



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

For the six months ended June 30, 2018

ATICO MINING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in US dollars, unless otherwise indicated)
FOR THE SIX MONTHS ENDED JUNE 30, 2018

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 14, 2018, should be read in conjunction with the Company's condensed interim consolidated financial statements for the six months ended June 30, 2018 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-three years, 1.5 million tonnes of ore at an average head grade of 2.6% copper and an estimated gold grade of 2.5 grams per tonne ("g/t"). Since obtaining control of the mine on November 22, 2013, the Company has upgraded the operation from the historic nominal capacity of 400 tonnes per day to the current nominal capacity of 800 tonnes per day.

SECOND QUARTER 2018 FINANCIAL AND OPERATING HIGHLIGHTS

- Net income for the three months ended June 30, 2018 ("Q2-2018") amounted to \$2.8 million, compared with \$0.6 million for the same period last year ("Q2-2017"). Net income for the period was positively affected by an increased amount of concentrate shipped and provisionally invoiced and higher average realized copper and gold prices as compared to Q2-2017.
- Sales for the period increased 45% to \$20.4 million when compared with Q2-2017. The increase was due to increased amount of concentrate shipped and provisionally invoiced and higher average realized copper and gold prices as compared to Q2-2017. Copper ("Cu") and gold ("Au") accounted for 94.7% and 5.3% of the total amount provisionally invoiced during Q2-2018. The average realized price per metal on provisional invoicing was \$3.16 (Q2-2017 - \$2.63) per pound of copper and \$1,297.33 (Q2-2017 - \$1,248.83) per ounce of gold.
- Income from operations was \$4.9 million (Q2-2017 - \$2.3 million) while cash flow from operations, before changes in working capital, was \$5.4 million (Q2-2017 - \$4.6 million). Cash used for capital expenditures amounted to \$3.8 million (Q2-2017 - \$2.9 million).
- Working capital was \$6.8 million (December 31, 2017 - \$4.6 million), while the Company had long-term loans payable with \$1.0 million (December 31, 2017 - \$2.7 million) outstanding at the reporting date.
- Cash costs were \$136.74 per tonne of processed ore and \$1.67 per pound of payable copper produced, which were increases of 19% and 28% over Q2-2017, respectively (refer to non-GAAP Financial Measures). The increase in the cash cost per pound of payable copper net of by products is mainly explained by a higher cost per processed tonne.
- Cash margin was \$1.49 (Q2-2017 - \$1.33) per pound of payable copper produced, which was an increase of 12% over Q2-2017 (refer to non-GAAP Financial Measures).
- All-in sustaining cash cost per payable pound of copper produced was \$2.24 (Q2-2017 - \$1.96) (refer to non-GAAP Financial Measures).
- The Company produced 10,717 (Q2-2017 - 10,460) dry metric tonnes ("DMT") of concentrate with a metal content of 5.2 million (Q2-2017 - 5.2 million) pounds ("lbs") of copper and 2,596 (Q2-2017 - 2,570) ounces ("oz") of gold.

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- Processed tonnes increased 7% to 67,308 compared to 62,802 in Q2-2017.
- At the end of the quarter, 8,017 (December 31, 2017 - 7,366) wet metric tonnes ("WMT") of non-invoiced concentrate remained at the Company's warehouses.

RESULTS OF OPERATIONS

EI Roble mine review

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

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

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

EI Roble operating performance

	YTD 2018	Q2 2018	Q1 2018	YTD 2017	Q2 2017	Q1 2017
Production (contained metals)⁽¹⁾						
Copper (000 lbs)	10,696	5,220	5,476	10,200	5,154	5,046
Gold (oz)	5,421	2,596	2,825	5,120	2,570	2,550
Silver (oz)	20,620	10,014	10,606	19,857	10,005	9,852
Mining						
Ore (tonnes)	134,277	67,255	67,022	129,410	65,942	63,468
Milling						
Milled (tonnes)	136,807	67,308	69,499	125,687	62,802	62,885
Tonnes per day	802	792	812	802	794	810
Copper grade (%)	3.78	3.76	3.80	3.91	3.94	3.89
Gold grade (g/t)	2.03	2.02	2.03	1.99	2.07	1.92
Silver grade (g/t)	8.63	8.54	8.71	9.54	9.96	9.12
Recoveries						
Copper (%)	93.9	93.7	94.0	93.9	94.4	93.5
Gold (%)	61.2	59.5	62.8	63.8	61.8	65.8
Silver (%)	52.3	56.1	48.6	51.7	49.9	53.9
Concentrate						
Cu concentrate produced (DMT)	22,191	10,717	11,474	21,026	10,460	10,566
Copper (%)	21.9	22.1	21.7	22.0	22.3	21.7
Gold (g/t)	7.6	7.5	7.7	7.6	7.6	7.5
Silver (g/t)	28.9	29.1	28.8	29.4	29.7	29.0
Payable copper produced (000 lbs)	10,162	4,960	5,202	9,687	4,897	4,790
Cash cost per pound of payable copper produced ⁽²⁾	1.55	1.67	1.44	1.35	1.30	1.41

⁽¹⁾ Subject to adjustments due to final settlement.

