...)**

*d) 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.

**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. The Company is currently evaluating the impact the new and amended standards are expected to have on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") 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.

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.

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.

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**3. RECEIVABLES**

	December 31 2015	December 31 2014
Trade receivables	\$ 1,703,070	\$ 246,568
GST/VAT and other taxes recoverable	2,077,677	2,481,782
Other receivables	145,879	94,462
	<b>\$ 3,926,626</b>	<b>\$ 2,822,812</b>

As at December 31, 2015 and 2014, the Company did not have any trade receivables that were past due. The Company's allowance for doubtful accounts at December 31, 2015 and 2014 was \$Nil.

The Company has a concentrate off-take agreement where the customer will purchase 100% of the metals concentrate produced at the El Roble mining property. As part of the agreement, the customer has provided the Company with an inventory credit facility. As at December 31, 2015, related to this credit facility, the Company had an outstanding balance of \$2,320,900, which included accrued interest expense of \$2,668 (2014 - \$4,677,487 and \$6,266, respectively).

The Company's current concentrate off-take agreement has an expected settlement period of four months. The aging analysis of the Company's trade receivables from sales of metals concentrate is as follows:

	December 31 2015	December 31 2014
0 to 30 days	\$ 1,133,362	\$ -
31 to 60 days	-	246,568
61 to 90 days	-	-
91 to 120 days	569,708	-
Over 120 days	-	-
	<b>\$ 1,703,070</b>	<b>\$ 246,568</b>

**4. INVENTORIES**

	December 31 2015	December 31 2014
Consumable parts and supplies	\$ 2,029,908	\$ 1,340,660
Ore stockpiles	152,429	242,692
Metals concentrate	2,996,698	4,354,154
	<b>\$ 5,179,035</b>	<b>\$ 5,937,506</b>

For the year ended December 31, 2015, the Company recorded cost of sales of \$25,562,837 (2014 - \$15,981,615), where direct mining and processing costs include salaries and other short-term benefits, contractor charges, energy, consumables, and other production-related costs.

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**5. OTHER FINANCIAL ASSETS**

	December 31 2015	December 31 2014
Commodity forward sale arrangements	\$ 180,000	\$ -
Currency forward arrangements	43,810	-
	<b>\$ 223,810</b>	<b>\$ -</b>

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 would have been recognized in other financial assets or liabilities on the consolidated statement of financial position. During the year ended December 31, 2015, the Company recognized unrealized gains of \$223,810 (2014 - \$Nil) on derivative instruments in the consolidated statement of income (loss).

**Commodity forward sale arrangements**

As at December 31, 2015, the Company entered into a zero-cost commodity forward sale arrangement with its customer whereby both parties set the final settlement price on metals to be shipped and provisionally invoiced. The details of the arrangement are as follows:

	Quantity <sup>(1)</sup>	Settlement price
Copper	300 MT	\$ 5,300

<sup>(1)</sup>Copper quantity in metric tonnes ("MT")

The commodity forward sale arrangement was settled subsequently in January 2016.

**Currency forward arrangements**

As at December 31, 2015, the Company entered into zero-cost non-deliverable currency forward arrangements with Banco Davivienda S.A. between the US dollar and Colombian peso. The details of the arrangement are as follows:

Settlement date	Amount	Settlement rate
January 4, 2016	\$ 290,000	3,351.19
January 8, 2016	320,000	3,351.23
January 15, 2016	270,000	3,351.59
January 22, 2016	310,000	3,352.79
January 29, 2016	310,000	3,353.95
February 5, 2016	270,000	3,354.88
February 15, 2016	270,000	3,356.49
February 19, 2016	50,000	3,359.47

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**6. MINERAL PROPERTY, PLANT AND EQUIPMENT**

