



ATICO MINING CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Six Months Ended June 30, 2017

ATICO MINING CORPORATION
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(Expressed in US dollars, unless otherwise indicated)
FOR THE SIX MONTHS ENDED JUNE 30, 2017

GENERAL

This management's discussion and analysis ("MD&A") for Atico Mining Corporation (the "Company" or "Atico") is intended to help the reader understand the significant factors that have affected Atico and its subsidiaries performance and such factors that may affect its future performance. This MD&A, which has been prepared as of August 29, 2017, **should be read in conjunction with the Company's** consolidated financial statements for the year ended December 31, 2016 and the related notes contained therewith. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included in the following MD&A are in the United States ("US") dollars except where noted. These documents **and other information relevant to the Company's activities are available** for viewing on SEDAR at www.sedar.com.

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

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COMPANY OVERVIEW

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

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

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

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

SECOND QUARTER 2017 FINANCIAL AND OPERATING HIGHLIGHTS

- Net income for the three months ended June 30, 2017 ("Q2-2017") **amounted to \$0.62 million**, compared with loss of \$1.41 million for the same period last year ("Q2-2016"). **Net income** for the quarter was positively affected by a significant increase in revenue, partially offset by an increase in direct mining and processing costs and a decrease in deferred income tax recovery.
- Sales for the period increased 285% to \$14.1 million when compared with Q2-2016. The increase is due to additional concentrate shipped and provisionally invoiced with a higher realized copper price when compared to Q2-2016. **Copper ("Cu") and gold ("Au")** accounted for 95.3% and 4.7% of the total amount provisionally invoiced during the quarter. The average realized price per metal on provisional invoicing was \$2.63 (Q2-2016 - \$2.08) per pound of copper and \$1,248.83 (Q2-2016 - \$1,263.85) per ounce of gold.
- Income from operations was \$2.32 million (Q2-2016 - loss of \$1.62 million) while cash flow from operations, before changes in working capital, was \$4.64 million (Q2-2016 - \$0.03 million). Cash used for capital expenditures amounted to \$2.88 million.
- Working capital was \$3.9 million (December 31, 2016 - \$1.7 million) while long-term loans payable outstanding was \$5.1 million (December 31, 2016 - \$5.6 million).
- Cash costs were \$115.37 per tonne of processed ore and \$1.30 per pound of payable copper produced, which was an increase of 28% and 35% over Q2-2016, respectively (refer to non-GAAP Financial Measures). The increase in the cash cost per pound of payable copper net of by products is mainly explained by a negative impact in the cost per processed tonne and a lower gold credit driven by comparatively less ounces produced.
- All-in sustaining cash cost per payable pound of copper produced was \$1.96 (Q2-2016 - \$1.50) (refer to non-GAAP Financial Measures).
- The Company produced 10,460 (Q2-2016 - 10,718) **dry metric tonnes ("DMT") of concentrate with a metal content of 5.2 million (Q2-2016 - 4.8 million) pounds ("lbs") of copper and 2,570 (Q2-2016 - 2,948) ounces ("oz") of gold.**
- Processed tonnes increased 4% to 65,942 compared to 63,112 in Q2-2016.
- At the end of the quarter 2,900 **wet metric tonnes ("WMT") of non-invoiced concentrate remained at the Company's** warehouses.

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RESULTS OF OPERATIONS

El Roble mine review

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

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

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

El Roble operating performance

	YTD 2017	Q2 2017	Q1 2017	YTD 2016	Q2 2016	Q1 2016
Production (contained metals) ⁽¹⁾						
Copper (000 lbs)	10,200	5,154	5,046	9,063	4,786	4,277
Gold (oz)	5,120	2,570	2,550	5,514	2,948	2,566
Silver (oz)	19,857	10,005	9,852	18,266	9,953	8,313
Mining						
Ore (tonnes)	129,410	65,942	63,468	116,864	63,112	53,752
Milling						
Milled (tonnes)	125,687	62,802	62,885	117,961	64,246	53,715
Tonnes per day	802	794	810	798	814	778
Copper grade (%)	3.91	3.94	3.89	3.72	3.62	3.81
Gold grade (g/t)	1.99	2.07	1.92	2.20	2.20	2.21
Silver grade (g/t)	9.54	9.96	9.12	7.96	8.03	7.87
Recoveries						
Copper (%)	93.9	94.4	93.5	93.7	93.0	94.4
Gold (%)	63.8	61.8	65.8	66.0	65.0	67.3
Silver (%)	51.7	49.9	53.9	60.6	59.8	61.4
Concentrate						
Cu concentrate produced (DMT)	21,026	10,460	10,566	20,392	10,718	9,674
Copper (%)	22.0	22.3	21.7	20.2	20.3	20.1
Gold (g/t)	7.6	7.6	7.5	8.4	8.6	8.3
Silver (g/t)	29.4	29.7	29.0	27.9	28.9	26.7
Payable copper produced (000 lbs)	9,687	4,897	4,790	8,595	4,547	4,048
Cash cost per pound of payable copper produced ⁽²⁾	1.35	1.30	1.41	0.91	0.96	0.86

⁽¹⁾ Subject to adjustments due to final settlement.

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

In Q2-2017, the Company produced 5.2 million lbs of copper, 2,570 oz of gold, and 10,005 oz of silver. When compared to Q2-2016, production increased 8% for copper while gold production decreased by 13%. The increase in copper produced is mainly explained by an 8.5% increase in the copper head grade slightly offset by a 2% decrease in processed material. In the case of gold, a decrease of 5.9% in the head grade along with the lower processed material and a 5% decrease in metal recovery explain the lower production.

The average throughput rate in the quarter decreased by 2% to 794 tonnes per day from the average of 814 tonnes per day in Q2-2016. The number of worked days was maintained at 79 days.

