



**ATICO MINING CORPORATION**

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

**DECEMBER 31, 2021**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Atico Mining Corporation

### *Opinion*

We have audited the accompanying consolidated financial statements of Atico Mining Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of income and comprehensive income, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

As discussed in Note 23 to the consolidated financial statements, the Company has entered into an agreement with the National Mining Agency of Colombia to remit specific payments toward a royalty dispute on its operating mine, the outcome of which is subject to a final arbitration decision. These payments allow the Company to be in good standing for the application of a new operating license in Colombia which expired on January 23, 2022. Our opinion is not modified with respect to this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

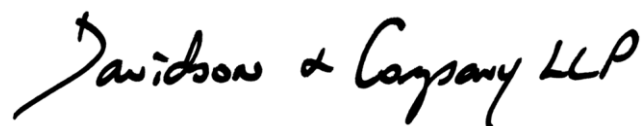
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 26, 2022

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

	December 31 2021	December 31 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 14,623,559	\$ 16,652,711
Receivables (Note 3)	6,114,172	11,764,183
Inventories (Note 4)	12,462,601	9,647,265
Other assets (Note 5)	1,047,598	1,089,771
<b>Total current assets</b>	<b>34,247,930</b>	<b>39,153,930</b>
<b>Non-current assets</b>		
Other assets (Note 5)	954,720	-
Mineral properties (Note 6)	68,826,917	62,947,134
Plant and equipment (Note 7)	11,912,399	13,456,951
<b>Total non-current assets</b>	<b>81,694,036</b>	<b>76,404,085</b>
<b>TOTAL ASSETS</b>	<b>\$ 115,941,966</b>	<b>\$ 115,558,015</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 8, 19)	\$ 15,155,573	\$ 12,882,407
Loans payable and convertible debentures (Note 9)	4,013,047	3,032,741
Other liabilities (Note 10)	1,135,099	280,514
Lease liabilities (Note 11)	220,190	435,686
<b>Total current liabilities</b>	<b>20,523,909</b>	<b>16,631,348</b>
<b>Non-current liabilities</b>		
Loans payable and convertible debentures (Note 9)	5,967,081	6,790,239
Other liabilities (Note 10)	2,030,085	102,059
Lease liabilities (Note 11)	232,022	554,291
Decommissioning and restoration provision (Note 12)	3,244,681	2,275,646
Deferred income tax liabilities (Note 13)	12,648,224	15,386,580
<b>Total non-current liabilities</b>	<b>24,122,093</b>	<b>25,108,815</b>
<b>Total liabilities</b>	<b>44,646,002</b>	<b>41,740,163</b>
<b>EQUITY</b>		
Share capital (Note 14)	43,690,353	42,671,700
Reserves	4,806,985	4,423,332
Retained earnings	17,386,334	13,072,547
<b>Total equity attributable to equity holders of the Company</b>	<b>65,883,672</b>	<b>60,167,579</b>
Non-controlling interests (Note 18)	5,412,292	13,650,273
<b>Total equity</b>	<b>71,295,964</b>	<b>73,817,852</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 115,941,966</b>	<b>\$ 115,558,015</b>

Nature of operations (Note 1)  
Contingency and commitment (Note 23)

These consolidated financial statements were authorized for issuance by the Board of Directors on April 19, 2022.

Approved by the Board of Directors

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*"Luis F. Sáenz"* Director

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*"Jorge R. Ganoza"* Director