	Mineral property	Land	Plant, building, machinery, and equipment	Capital work in progress	Total
As at December 31, 2013, net	\$52,537,401	\$ 277,104	\$ 2,428,224	\$ 1,750,134	\$56,992,863
Changes for the year:					
Additions	5,610,550	-	6,025,104	2,163,345	13,798,999
Provision adjustments (Note 11)	385,762	-	-	-	385,762
Reclassification	1,144,158	(1,270)	2,603,647	(3,746,535)	-
Depletion and amortization	(4,967,446)	-	(1,303,271)	-	(6,270,717)
Currency translation adjustments	(254,059)	-	-	-	(254,059)
As at December 31, 2014, net	\$54,456,366	\$ 275,834	\$ 9,753,704	\$ 166,944	\$64,652,848
Changes for the year:					
Additions	3,552,674	-	5,206,741	-	8,759,415
Reclassification	-	-	166,944	(166,944)	-
Depletion and amortization	(6,057,865)	-	(3,598,892)	-	(9,656,757)
Currency translation adjustments	(167,288)	-	-	-	(167,288)
As at December 31, 2015, net	\$51,783,887	\$ 275,834	\$11,528,497	\$ -	\$63,588,218
As at December 31, 2014					
Historical cost	\$59,565,251	\$ 275,834	\$11,294,395	\$ 166,944	\$71,302,424
Accumulated amortization	(5,108,885)	-	(1,540,691)	-	(6,649,576)
Net carrying amount	\$54,456,366	\$ 275,834	\$ 9,753,704	\$ 166,944	\$64,652,848
As at December 31, 2015					
Historical cost	\$62,950,637	\$ 275,834	\$16,668,080	\$ -	\$79,894,551
Accumulated amortization	(11,166,750)	-	(5,139,583)	-	(16,306,333)
Net carrying amount	\$51,783,887	\$ 275,834	\$11,528,497	\$ -	\$63,588,218

Capital work in progress related to capital costs incurred in connection with sustaining capital at the El Roble mining property. As at December 31, 2015, the Company held leased assets with net carrying amount of \$408,137 (2014 - \$653,019) financed by finance leases (Note 9) and carried \$101,798 (2014 - \$26,792) of advances to suppliers related to the sustaining capital at the El Roble mining property.

As at December 31, 2015, the Company recognized that certain impairment indicators were present in regards to the operations of the El Roble mining property, such as the decrease in current and future (projected) copper and gold pricing and the reduction in the Company's market capitalization. Based on the presence of these indicators, the Company estimated the fair value of the El Roble mining property using the greater of fair value less costs of disposal ("FVLCD") and value in use. The Company concluded that the FVLCD model estimated a higher fair value of the El Roble mining property, and that no impairment was considered necessary as at December 31, 2015.

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**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31 2015	December 31 2014
Trade and other payables	\$ 3,821,348	\$ 2,942,964
Payables to non-controlling interest of MINER	83,817	105,480
Payroll and related liabilities	525,963	307,826
Accrued liabilities	892,403	897,169
	<b>\$ 5,323,531</b>	<b>\$ 4,253,439</b>

**8. BANK CREDIT FACILITIES**

The Company has arrangements for unsecured credit facilities with a number of Colombian banks, including Banco Davivienda S.A., Banco de Occidente, Bancolombia, and Banco Popular, of up to Colombian pesos ("COP") \$16,657,000,000 (approximately \$5,310,000). As at December 31, 2015, the Company owed \$1,550,000 on these facilities, which included accrued interest expense of \$Nil (December 31, 2014 - \$587,000 and \$Nil, respectively) and carries annual interest based on the London Inter-bank Offered Rates ("LIBOR") plus 1.60% payable (2014 - LIBOR plus 1.40%) monthly and the principal portion is repayable in six months from the date of drawn down.

**9. FINANCE LEASE OBLIGATIONS**

During the year ended December 31, 2014, the Company acquired certain mining equipment that are classified as finance leases, with the applicable costs included in mineral property, plant and equipment (Note 6). Future minimum lease payments as at December 31, 2015 and 2014 are as follows:

	December 31 2015	December 31 2014
2015	\$ -	\$ 197,039
2016	197,039	197,039
2017	334,732	334,732
<b>Total minimum lease payments</b>	531,771	728,810
Future finance charges at implicit rate	(50,926)	(116,936)
Currency translation adjustments	(54,553)	4,967
Balance of unpaid obligations	426,292	616,841
<b>Less: current portion</b>	140,485	197,039
<b>Long term portion</b>	<b>\$ 285,807</b>	<b>\$ 419,802</b>

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**10. LONG-TERM LOANS PAYABLE**

