



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

**For the three months ended March 31, 2020**

**ATICO MINING CORPORATION**  
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(Expressed in US dollars, unless otherwise indicated)  
FOR THE THREE MONTHS ENDED MARCH 31, 2020

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**GENERAL**

This management's discussion and analysis ("MD&A") for Atico Mining Corporation (the "Company" or "Atico") is intended to help the reader understand the significant factors that have affected Atico and its subsidiaries performance and such factors that may affect its future performance. This MD&A, which has been prepared as of May 19, 2020, should be read in conjunction with the Company's consolidated financial statements for the three months ended March 31, 2020 and the related notes contained therewith. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included in the following MD&A are in the United States ("US") dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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**COMPANY OVERVIEW**

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

The Company is engaged in copper-gold mining and related activities including exploration, development, extraction, and processing in Colombia and Ecuador 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 6,355 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 1,000 tonnes per day.

On September 11, 2019, the Company completed its plan of arrangement (the "Arrangement") pursuant to the definitive agreement dated July 8, 2019 (the "Arrangement Agreement") to acquire Toachi Mining Inc. ("Toachi"), whereby each of the issued and outstanding shares of Toachi was exchanged on a basis of 0.24897 common shares of the Company (the "Exchange Ratio"). Toachi has an option agreement to earn up to 75% ownership in Compania Minera La Plata S.A. ("CMLP") who holds the La Plata project, which is a gold-rich volcanogenic massive sulphide ("VMS") deposit that was the subject of small-scale mining from 1975-1981 by Outokumpu Finland. The La Plata project consists two concessions covering a total area of 2,300 hectares along its 4-kilometre length, which contains known mineralization in two VMS lenses and nine priority exploration targets.

**FIRST QUARTER 2020 FINANCIAL AND OPERATING HIGHLIGHTS**

- Net loss for the three months ended March 31, 2020 ("Q1-2020") amounted to \$1.6 million, compared with income of \$2.7 million for the same period last year ("Q1-2019"). Net loss for the quarter was substantially impacted by a significant decline in copper price, which affected the concentrate shipped during both Q1-2020 and the previous quarter ("Q4-2019"), under the provisional sale and settlement terms of the Company's off-take agreement. Concurrently, there was a decrease in concentrate shipped and invoiced, as compared to Q1-2019.
- Sales for the period decreased 64% to \$7.6 million when compared with \$21.1 million in Q1-2019. Copper ("Cu") and gold ("Au") accounted for 86% and 14% of the 8,588 (Q1-2019 - 14,499) dry metric tonnes ("DMT") shipped and invoiced during Q1-2020.
- The average realized price per metal on invoicing was \$2.18 (Q1-2019 - \$2.81) per pound ("lbs") of copper and \$1,578 (Q1-2019 - \$1,306) per ounce ("oz") of gold.
- Loss from operations was \$2.6 million (Q1-2019 - income of \$4.8 million) while cash flow used in operations, before changes in working capital, was \$1.6 million (Q1-2019 - received \$9.1 million). Cash used for capital expenditures amounted to \$2.7 million (Q1-2019 - \$0.8 million).
- Working capital was \$7.2 million (December 31, 2019 - \$12.1 million), while the Company had \$1.7 million (December 31, 2019 - \$2.2 million) in long-term loans payable.
- Cash costs were \$101.45 per tonne of processed ore and \$1.14 per pound of payable copper produced, which were decreases of 13% and 19% over Q1-2019, respectively (refer to non-GAAP Financial Measures). The decrease in the cash cost per pound of payable copper net of by products is primarily explained by a lower cost per processed tonne, along with higher by-product credit from gold.
- Cash margin was \$1.04 (Q1-2019 - \$1.40) per pound of payable copper produced, which was a decrease of 26% over Q1-2019 (refer to non-GAAP Financial Measures).
- All-in sustaining cash cost per payable pound of copper produced was \$1.60 (Q1-2019 - \$2.13) (refer to non-GAAP Financial Measures).
- The Company produced 10,213 (Q1-2019 - 4,921) DMT of concentrate with a metal content of 5.0 million (Q1-2019 - 2.4 million) pounds of copper and 2,736 (Q1-2019 - 1,552) ounces of gold.
- Processed tonnes increased 106% to 73,374 compared to 35,581 in Q1-2019.