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

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

	Year ended December 31 2021	Year ended December 31 2020
<b>Sales</b> (Note 15)	\$ 72,689,812	\$ 59,574,684
<b>Cost of sales</b> (Note 16)	(44,663,797)	(41,507,860)
<b>Income from mining operations</b>	28,026,015	18,066,824
General and administrative expenses	(5,725,531)	(4,656,800)
Share-based payments (Notes 14, 19)	(917,014)	(624,759)
<b>Income from operations</b>	21,383,470	12,785,265
Accretion expenses	(272,358)	(293,916)
Interest on loans payable and convertible debentures (Note 9)	(776,556)	(349,283)
Interest and other expenses	(335,567)	(195,236)
Fair value adjustment on derivative instruments, net (Note 5)	(260,185)	784,378
Realized loss on derivative instruments, net (Note 5)	(3,442,688)	(617,492)
Foreign exchange gain (loss)	(436,632)	626,010
<b>Income before income taxes</b>	15,859,484	12,739,726
Current income tax expense (Note 13)	(11,590,113)	(4,817,702)
Deferred income tax recovery (Note 13)	2,738,356	474,269
<b>Net income and comprehensive income</b>	<b>\$ 7,007,727</b>	<b>\$ 8,396,293</b>
Net income and comprehensive income attributable to:		
Equity holders of Atico Mining Corporation	\$ 5,769,534	\$ 7,236,455
Non-controlling interests (Note 18)	1,238,193	1,159,838
	<b>\$ 7,007,727</b>	<b>\$ 8,396,293</b>
Basic earnings (loss) per share (Note 17)	\$ 0.05	\$ 0.06
Diluted earnings (loss) per share (Note 17)	\$ 0.05	\$ 0.06
Weighted average no. of shares outstanding - basic (Note 17)	120,707,859	119,029,627
Weighted average no. of shares outstanding - diluted (Note 17)	121,460,293	119,483,596

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

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

	Year ended December 31 2021	Year ended December 31 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 7,007,727	\$ 8,396,293
Items not affecting cash:		
Depletion and amortization	12,935,334	11,780,656
Share-based payments	917,014	624,759
Accretion of lease liabilities	50,974	91,277
Accretion of decommissioning and restoration provision	221,384	202,639
Interest income	(6)	(273)
Interest expense	776,556	349,283
Fair value adjustment on derivative instruments, net	260,185	(784,378)
Realized loss on derivative instruments, net	3,442,688	617,492
Deferred income tax recovery	(2,738,356)	(660,895)
Unrealized foreign exchange effect	(130,284)	(283,148)
	22,743,216	20,333,705
Changes in non-cash operating working capital items (Note 20)	7,103,013	(2,458,507)
<b>Net cash provided by operating activities</b>	<b>29,846,229</b>	<b>17,875,198</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on mineral properties	(12,054,502)	(7,941,980)
Acquisition of plant and equipment	(7,034,374)	(2,917,517)
Acquisition of non-controlling interests	(7,000,000)	-
Interest received	6	273
Settlements of derivative instruments	(3,442,688)	(617,492)
<b>Net cash used in investing activities</b>	<b>(29,531,558)</b>	<b>(11,476,716)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans payable withdrawn (repaid), net	-	5,093,712
Payments on lease obligations, principal	(240,692)	(692,504)
Payments on lease obligations, interest	(221,384)	(202,639)
Interest paid	(619,408)	(540,148)
Dividend paid to non-controlling interests	(931,921)	(553,250)
Payment to the National Mining Agency	(954,720)	-
Shares issued on exercise of stock options	624,742	2,720
<b>Net cash provided by (used in) financing activities</b>	<b>(2,343,383)</b>	<b>3,107,891</b>
Effect of exchange rate changes on cash	(440)	(16,137)
<b>Change in cash</b>	<b>(2,029,152)</b>	<b>9,490,236</b>
<b>Cash, beginning of year</b>	<b>16,652,711</b>	<b>7,162,475</b>
<b>Cash, end of year</b>	<b>\$ 14,623,559</b>	<b>\$ 16,652,711</b>

Supplemental disclosure with respect to cash flows (Note 20)