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

In Q2-2018, the Company produced 5.2 million lbs of copper, 2,596 oz of gold, and 10,014 oz of silver. When compared to Q2-2017, production increased slightly by 1.3% for copper and 1.0% for gold. In the case of copper, the 7.2% increase in processed material was partially offset by a 4.6% decrease in head grade relative to Q2-2017, while for gold a decrease of 2.4% in head grade and 3.7% in recovery almost completely offset the increase in processed material.

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The average throughput rate in the quarter was in line with budget at 792 tonnes per day while the number of worked days increased by 7.4% to 85 days relative to Q2-2017.

Average copper head grade in Q2-2018 decreased by 4.5%, over the same period last year but was above the year's guidance of 3.5% to 3.7%. In the case of gold, the head grade also remains within the intended operational range despite a decrease of 2% over Q2-2017.

Copper recovery was maintained at 93.7% in Q2-2018, while gold recovery was 59.5%, below the guidance for the year.

For the first half of 2018, all of the operational parameters are in line with the goals set for El Roble Mine for the year.

Cash costs were \$136.74 per tonne of processed ore and \$1.67 per pound of payable copper produced, which were increases of 18% and 28% over Q2-2017, respectively (refer to non-GAAP Financial Measures). The increase in the cash cost per pound of payable copper net of by products is mainly explained by a higher cost per processed tonne, partially offset by a higher content and value of gold. The increase in direct mining cost of 27% for the same period explains most of the higher cost per processed tonne.

Mining cost increased driven by a higher expense in cemented backfill due to a 46% increase in cubic meters filled when compared to Q2-2017, partially offset by a 4% decrease in the unit cost per cubic meter when compared to Q2-2017.

Although some of the cost control initiatives launched by the Company have started to yield results, the benefits have all been offset by the significant increase in direct mine cost. Reducing the on-site cash cost is among the Company's priority.

For Q2-2018, the all-in sustaining cash cost net of by credit products is \$2.24 (Q2-2017 - \$1.96) per pound of payable copper produced (refer to non-GAAP Financial Measures), which represents a 14% increase over Q2-2017.

Cash used for capital expenditure activities during Q2-2018 were \$3.83 million. Major categories of expenditure included \$0.28 million in underground mine development, \$0.10 million in equipment and infrastructure related to the mine, \$0.65 million in the second phase of the tailings dam and \$1.35 million related to the mill, surface and energy infrastructure.

Mine production came from two sources in Q2-2018: 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 and secondary stopes from six sublevels from the 1712 and to the 1823 level.

The main ramp reached level 1690 during Q4-2017, which is the lowest level of known mineralization. With this achievement the Company is ready to access and prepare all levels of the Zeus body without the need to further ramp development.

Since Q1-2018, the Company is tracking two main safety metrics, the frequency and severity index, by 1,000,000 hours worked following international standards.

In Q2-2018, the frequency index decreased by 57% from 21.2 to 8.9 in Q2-2017, while the severity index increased by 193% to 248.9 when compared to Q2-2017. While none of the accidents was severe, they did generate an increase in lost workdays. In July 2018, there was a fatal accident that occurred at the El Roble property during service maintenance work outside of the mining operations. This accident will be reflected in the Q3-2018 safety metrics.

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Since the Company acquired El Roble mine in late 2013, the frequency and severity index have improved over four and nine times respectively. During the past four 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 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.

Concentrate inventory

Amounts in dry metric tonnes	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Opening inventory	10,286.0	2,932.0	3,455.4	7,318.6
Production	10,717.1	10,460.4	22,191.3	21,026.4
Sales	(13,834.9)	(10,756.9)	(18,845.2)	(25,773.1)
Adjustment	167.8	0.0	534.5	63.6
Closing inventory	7,336.0	2,635.5	7,336.0	2,635.5

Production is trucked routinely from the El Roble mine to the port of Buenaventura, where 10,000 WMT of concentrate can be stored at the Company's warehouse. Since the cost of shipping and freight is directly related to the size of the lot to be shipped, the Company plans to sell lots closer to 10,000 WMT for the remainder of 2018.

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

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

Given the Company's revenue recognition policy and shipment schedule, the concentrate produced in any given quarter may not be immediately reflected in its revenue. The timing difference between concentrate produced and revenue recognized tends to decrease significantly when viewed on a yearly basis.