Average copper head grade in Q2-2017 continued to be higher than anticipated following Q1-2017 results. The Company expects the trend will continue throughout the remainder of the year for an average copper head grade well above **the year's guidance of 3.3% to 3.5%**. In the case of gold, the average head grade for the first half of 2017 was

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1.99 grams per tonne which is at the lower end of the intended 2017 guidance range of 2.0 grams per tonne to 2.2 grams per tonne. The Company expects this trend will continue throughout the remainder of the year.

Copper recovery in Q2-2017 was maintained above the 93% goal, while gold recovery declined to 61.8%, mainly due to variability in the process brought by changes in the processing facility to achieve the 22% copper content in the concentrate. The Company expects the system will stabilize during **three months ended September 30, 2017** ("Q3-2017"), but anticipates more tests could be pursued to achieve the current goal of having a copper recovery above 93%, a copper content in the concentrate of 22% and a gold recovery of 65%.

Cash costs were \$115.37 per tonne of processed ore and \$1.30 per pound of payable copper produced, which was an increase of 28% and 35% over Q2-2016, respectively (refer to non-GAAP Financial Measures). The increase in the cash cost per pound of payable copper net of by products is mainly explained by the increase in the cost per processed tonne and a 19% decrease in the gold credit driven by a lower gold-to-copper production ratio to Q2-2016.

Despite the cash cost per pound of payable copper produced decrease of 8% in Q2-2017 relative to the previous quarter (Q1-2017 - \$1.41), the operating cost was higher than anticipated by the Company. A 14% decrease in milling and distribution cost this quarter was completely offset by a 3% increase in the mining and indirect cost relative to the previous quarter.

At the mine, efforts made by the Company to reduce the cemented backfill unit cost were successful in Q2-2017 and were reduced by 11% relative to Q1-2017, but were offset by a 9% increase in the quantity of cubic meters backfilled during the same period. In addition, there was a 25% increase in preparation laboring (from 312 m in Q1-2017 to 389 m in Q2-2017) and a 32% increase in ground support cost due to poor ground conditions in level 1722.

The Company is taking additional cost reduction measures for the remaining quarters of 2017.

For Q2-2017, the all-in sustaining cash cost net of by credit products was \$1.96 (Q2-2016 - \$1.50) per pound of payable copper produced (refer to non-GAAP Financial Measures).

Cash used for capital expenditure activities during Q2-2017 were \$2.88 million. Major categories of expenditure included \$1.25 million in underground mine development, \$0.28 million in equipment and infrastructure related to the mine, \$0.30 million in tailings dams, \$0.31 million related to the mill, surface and energy infrastructure, and \$0.55 million in exploration.

Mine production came from two sources in Q2-2017: Maximus-Goliath and Zeus. Zeus provided the preponderance of material for processing, and Maximus-Goliath mining continued to be related to recovering in-mine stockpiles and pillar recovery.

The drift-and-fill mining method continues in Zeus with ore being sourced throughout the quarter from primary stopes from ten sublevels from the 1722 to the 1847 level.

During Q2-2017, the primary stopes on the 1776 level and the secondary stopes on the 1812, 1837 and 1847 sublevels had been completely mined.

The main ramp advanced 259 meters during Q2-2017 towards the eastern side of the mineralized bodies which continued confirming better ground conditions. The Company has accelerated the development plans for the main ramp and expects to reach the lowest known mineralized level in early Q4-2017.

In Q2-2017, the El Roble mine continued to show improvements in the two main safety metrics the Company uses. The frequency index decreased by 45% from 9.34 in Q2-2016 to 5.09 in Q2-2017, while the severity index decreased by 57% from 52.75 in Q2-2016 to 22.4 in Q2-2017. The frequency and severity index in the Colombian legislation represent the number of accidents and workdays lost respectively, for every 240,000 hours worked.

Since the Company took over El Roble mine in late 2013, the frequency and severity index have improved over four and nine times respectively, with no severe or life-threatening accidents in the process. During the past three years, the Company has launched several initiatives to enforce the importance of safety practices at the operation which have yielded good results. Examples of the initiatives undertaken by the Company include implementation of OHSAS 18001 "**Occupational Health and Safety Management System - Requirements**", a **yearlong safety training program** for supervisors, increasing the number of safety leaders and safety supervisors at the operation, enforcing 5-minute safety

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talks at the workplace, weekly safety meetings with all workers, counseling for workers with sub-standard work practices, and engaging an external safety consultant among others. The Company continues to be committed to support the initiatives launched in the past years to enforce the importance of safety practices at the operation and will assess supporting new initiatives as needed to continue the safety improvement trend.

Concentrate inventory

Amounts in dry metric tonnes	Q2 2017	YTD 2017	Q2 2016	YTD 2016
Opening inventory	2,932.0	7,318.6	2,439.9	4,094.0
Production	10,460.4	21,026.4	10,781.1	20,391.8
Sales	(10,756.9)	(25,773.1)	(4,873.4)	(16,201.2)
Adjustment	0.0	63.6	0.0	0.0
Closing inventory	2,635.5	2,635.5	8,284.6	8,284.6

Production is trucked routinely from the El Roble mine to the port of Buenaventura, where 7,500 WMT of concentrate can be stored at the Company's warehouse. Since the cost of shipping and freight is directly related to the size of the lot to be shipped, the Company prefers to sell lots closer to 5,000 WMT.

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

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

Given the Company's revenue recognition policy and shipment schedule, the concentrate produced in any given quarter may not be immediately reflected in its revenue. The timing difference between concentrate produced and revenue recognized tends to decrease significantly when viewed on a yearly basis. In Q2-2017, the Company produced 10,566 DMT and sold 10,756 DMT of concentrate; the difference is concentrate inventory produced and carried forward from the previous quarter.