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

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

	Number of shares	Share capital	Share-based payments reserve	Foreign currency translation reserve	Contributed surplus reserve	Non- controlling interests	Retained earnings	<b>Total equity</b>
<b>Balance as at December 31, 2019</b>	119,022,769	\$ 42,667,270	\$ 3,838,493	\$ (715,935)	\$ 344,280	\$ 11,105,628	\$ 7,774,149	\$ 65,013,885
Exercise of stock options	11,132	4,430	(1,710)	-	-	-	-	2,720
Allocation of conversion feature net of taxes (Note 9)	-	-	-	-	512,688	-	-	512,688
Share-based payments	-	-	445,516	-	-	-	-	445,516
Allocation to non-controlling interest (Note 18)	-	-	-	-	-	1,938,057	(1,938,057)	-
Dividend declared by subsidiary	-	-	-	-	-	(553,250)	-	(553,250)
Net income and comprehensive income	-	-	-	-	-	1,159,838	7,236,455	8,396,293
<b>Balance as at December 31, 2020</b>	119,033,901	42,671,700	4,282,299	(715,935)	856,968	13,650,273	13,072,547	73,817,852
Exercise of stock options	2,252,284	1,018,653	(393,911)	-	-	-	-	624,742
Share-based payments	-	-	777,564	-	-	-	-	777,564
Allocation to non-controlling interest (Note 18)	-	-	-	-	-	1,687,325	(1,687,325)	-
Acquisition of non-controlling interest (Note 18)	-	-	-	-	-	(10,231,578)	231,578	(10,000,000)
Dividend declared by subsidiary	-	-	-	-	-	(931,921)	-	(931,921)
Net income and comprehensive income	-	-	-	-	-	1,238,193	5,769,534	7,007,727
<b>Balance as at December 31, 2021</b>	121,286,185	\$ 43,690,353	\$ 4,665,952	\$ (715,935)	\$ 856,968	\$ 5,412,292	\$ 17,386,334	\$ 71,295,964

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



**ATICO MINING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**1. NATURE OF OPERATIONS**

Atico Mining Corporation (the "Company") was incorporated in the Yukon Territories on April 15, 2010 and continued to British Columbia on October 17, 2011. The Company is engaged in copper-gold mining and related activities including exploration, development, extraction, and processing in Colombia and the acquisition, exploration and development of copper and gold projects in Latin America. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "ATY". The address of its head office is Suite 501 - 543 Granville Street, Vancouver, British Columbia, Canada.

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

On September 11, 2019, the Company acquired, in a plan of arrangement, 100% of the issued and outstanding common shares of Toachi Mining Inc. ("Toachi"), which owns the La Plata project in Ecuador.

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, management 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.

In December 2021, the Company entered into an agreement with the mining authority (the "National Mining Agency") in Colombia related to an ongoing royalty dispute. While the Company maintains it has complied with the royalty payments due and called for under the contract, this agreement allows for the Company to be recognized as being formally in good standing with the National Mining Agency, enabling the Company to apply for a new mining contract on the property. The previous contract and related title expired on January 23, 2022, where the Company has been allowed to continue operating while the process for the contract and title renewal continues. The Company and the National Mining Agency agreed to settle the dispute via binding arbitration at the Center for Arbitration and Conciliation of the Bogota Chamber of Commerce for the purposes of seeking an expedited resolution to the ongoing claim. In addition, the Company entered into a five-year payment plan, payable in biannual instalments for a total amount of approximately \$21,900,000 plus interest at a 6% annual rate. To the extent that a final ruling is made in favor of the Company, the payment plan will cease and any amounts already paid will be reimbursed to or offset against future royalty obligations (Note 23).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation and measurement**

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

**Principles of consolidation**

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

*Subsidiaries*

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

Name	Place of incorporation	Ow nership %
Minera El Roble SA	Republic of Colombia	90%
Atico Mining Corporation Peru SAC	Republic of Peru	100%
Toachiec Exploraciones Mineras SA	Republic of Ecuador	100%
Compania Minera La Plata SA	Republic of Ecuador	100%

**ATICO MINING CORPORATION**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

**Foreign currency translation**

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

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

**Revenue recognition**

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.