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- At the end of the quarter, 4,928 (December 31, 2019 - 3,104) wet metric tonnes ("WMT") of non-invoiced concentrate remained at the Company's warehouses.

**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-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 1,000 tonnes per day. Copper and gold mineralization at the El Roble property occurs in volcanogenic massive sulfide 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.

	Q1 2020	Q1 2019
<b>Production (contained metals)<sup>(1)</sup></b>		
Copper (000 lbs)	4,959	2,362
Gold (oz)	2,736	1,552
Silver (oz)	9,784	5,260
<b>Mining</b>		
Material (tonnes)	72,777	34,796
<b>Milling</b>		
Milled (tonnes)	73,374	35,581
Tonnes per day	878	885
Copper grade (%)	3.31	3.29
Gold grade (g/t)	1.96	2.24
Silver grade (g/t)	10.86	10.10
<b>Recoveries</b>		
Copper (%)	91.9	91.6
Gold (%)	58.9	60.6
Silver (%)	38.2	43.6
<b>Concentrate</b>		
Cu concentrate produced (DMT)	10,213	4,959
Copper (%)	21.9	21.4
Gold (g/t)	8.3	9.8
Silver (g/t)	29.8	31.8
Payable copper produced (000 lbs)	4,680	2,244
Cash cost per pound of payable copper produced <sup>(2)</sup>	1.14	1.41

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

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

**El Roble operating performance**

In Q1-2020, the Company produced 5.0 million lbs of copper, 2,736 oz of gold, and 9,784 oz of silver. When compared to Q1-2019, production increased by 109.9% for copper and 76.3% for gold. The increase for both copper and gold are mainly explained by the 75-day strike that occurred in the first half of 2019 during which the Company did not operate the mine and mill.

The average throughput rate for the year decreased to 878 (Q1-2019 - 885) tonnes per day.

Average copper head grade slightly increased relative to last year and remained within the Company's mine plan for the period while the gold head grade decreased and was slightly above the Company's mine plan.

Copper recovery increased by 0.4% to 91.9% (Q1-2019 - 91.6%), while gold recovery was 58.9% (Q1-2019 - 60.6%); both were below the 2020 annual guidance of 93% and 62%.

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Cash costs were \$101.45 per tonne of processed ore and \$1.14 per pound of payable copper produced, which were decreases of 12.9% and 19.1% over Q1-2019, respectively (refer to non-GAAP Financial Measures). The cash cost per pound of payable copper produced decrease is mainly explained by a lower cost per processed tonne and an increase in the gold contribution as a by-product. The decrease in the cost per processed tonne was driven by decreases in mining and distribution costs.

For Q1-2020, the all-in sustaining cash cost net of by credit products was \$1.60 (Q1-2019 - \$2.13) per pound of payable copper produced (refer to non-GAAP Financial Measures), which represents a 24.9% decrease over Q1-2019.

Cash used for capital expenditure activities during Q1-2020 were \$1.2 million. Major categories of expenditure included \$0.2 million in underground mine development, \$0.3 million in the second phase of the tailings dam, and \$0.4 million related to the mill, surface and energy infrastructure.

The drift-and-fill mining method continues in Zeus with ore being sourced throughout the year from primary and secondary stopes from five sublevels from the 1727 to the 1797 level.

**Concentrate inventory**

	<b>Q1</b>	<b>Q1</b>
<b>Amounts in dry metric tonnes</b>	<b>2020</b>	<b>2019</b>
Opening inventory	<b>2,810</b>	11,036
Production	<b>10,213</b>	4,921
Sales	<b>(8,588)</b>	(14,499)
Adjustment	<b>(0)</b>	38
Closing inventory	<b>4,435</b>	1,496

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.

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 quarter to quarter. 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 Q1-2020, the Company carried forward 2,810 DMT from the previous year, produced 10,213 DMT and sold 8,588 DMT of concentrate; the difference of 4,435 DMT is the concentrate inventory carried over to the next quarter.