Exploration at El Roble

During Q2-2017, 2,798 meters of underground and surface drilling were completed at the El Roble property. The Company currently has three underground rigs and two surface rigs available on site to conduct the exploration program for the remainder of the year.

The underground program includes drilling with two rigs to test the occurrence of massive sulphide bodies next to known mineralization and extending the deposit at depth and along strike. The third rig will prioritize in-filling for mine planning purposes.

During Q2-2017, the surface exploration program started at the Archie target after completion of the 2,500-meter program at the San Lorenzo and Santa Anita targets.

At the Santa Anita target results were particularly encouraging as drilling clearly demonstrated a thickening of the **"black chert" unit over a strike length of approximately 600 meters** indicative of a sub-basin favorable for the deposition and preservation of massive sulfides.

Consequently, the Company is planning further drilling at Santa Anita that will be directed to follow the geochemical vectors by drilling a fence of holes beneath the current holes and both extending and closing the interval between drill holes particularly at the northern end of the Santa Anita target area.

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The Archie program north of El Roble mine includes nine holes and 3,000 meters of surface drilling. While planning the hole locations following up on pathfinder element geochemical vectors between the El Roble and the Archie target, the exploration crew discovered a massive sulphide outcrop which assayed consistently high copper grades as shown in the table below:

Sample no.	East	North	Elevation	Type	Cu (%)	Au (ppm)
AT16-0232	374839	655664	2276	Chanel 1.2m	7.168	0.21
AT16-0234	374839	655664	2276	Chanel 1.1m	12.468	0.11
AT16-0234	374839	655664	2276	Chanel 1.0m	9.472	0.09

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

The mineralized outcrop occurs north of an inferred fault which appears to truncate the north end of the El Roble mineralization and thus extends it across the fault into an area having a gap in the previous drilling. It is possible that the mineralization may be a continuation to surface of the northernmost lens of mineralization encountered on the 2000 level of the mine, a vertical distance of about 300 meters.

The nine planned drill holes are designed to test the favorable **"black chert"** - basalt contact zone underneath the newly discovered massive sulfide outcrop and further to the north to a depth of 300 meters. This new discovery of massive sulfide opens up the possibility of finding additional mineralization north of mine in the **"drill gap"** and possibly even further north and at depth.

Several other high priority exploration targets exist within the **"El Roble property"**, specifically **Anomaly 28**, about 1 kilometer NE of Santa Anita which shows elevated rock chip geochemistry on basalt-**"black chert"** contact and is on trend with geochemical vectors at Santa Anita. This geochemically anomalous portion of contact is also associated with a ground magnetic anomaly.

The massive pyrite-pyrrhotite outcrop, announced on November 22, 2016, between the La Dicha prospect and Anomaly 42 is approximately 4.5 kilometers NW of El Roble Mine, is another high priority target which has locally elevated, gold, copper and lead geochemistry. It will require further mapping and trenching to fully define the prospect, since it is **structurally offset from the main "El Roble property"**.

The Company continues on track to accomplish its goal of drill testing at least three targets in 2017.

OUTLOOK

The Company is basing 2017 guidance on year ended December 31, 2016 financial and production results. Please refer to Cautionary Note on Forward Looking Statements at the end of this document.

The Company set the following objectives for 2017 at the El Roble mine:

- Process between 260,000 and 265,000 tonnes.
- Maintain copper recovery above 93% and 65% for gold.
- Maintain an average copper head grade between 3.3% and 3.5%
- Maintain an average gold head grade between 2.0 g/t and 2.2 g/t
- Maintain production between 37,000 and 39,000 dry tonnes of concentrate.
- Maintain production between 8,300 and 8,500 tonnes of copper.
- Maintain production between 9,700 and 10,000 ounces of gold.
- Increase the mill mechanical availability to 90% and reach 320 days worked.
- Continue increasing the safety and environmental standards.

The Company believes the Q2-2017 results are in line with the objectives set for 2017 at the El Roble mine.

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SUMMARY OF QUARTERLY RESULTS

The following table provides selected financial information for the eight quarters up to June 30, 2017, and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2016 and 2015.

	Q2-2017	Q1-2017	Q4-2016	Q3-2016
Revenue	\$ 14,074,005	\$ 17,213,518	\$ 10,983,059	\$ 11,488,716
Income (loss) from operations	2,320,219	2,800,548	838,196	69,036
Net income (loss) for the period ⁽¹⁾	488,902	1,111,949	(447,985)	194,020
Earnings (loss) per share - basic and diluted	0.00	0.01	(0.00)	0.00
Weighted average shares outstanding - basic	98,408,170	98,030,087	97,689,926	97,591,571
Weighted average shares outstanding - diluted	98,641,133	98,303,731	97,689,926	97,591,571
	Q2-2016	Q1-2016	Q4-2015	Q3-2015
Revenue	\$ 3,659,067	\$ 12,122,542	\$ 6,314,214	\$ 10,838,631
Income (loss) from operations	(1,619,135)	2,272,729	42,886	1,002,930
Net income (loss) for the period ⁽¹⁾	(1,290,274)	1,724,678	(1,146,966)	(509,049)
Earnings (loss) per share - basic and diluted	(0.01)	0.02	(0.01)	(0.01)
Weighted average shares outstanding - basic	97,591,571	97,591,571	97,591,571	97,591,571
Weighted average shares outstanding - diluted	97,591,571	97,591,571	97,591,571	97,591,571

⁽¹⁾ Income (loss) attributable to equity holders of the Company.