In Q2-2018, the Company carried forward 10,286 DMT from the previous quarter, produced 10,717 DMT and sold 13,835 DMT of concentrate; the difference of 7,336 DMT is concentrate inventory carried over to Q3-2018.

Exploration at El Roble

During Q2-2018, 4,192 meters of drilling were completed at the El Roble project, of which 1,607 meters were drilled underground looking for new massive sulphide deposits. On surface, the Company completed 2,585 meters at the Archi target and the Franja Este targets testing IP-DAS anomalies.

The Company completed a second IP-DAS survey continuing coverage to the south of the first survey. The surveys included 315 stations on 120 channels of IP-DAS geophysics over an area 2 km x 1 km covering an area from the Archie prospect in the north, through the El Roble Mine area and over the Estrella area southeast of the mine. The IP-DAS has a depth penetration capability exceeding 700 m and has outlined several linear trends of combined chargeability and resistivity anomalies coincident with the mapped "black chert" lithology. These trends are designated as the Eastern trend, the Central or Mine trend, and the Western trend. Each trend contains several, distinct, strong chargeability-resistivity anomalies similar to that expressed over the mine area.

More significantly, the IP-DAS shows an intense anomaly associated with the immediate mine area, which is part of a linear northwest-southeast trend of anomalies coincident with the "black chert" unit. A second, linear trend of anomalies appears coincident with eastern occurrence of the 'black chert' in the Archie area. The IP-DAS anomalies clearly show fault offsets. The IP-DAS has outlined 6 targets (18 anomalies inside all) on the Mine trend Western and the Eastern trend which warrant drill testing.

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Of particular significance is a strong anomaly offset by faulting to the SE of the mine workings as well as strong anomalies in the Archie area and Eastern trend. The IP-DAS anomalies in the Eastern and Central trends are coincident with Ag and Zn trace element vector anomalies and narrow massive sulfide intersections.

The Company is highly encouraged by these results, which have outlined several IP-DAS anomalies in two parallel trends within the "black chert" that remain to be tested and are supported by trace element vectors and a reinterpretation of the structural geology.

The exploration work and drilling the Company has completed since late 2017 have returned encouraging results for the occurrence of massive sulphide mineralization at the El Roble property. These results confirm the need to continue drill testing the anomalous targets.

The Company will continue the 5,000 meters of core drilling program in during the Q3-2018 to test IP-DAS anomalies at depth and to the southeast of the mine mineralization (Zeus plunge target) and 10,000 meters of drilling to test the Archie and Eastern trend (regional targets).

The drill program at El Roble remains in target to complete the objective of drilling beyond 16,000 meters in 2018.

OUTLOOK

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

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

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

The Company believes the Q2-2018 results are in line with the objectives set for 2018 at the El Roble mine.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected financial information for the eight quarters up to June 30, 2018 and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2017 and 2016.

	Q2-2018	Q1-2018	Q4-2017	Q3-2017
Revenue	\$ 20,401,188	\$ 7,349,124	\$ 13,753,261	\$ 11,955,651
Income (loss) from operations	4,880,149	(208,910)	1,305,629	1,152,169
Net income (loss) for the period ⁽¹⁾	2,476,818	289,547	1,050,586	723,901
Earnings (loss) per share - basic and diluted	0.03	0.00	0.01	0.01
Weighted average shares outstanding - basic	98,502,337	98,501,528	98,501,337	98,501,337
Weighted average shares outstanding - diluted	98,968,737	98,729,710	98,712,404	98,740,705

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	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

⁽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 \$2,810,318 compared to \$615,847 in Q2-2017 and basic and diluted earnings per share was \$0.03 and \$0.00, respectively. Income from mining operations was \$6,793,698 (Q2-2017 - \$4,072,500), and the Company had an income from operations of \$4,880,149 (Q2-2017 - \$2,320,219). The Q2-2018 income from mining operations was affected by an increased amount of concentrate shipped and provisionally invoiced and higher average realized copper and gold prices as compared to Q2-2017.

Sales for Q2-2018 were \$20,401,188 (Q2-2017 - \$14,074,005) from the shipping and provisional invoicing of 13,834.9 (Q2-2017 -10,756.9) 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.

Three months ended	June 30 2018	June 30 2017
Sales and realized prices		
Provisional invoices	\$ 21,605,007	\$ 13,885,338
Adjustments ⁽¹⁾	(1,203,819)	188,667
Sales per financial statements	\$ 20,401,188	\$ 14,074,005
Copper		
Provisional sales (000's lbs)	6,724.0	5,291.3
Realized price (\$/lb) ⁽²⁾	3.16	2.63
Net realized price (\$/lb) ⁽³⁾	3.04	2.50
Gold		
Provisional sales (oz)	3,500.5	2,541.6
Realized price (\$/oz) ⁽²⁾	1,297.33	1,248.83
Net realized price (\$/oz) ⁽³⁾	328.60	259.40
Silver		
Provisional sales (oz)	13,135.6	9,890.8
Realized price (\$/oz) ⁽²⁾	16.59	17.07
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.