**Exploration at El Roble**

During Q1-2020, 3,738 meters of drilling were completed at the El Roble project, of which 1,229 meters were drilled underground looking for new massive sulphide ("MS") at depth (plunge) of the Zeus body. The underground drilling below Zeus shows a fault that is displacing the favorable horizon ("Black Chert") along with small pieces of MS ranging from 5 to 35 centimeters ("cm") in size and strong pyrite-pyrhotite ("Py-Po") stringers with good silicification alteration. On surface, the Company completed 2,509 meters at four of the identified prospective target areas, Archie, Calera, and Santa Anita. This first scout drilling phase in these target areas resulted in multiple vectors in the regional host rock Black Chert unit (40 meters average) pointing to more space to host additional MS. The Black Chert unit for these targets shows signatures, of hydrothermal activity with moderate to strong alteration along with good propylitic alteration in the basalt, with Py-Po and copper pyrite ("Cpy") stringers in fractures.

At the Calera target, the Company drilled four holes totaling 990 meters. Prior to drilling this target, the Company identified favorable host rock outcropping at surface, good geochemical vectors, positive interpretation of the ground magnetic and the new ground-penetrating radar ("GPR") geophysics methods. The results for these first scout holes showed all the favorable vectors, Black Chert unit continuing at depth, stingers of Py-Po, strong alteration in the Basalt and Black Chert along with ample of space to host MS. The assay results of this drilling are pending.

At the Santa Anita target, the Company followed up with the second phase of drilling three holes totaling 979 meters. The results continued to encourage as they continued to build upon the first phase of drilling, confirming the width of the Black Chert unit at depth, good alteration in the basalt and black chert, good mineralization vector with Py-Po and Cpy stringers in fractures. Assay results are pending.

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At the Archie target, the Company drilled a deep hole from surface of 540 meters, where the Company found disseminated Cpy in the Black Chert Unit along with intercepts of 2 to 5 centimeters of MS. This is the first time that the Company sees this occurrence at the property and plan to follow up on this area later this year.

Core drilling program will continue in the second quarter testing anomalies at greater depths and to the southeast of the mine mineralization (Zeus plunge and below Archie target). In parallel, the Company plans to further drill test the Santa Anita target while also preparing three new regional target areas to be drill tested: Calera Baja, Anomaly 28, and Mariela.

At the El Roble property, the Company is planning to drill test at least 13,000 meters with its ongoing exploration program in 2020.

#### **LA PLATA OVERVIEW**

The La Plata project is a gold rich volcanogenic massive sulphide deposit that was the subject of small-scale mining from 1975-1981 by Outokumpu Finland. The project benefits from a modern drill and exploration database which was completed by Cambior Inc. from 1996-1999, Cornerstone Capital from 2006-2009 and Toachi from 2016-2019. In total, there is drill core and logs from more than 28,300 meters of drilling.

Historic resources based on drilling by Cambior and Cornerstone were estimated at 913,977 tonnes grading 8.01 grams gold per tonne, 88.3 grams silver per tonne, 5.01% copper, 6.71% zinc and 0.78% lead per tonne in the inferred category. More recently, Toachi Mining completed a PEA estimating an inferred resource of 1.85 million tonnes grading 4.10 grams gold per tonne, 50.0 grams silver per tonne, 3.30% copper, 4.60% zinc and 0.60% lead per tonne.

The La Plata project consists two concessions covering a total area of 2,300 hectares along its 4-kilometer length, which contains known mineralization in two VMS lenses and nine priority exploration targets.

#### **La Plata option agreement**

The Company has a binding option agreement with a private Ecuadorean company to earn up to 75% in the La Plata gold-rich copper-zinc-silver-lead volcanogenic massive sulphide project located approximately 100 km southwest of Quito, Ecuador.

To date, the Company paid a total of US\$2.0 million in cash and fulfilled its requirement to incur a minimum of US\$3.8 million in exploration expenditures during the first phase of the option agreement. With the delivery of the said payments, including the final payment, the Company has been granted a 60% ownership interest and full operational control of the project.

Subsequent earn-ins opportunities to increase its ownership of the project:

- From 60% to 65% (additional 5%) by financing the cost of a Feasibility Study; and
- From 65% to 70% (additional 5%) by arranging construction financing of less than US\$60 million to build a mine at the La Plata project; or
- From 65% to 75% (additional 10%) by arranging construction financing of more than US\$60 million to build a mine at the La Plata project.

#### **La Plata 2020 outlook**

During Q1-2020, the Company drilled ten holes totaling 3,448 meters as a part of our planned infill drill program at the project. The objective of this program is to increase the certainty of the inferred resources and upgrade said resources category to measures and indicted.