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

SECOND QUARTER FINANCIAL RESULTS

Second quarter net income was \$615,847 compared to net loss of \$1,413,402 in Q2-2016 and basic and diluted earnings (loss) per share was \$0.00 and (\$0.01), respectively. Income from mining operations was \$4,072,500 (Q2-2016 - loss of \$2,875), and the Company had an income from operations of \$2,800,548 (Q2-2016 - loss of \$1,619,135). The Q2-2017 income from mining operations was affected by an increase in concentrate shipped and provisionally invoiced and a higher realized copper price as compared to Q2-2016, partially offset by an increase in direct mining and processing costs and a decrease in deferred income tax recovery.

Sales for Q2-2017 were \$14,074,005 (Q2-2016 - \$3,659,067) from the shipping and provisional invoicing of 10,756.9 (Q2-2016 - 4,873.4) DMT of concentrate and adjustments on shipments made during prior periods. The Company's metal concentrates are provisionally priced at the time of sale based on the prevailing commodity market prices. Final prices are set in a period subsequent to the date of sale based on specified quotational period after delivery. Under the current sales agreement, final pricing for metals concentrates generally occurs four months after the month of sales. Sales for Q2-2017 increased over Q2-2016 due to additional concentrate shipped and provisionally invoiced with a higher realized copper price.

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Three months ended	June 30 2017	June 30 2016
Sales and realized prices		
Provisional invoices	\$ 13,885,338	\$ 4,469,694
Adjustments ⁽¹⁾	188,667	(810,627)
Sales per financial statements	\$ 14,074,005	\$ 3,659,067
Copper		
Provisional sales (000's lbs)	5,291.3	2,108.5
Realized price (\$/lb) ⁽²⁾	2.63	2.08
Net realized price (\$/lb) ⁽³⁾	2.50	1.96
Gold		
Provisional sales (oz)	2,541.6	1,134.2
Realized price (\$/oz) ⁽²⁾	1,248.83	1,263.85
Net realized price (\$/oz) ⁽³⁾	259.40	297.77
Silver		
Provisional sales (oz)	9,890.8	3,543.0
Realized price (\$/oz) ⁽²⁾	17.07	16.87
Net realized price (\$/oz) ⁽³⁾	0.00	0.00

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

⁽²⁾ Based on provisional sales before final price and assay adjustments.

⁽³⁾ Adjusted for payable metals deductions, treatment and refining charges, and transportation charges.

Cost of sales for Q2-2017 was \$10,001,505 (Q2-2016 - \$3,661,942) consisting of the following components:

Three months ended	June 30 2017	June 30 2016
Direct mining and processing costs	\$ 6,661,662	\$ 2,100,006
Royalties	226,699	194,648
Depletion and amortization	3,113,144	1,367,288
Total	\$ 10,001,505	\$ 3,661,942

The increased cost of sales for the Q2-2017 over the comparative period is due to increases in the tonnes of concentrate shipped and provisionally invoiced and production cost per unit.

Selling, general and administrative ("**SG&A**") expenses were higher in Q2-2017 compared to Q2-2016; \$1,647,562 compared to \$1,468,159. Selling expenses accounted for 6% of sales, which included mostly the transportation, storage, and security costs of concentrate prior to provisional invoicing. The breakdown of the Company's SG&A expenses is as follows:

	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Operations	Corporate	Total	Operations	Corporate	Total
Selling expenses	\$ 774,124	\$ -	\$ 774,124	\$ 603,486	\$ -	\$ 603,486
Amortization	31,535	4,048	35,583	57,909	534	58,443
Corporate administration	159,507	134,988	294,495	120,987	195,917	316,904
Professional fees	33,975	7,097	41,072	19,811	70,361	90,172
Salaries and benefits	181,198	300,352	481,550	161,365	224,550	385,915
Transfer agent and filing fees	-	20,738	20,738	-	13,239	13,239
Total	\$1,180,339	\$ 467,223	\$1,647,562	\$ 963,558	\$ 504,601	\$1,468,159

Other income and expenses: In Q2-2017, the Company recognized share-based payments of \$104,719 (Q2-2016 - \$148,101) for the 841,119, 2,490,583, and 2,870,671 stock options granted in April 2017, April 2016, and July 2014 and 147,362 and **971,429 restricted share units ("RSUs") granted in April 2016** and 2017, where each has a vesting term over 36 months.

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In Q2-2017, the Company recognized interest expense of \$171,911 (Q2-2016 - \$154,174) for various long-term credit facilities, accretion expense of \$44,841 (Q2-2016 - \$44,930) for its provisions, a net realized loss of \$406,288 (Q2-2016 - gain of \$793,195) on settlements of its derivative instruments, and a net positive fair value adjustment of \$419,813 (Q2-2016 - negative \$698,942) to its derivative instruments outstanding at the reporting date.

In Q2-2017, the Company recognized current income tax expense of \$536,448 (Q2-2016 - \$748,211) and deferred income tax expense of \$615,817 (Q2-2016 - recovery of \$1,049,827).

SIX MONTHS FINANCIAL RESULTS

For the six months ended June 30, 2017, net income was \$1,904,863 compared to \$553,358 in the comparative period in 2016 and basic and diluted earnings per share was \$0.02 and \$0.00, respectively. Income from mining operations was \$8,603,748 (2016 - \$3,607,594), and the Company had an income from operations of \$5,120,767 (2016 - \$653,594). The six months ended June 30, 2017 income from mining operations was affected by an increase in concentrate shipped and provisionally invoiced and a higher realized copper price as compared to the comparative period in 2016, partially offset by an increase in direct mining and processing costs.