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Cost of sales for Q2-2018 was \$13,607,490 (Q2-2017 - \$10,001,505) consisting of the following components:

Three months ended	June 30 2018	June 30 2017
Direct mining and processing costs	\$ 10,033,750	\$ 6,661,662
Royalties	316,715	226,699
Depletion and amortization	3,257,025	3,113,144
	\$ 13,607,490	\$ 10,001,505

The increase cost of sales for the six months ended June 30, 2018 over the comparative period is due to increase in concentrate shipped and provisionally invoiced.

Selling, general and administrative ("SG&A") expenses were higher in Q2-2018 compared to Q2-2017; \$1,817,704 compared to \$1,647,562. Selling expenses accounted for 4% 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, 2018			Three months ended June 30, 2017		
	Operations	Corporate	Total	Operations	Corporate	Total
Selling expenses	\$ 882,308	\$ -	\$ 882,308	\$ 774,124	\$ -	\$ 774,124
Amortization	32,061	3,704	35,765	31,535	4,048	35,583
Corporate administration	128,411	143,999	272,410	159,507	134,988	294,495
Professional fees	34,411	9,639	44,050	33,975	7,097	41,072
Salaries and benefits	373,573	186,075	559,648	181,198	300,352	481,550
Transfer agent and filing fees	-	23,523	23,523	-	20,738	20,738
	\$1,450,764	\$ 366,940	\$1,817,704	\$1,180,339	\$ 467,223	\$1,647,562

Other income and expenses: In Q2-2018, the Company recognized share-based payments of \$95,845 (Q2-2017 - \$104,719) for stock options and restricted share units ("RSUs") granted in April 2018, February 2018, April 2017, and April 2016, where each has a vesting term over 36 months.

In Q2-2018, the Company recognized interest expense of \$76,689 (Q2-2017 - \$171,911) for various long-term credit facilities, accretion expense of \$74,370 (Q2-2017 - \$44,841) for its provisions, a net realized loss of \$Nil (Q2-2017 - \$406,288) on settlements of its derivative instruments, and a net positive fair value adjustment of \$794,000 (Q2-2017 - \$419,813) to its derivative instruments outstanding at the reporting date.

In Q2-2018, the Company recognized current income tax expense of \$2,130,882 (Q2-2017 - \$536,448) and deferred income tax recovery of \$189,433 (Q2-2017 - expense of \$614,817).

SIX MONTHS FINANCIAL RESULTS

For the six months ended June 30, 2018, net income was \$3,176,409 compared to \$1,904,863 in the comparative period in 2017 and basic and diluted earnings per share was \$0.03 and \$0.02, respectively. Income from mining operations was \$8,250,992 (2017 - \$8,603,748), and the Company had an income from operations of \$4,671,239 (2017 - \$5,120,767). Income for the six months ended June 30, 2018 was positively affected by a higher realized copper price and realized gain on its derivative instruments, partially offset by decreases in concentrate shipped and provisionally invoiced as compared to the comparative period in 2017.

Sales for the six months ended June 30, 2018 were \$27,750,312 (2017 - \$31,287,523) from the shipping and provisional invoicing of 18,845.2 (2017 - 25,773.1) 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.

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Sales for the six months ended June 30, 2018 decreased over the comparative period in 2017 due to decreases in concentrate shipped and provisionally invoiced, partially offset by a higher realized copper price.

Six months ended	June 30 2018	June 30 2017
Sales and realized prices		
Provisional invoices	\$ 29,478,595	\$ 31,662,698
Adjustments ⁽¹⁾	(1,728,283)	(375,175)
Sales per financial statements	\$ 27,750,312	\$ 31,287,523
Copper		
Provisional sales (000's lbs)	9,164.6	12,207.2
Realized price (\$/lb) ⁽²⁾	3.16	2.63
Net realized price (\$/lb) ⁽³⁾	3.03	2.50
Gold		
Provisional sales (oz)	4,774.5	6,062.7
Realized price (\$/oz) ⁽²⁾	1,306.76	1,240.32
Net realized price (\$/oz) ⁽³⁾	357.61	187.21
Silver		
Provisional sales (oz)	17,630.9	23,578.3
Realized price (\$/oz) ⁽²⁾	16.57	17.19
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 six months ended June 30, 2018 was \$22,683,775 (2017 - \$22,683,775) consisting of the following components:

Six months ended	June 30 2018	June 30 2017
Direct mining and processing costs	\$ 13,688,048	\$ 15,016,801
Royalties	439,441	518,943
Depletion and amortization	5,371,831	7,148,031
	\$ 19,499,320	\$ 22,683,775

The decreased cost of sales for the six months ended June 30, 2018 over the comparative period is due to decreases in the tonnes of concentrate shipped and provisionally invoiced, partially offset by higher production cost per unit.