Given the current COVID-19 situation, the drilling that began on January 28, 2020 at La Plata has been paused for a period of time.

#### **CORPORATE UPDATES**

##### **COVID-19 response measures**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company is closely monitoring the developments and has implemented preventative measures at the El Roble mine site, La Plata project, as well as corporate offices to safeguard the health of its employees, while continuing to operate effectively and responsibly in its communities. It is currently not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. However, we will continue to assess the situation and are prepared to swiftly make any necessary adjustments within the regulatory framework issued by the Colombian and Ecuadorian Ministry of Health and Social Protection.

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**OUTLOOK**

The Company is basing 2020 guidance on year ended December 31, 2019 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 2020 at the El Roble mine:

- Process between 280,000 and 300,000 tonnes.
- Maintain copper recovery above 93% and 62% for gold.
- Maintain an average copper head grade between 3.4% and 3.6%
- Maintain an average gold head grade between 1.8 g/t and 2.0 g/t
- Increase production between 41,000 and 43,000 dry tonnes of concentrate.
- Maintain production between 9,100 and 9,500 tonnes of copper.
- Maintain production between 10,500 and 11,500 ounces of gold.
- Increase the mill mechanical availability to 95% and reach 330 days worked.
- Continue increasing the safety and environmental standards.

**SUMMARY OF QUARTERLY RESULTS**

The following table provides selected financial information for the eight quarters up to March 31, 2020 and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2019 and 2018.

	Q1-2020	Q4-2019	Q3-2019	Q2-2019
Revenue	\$ 7,563,092	\$ 23,816,546	\$ 9,581,287	\$ 6,936,341
Income (loss) from operations	(2,560,117)	6,375,203	1,181,530	(847,211)
Net income (loss) for the period <sup>(1)</sup>	(1,441,838)	4,339,062	(352,100)	(458,553)
Earnings (loss) per share - basic and diluted	(0.01)	0.04	(0.00)	(0.00)
Weighted average shares outstanding - basic	119,023,234	119,022,769	102,740,252	98,502,337
Weighted average shares outstanding - diluted	119,023,234	119,022,769	102,740,252	98,502,337

  

	Q1-2019	Q4-2018	Q3-2018	Q2-2018
Revenue	\$ 21,102,085	\$ 11,949,562	\$ 14,900,072	\$ 20,401,188
Income (loss) from operations	4,849,864	1,100,481	2,807,190	4,880,149
Net income (loss) for the period <sup>(1)</sup>	2,354,554	(2,541,752)	2,625,660	2,476,818
Earnings (loss) per share - basic and diluted	0.02	(0.03)	0.03	0.03
Weighted average shares outstanding - basic	98,502,337	98,502,337	98,502,337	98,502,337
Weighted average shares outstanding - diluted	98,502,337	98,502,337	98,739,162	98,968,737

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

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

**FIRST QUARTER FINANCIAL RESULTS**

First quarter net loss was \$1,555,449 compared to net income of \$2,688,784 in Q1-2019 and basic and diluted earnings (loss) per share was \$(0.02) and \$0.02, respectively. Loss from mining operations was \$1,407,624 (Q1-2019 - income of \$5,663,359), and the Company had loss from operations of \$2,560,117 (Q1-2019 - income of \$4,849,864). The Q1-2020 net loss was substantially impacted by a significant decline in copper price, which affected the concentrate shipped during both Q1-2020 and Q4-2019, under the provisional sale and settlement terms of the Company's off-take agreement. Concurrently, there was a decrease in concentrate shipped and invoiced, as compared to Q1-2019.

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**Sales** for Q1-2020 were \$7,053,588 (Q1-2019 - \$21,102,085) from the shipping and invoicing of 8,588 (Q1-2019 - 14,499) 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.