Sales for the six months ended June 30, 2017 were \$31,287,523 (2016 - \$15,781,609) from the shipping and provisional invoicing of 25,773.1 (2016 - 16,201.2) DMT of concentrate and adjustments on shipments made during **prior periods. The Company's metal concentrates are provisionally priced at the time of sale based on the prevailing commodity market prices.** Final prices are set in a period subsequent to the date of sale based on specified quotational period after delivery. Under the current sales agreement, final pricing for metals concentrates generally occurs four months after the month of sales. Sales for the six months ended June 30, 2017 increased over the comparative period in 2016 due to additional concentrate shipped and provisionally invoiced with a higher realized copper price.

Six months ended	June 30 2017	June 30 2016
Sales and realized prices		
Provisional invoices	\$ 31,662,698	\$ 15,922,622
Adjustments ⁽¹⁾	(375,175)	(141,013)
Sales per financial statements	\$ 31,287,523	\$ 15,781,609
Copper		
Provisional sales (000's lbs)	12,207.2	6,892.0
Realized price (\$/lb) ⁽²⁾	2.63	2.11
Net realized price (\$/lb) ⁽³⁾	2.50	1.99
Gold		
Provisional sales (oz)	6,062.7	4,770.1
Realized price (\$/oz) ⁽²⁾	1,240.32	1,230.83
Net realized price (\$/oz) ⁽³⁾	187.21	469.62
Silver		
Provisional sales (oz)	23,578.3	14,539.6
Realized price (\$/oz) ⁽²⁾	17.19	15.66
Net realized price (\$/oz) ⁽³⁾	0.00	0.08

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

⁽²⁾ Based on provisional sales before final price and assay adjustments.

⁽³⁾ Adjusted for payable metals deductions, treatment and refining charges, and transportation charges.

Cost of sales for six months ended June 30, 2017 was \$22,683,775 (2016 - \$12,176,890) consisting of the following components:

Three months ended	June 30 2017	June 30 2016
Direct mining and processing costs	\$ 15,016,801	\$ 6,659,838
Royalties	518,943	443,535
Depletion and amortization	7,148,031	5,073,517
	\$ 22,683,775	\$ 12,176,890

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The increased cost of sales for the six months ended June 30, 2017 over the comparative period is due to increases in the tonnes of concentrate shipped and provisionally invoiced and production cost per unit.

Selling, general and administrative ("**SG&A**") **expenses were higher** for the six months ended June 30, 2017 compared to the comparative period in 2016; \$3,240,063 compared to \$2,738,867. Selling expenses accounted for 5% of sales, which included mostly the transportation, storage, and security costs of concentrate prior to provisional invoicing. The breakdown of the Company's **SG&A expenses is as follows:**

	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Operations	Corporate	Total	Operations	Corporate	Total
Selling expenses	\$1,639,164	\$ -	\$1,639,164	\$1,230,118	\$ -	\$1,230,118
Amortization	63,556	8,096	71,652	115,226	1,068	116,294
Corporate administration	310,837	284,261	595,098	199,571	308,808	508,379
Professional fees	82,225	35,479	117,704	34,071	106,884	140,955
Salaries and benefits	335,718	442,093	777,811	275,248	442,757	718,005
Transfer agent and filing fees	-	38,634	38,634	-	25,116	25,116
	\$2,431,500	\$ 808,563	\$3,240,063	\$1,854,234	\$ 884,633	\$2,738,867

Other income and expenses: For the six months ended June 30, 2017, the Company recognized share-based payments of \$242,918 (2016 - \$212,258) for the 841,119, 2,490,583, and 2,870,671 stock options granted in April 2017, April 2016, and July 2014 and 147,362 and 971,429 RSUs granted in April 2016 and 2017, where each has a vesting term over 36 months.

For the six months ended June 30, 2017, the Company recognized interest expense of \$330,915 (2016 - \$325,582) for various long-term credit facilities, accretion expense of \$87,342 (2016 - \$90,205) for its provisions, a net realized loss of \$622,745 (2016 - gain of \$793,195) on settlements of its derivative instruments, and a net positive adjustment of \$351,567 (2016 - negative \$212,764) to its derivative instruments outstanding at the reporting date.

For the six months ended June 30, 2017, the Company recognized current income tax expense of \$1,949,886 (2016 - \$2,060,428) and deferred income tax expense of \$520,719 (2016 - recovery of \$1,532,505).

LIQUIDITY AND CAPITAL RESOURCES

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

The Company's cash and cash equivalents as at June 30, 2017 totaled \$4,778,042 (December 31, 2016 - \$3,617,172) and its working capital was \$3,922,936 (December 31, 2016 - \$1,711,837). Working capital at any specific point in time is subject to many variables, including seasonality, inventory management, the timing of cash receipts and payments, credit facility and loan payment terms, and fluctuations in foreign exchange rates.

During the year ended December 31, 2016, the Company and Trafigura Pte Ltd. extended the loan repayment schedule to 2019, where each principal payment amount has been reduced and an accelerated payment component, dependent on metal prices, has been added. **The Company's debt facility with Trafigura Pte Ltd. is subject to various qualitative and quantitative covenants, and the Company was in compliance with all such debt covenants as at June 30, 2017.**

Second quarter liquidity and capital resources

During Q2-2017, cash and cash equivalents increased by \$2,804,216. The increase was due to net cash provided by operating and financing activities of \$4,141,455 and \$1,946,744, respectively, offset by net cash used in investing activities of \$3,286,848. Exchange rate changes had a positive impact on cash and cash equivalents of \$2,865.

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Operating activities

During Q2-2017, net cash provided by operating activities amounted to \$4,141,455, which included positive operating cash flow before changes in non-cash operating working capital items of \$4,640,042, offset by changes in non-cash working capital items of \$498,587. Non-cash working capital changes included the effects from a decrease in taxes payable of \$1,910,963, offset by a decrease in receivables of \$584,810 and an increase accounts payable and accrued liabilities of \$882,232 during the normal course of business.