Selling, general and administrative ("SG&A") expenses were higher for the six months ended June 30, 2018 compared to the comparative period in 2017; \$3,426,147 compared to \$3,240,063. 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:

	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Operations	Corporate	Total	Operations	Corporate	Total
Selling expenses	\$1,655,748	\$ -	\$1,655,748	\$1,639,164	\$ -	\$1,639,164
Amortization	60,904	7,523	68,427	63,556	8,096	71,652
Corporate administration	295,680	288,573	584,253	310,837	284,261	595,098
Professional fees	81,070	38,114	119,184	82,225	35,479	117,704
Salaries and benefits	603,683	359,575	963,258	335,718	442,093	777,811
Transfer agent and filing fees	-	25,277	35,277	-	38,634	38,634
	\$2,697,085	\$ 729,062	\$3,426,147	\$2,431,500	\$ 808,563	\$3,240,063

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Other income and expenses: For the six months ended June 30, 2018, the Company recognized share-based payments of \$153,606 (2017 - \$242,918) for the stock options and RSUs granted in April 2018, February 2018, April 2017, April 2016, where each has a vesting term over 36 months.

For the six months ended June 30, 2018, the Company recognized interest expense of \$144,537 (2017 - \$330,915) for various long-term credit facilities, accretion expense of \$148,854 (2017 - \$87,342) for its provisions, a net realized gain of \$373,644 (2017 - loss of \$622,745) on settlements of its derivative instruments, and a net positive adjustment of \$867,924 (2017 - \$351,567) to its derivative instruments outstanding at the reporting date.

For the six months ended June 30, 2018, the Company recognized current income tax expense of \$2,623,086 (2017 - \$1,949,886) and deferred income tax recovery of \$744,848 (2017- expense of \$520,719).

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, 2018 totaled \$5,313,569 (December 31, 2017 - \$2,991,334) and its working capital was \$6,753,069 (December 31, 2017 - \$4,560,315). 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, 2018.

Second quarter liquidity and capital resources

During Q2-2018, cash and cash equivalents increased by \$2,217,532. The increase was due to net cash provided by operating activities of \$9,404,173, partially offset by net cash used in investing and financing activities of \$3,832,852 and \$3,352,049, respectively. Exchange rate changes had a negative impact on cash and cash equivalents of \$1,740.

Operating activities

During Q2-2018, net cash provided by operating activities amounted to \$9,404,173, which included operating cash flow before changes in non-cash operating working capital items of \$5,441,699 and changes in non-cash working capital items of \$3,962,474. Non-cash working capital changes included the effects from a decrease in inventories of \$2,333,253 and an increase in receivables of \$1,079,397 during the normal course of business.

Investing activities

Cash used by the Company in investing activities during Q2-2018 totaled \$3,832,852, which were primarily comprised of capital expenditures on underground mine development and acquisition of new equipment.

Financing activities

During Q2-2018, net cash used in financing activities amounted to \$3,352,049. Primarily, the Company made a net repayment of \$2,200,000 on its credit facilities. Additionally, the Company paid \$820,414 of principal and \$66,791 of interest towards its long-term loans payable. Finally, the Company paid \$112,513 towards its finance lease obligations.

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Six months liquidity and capital resources

During the six months ended June 30, 2018, cash and cash equivalents increased by \$2,322,235. The increase was due to net cash provided by operating activities of \$8,879,620, offset by net cash used in investing and financing activities of \$5,624,987 and \$908,229, respectively. Exchange rate changes had a positive impact on cash and cash equivalents of \$24,169.

Operating activities

During the six months ended June 30, 2018, net cash provided by operating activities amounted to \$8,879,620, which included operating cash flow before changes in non-cash operating working capital items of \$7,340,637 and changes in non-cash working capital items of \$1,538,983. Non-cash working capital changes included the effects from a decrease in receivables of \$2,413,453 and an increase in accounts payable and accrued liabilities of \$1,431,372, offset by an increase in inventories of \$2,471,435 during the normal course of business.

Investing activities

Cash used by the Company in investing activities during the six months ended June 30, 2018 totaled \$5,624,987, 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, 2018, the Company used net cash of \$908,229 in its financing activities. The Company drawn net of \$1,300,000 on its credit facilities. Additionally, the Company paid \$1,643,020 of principal and \$136,399 of interest towards its long-term loans payable. Finally, the Company paid \$224,472 towards its finance lease obligations.