	Trafigura	NCI of MINER	Nordea/ Sandvik	Total
As at December 31, 2014	\$ 8,768,833	\$ 1,675,871	\$ 955,043	\$ 11,399,747
Additions to principal	-	-	786,188	786,188
Repayments - principal	(1,333,334)	(1,373,940)	(528,930)	(3,236,204)
Repayments - interest	(1,510,498)	(135,624)	(68,881)	(1,715,003)
Interest expense	678,261	116,995	78,966	874,222
Currency translation adjustments	-	(283,302)	(167,676)	(450,978)
As at December 31, 2015	6,603,262	-	1,054,710	7,657,972
<b>Less: current portion</b>	<b>3,936,595</b>	<b>-</b>	<b>603,657</b>	<b>4,540,252</b>
<b>Long term portion</b>	<b>\$ 2,666,667</b>	<b>\$ -</b>	<b>\$ 451,053</b>	<b>\$ 3,117,720</b>

	Trafigura	NCI of MINER	Nordea/ Sandvik	Total
As at December 31, 2013	\$ 7,958,950	\$ -	\$ 1,586,936	\$ 9,545,886
Principal received	-	1,974,040	-	1,974,040
Repayments - principal	-	-	(453,076)	(453,076)
Repayments - interest	-	(179,267)	(124,009)	(303,276)
Interest expense	809,883	202,468	135,283	1,147,634
Currency translation adjustments	-	(321,370)	(190,091)	(511,461)
As at December 31, 2014	8,768,833	1,675,871	955,043	11,399,747
<b>Less: current portion</b>	<b>4,059,974</b>	<b>1,675,871</b>	<b>508,383</b>	<b>6,244,228</b>
<b>Long term portion</b>	<b>\$ 4,708,859</b>	<b>\$ -</b>	<b>\$ 446,660</b>	<b>\$ 5,155,519</b>

**Trafigura Pte. Ltd.**

In November 2013, the Company entered into a senior secured repayable debt facility for \$8,000,000 with Trafigura Pte. Ltd. ("Trafigura"). The funds drawn have a repayment term of 48 months, with stated annual interest of LIBOR plus 9%, payable quarterly, subject to a 12 month grace period with the first repayment date being February 22, 2015. There was a \$125,000 financing fee paid to Trafigura when the funds were drawn. The facility is secured by the Company's shareholding in MINER. Under the effective interest method, this loan has an effective annual interest rate of 9.53%. In February 2015, the repayment schedule was amended where the Company has the option to postpone each of the first four principal repayments for twelve months; at which, the Company has elected to postpone two of its principal repayments to August and November 2016. As at December 31, 2015, the Company was in compliance with all qualitative and quantitative covenants.



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**10. LONG-TERM LOANS PAYABLE (cont'd...)**

**Nordea Bank Finland plc and Sandvik AB**

On the acquisition of MINER, the Company assumed two loans for an aggregate amount of €1,254,600 in connection with purchase financings of equipment from Sandvik AB ("Sandvik"). Under the terms of these arrangements, the Company makes quarterly installments totaling €104,550, along with applicable interest at a stated annual interest rate of 8.5% over three years. The facility is secured by the equipment financed. Sandvik subsequently assigned the loans to Nordea Bank Finland plc ("Nordea"), where the terms remained unchanged.

During the year ended December 31, 2015, the Company entered into loan agreements for an aggregate of €708,900 in connection with purchase financing of equipment from Sandvik. Under the terms of the arrangement, the Company makes quarterly installments totaling €59,075, along with applicable interest at a stated annual interest rate of 7.5% over three years.

**Non-controlling interest of MINER**

In January 2014, the Company entered into a loan agreement with certain non-controlling interest ("NCI") shareholders of MINER to borrow up to COP\$3,900,000,000 (approximately \$1,980,000), where each tranche of principal drawn has a repayment term of 12 months with a 12% annual implicit interest rate payable monthly. In February 2014, the full balance was drawn. In October 2014, the repayment date was extended to October 30, 2015 without any changes to other terms or any additional consideration. During the year ended December 31, 2015, the Company repaid all outstanding loan payable balance.