Investing activities

Cash used by the Company in investing activities during Q2-2017 totaled \$3,286,848, which were primarily comprised of capital expenditures on underground mine development, acquisition of new equipment, and phase two of the new tailings impoundment facility.

Financing activities

During Q2-2017, net cash provided by financing activities amounted to \$1,946,744. The Company drawn net of \$2,750,000 on its credit facilities and received \$142,072 on exercise of stock options. Additionally, the Company paid \$747,641 of principal and \$115,021 of interest towards its long-term loans payable.

Six months liquidity and capital resources

During the six months ended June 30, 2017, cash and cash equivalents increased by \$1,160,870. The increase was due to net cash provided by operating activities of \$7,858,192, offset by net cash used in investing and financing activities of \$5,607,997 and \$1,093,671, respectively. Exchange rate changes had a positive impact on cash and cash equivalents of \$4,346.

Operating activities

During the six months ended June 30, 2017, net cash provided by operating activities amounted to \$7,858,192, which included positive operating cash flow before changes in non-cash operating working capital items of \$10,604,394, offset by changes in non-cash working capital items of \$2,746,202. Non-cash working capital changes included the effects from an increase in receivables of \$4,375,553 offset by a decrease in inventories of \$1,988,954 and an increase in accounts payable and accrued liabilities of \$1,329,239 during the normal course of business.

Investing activities

Cash used by the Company in investing activities during the six months ended June 30, 2017 totaled \$5,607,997, which were primarily comprised of capital expenditures on underground mine development, acquisition of new equipment, and phase two of the new tailings impoundment facility.

Financing activities

During the six months ended June 30, 2017, the Company used net cash of \$1,093,671 in its financing activities. The Company drawn net of \$553,198 on its credit facilities and received \$332,554 on exercise of stock options. Additionally, the Company paid \$1,460,594 of principal and \$278,343 of interest towards its long-term loans payable.

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Contractual obligations

As at June 30, 2017, the Company expects the following cash flows for its financial liabilities and other contractual commitments:

	Less than 1 year	1 - 2 years	More than 2 years	Total
Accounts payable and accrued liabilities	\$ 8,180,349	\$ -	\$ -	\$ 8,180,349
Other financial liabilities	181,283	-	-	181,283
Credit facilities	5,902,226	-	-	5,902,226
Taxes payable	1,577,552	-	-	1,577,552
Finance lease obligations	220,088	-	-	220,088
Share-based payment provision	39,639	157,504	-	197,143
Long-term loans payable	2,501,639	2,212,838	427,976	5,142,453
	\$ 18,602,776	\$ 2,370,342	\$ 427,976	\$ 21,401,094

Requirement of additional financing

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

TRANSACTIONS WITH RELATED PARTIES

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

Six months ended June 30, 2017	Salary or fees	Share-based payments	Total
Management	\$ 290,500	\$ 200,203	\$ 490,703
Outside directors	62,519	78,072	140,591
Seabord Services Corp.	91,513	-	91,513
	\$ 444,532	\$ 278,275	\$ 722,807

Six months ended June 30, 2016	Salary or fees	Share-based payments	Total
Management	\$ 406,500	\$ 126,302	\$ 532,802
Outside directors	111,600	69,849	181,449
Seabord Services Corp.	91,695	-	91,695
	\$ 609,795	\$ 196,151	\$ 805,946

Included in accounts payable and accrued liabilities, as at June 30, 2017 was \$393,200 (December 31, 2016 - \$832,200) due to directors and management, related to remuneration and performance-based remuneration, which have been included in accounts payable and accrued liabilities.

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

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DERIVATIVE INSTRUMENTS

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

The Company has not applied hedge accounting to these derivative transactions. Derivative instruments are marked-to-market at the end of each reporting period based on the terms of the arrangements and the expected settlement prices and/or rates. Any resulting mark-to-market adjustment would have been recognized in other financial assets or liabilities on the consolidated statement of financial position. During the six months ended June 30, 2017, the Company recognized a positive net fair value adjustment of \$351,567 (2016 - negative \$212,764) on its derivative instruments, and a net realized loss of \$622,745 (2016 - gain of \$793,195) on the settlement of its derivative instruments.

Commodity derivative arrangements

As at June 30, 2017, the Company had a zero-cost commodity derivative arrangements with Auramet International LLC. This arrangement is net settled based on the difference between the market price and the contracted settlement price, where the Company receives proceeds if the contracted settlement price is above the market price. The details of the arrangements are as follows:

Settlement date	Quantity ⁽¹⁾	Settlement price
Copper		
July 5, 2017	300	\$ 5,450

⁽¹⁾ Copper quantity in metric tonnes ("MT") and gold quantity in ounces ("oz")

Commodity forward sale arrangements

The Company had entered into zero-cost commodity forward sale arrangements with its customer, whereby both parties agreed to preset the prices on metals shipped and to be settled at the end of the settlement period. As at June 30, 2017, the Company did not have any outstanding arrangements for metals to be shipped and provisionally invoiced.

Currency forward arrangements

During the six months ended June 30, 2017, the Company had entered into zero-cost non-deliverable currency forward arrangements with Bancolombia and Davivienda between the US dollar and Colombian peso. Each arrangement was net settled based on the difference between the market exchange rate and the contracted settlement rate, where the Company received proceeds if the contracted settlement rate is above the market exchange rate to purchase Colombian peso. As at June 30, 2017, the summarized details of the arrangement are as follows:

Settlement period	Amount	Average settlement rate
July 2017	1,400,000	3,013.05
August 2017	1,520,000	3,025.04
September 2017	1,220,000	3,034.90
October 2017	1,380,000	3,056.06
November 2017	1,400,000	3,066.68

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FINANCIAL INSTRUMENTS

Fair value

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. As at June 30, 2017, **the Company's financial** instruments measured at fair value are as follows:

Financial assets and liabilities	Level 1	Level 2	Level 3	Total
Trade receivable from provisional sales	\$ -	\$ 5,125,390	\$ -	\$ 5,125,390
Other financial liabilities	\$ -	\$ 181,283	\$ -	\$ 181,283
Share-based payment provision	\$ 197,143	\$ -	\$ -	\$ 197,143

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 market interest rates.