Contractual obligations

As at June 30, 2018, 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	\$ 9,624,628	\$ -	\$ -	\$ 9,624,628
Credit facilities	4,315,835	-	-	4,315,835
Finance lease obligations	329,092	363,583	597,360	1,290,038
Share-based payment provision	123,076	13,473	1,979	138,528
Long-term loans payable	1,033,375	-	-	1,033,375
	\$ 16,698,700	\$ 377,059	\$ 599,339	\$ 17,675,098

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.

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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, 2018	Salary or fees	Share-based payments	Total
Management	\$ 320,000	\$ 63,534	\$ 383,534
Outside directors	62,300	54,069	116,369
Seabord Services Corp.	90,496	-	90,496
	\$ 472,796	\$ 117,603	\$ 590,399

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

Included in accounts payable and accrued liabilities, as at June 30, 2018 was \$348,913 (December 31, 2017 - \$460,266) due to directors and management, related to remuneration and performance-based remuneration, which have been included in accounts payable and accrued liabilities.

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

DERIVATIVE INSTRUMENTS

The Company enters into derivative instruments from time to time in the normal course of business in order to manage its exposure to fluctuations in copper price, gold price, and the Colombian peso/US dollar exchange rate. The Company does not enter into or trade derivative instruments for speculative purposes. The Company has not applied hedge accounting to these derivative transactions. Derivative instruments are marked-to-market at the end of each reporting period based on the terms of the arrangements and the expected settlement prices and/or rates. Any resulting mark-to-market adjustment has been recognized in other financial assets or liabilities on the consolidated statement of financial position. During the six months ended June 30, 2018, the Company recognized a positive net fair value adjustment of \$867,924 (2017 - \$351,567) on its derivative instruments, and a net realized gain of \$373,644 (2017 - loss of \$622,745) on the settlement of its derivative instruments.

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, 2018, the Company had forward sale arrangements outstanding for copper to be shipped and sold between \$7,030 and \$7,295 per metric tonne.

Currency forward arrangements

The Company had entered into zero-cost non-deliverable currency forward arrangements with local Colombian banks between the US dollar and Colombian peso. Each arrangement was net settled based on the difference between the market exchange rate and the contracted settlement rate, where the Company received proceeds if the contracted settlement rate is above the market exchange rate to purchase Colombian peso. As at June 30, 2018, the Company did not have any outstanding arrangements.

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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, 2018, 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	\$	-	\$	574,999	\$	-	\$	574,999
Other financial assets		-		794,000		-		794,000
Share-based payment provision	\$	275,954	\$	-	\$	-	\$	275,954

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

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

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

Metal price risk

The Company is exposed to metals price risk given that its revenues are derived from the sale of metals through its metals concentrate products, the prices for which have been historically volatile. Consequently, the economic viability of the Company's mineral property may be adversely affected by fluctuations in metals prices. For concentrate shipped and provisionally invoiced during the six months ended June 30, 2018, a 1% change in copper and gold prices would result in an increase/decrease of approximately \$488,000 and \$111,000 respectively in the Company's pre-tax income or loss on an annualized basis, respectively.

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Interest rate risk

The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on the US dollar LIBOR plus a fixed-margin. The Company does not enter into derivative contracts to manage this risk. As at June 30, 2018, a 10% change in LIBOR rates would result in an increase/decrease of approximately \$131,000 in the Company's pre-tax income or loss on an annualized basis based on the debt and credit facilities used.

Credit risk

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

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and Colombia and incurs expenditures in currencies other than the US dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. The Company has not hedged its exposure to currency fluctuations. As at June 30, 2018, 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	\$ 119,982	\$ 9,986	\$ -	\$ 1,224,506
Receivables	13,276	112,001	-	7,459,376
Accounts payable and accrued liabilities	(128,254)	(208,836)	-	(17,509,376)
Finance lease obligations	-	-	-	(2,840,778)
Long-term loan payables	-	-	(119,627)	-
Net exposure	\$ 5,004	\$ (86,849)	\$ (119,627)	\$ (15,394,373)
US dollar equivalent	\$ 3,812	\$ (26,506)	\$ (147,461)	\$ (5,255,308)

Based on the above net exposure, as at June 30, 2018, 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 \$53,000 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, 2018).

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. In April 2018, the Company received a revised claim of approximately \$5,000,000 (up from \$2,000,000) and additional interest and fees from the Administrative Tribunal of Cundinamarca (the "Tribunal"). After exhausting all options to find a resolution at the administrative level, the Company will vigorously defend itself against this action before the Tribunal. The Company has been advised by its Colombian legal counsel that this claim lacks merit, as it is in violation of Colombian law, and that such claims may take up to ten years to reach a resolution. As at June 30, 2018, 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.