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.

**Earnings per share**

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

**Financial instruments**

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. 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 OCI. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities are designated as either FVTPL or amortized cost. 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.

**Impairment of financial assets**

An 'expected credit loss' impairment model is applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss.

**ATICO MINING CORPORATION**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

**Impairment of financial assets (cont'd...)**

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**Cash**

Cash includes cash on hand, bank deposits and short-term, highly-liquid investments that are readily convertible to known amounts of cash.

**Inventories**

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

**Mineral properties**

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

**Plant and equipment**

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

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

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

**Capital work in progress**

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

**Exploration and evaluation assets (non-depletable mineral properties)**

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

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

**ATICO MINING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

**Exploration and evaluation assets (non-depletable mineral properties) (cont'd...)**

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

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

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

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

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

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

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

**Impairment of long-lived assets**

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

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

**Decommissioning, restoration and other provisions**

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

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

**Decommissioning, restoration and other provisions (cont'd...)**

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

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

**Convertible debentures**

Compound financial instruments issued by the Company are comprised of convertible debt that can be converted to share capital at a fixed price, at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value which is equal to the net present value of future cash flows applying an interest rate at the date of issue of a similar liability that does not have an equity convertible option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest, losses and gains relating to the financial liability are recognized in profit or loss.

**Share capital**

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

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

**Restricted share units**

The restricted share units ("RSUs") entitle employees, directors, or officers to cash payments payable upon vesting based on vesting terms determined by the Company's Board of Directors at the time of the grant. A liability for outstanding RSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value at each reporting date until settlement. The liability is recognized on a graded vesting basis over the vesting period, with a corresponding charge to profit or loss.

**Share-based payments**

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

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other equity-settled share-based payment arrangements are recorded based on the estimated fair value at the grant date and charged to profit or loss over the vesting period. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

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

**Share-based payments (cont'd..)**

Share-based payment expense relating to cash-settled awards, including deferred and restricted share units is accrued over the vesting period of the units based on the quoted market value of Company's common shares. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

**Leases**

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right of use ("ROU") asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (a) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (b) for leases of low value. The payments for such leases are recognized in profit or loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is amortized over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in mineral property, plant and equipment, and the lease liability is presented as part of provisions in the consolidated statement of financial position.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in profit or loss.

**Income taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

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

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

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

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

**Segment reporting**

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

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

**Critical accounting estimates and judgments**

The preparation of consolidated financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

a) *Estimated decommissioning and restoration costs*

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

b) *Share-based payments*

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

c) *Inventory valuation*

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

d) *Income taxes*

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

The tax rates expected to be in effect when temporary differences reverse are 27% for Canada, 35% for Colombia, 30% for Peru, and 25% for Ecuador. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

e) *Valuation of financial instruments*

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

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

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

*f) Mineral reserve and/or resource estimates*

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

*g) Estimated recoverable resources*

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

*h) Amortization rate for plant and equipment and depletion for mineral properties*

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

*i) Impairment of mineral properties, plant and equipment*

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

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

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

*a) Functional currency*

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

*b) Arbitration asset*

The Company has entered into an agreement with the National Mining Agency on disputed royalty payments to which the outcome will be determined by arbitration. The Company has applied judgement in recording any related payments made as an arbitration asset based on meeting a future benefits criterion.