The schedule of maturities on outstanding loan obligations is as follows:

	December 31 2015
2016	\$ 4,540,252
2017	2,924,412
2018	193,308
<b>Total</b>	<b>\$ 7,657,972</b>

**11. DECOMMISSIONING AND RESTORATION PROVISION**

	Year ended December 31 2015	Year ended December 31 2014
Opening balance	\$ 1,496,407	\$ 1,012,003
Change in estimates	-	385,762
Accretion expense	145,888	98,642
<b>Ending balance</b>	<b>\$ 1,642,295</b>	<b>\$ 1,496,407</b>

A decommissioning and restoration provision has been recognized in respect of the mining operations at the El Roble mining property, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy the decommissioning and restoration provision as at December 31, 2015 were \$3,150,000 (2014 - \$3,150,000), which were adjusted for inflation and uncertainty of the cash flows and then discounted using a risk adjusted pre-tax discount rate of 9.75% (2014 - 9.75%).

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**11. DECOMMISSIONING AND RESTORATION PROVISION (cont'd...)**

In view of the uncertainties concerning environmental reclamation, the ultimate cost of reclamation activities could differ materially from the estimated amount recorded. The estimate of the Company's decommissioning and restoration liability relating to the El Roble mining property is subject to change based on amendments to laws and regulations and as new information regarding the Company's operations becomes available. Future changes, if any, to the estimated liability as a result of amended requirements, laws, regulations, operating assumptions, estimated timing and amount of obligations may be significant and would be recognized prospectively as a change in accounting estimate. Any such change would result in an increase or decrease to the liability and a corresponding increase or decrease to the mineral property, plant and equipment balance.

**12. INCOME TAXES**

Income tax expense differs from the amount that would result from applying Canadian income tax rates to earnings before income taxes. These differences result from the following items:

For the year ended	December 31 2015	December 31 2014
Income before income taxes	\$ 3,351,539	\$ 1,650,517
Canadian federal and provincial income tax rates	26.00%	26.00%
Expected income tax expense at statutory income tax rate	871,400	429,134
Difference between Canadian and foreign tax rates	668,206	604,223
Change in effective tax rate	(457,370)	2,005,658
Permanent differences and other adjustments	(150,330)	199,795
Changes in recognized deferred tax assets and liabilities	(60,253)	(342,526)
Changes in unrecognized deferred tax assets	7,958	1,019,521
Impact of foreign exchange on deferred tax assets and liabilities	2,185,459	965,774
<b>Total income tax expense</b>	<b>\$ 3,065,070</b>	<b>\$ 4,881,579</b>
Current income tax expense	\$ 1,299,801	\$ 722,024
Deferred income tax expense	1,765,269	4,159,555

The Company recognizes deferred tax assets and liabilities for temporary differences between their tax basis (calculated at the foreign exchange rate on the reporting date) and carrying amount (calculated at historical foreign rate). As a result, the Company recognized deferred income tax expense of \$2,185,459 (2014 - \$965,774) due to the effect of changes in foreign exchange rates on non-monetary assets and liabilities with a functional currency different from the local currency. Recognition of this expense is required by IFRS, even if the revalued tax basis may not generate any tax obligation in the future.

As at December 31, 2015, the Company had taxes payable of \$917,676 (2014 - \$252,523), which related to current income taxes. During the year ended December 31, 2014, the Colombian government enacted a new tax reform bill amending the Colombian Tax Statute leading to higher tax rates in future years.

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**12. INCOME TAXES (cont'd...)**

The composition of the Company's net deferred income tax asset (liability) that has been recognized is as follows:

	December 31 2015	December 31 2014
<b>Deferred income tax assets (liabilities)</b>		
Mineral property, plant and equipment	\$ (19,446,218)	\$ (18,615,920)
Decommissioning and restoration provision	656,918	508,778
Share issue costs	173,597	343,692
Non-capital losses and others	1,267,312	2,318,150
	(17,348,391)	(15,445,300)
Unrecognized deferred tax assets	(1,912,234)	(2,050,056)
<b>Net deferred income tax asset (liability)</b>	<b>\$ (19,260,625)</b>	<b>\$ (17,495,356)</b>

The Company's significant temporary differences, unused tax credits, and unused tax losses that have not been recognized as deferred income tax assets are as follows:

	December 31 2015	Expiry date range	December 31 2014	Expiry date range
Mineral property, plant and equipment	\$ 50,199	No expiry date	\$ 65,830	No expiry date
Share issue costs	667,679	2035 to 2038	1,321,890	2035 to 2037
Non-capital losses and other - Canada	5,914,265	2030 to 2035	5,043,285	2030 to 2034
Non-capital losses and other - other	622,739	2030 onward	1,187,389	2030 onward

Tax attributes are subject to review, and potential adjustments, by tax authorities.