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, 2017.

NEW ACCOUNTING STANDARDS

Accounting standards adopted during the period

Revenue recognition

Effective January 1, 2018, the Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The Company elected to apply IFRS 15 using a modified retroactive approach by recognizing the cumulative effect of initially adopting this standard at the date of initial recognition. Comparative information has not been restated and continues to be reported under IAS 18 Revenue ("IAS 18"). The Company has concluded that there was no cumulative effect adjustment required to be recognized at January 1, 2018. The details of the accounting policy changes are described below.

The Company earns revenue from contracts with customers related to its metals concentrate sales. Revenue from contract with its customer is recognized when the customer obtains control of the metals concentrate and the Company satisfies its performance obligation. The Company considers the terms of the contract in determining the transaction price, which is the amount the entity expects to be entitled to in exchange for the transferring of the metals concentrate. The transaction price of a contract is allocated to each performance obligation based on its stand-alone selling price.

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The Company satisfies its performance obligations for its concentrate sales based upon specified contract terms which is upon loading of the metals concentrate onto a vessel. The Company's metals concentrate is sold under a pricing arrangement where final prices are determined by quoted market prices in a period subsequent to the date of sale (the "quotational period"). Until prices are final, revenues are recorded based on forward commodity prices of metals for the expected period of final settlement. Also, subsequent variations in the final determination of the metals concentrate weight, assay, and price are recognized as revenue adjustments as they occur until finalized.

The Company has concluded that there were no significant changes in the accounting for concentrate sales as a result of the transition to IFRS 15 as the timing of control of the concentrate passing to the customer and the treatment of provisional pricing adjustments are unchanged from policies applied prior to the adoption of IFRS 15.

Financial instruments

Effective January 1, 2018, the Company has adopted IFRS 9 Financial Instruments ("IFRS 9"). Prior periods were not restated, and no material changes resulted from adopting this new standard. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in several financial instrument classification changes, as presented in Note 17, there were no quantitative impacts from adoption. The details of the accounting policy changes are described below.

IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale.

Under IFRS 9, on initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated, and instead the hybrid financial instrument as a whole is assessed for classification. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to initial recognition and how changes in value are recorded. The following accounting policies apply to the subsequent measurement of financial assets.

- Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of the equity investment are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities are designated as either fair value through profit or loss, or other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Other financial liabilities are carried on the consolidated statement of financial position at amortized cost.

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The Company completed an assessment of its financial instruments as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	IAS 39	IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Trade receivables from provisional sales	FVTPL	FVTPL
Commodity forward sale arrangements	FVTPL	FVTPL
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Credit facilities	Other financial liabilities	Amortized cost
Finance lease obligations	Other financial liabilities	Amortized cost
Long-term loans payable	Other financial liabilities	Amortized cost
Currency forward arrangements	FVTPL	FVTPL
Share-based payment provision	FVTPL	FVTPL

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk. For its trade receivables from provisional sales, the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. There was no adjustment relating to the implementation of the expected credit loss model for the Company's trade receivables from provisional sales.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derivative contracts are recognized at fair value on initial recognition. Subsequently, derivatives are remeasured at their fair value. The method of recognizing any resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged:

- Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk.
- The effective portions of changes in the fair values of derivatives that are designated and qualify as cash-flow hedges are recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in profit or loss.
- Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in profit or loss.

Amounts accumulated in the hedge reserve are recycled in the consolidated statement of income in the periods when the hedged items will affect profit or loss (for instance when the forecast sale that is hedged takes place). If a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in the hedge reserve are included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the reserve and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of income.

The Company has not designated any derivative contracts as hedges and therefore has not applied hedge accounting in its consolidated financial statements.

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Accounting pronouncements not yet effective

The following standard and pronouncement has been issued by the IASB and has not yet been adopted by the Company.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

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

RISK FACTORS

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 20, 2018, 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 98,502,337 common shares issued and outstanding. There were also 7,246,285 options outstanding with expiry dates ranging from July 11, 2019 to June 5, 2023.

QUALIFIED PERSONS

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

NON-GAAP FINANCIAL MEASURES

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

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.