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

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

Metal price risk

The Company is exposed to metals price risk given that its revenues are derived from the sale of metals through its metals concentrate products, the prices for which have been historically volatile. Consequently, the economic viability **of the Company's mineral property may be adversely affected by fluctuations in metals prices.** For concentrate shipped and provisionally invoiced during the six months ended June 30, 2017, a 1% change in copper and gold prices would result in an increase/decrease of approximately \$188,000 and \$138,000 respectively **in the Company's pre-tax** income or loss on an annualized basis, respectively.

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 London Inter-**bank Offered Rates ("LIBOR") plus a fixed**-margin. The Company does not enter into derivative contracts to manage this risk. As at June 30, 2017, a 10% change in LIBOR rates would result in an increase/decrease of approximately \$138,000 **in the Company's pre-tax** income or loss on an annualized basis based on the debt facilities used.

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Credit risk

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

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and Colombia and incurs expenditures in currencies other than the US dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. The Company has not hedged its exposure to currency fluctuations. As at June 30, 2017, the Company is exposed to currency risk through the following monetary assets and liabilities:

	Canadian dollars	Peruvian soles	Euros	Colombian pesos (000's)
Cash and cash equivalents	\$ 140,635	\$ 85,906	\$ -	\$ 336,788
Receivables	13,234	1,622	-	12,206,240
Accounts payable and accrued liabilities	(11,472)	(221,768)	-	(16,389,557)
Taxes payable	-	-	-	(4,773,357)
Finance lease obligations	-	-	(192,656)	-
Long-term loan payables	-	-	(299,067)	(1,574,147)
Net exposure	\$ 36,397	\$ (134,240)	\$ (491,723)	\$ (10,194,033)
US dollar equivalent	\$ 28,037	\$ (41,813)	\$ (561,739)	\$ (3,369,037)

Based on the above net exposure, as at June 30, 2017, and assuming that all other variables remain constant, a 1% depreciation or appreciation of the US dollar against the Canadian dollar, Peruvian nuevo sol, Euro, and Colombian peso would result in an increase/decrease of approximately \$39,000 in the Company's pre-tax income or loss.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuing to monitor forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its development plans. The Company strives to maintain sufficient liquidity to meet its short term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash, and its committed liabilities (refer to Contractual Obligations for the expected payments due as at June 30, 2017).

CONTINGENCY

During the year ended December 31, 2015, the Company's operating subsidiary, Minera El Roble S.A. ("MINER"), received notice of claim from the mining authority in Colombia requesting payment of royalties related to past copper production. The mining authority is basing its claim on the current mining law, which is subsequent to the prevailing mining law under which MINER executed the contract regulating its royalty obligations. The current mining law in Colombia explicitly states that it does not affect contracts executed prior to this law entering into force. Therefore, the Company and its legal counsel's position is that MINER has complied rigorously with royalty payments due and called for under the current contractual obligations. The claim of approximately \$2,000,000 is at an administrative level and the Company will attempt to favorably resolve the claim at this level, and if necessary, will vigorously defend itself should legal action be required. As at June 30, 2017, no provisions have been recorded for any potential liability arising from this matter.

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

EVENT AFTER REPORTING DATE

Subsequent to June 30, 2017, the Company experienced a temporary work stoppage at the El Roble mine, due to a clean water discharge system malfunctioned and as a result a small quantity of sediment was discharged. The Company temporarily stopped the operations at El Roble mine to run a complete inspection on August 14, 2017; and the final inspection by provincial authorities concluded successfully and the operations have resumed as of August 18, 2017 (see news releases dated [August 15](#) and [August 21](#), 2017).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

For full details on the critical accounting estimates and judgments affecting the Company, please refer to the Company's audited annual consolidated financial statements and notes and annual MD&A for the year ended December 31, 2016.

NEW ACCOUNTING STANDARDS

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 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.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

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

RISK FACTORS

For further information regarding the Company's operational risks, please refer to the detailed disclosure concerning the material risks and uncertainties associated with the Company's business set out in its annual MD&A, dated April 11, 2017, which is available on SEDAR under the Company's filer profile.

SHARE POSITION AND OUTSTANDING WARRANTS AND OPTIONS

As at the date of this MD&A, the Company had 98,501,337 common shares issued and outstanding. There were also 7,459,607 options outstanding with expiry dates ranging from February 8, 2018 to April 17, 2022.