**13. SHARE CAPITAL**

Authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2015, the Company did not have any common shares held in escrow (2014 - 1,922,910).

**Issued share capital**

During the year ended December 31, 2015, the Company did not issue any common shares.

During the year ended December 31, 2014, the Company issued 5,000, 12,222, and 1,867,500 common shares for the exercise of stock options, share purchase warrants, and finder's warrants respectively, for aggregate proceeds of \$874,111.

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**13. SHARE CAPITAL (cont'd...)**

**Stock options**

The Company has adopted a stock option plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined by the Company's Board of Directors at the time of the grant.

The continuity of stock options for the years ended December 31, 2015 and 2014 are as follows:

Expiry Date	Exercise Price (CAD)	Balance December 31 2014	Granted	Exercised	Expired/Cancelled	Balance December 31 2015		
June 30, 2016	\$ 0.50	1,710,000	-	-	-	1,710,000		
July 11, 2016	0.50	140,000	-	-	-	140,000		
April 24, 2017	0.55	250,000	-	-	-	250,000		
May 16, 2017	0.51	130,000	-	-	-	130,000		
February 4, 2018	0.98	1,815,000	-	-	(5,000)	1,810,000		
March 1, 2018	0.98	340,000	-	-	-	340,000		
July 11, 2019	0.79	2,870,671	-	-	-	2,870,671		
<b>Outstanding</b>		<b>7,255,671</b>	<b>-</b>	<b>-</b>	<b>(5,000)</b>	<b>7,250,671</b>		
Weighted average exercise price	\$	0.76	\$	-	\$	0.98	\$	0.76
<b>Exercisable</b>		<b>4,385,000</b>				<b>4,954,134</b>		

  

Expiry Date	Exercise Price (CAD)	Balance, December 31 2013	Granted	Exercised	Expired/Cancelled	Balance, December 31 2014				
June 30, 2016	\$ 0.50	1,710,000	-	-	-	1,710,000				
July 11, 2016	0.50	145,000	-	(5,000)	-	140,000				
April 24, 2017	0.55	250,000	-	-	-	250,000				
May 16, 2017	0.51	130,000	-	-	-	130,000				
February 4, 2018	0.98	1,820,000	-	-	(5,000)	1,815,000				
March 1, 2018	0.98	340,000	-	-	-	340,000				
July 11, 2019	0.79	-	2,870,671	-	-	2,870,671				
<b>Outstanding</b>		<b>4,395,000</b>	<b>2,870,671</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>7,255,671</b>				
Weighted average exercise price	\$	0.74	\$	0.79	\$	0.50	\$	0.98	\$	0.76
<b>Exercisable</b>		<b>2,235,000</b>				<b>4,385,000</b>				

As at December 31, 2015, the weighted average remaining life of the stock options outstanding is 2.22 (2014 - 3.22) years with vesting periods ranging from 0 to 36 months.

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**13. SHARE CAPITAL (cont'd...)**

**Warrants**

The continuity of share purchase warrants and finder's warrants for the years ended December 31, 2015 and 2014, all of which were exercisable, are as follows:

Expiry Date	Exercise Price (CAD)	Balance December 31 2014	Issued	Exercised	Expired/ Cancelled	Balance December 31 2015
September 19, 2015	\$ 0.65	21,676,650	-	-	(21,676,650)	-
<b>Total</b>		21,676,650	-	-	(21,676,650)	-
Weighted average exercise price	\$ 0.65	\$ -	\$ -	\$ -	\$ 0.65	\$ -

Expiry Date	Exercise Price (CAD)	Balance December 31 2013	Issued	Exercised	Expired/ Cancelled	Balance December 31 2014
March 12, 2014	\$ 0.50	1,531,500	-	(1,531,500)	-	-
March 21, 2014	0.50	240,000	-	(240,000)	-	-
July 16, 2014	0.90	6,153,847	-	-	(6,153,847)	-
September 19, 2015	0.65	21,784,872	-	(108,222)	-	21,676,650
<b>Total</b>		29,710,219	-	(1,879,722)	(6,153,847)	21,676,650
Weighted average exercise price	\$ 0.69	\$ -	\$ 0.51	\$ 0.90	\$ 0.65	

As at December 31, 2014, the weighted average remaining life of the share purchase warrants and finder's warrants outstanding was 0.72 years.