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

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

c) *Recoverability of resource assets*

The Company estimates its mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to mineral resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the mineral resources estimates may impact the carrying value of exploration and evaluation assets, mineral properties, plant and equipment, decommissioning and restoration provision, recognition of deferred tax amounts and depletion. The Company continues to work towards obtaining a new contract to renew title for the operating mine and has been allowed to continue operating while the renewal process continues. The previous contract and related title expired on January 23, 2022 (Note 23).

d) *Financial instruments*

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

**3. RECEIVABLES**

	December 31 2021	December 31 2020
Trade receivables	\$ 2,040,112	\$ 9,555,509
GST/VAT and other taxes recoverable	3,986,760	2,174,866
Other receivables	87,300	33,808
	<b>\$ 6,114,172</b>	<b>\$ 11,764,183</b>

The Company has a concentrate off-take agreement whereby the customer will purchase 100% of the metals concentrate produced at the El Roble mining property. This current agreement has an expected settlement period of four months. As at December 31, 2021 and 2020, the Company did not have any trade receivables that were past due. The Company's allowance for doubtful accounts at December 31, 2021 and 2020 was \$Nil.

**4. INVENTORIES**

	December 31 2021	December 31 2020
Consumable parts and supplies	\$ 3,535,023	\$ 3,600,058
Ore stockpiles	387,191	634,735
Metals concentrate	8,540,387	5,412,472
	<b>\$ 12,462,601</b>	<b>\$ 9,647,265</b>

As at December 31, 2021, the metals concentrate was pledged as security in connection to the agreement between the Company and the National Mining Agency (Note 23). The security will be released proportionally as payments are made in accordance with the payment schedule and may be substituted at a later date.

**5. OTHER ASSETS**

	December 31 2021	December 31 2020
Prepaid expenses and deposits	\$ 1,047,598	\$ 640,434
Derivative assets	-	449,337
National Mining Agency arbitration asset (Note 23)	954,720	-
	2,002,318	1,089,771
Less: current portion	1,047,598	1,089,771
Non-current portion	<b>\$ 954,720</b>	<b>\$ -</b>

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**5. OTHER ASSETS (cont'd...)**

**Derivatives**

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 derivative instruments on the consolidated statement of financial position. During the year ended December 31, 2021, the Company recognized a negative net fair value adjustment of \$260,185 (2020 - positive \$784,378) on its derivative instruments, and a net realized loss of \$3,442,688 (2020 - \$617,492) on the settlement of its derivative instruments.

**Currency forward arrangements**

The Company has 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 receives (or pays) proceeds if the contracted settlement rate is above (or below) the market exchange rate to purchase Colombian peso. As at December 31, 2021, the Company had outstanding collar arrangements to convert \$1,005,000 (2020 - \$6,300,000) into Colombian pesos at the negotiated exchange rates over the next four months, resulting in a net asset carrying amount of \$Nil (2020 - \$449,337).

**Commodity derivative arrangements**

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 December 31, 2021, the Company had no outstanding arrangement (2020 - arrangements for 1,850 tonnes of copper resulting in a net liability of \$165,610) (Note 10).

**6. MINERAL PROPERTIES**

	Depletable El Roble	Land and non-depletable El Roble	Non-depletable La Plata	Total
As at December 31, 2019, net	\$ 35,837,648	\$ 9,339,341	\$ 17,300,871	\$ 62,477,860
Additions	311,048	2,694,138	4,936,794	7,941,980
Depletion and amortization	(7,472,706)	-	-	(7,472,706)
As at December 31, 2020, net	28,675,990	12,033,479	22,237,665	62,947,134
Additions	1,159,773	3,294,208	7,600,521	12,054,502
Change in estimated provision (Note 12)	747,651	-	-	747,651
Depletion and amortization	(6,922,370)	-	-	(6,922,370)
As at December 31, 2021, net	\$ 23,661,044	\$ 15,327,687	\$ 29,838,186	\$ 68,826,917
As at December 31, 2020				
Historical cost	\$ 71,667,567	\$ 12,033,479	\$ 22,237,665	\$ 105,938,711
Accumulated amortization	(42,991,577)	-	-	(42,991,577)
Net carrying amount	\$ 28,675,990	\$ 12,033,479	\$ 22,237,665	\$ 62,947,134
As at December 31, 2021				
Historical cost	\$ 73,574,991	\$ 15,327,687	\$ 29,838,186	\$ 118,740,864
Accumulated amortization	(49,913,947)	-	-	(49,913,947)
Net carrying amount	\$ 23,661,044	\$ 15,327,687	\$ 29,838,186	\$ 68,826,917

Prior to August 2021, the Company held a 60% ownership interest and had 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 polymetallic (primarily gold, silver, copper, lead, and zinc) exploration project at its pre-development stage located in Ecuador.