	<b>March 31 2020</b>	March 31 2019
<b>Three months ended</b>		
<b>Sales and realized prices</b>		
Provisional invoices	\$ 10,039,512	\$ 20,887,148
Adjustments <sup>(1)</sup>	<b>(2,476,420)</b>	214,937
Sales per financial statements	\$ 7,563,092	\$ 21,102,085
<b>Copper</b>		
Provisional sales (000's lbs)	4,199.4	7,080.0
Realized price (\$/lb) <sup>(2)</sup>	2.18	2.81
Net realized price (\$/lb) <sup>(3)</sup>	2.07	2.74
<b>Gold</b>		
Provisional sales (oz)	2,098.7	3,544.2
Realized price (\$/oz) <sup>(2)</sup>	1,578.25	1,305.53
Net realized price (\$/oz) <sup>(3)</sup>	630.97	428.45
<b>Silver</b>		
Provisional sales (oz)	8,449.9	13,568.9
Realized price (\$/oz) <sup>(2)</sup>	12.63	15.50
Net realized price (\$/oz) <sup>(3)</sup>	0.25	0.00

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

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

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

**Cost of sales** for Q1-2020 was \$8,970,716 (Q1-2019 - \$15,438,726). The increase in cost of sales over the comparative period was due to a significant decrease in concentrate shipped and invoiced.

**General and administrative** ("G&A") expenses were higher for Q1-2020 compared to Q1-2019 consisting of the following components:

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Operations	Corporate	Total	Operations	Corporate	Total
Amortization	\$ 5,135	\$ 2,635	\$ 7,770	\$ 17,837	\$ 3,704	\$ 21,541
Corporate administration	265,204	184,212	449,416	109,125	140,638	249,763
Professional fees	47,504	39,952	87,456	32,927	28,988	61,915
Salaries and benefits	269,906	223,312	493,218	154,611	168,684	323,295
Transfer agent and filing fees	-	20,710	20,710	-	14,446	14,446
	<b>\$ 587,749</b>	<b>\$ 470,821</b>	<b>\$ 1,058,570</b>	<b>\$ 314,500</b>	<b>\$ 356,460</b>	<b>\$ 670,960</b>

**Other income and expenses:** In Q1-2020, the Company recognized share-based payments of \$93,923 (Q1-2019 - \$142,535) for stock options and restricted share units ("RSUs") granted in between April 2017 and October 2019, where each has a vesting term over 36 months.

In Q1-2020, the Company recognized accretion expense of \$74,616 (Q1-2019 - \$84,600) for its decommissioning and restoration provision and lease liabilities, a net realized loss of \$235,292 (Q1-2019 - gain of \$51,922) on settlements of its derivative instruments, and a positive value adjustment of \$2,044,267 (Q1-2019 - negative \$397,860) to its derivative instruments outstanding at the reporting date.

In Q1-2020, the Company recognized current income tax expense of \$876,928 (Q1-2019 - \$148,329), offset by deferred income tax recovery of \$1,036,399 (Q1-2019 - expense of \$1,425,394).

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash as at March 31, 2020 totaled \$3,374,783 (December 31, 2019 - \$7,162,475) and its working capital was \$7,196,518 (December 31, 2019 - \$9,897,847). 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. 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.



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Management believes that the Company's current operational requirements and capital projects can be funded from existing cash 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. To date, the Company has relied on a combination of equity financings and loans 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.

**First quarter liquidity and capital resources**

During Q1-2020, cash decreased by \$3,787,692. The decrease was due to net cash used in investing and financing activities of \$2,667,371 and \$3,186,341, respectively, partially offset by cash provided by operation activities of \$2,071,305. Exchange rate changes had a negative impact on cash of \$5,285.

*Operating activities*

During Q1-2020, net cash provided by operating activities amounted to \$2,071,305, which included operating cash flow used before changes in non-cash operating working capital items of \$1,644,521, partially offset by changes in non-cash working capital items of \$3,715,826. Non-cash working capital changes included the effects from a decrease in receivables of \$5,946,805, partially offset by an increase in accounts payable and accrued liabilities of \$1,626,332.

*Investing activities*

Cash used by the Company in investing activities during Q1-2020 totaled \$2,667,371, which were primarily comprised of capital expenditures on underground mine development, exploration activities, and acquisition of new equipment at El Roble and exploration activities at La Plata.

*Financing activities*

During Q1-2020, net cash used in financing activities amounted to \$3,186,341. The Company repaid all convertible debentures with principal balances totaling \$2,636,043 assumed on the acquisition of Toachi. Additionally, the Company paid \$216,411 towards its lease obligations.