**Share-based payments and share-based payment reserve**

During the year ended December 31, 2014, the Company granted 2,870,671 stock options to employees, directors and officers of the Company, all of which will vest over 36 months. Using the fair value method for share-based payments, the Company determined the fair value of the options granted to be C\$1,050,805 or C\$0.37 per option. In accordance with the vesting terms, the Company recorded a charge to share-based payments expense with the offsetting credit to share-based payments reserve of \$339,252 (2014 - \$674,271) during the year ended December 31, 2015. The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	December 31 2014
Weighted average:	2014
Risk free interest rate	1.52%
Expected dividend yield	0%
Expected stock price volatility	55%
Expected life in years	5
Forfeiture rate	0%

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**14. EARNINGS (LOSS) PER SHARE**

Earnings (loss) per share, calculated on a basic and diluted basis, is as follows:

	Year ended December 31 2015	Year ended December 31 2014
Net income (loss) <sup>(1)</sup>	\$ (23,882)	\$ (3,256,938)
Weighted average number of common shares outstanding - basic	97,591,571	97,407,219
Dilutive effect of stock options outstanding <sup>(2)</sup>	-	-
Weighted average number of common shares outstanding - diluted	97,591,571	97,407,219
<b>Basic earnings (loss) per share<sup>(1)</sup></b>	<b>\$ (0.00)</b>	<b>\$ (0.03)</b>
<b>Diluted earnings (loss) per share<sup>(1)</sup></b>	<b>\$ (0.00)</b>	<b>\$ (0.03)</b>

<sup>(1)</sup> Attributable to equity holders of the Company

<sup>(2)</sup> Amounts are Nil for periods with basic loss per share, as the effects would be anti-dilutive

**15. RELATED PARTY BALANCES AND TRANSACTIONS**

**MINER non-controlling interests**

MINER is a 90%-owned subsidiary of the Company and is 10% owned by a minority shareholders' group. On the acquisition date, the Company allocated \$3,508,384 to the non-controlling interests based on the fair value of assets acquired and liabilities assumed on the acquisition of MINER. For the year ended December 31, 2015, income of \$310,351 (2014 - \$25,876) has been allocated to the non-controlling interests of MINER. Summarized financial information about MINER is as follows:

	December 31 2015	December 31 2014
For the year ended		
Current assets	\$13,620,409	\$13,248,523
Non-current assets	60,386,619	61,175,894
Current liabilities	9,901,267	11,667,296
Non-current liabilities	21,639,781	19,858,225
<b>Net income and total comprehensive income</b>	<b>\$ 3,103,510</b>	<b>\$ 258,760</b>

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**15. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd...)**

**Compensation of key management personnel**

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

<b>Year ended December 31, 2015</b>	Salary or fees	Share-based payments	<b>Total</b>
Management	\$ 1,148,500	\$ 180,697	\$ 1,329,197
Outside directors	97,600	134,970	232,570
Seabord Services Corp.	185,872	-	185,872
	<b>\$ 1,431,972</b>	<b>\$ 315,667</b>	<b>\$ 1,747,639</b>

  

<b>Year ended December 31, 2014</b>	Salary or fees	Share-based payments	<b>Total</b>
Management	\$ 1,127,400	\$ 353,332	\$ 1,480,732
Outside directors	-	234,103	234,103
Seabord Services Corp.	182,320	-	182,320
	<b>\$ 1,309,720</b>	<b>\$ 587,435</b>	<b>\$ 1,897,155</b>

As at December 31, 2015, the Company had \$733,700 (2014 - \$315,000) 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 a 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.