In August 2021, the Company acquired the remaining 40% for \$10,000,000, of which \$7,000,000 was paid and the remaining \$3,000,000 is payable over three years in three equal annual installments (Notes 10 and 18). The option agreement was terminated.

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**7. PLANT AND EQUIPMENT**

	Plant and building	Machinery and equipment	Assets under lease	Total
As at December 31, 2019, net	\$ 9,785,629	\$ 2,697,058	\$ 1,116,661	\$ 13,599,348
Additions	4,395,798	846,090	312,071	5,553,959
Depletion and amortization	(3,286,531)	(1,649,343)	(760,482)	(5,696,356)
As at December 31, 2020, net	10,894,896	1,893,805	668,250	13,456,951
Additions	4,156,347	588,497	28,984	4,773,828
Derecognition	-	-	(62,674)	(62,674)
Depletion and amortization	(5,026,302)	(1,006,524)	(222,880)	(6,255,706)
As at December 31, 2021, net	\$ 10,024,941	\$ 1,475,778	\$ 411,680	\$ 11,912,399
As at December 31, 2020				
Historical cost	\$ 17,283,060	\$ 18,125,345	\$ 3,899,851	\$ 39,308,256
Accumulated amortization	(6,388,164)	(16,231,540)	(3,231,601)	(25,851,305)
Net carrying amount	\$ 10,894,896	\$ 1,893,805	\$ 668,250	\$ 13,456,951
As at December 31, 2021				
Historical cost	\$ 21,439,407	\$ 18,713,842	\$ 3,829,549	\$ 43,982,798
Accumulated amortization	(11,414,466)	(17,238,064)	(3,417,869)	(32,070,399)
Net carrying amount	\$ 10,024,941	\$ 1,475,778	\$ 411,680	\$ 11,912,399

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31 2021	December 31 2020
Trade and other payables	\$ 5,932,168	\$ 6,533,004
Payables to non-controlling interest of MINER	62,274	72,229
Payroll and related liabilities	1,780,700	1,624,478
Taxes payable	6,799,171	3,974,236
Accrued liabilities	581,260	678,460
	\$ 15,155,573	\$ 12,882,407

**9. LOANS PAYABLE AND CONVERTIBLE DEBENTURES**

	Credit facilities	Loans payable	Convertible debentures	Total
As at December 31, 2019	\$ -	\$ 3,312,103	\$ 2,352,917	\$ 5,665,020
Additions	15,500,000	6,000,000	6,500,000	28,000,000
Financing costs	-	-	(436,912)	(436,912)
Reallocation to reserve	-	-	(689,517)	(689,517)
Interest expense	134,276	180,283	34,724	349,283
Repayments - principal	(13,500,000)	(6,883,333)	(2,086,043)	(22,469,376)
Repayments - interest	(132,801)	(181,011)	(226,336)	(540,148)
Currency translation adjustments	-	-	(55,370)	(55,370)
As at December 31, 2020	2,001,475	2,428,042	5,393,463	9,822,980
Additions	15,116,210	-	-	15,116,210
Interest expense	66,935	77,783	631,838	776,556
Repayments - principal	(14,116,210)	(1,000,000)	-	(15,116,210)
Repayments - interest	(55,363)	(89,154)	(474,891)	(619,408)
	3,013,047	1,416,671	5,550,410	9,980,128
Less: current portion	3,013,047	1,000,000	-	4,013,047
Non-current portion	\$ -	\$ 416,671	\$ 5,550,410	\$ 5,967,081

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**9. LOANS PAYABLE AND CONVERTIBLE DEBENTURES (cont'd...)**

**Credit facilities**

The Company has arrangements with several Colombian banks to enter into unsecured credit facilities with terms up to six months from the date of drawn down (Note 21). In August 2021, the Company entered into loan agreements with Colombian banks totaling \$3,000,000, which were still outstanding as at December 31, 2021 and carried interest rate at London Interbank Offered Rates ("LIBOR") plus 0.75% per annum repayable in six months.