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

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

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

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

EI Roble mine cash cost

The following table presents a reconciliation of cash cost per tonne of processed ore and cash costs per pound of payable copper produced to cost of sales in the consolidated financial statements for the six months ended June 30, 2018:

Expressed in \$000's	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Cash cost per tonne of processed ore				
Cost of sales ⁽¹⁾	\$ 13,987.2	\$ 10,001.5	\$ 19,499.3	\$ 22,683.8
Add / subtract				
Change in concentrate inventory	(2,669.5)	(226.6)	3,105.9	(3,593.7)
Depletion and amortization in concentrate inventory	577.6	36.5	(402.1)	1,400.2
Commercial and government royalties	(316.7)	(226.7)	(439.4)	(518.9)
Distribution costs	882.3	774.2	1,655.7	1,639.2
Depletion and amortization in cost of sales	(3,257.0)	(3,113.1)	(5,371.8)	(7,148.0)
Aggregate cash cost	9,203.8	7,245.7	18,047.6	14,462.5
Total processed ore (tonnes)	67,308	62,802	136,807	125,687
Cash cost per tonne of processed ore (\$/t)	\$ 136.74	\$ 115.37	\$ 131.92	\$ 115.07
Mining cost per tonne	\$ 71.31	\$ 56.13	\$ 68.15	\$ 54.76
Milling cost per tonne	19.93	18.97	19.51	19.12
Indirect cost per tonne	32.40	28.10	32.18	27.99
Distribution cost per tonne	13.10	12.17	12.08	13.20
Total production cost per tonne of processed ore (\$/t)	\$ 136.74	\$ 115.37	\$ 131.92	\$ 115.07

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

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Expressed in \$000's	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Cash costs per pound of payable copper produced				
Aggregate cash cost (above)	\$ 9,203.8	\$ 7,245.7	\$ 18,047.6	\$ 14,462.5
Add / subtract				
By-product credits	(2,901.4)	(2,858.0)	(6,268.8)	(5,707.8)
Refining charges	1,418.4	1,489.8	2,926.2	3,387.3
Transportation charges	541.6	474.8	1,064.1	953.4
Cash cost applicable to payable copper produced	8,262.4	6,352.3	15,769.1	13,095.4
Add / subtract				
Commercial and government royalties	316.7	226.7	439.4	518.9
G&A expenses	935.4	873.4	1,770.4	1,600.9
Share-based payments	95.8	104.7	153.6	242.9
Accretion of ARO	41.3	37.6	81.3	73.7
Sustaining capital expenditures ⁽²⁾	1,466.2	1,989.9	2,545.5	3,203.1
All-in sustaining cash cost	11,117.9	9,584.8	20,759.4	18,735.0
Add / subtract				
Non-sustaining capital expenditures ⁽²⁾	1,529.7	317.1	2,064.0	748.3
Brownfields exploration expenditures ⁽²⁾	837.4	550.9	1,389.7	1,011.3
All-in cash cost	13,485.0	10,452.8	24,213.1	20,494.7
Total payable copper produced (000's lbs)	4,960.0	4,897.0	10,162.0	9,687.0
Per pound of payable copper produced (\$/lb)				
Cash cost, net of by-product credits	\$ 1.67	\$ 1.30	\$ 1.55	\$ 1.35
All-in sustaining cash cost	\$ 2.24	\$ 1.96	\$ 2.04	\$ 1.93
All-in cash cost	\$ 2.72	\$ 2.13	\$ 2.38	\$ 2.12
Cash margin ⁽³⁾	\$ 1.49	\$ 1.33	\$ 1.61	\$ 1.28

⁽²⁾ Amounts presented on a cash basis.

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

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

Expressed in \$000's	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Aggregate cash production cost	\$ 9,203.8	\$ 7,245.7	\$ 18,047.6	\$ 14,462.5
Cash cost per pound of payable copper produced				
Cash cost attributable to copper production ⁽⁴⁾	\$ 8,713.8	\$ 6,901.7	\$ 16,931.8	\$ 13,923.6
Add / subtract				
By-product credit from silver	(0.0)	(0.0)	(0.0)	(0.0)
Refining charges	1,418.0	1,489.8	2,926.2	3,387.3
Transportation charges	512.8	452.3	998.3	918.0
Cash cost applicable to payable copper produced	10,645.0	8,843.8	20,856.3	18,228.9
Total payable copper produced (000's lbs)	4,960.0	4,897.0	10,162.0	9,687.0
Cash cost per pound of payable copper produced (\$/lb)	\$ 2.15	\$ 1.81	\$ 2.05	\$ 1.88
Cash cost per ounce of payable gold produced				
Cash cost attributable to gold production ⁽⁴⁾	\$ 490.0	\$ 344.0	\$ 1,115.8	\$ 538.9
Add / subtract				
Refining charges	21.9	21.6	47.3	21.6
Transportation charges	28.8	22.5	65.8	86.8
Cash cost applicable to payable gold produced	540.1	388.1	1,228.9	715.8
Total payable gold produced (oz)	2,337.8	2,318.0	4,900.7	4,612.9
Cash cost per ounce of payable gold produced (\$/oz)	\$ 231.28	\$ 167.43	\$ 250.76	\$ 155.17

⁽⁴⁾ 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;

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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, 2017 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.