**TRANSACTIONS WITH RELATED PARTIES**

The Company considers key management personnel to include its management, directors, and any entity controlled by them. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

<b>Three months ended March 31, 2020</b>	Salary or fees	Share-based payments	<b>Total</b>
Management	\$ 208,888	\$ 31,389	\$ 240,277
Directors	24,000	34,149	58,149
Seabord Services Corp.	41,921	-	41,921
<b>\$</b>	<b>274,809</b>	<b>\$ 65,538</b>	<b>\$ 340,347</b>

  

<b>Three months ended March 31, 2019</b>	Salary or fees	Share-based payments	<b>Total</b>
Management	\$ 160,000	\$ 90,319	\$ 250,319
Directors	22,000	29,487	51,487
Seabord Services Corp.	44,505	-	44,505
<b>\$</b>	<b>226,505</b>	<b>\$ 119,806</b>	<b>\$ 346,311</b>

Included in accounts payable and accrued liabilities, as at March 31, 2020 was \$616,425 (December 31, 2019 - \$595,952) 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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**FINANCIAL 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.

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 March 31, 2020, the Company had outstanding arrangements to convert \$11,168,000 (December 31, 2019 - \$8,870,000) into Colombian peso at the negotiated exchange rates over the next nine months.

The Company entered into zero-cost commodity derivative arrangements with Auramet International LLC. These arrangements were net settled based on the difference between the market price and the contracted settlement price, where the Company received proceeds if the contracted settlement price was above the market price. As at the March 31, 2020, the Company had no outstanding arrangements.

The Company's Level 2 fair valued financial instruments included trade receivable from sales, derivative instruments, share purchase warrants, and derivative component of the convertible debenture; and no Level 3 financial instruments are held. Trade receivable from 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. The Company's exercise price of its share purchase warrants and conversion price on the convertible debentures are denominated in Canadian dollar.

**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 March 31, 2020, 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 for the year ended December 31, 2019.

**NEW ACCOUNTING STANDARDS**

Effective January 1, 2019, the Company adopted IFRS 16 Leases. For full details, please refer to the Company's consolidated financial statements and notes for the year ended December 31, 2019.

**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.

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**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.

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 condensed interim consolidated financial statements for the three months ended March 31, 2020:

Expressed in \$000's	Q1 2020	Q1 2019
<b>Cash cost per tonne of processed ore</b>		
Cost of sales <sup>(1)</sup>	\$ 8,970.7	\$ 15,438.7
Add / subtract		
Change in concentrate inventory	943.7	(8,051.2)
Depletion and amortization in concentrate inventory	288.6	1,164.8
Commercial and government royalties	(151.5)	(337.5)
Depletion and amortization in cost of sales	(2,607.9)	(4,070.2)
Aggregate cash cost	7,443.6	4,144.7
Total processed ore (tonnes)	73,374	35,581
Cash cost per tonne of processed ore (\$/t)	\$ 101.45	\$ 116.49
Mining cost per tonne	\$ 54.02	\$ 53.23
Milling cost per tonne	13.79	15.15
Indirect cost per tonne	25.36	29.11
Distribution cost per tonne	8.28	19.00
Total production cost per tonne of processed ore (\$/t)	\$ 101.45	\$ 116.49

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

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Expressed in \$000's	Q1 2020	Q1 2019
<b>Cash costs per pound of payable copper produced</b>		
Aggregate cash cost (above)	\$ 7,443.6	\$ 4,144.7
Add / subtract		
By-product credits	(3,958.0)	(1,884.7)
Refining charges	1,323.6	640.6
Transportation charges	524.5	253.4
<b>Cash cost applicable to payable copper produced</b>	<b>5,333.7</b>	<b>3,156.2</b>
Add / subtract		
Commercial and government royalties	151.5	337.5
G&A expenses	1,058.6	671.0
Share-based payments	93.9	142.5
Accretion of ARO	48.8	43.9
Sustaining capital expenditures <sup>(2)</sup>	807.3	425.3
<b>All-in sustaining cash cost</b>	<b>7,493.8</b>	<b>4,776.4</b>
Add / subtract		
Non-sustaining capital expenditures <sup>(2)</sup>	428.8	158.3
Brownfields exploration expenditures <sup>(2)</sup>	621.1	276.1
<b>All-in cash cost</b>	<b>8,543.7</b>	<b>5,210.8</b>
Total payable copper produced (000's lbs)	4,680.0	2,244.0
<b>Per pound of payable copper produced (\$/lb)</b>		
Cash cost, net of by-product credits	\$ 1.14	\$ 1.41
All-in sustaining cash cost	\$ 1.60	\$ 2.13
All-in cash cost	\$ 1.83	\$ 2.32
Cash margin <sup>(3)</sup>	\$ 1.04	\$ 1.40