As part of the off-take agreement with the customer, the Company has been provided an inventory facility. Any amount advanced by the customer carries annual interest based on LIBOR plus 4.5% from the date of advance and would be secured by such inventory until the date of the payment on provisional invoice has been made. As at December 31, 2021 and 2020, there were no amounts advanced.

**Loans payable**

In September 2020, the Company entered into a loan arrangement with Export Development Canada ("EDC") for a non-revolving facility of up to \$2,500,000 repayable over 30 months from the time of the initial advance. Any amount advanced carries interest rate of LIBOR plus 3.5% per annum. The Company received the initial advance of \$2,500,000 in November 2020.

**Convertible debentures**

On the acquisition of Toachi in fiscal 2019, the Company assumed convertible debentures with an aggregate principal balance of C\$2,800,000, which carried an interest rate of 10.85% per annum payable between January to March 2020. In consideration of the exchange ratio of the acquisition of Toachi, the principal balance was convertible into common shares of the Company at C\$0.48 per share. On the acquisition date, the aggregate carrying amount was \$2,280,692, which included the conversion feature, valued at \$18,570 and has been recognized as a derivative due to currency of the conversion price. As at December 31, 2020, this convertible debenture had been paid in full by cash.

In December 2020, the Company entered into an unsecured convertible debenture arrangement with Dundee Corporation ("Dundee") for principal balance of \$6,500,000, which carries an interest rate of 7.0% per annum payable quarterly for five years. The principal balance is convertible into 11,627,907 common shares of the Company at \$0.559 per share. On the closing date, the Company paid \$357,500 as a finder's fee. Over the term of the debenture, the Company may, at its option, redeem the debenture, in whole or in part, at par plus accrued and unpaid interest. The Company must pay a redemption fee equal to 2% of the principal amount if redeemed between 12 months and 2 years after the closing date and equal to 4% of the principal amount if redeemed within 12 months of the closing date. No redemption fee will be charged after two years of closing date. On initial recognition, the Company determined the fair value of the liability component to be \$5,393,572, which was determined by calculating the fair value of the future cash flows of the loan assuming a discount rate of 10%. The equity component was determined to be \$689,517, which comprised the proceeds received less the liability component. A deferred tax liability of \$176,829 related to the taxable temporary difference arising from the equity portion of the convertible loan was recognized as an offset in equity reserves. The debt component of the convertible note is being accreted over the term to maturity, with accretion charge included in interest expense.

**10. OTHER LIABILITIES**

	December 31 2021	December 31 2020
Derivative liabilities (Note 5)	\$ -	\$ 165,610
Provision for restricted share units (Note 14)	165,184	216,963
Acquisition of CMLP non-controlling interest (Note 6)	3,000,000	-
	3,165,184	382,573
Less: current portion	1,135,099	280,514
Non-current portion	\$ 2,030,085	\$ 102,059

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**11. LEASE LIABILITIES**

	December 31 2021	December 31 2020
Not later than one year	\$ 245,138	\$ 492,171
Later than one year and not later than five years	247,435	571,592
Later than five years	12,573	49,582
Total minimum lease payments	505,146	1,113,345
Future finance charges at implicit rate	(52,934)	(123,368)
Present value of minimum lease payments	452,212	989,977
Less: current portion	220,190	435,686
Non-current portion	\$ 232,022	\$ 554,291