**16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

**Components of cash and cash equivalents**

	December 31 2015	December 31 2014
Cash	\$ 3,708,369	\$ 5,016,384
Short-term deposits	86,250	86,250
	<b>\$ 3,794,619</b>	<b>\$ 5,102,634</b>

The short-term deposits are used as collateral for the Company's credit cards.

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**16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)**

**Changes in non-cash working capital**

The changes in non-cash working capital items are comprised as follows:

	Year ended December 31 2015	Year ended December 31 2014
Receivables	\$ (1,103,814)	\$ (1,335,564)
Inventories	364,222	(1,600,849)
Prepays and deposits	(71,702)	109,788
Accounts payable and accrued liabilities	995,086	436,049
Taxes payable	665,153	78,021
<b>Net change in non-cash working capital</b>	<b>\$ 848,945</b>	<b>\$ (2,312,555)</b>

**Significant non-cash investing and financing activities**

During the year ended December 31, 2015, the Company:

- a) reallocated mineral property depletion of \$1,368,834 to the carrying amount of ore stockpile and metals concentrate inventories produced but not yet sold at the reporting date;
- b) reallocated mineral property depletion of \$1,763,083 previously recognized in carrying amounts of metals concentrate inventories sold to cost of sales;
- c) recorded advances to suppliers of \$75,006 in accounts payable and accrued liabilities; and
- d) recorded mineral property, plant and equipment additions of \$786,188 in long-term loans payable.

During the year ended December 31, 2014, the Company:

- a) reallocated mineral property depletion of \$1,763,083 to the carrying amount of ore stockpile and metals concentrate inventories produced but not yet sold at the reporting date;
- b) reallocated mineral property depletion of \$141,439 previously recognized in carrying amounts of metals concentrate inventories sold to cost of sales;
- c) reallocated share-based payment reserve of \$422,002 to share capital for stock options and finder's warrants exercised;
- d) recorded mineral property, plant and equipment additions and advances to suppliers of \$150,726 in accounts payable and accrued liabilities;
- e) recorded mineral property, plant and equipment additions of \$734,647 in finance lease obligations; and
- f) recorded mineral property, plant and equipment additions of \$385,762 in decommissioning and restoration provision.

**17. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to provide shareholder returns through maximization of the profitable growth of the business and to maintain a degree of financial flexibility relevant to the underlying operating and metal price risks while safeguarding the Company's ability to continue as a going concern.

The capital of the Company consists of share capital and available credit facilities. The Board of Directors does not establish a quantitative return on capital criteria for management. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. The management of the Company believes that the capital resources of the Company as at December 31, 2015 are sufficient for its present needs for at least the next twelve months. The Company is not subject to externally imposed capital requirements.



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**18. FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows:

	Loans and receivables	Fair value through profit or loss	Other financial liabilities
<b>As at December 31, 2015</b>			
Cash and cash equivalents	\$ 3,794,619	\$ -	\$ -
Receivables	145,879	1,703,070	-
Derivative instruments	-	223,810	-
Accounts payable and accrued liabilities	-	-	5,323,531
Advance on concentrate inventories	-	-	2,320,900
Bank credit facilities	-	-	1,550,000
Long-term loans payable	-	-	7,657,972
Finance lease obligations	-	-	426,292
	<b>\$ 3,940,498</b>	<b>\$ 1,926,880</b>	<b>\$17,278,695</b>

	Loans and receivables	Fair value through profit or loss	Other financial liabilities
<b>As at December 31, 2014</b>			
Cash and cash equivalents	\$ 5,102,634	\$ -	\$ -
Receivables	94,462	246,568	-
Accounts payable and accrued liabilities	-	-	4,253,439
Advance on concentrate inventories	-	-	4,677,487
Bank credit facilities	-	-	587,000
Long-term loans payable	-	-	11,399,747
Finance lease obligations	-	-	616,841
	<b>\$ 5,197,096</b>	<b>\$ 246,568</b>	<b>\$21,534,514</b>

**Fair value**

Financial instruments recorded at fair value on the consolidated 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:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) 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.