QUALIFIED PERSONS

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

NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

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

El Roble mine cash cost

The following table presents a reconciliation of cash cost per tonne of processed ore and cash costs per pound of payable copper produced to cost of sales in the condensed consolidated interim financial statements for the six months ended June 30, 2017:

Expressed in \$000's	Q2 2017	YTD 2017	Q2 2016	YTD 2016
Cash cost per tonne of processed ore				
Cost of sales ⁽¹⁾	\$ 10,001.5	\$ 22,683.8	\$ 3,661.9	\$ 12,176.9
Add / subtract				
Change in concentrate inventory	(226.6)	(3,593.7)	4,611.5	3,178.1
Depletion and amortization in concentrate inventory	36.5	1,400.2	(1,519.5)	(807.4)
Commercial and government royalties	(226.7)	(518.9)	(194.6)	(443.5)
Distribution costs	774.2	1,639.2	603.5	1,230.1
Depletion and amortization in cost of sales	(3,113.1)	(7,148.0)	(1,367.3)	(5,073.5)
Aggregate cash cost	7,245.7	14,462.5	5,795.5	10,260.7
Total processed ore (tonnes)	62,802	125,687	62,246	117,961
Cash cost per tonne of processed ore (\$/t)	\$ 115.37	\$ 115.07	\$ 90.20	\$ 86.98
Mining cost per tonne	\$ 56.13	\$ 54.76	\$ 42.44	\$ 39.39
Milling cost per tonne	18.97	19.12	15.78	15.26
Indirect cost per tonne	28.10	27.99	22.63	21.95
Distribution cost per tonne	12.17	13.20	9.35	10.38
Total production cost per tonne of processed ore (\$/t)	\$ 115.37	\$ 115.07	\$ 90.20	\$ 86.98

⁽¹⁾ Includes depletion, amortization, government royalties and mining taxes.

ATICO MINING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in US dollars, unless otherwise indicated)
FOR THE SIX MONTHS ENDED JUNE 30, 2017

Expressed in \$000's	Q2 2017	YTD 2017	Q2 2016	YTD 2016
Cash costs per pound of payable copper produced				
Aggregate cash cost (above)	\$ 7,245.7	\$ 14,462.5	5,795.5	10,260.7
Add / subtract				
By-product credits	(2,858.0)	(5,707.8)	(3,534.0)	(6,395.2)
Refining charges	1,489.8	3,387.3	1,664.7	3,162.5
Transportation charges	474.8	953.4	424.5	812.0
Cash cost applicable to payable copper produced	6,352.3	13,095.4	4,350.7	7,840.0
Add / subtract				
Commercial and government royalties	226.7	518.9	194.6	443.5
G&A expenses	873.4	1,600.9	864.7	1,508.7
Share-based payments	104.7	242.9	148.1	213.2
Accretion of ARO	37.6	73.7	35.9	71.1
Sustaining capital expenditures ⁽²⁾	1,989.9	3,203.1	1,212.2	2,155.3
All-in sustaining cash cost	9,584.8	18,735.0	6,806.2	12,230.9
Add / subtract				
Non-sustaining capital expenditures ⁽²⁾	317.1	748.3	482.4	1,124.3
Brownfields exploration expenditures ⁽²⁾	550.9	1,011.3	168.8	244.6
All-in cash cost	10,452.8	20,494.7	7,457.4	13,599.8
Total payable copper produced (000's lbs)	4,897.0	9,687.0	4,547.0	8,595.0
Per pound of payable copper produced (\$/lb)				
Cash cost, net of by-product credits	\$ 1.30	\$ 1.35	\$ 0.96	\$ 0.91
All-in sustaining cash cost	\$ 1.96	\$ 1.93	\$ 1.50	\$ 1.42
All-in cash cost	\$ 2.13	\$ 2.12	\$ 1.64	\$ 1.58

⁽²⁾ Amounts presented on a cash basis

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

Expressed in \$000's	Q2 2017	YTD 2017	Q2 2016	YTD 2016
Aggregate cash production cost	\$ 7,245.7	\$ 14,462.5	5,795.5	10,260.7
Cash cost per pound of payable copper produced				
Cash cost attributable to copper production ⁽³⁾	\$ 6,901.7	\$ 13,923.6	\$ 5,100.1	\$ 8,824.0
Add / subtract				
By-product credit from silver	(0.0)	(0.0)	(0.0)	(0.0)
Refining charges	1,489.8	3,387.3	1,664.7	3,162.5
Transportation charges	452.3	918.0	373.6	696.8
Cash cost applicable to payable copper produced	8,843.8	18,228.9	7,138.4	12,683.3
Total payable copper produced (000's lbs)	4,897.0	9,687.0	4,547.0	8,595.0
Cash cost per pound of payable copper produced (\$/lb)	\$ 1.81	\$ 1.88	\$ 1.57	\$ 1.48
Cash cost per ounce of payable gold produced				
Cash cost attributable to gold production ⁽³⁾	\$ 344.0	\$ 538.9	\$ 695.4	\$ 1,436.6
Add / subtract				
Refining charges	21.6	21.6	26.7	48.3
Transportation charges	22.5	86.8	50.9	115.2
Cash cost applicable to payable gold produced	388.1	715.8	773.0	1,600.1
Total payable gold produced (oz)	2,318.0	4,612.9	2,689.3	5,022.5
Cash cost per ounce of payable gold produced (\$/oz)	\$ 167.43	\$ 155.17	\$ 287.43	\$ 318.59

⁽³⁾ If copper and gold for the El Roble mine was treated as co-products, the allocation of aggregate cash production cost between copper and gold production is based on provisional invoice(s) issued and revenue (net of treatment and refining charges) recognized in the respective reporting periods.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

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

Forward-looking statements relate to, among other things:

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

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

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

the Company's substantial reliance on the El Roble mine for revenues; risks related to the integration of businesses and assets acquired by the Company; risks associated with entering into commodity forward and option contracts for base metals production; potential conflicts of interest involving the Company's directors and officers; risks associated with potential legal proceedings; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Colombia or other countries in which the Company does or may carry on business; the possibility of cost overruns or unanticipated expenses; fluctuations in copper, gold and silver prices; title matters; uncertainties and risks related to carrying on business in foreign countries; environmental liability claims and insurance; reliance on key personnel; currency exchange rate fluctuations; competition; and other risks and uncertainties, including those described in the "Risks Factors" section in the MD&A for the financial year ended December 31, 2016 filed with the Canadian Securities Administrators and available at www.sedar.com.

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

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