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

<sup>(3)</sup> 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	Q1 2020	Q1 2019
<b>Aggregate cash production cost</b>	<b>\$ 7,443.6</b>	<b>\$ 4,144.7</b>
<b>Cash cost per pound of payable copper produced</b>		
Cash cost attributable to copper production <sup>(4)</sup>	\$ 6,475.9	\$ 3,845.6
Add / subtract		
By-product credit from silver	(0.0)	(0.0)
Refining charges	1,323.6	640.6
Transportation charges	456.3	237.2
Cash cost applicable to payable copper produced	8,255.8	4,723.4
Total payable copper produced (000's lbs)	4,680.0	2,244.0
<b>Cash cost per pound of payable copper produced (\$/lb)</b>	<b>\$ 1.76</b>	<b>\$ 2.10</b>
<b>Cash cost per ounce of payable gold produced</b>		
Cash cost attributable to gold production <sup>(4)</sup>	\$ 967.7	\$ 299.0
Add / subtract		
Refining charges	29.9	14.2
Transportation charges	68.2	18.4
Cash cost applicable to payable gold produced	1,065.8	331.6
Total payable gold produced (oz)	2,489.8	1,430.6
<b>Cash cost per ounce of payable gold produced (\$/oz)</b>	<b>\$ 428.06</b>	<b>\$ 231.79</b>

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

**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.

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**PROPOSED TRANSACTIONS**

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

**SHARE POSITION AND OUTSTANDING WARRANTS AND OPTIONS**

As at the date of this MD&A, the Company had 119,026,769 common shares issued and outstanding. There were also 8,854,176 stock options outstanding with expiry dates ranging from April 12, 2021 to October 7, 2024.

**RISK FACTORS**

The Company is exposed to many risks in conducting its business, including but not limited to metal price risk as the Company derives its revenue from the sale of copper, gold, and silver; credit risk in the normal course of business; currency risk as the Company reports its financial statements in US dollars whereas the Company operates in jurisdictions that conducts its business in other currencies. 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 14, 2020, which is available on SEDAR under the Company's filer profile.

**Foreign currency**

Based on the Company's net exposure, as at March 31, 2020, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar, Peruvian nuevo sol, and Colombian peso would result in an increase/decrease of approximately \$479,000 in the Company's pre-tax income or loss.

**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 March 31, 2020, a 10% change in LIBOR rates would result in an increase/decrease of approximately \$26,000 in the Company's pre-tax income or loss on an annualized basis based on the loan and credit facilities used.

**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 three months ended March 31, 2020, a 10% change in copper and gold prices would result in an increase/decrease of approximately \$3,474,000 and \$1,217,000 respectively in the Company's pre-tax income or loss on an annualized basis, respectively.

**Credit risk**

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

**Liquidity risk**

The Company expects the following maturities of its financial liabilities, lease obligations, and other contractual commitments, excluding payments relating to interest:

	Less than 1 year	1 - 2 years	More than 2 years	<b>Total</b>
Accounts payable and accrued liabilities	\$ 8,486,288	\$ -	\$ -	\$ 8,486,288
Loans payable	1,105,550	1,100,000	550,000	2,755,550
Provision for restricted share units	34,653	14,433	16,037	65,123
Lease obligations	806,481	269,137	268,479	1,344,096
	<b>\$ 10,432,972</b>	<b>\$ 1,383,570</b>	<b>\$ 834,516</b>	<b>\$ 12,651,058</b>

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**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 world-wide economic and social impact of COVID-19 is managed and the duration and extent of the coronavirus pandemic is minimized or not long-term; disruptions related to the COVID-19 pandemic or other health and safety issues, or the responses of governments, communities, the Company and others to such pandemic or other issues; 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, 2019 filed with the Canadian Securities Administrators and available at [www.sedar.com](http://www.sedar.com).

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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.