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**18. FINANCIAL INSTRUMENTS (cont'd...)**

As at December 31, 2015, the Company's financial instruments measured at fair value are as follows:

<b>Financial assets and liabilities</b>		Level 1	Level 2	Level 3	<b>Total</b>
Trade receivable from provisional sales	\$	-	\$ 1,703,070	\$ -	\$ 1,703,070
Derivative instruments	\$	-	\$ 223,810	\$ -	\$ 223,810

The carrying value of cash and cash equivalents, receivables (excluding trade receivable from provisional sales of metals concentrate), accounts payable and accrued liabilities, advance on concentrate inventories, and bank 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 current 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, liquidity risk, currency 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. A 1% change in copper and gold prices would result in an increase/decrease of approximately \$135,000 and \$95,000 in the Company's pre-tax income or loss on an annualized basis, respectively.

**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.

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**18. FINANCIAL INSTRUMENTS (cont'd...)**

**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, 2015, 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	\$ 102,830	\$ 106,228	\$ -	\$ 1,019,068
Receivables	8,653	136,321	-	6,827,877
Accounts payable and accrued liabilities	(235,758)	(93,192)	-	(13,706,140)
Taxes payable	-	-	-	(2,878,612)
Finance lease obligations	-	-	(390,825)	-
Long-term loans payable	-	-	(966,958)	-
<b>Net exposure</b>	<b>(124,275)</b>	<b>149,357</b>	<b>(1,357,783)</b>	<b>(8,737,807)</b>
<b>US dollar equivalent</b>	<b>\$ (89,606)</b>	<b>\$ 44,539</b>	<b>\$ (1,481,002)</b>	<b>\$ (2,785,535)</b>

Based on the above net exposure, as at December 31, 2015, 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 \$43,000 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. The maturities of the Company's non-current liabilities are disclosed in Notes 9 and 10. All current liabilities are settled within one year.

**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, 2015, a 10% change in LIBOR rates would result in an increase/decrease of approximately \$50,000 in the Company's pre-tax income or loss on an annualized basis based on the debt and credit facilities used.

**ATICO MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**19. CONTINGENCIES**

During the year ended December 31, 2015, the Company settled the outstanding civil claim filed with the British Columbia Supreme Court by Carl Nelson and Recursos del Caribe S.A., the company through which Carl Nelson conducts his geological consulting business (collectively, "Mr. Nelson"). The allegations of Mr. Nelson had not been proven. The Company disputed Mr. Nelson's claims and defended itself in this matter. The action was filed on October 8, 2013 and a Response to Civil Claim was filed on November 26, 2013. In connection to the settlement with Mr. Nelson, the Company recognized an expense of \$200,000 for the year ended December 31, 2015.

During the year ended December 31, 2015, the Company's operating subsidiary, 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, 2015, 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.

**20. SEGMENTED INFORMATION**

The Company is engaged in mining, exploration, and development of mineral properties, and has an operating mine in Colombia. The Company operates in one industry and has one reportable segment, which is reviewed by the chief operating decision maker and identified based on quantitative factors whereby its revenues or assets comprise 10% or more of the total revenues or assets of the Company. As at December 31, 2015, the Company only has a single off-take agreement for metals concentrate produced at the El Roble mining property.

**Geographic segment details**

<b>As at December 31, 2015</b>	<b>Canada</b>	<b>Colombia</b>	<b>Other</b>	<b>Total</b>
Cash and other current assets	\$ 645,435	\$13,518,982	\$ 88,858	\$14,253,275
Advances to suppliers	-	101,798	-	101,798
Mineral property, plant and equipment	-	63,585,041	3,177	63,588,218
<b>Total assets</b>	<b>\$ 645,435</b>	<b>\$77,205,821</b>	<b>\$ 92,035</b>	<b>\$77,943,291</b>

  

<b>As at December 31, 2014</b>	<b>Canada</b>	<b>Colombia</b>	<b>Other</b>	<b>Total</b>
Cash and other current assets	\$ 1,149,698	\$13,726,193	\$ 44,544	\$14,920,435
Advances to suppliers	-	26,792	-	26,792
Mineral property, plant and equipment	-	64,645,196	7,652	64,652,848
<b>Total assets</b>	<b>\$ 1,149,698</b>	<b>\$78,398,181</b>	<b>\$ 52,196</b>	<b>\$79,600,075</b>