**12. DECOMMISSIONING AND RESTORATION PROVISION**

	December 31 2021	December 31 2020
Opening balance	\$ 2,275,646	\$ 2,073,007
Change in estimate	747,651	-
Accretion expense	221,384	202,639
Ending balance	\$ 3,244,681	\$ 2,275,646

A decommissioning and restoration provision has been recognized in respect of the mining operations at the El Roble mining property, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy the decommissioning and restoration provision as at December 31, 2021 were \$4,093,000 (2020 - \$3,150,000), which were adjusted for inflation and uncertainty of the cash flows and then discounted using a risk adjusted pre-tax discount rate of 9.75% (2020 - 9.75%). In view of the uncertainties concerning environmental reclamation, the ultimate cost of reclamation activities could differ materially from the estimated amount recorded. The estimate of the Company's decommissioning and restoration liability relating to the El Roble mining property is subject to change based on amendments to laws and regulations and as new information regarding the Company's operations becomes available. Future changes, if any, to the estimated liability as a result of amended requirements, laws, regulations, operating assumptions, estimated timing and amount of obligations may be significant and would be recognized prospectively as a change in accounting estimate. Any such change would result in an increase or decrease to the liability and a corresponding increase or decrease to the mineral property, plant and equipment balance.

**13. INCOME TAXES**

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

	December 31 2021	December 31 2020
For the year ended		
Income before income taxes	\$ 15,859,484	\$ 12,739,726
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax expense (recovery) at statutory income tax rate	4,282,061	3,439,726
Difference between Canadian and foreign tax rates	714,923	753,504
Changes in effective tax rates	1,791,336	(183,201)
Permanent differences and other adjustments	647,924	(401,664)
Withholding taxes	1,511,083	269,668
Changes in unrecognized deferred tax assets	740,723	1,765,279
Impact of foreign exchange on deferred tax assets and liabilities	(836,293)	(1,299,879)
	\$ 8,851,757	\$ 4,343,433
Current income tax expense (recovery)	\$ 11,590,113	\$ 4,817,702
Deferred income tax expense (recovery)	\$ (2,738,356)	\$ (474,269)

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

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

	December 31 2021	December 31 2020
<b>Deferred income tax assets (liabilities)</b>		
Mineral property, plant and equipment	\$ (10,582,868)	\$ (13,646,448)
Decommissioning and restoration provision	1,135,638	688,383
Convertible debentures	(268,127)	(304,136)
Non-capital losses and others	7,096,741	7,152,480
	(2,618,616)	(6,109,721)
Unrecognized deferred tax assets	(10,029,608)	(9,276,859)
<b>Net deferred income tax asset (liability)</b>	<b>\$ (12,648,224)</b>	<b>\$ (15,386,580)</b>

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

	December 31 2021	Expiry date range	December 31 2020	Expiry date range
Mineral properties, plant and equipment	\$ 13,587,222	No expiry date	\$ 13,639,769	No expiry date
Non-capital losses and other - Canada	22,701,494	2030 to 2041	20,774,613	2029 to 2040
Non-capital losses and other - other	679,486	No expiry date	583,981	No expiry date

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

**14. SHARE CAPITAL**

Authorized share capital consists of an unlimited number of common shares without par value.

**Issued share capital**

During the year ended December 31, 2021, the Company issued 2,252,284 (2020 - 11,132) common shares pursuant to the exercise of stock options for proceeds of \$624,742 (2020 - \$2,720).

**Stock options**

The continuity of stock options for the years ended December 31, 2021 and 2020 are as follows:

	Outstanding	Weighted average exercise price (C\$)
As at December 31, 2019	9,434,041	\$ 0.51
Granted	2,770,300	0.48
Exercised	(11,132)	0.33
Expired/Cancelled	(580,865)	1.17
As at December 31, 2020	11,612,344	0.47
Granted	2,660,976	0.64
Exercised	(2,252,284)	0.34
Expired/Cancelled	(62,242)	1.53
As at December 31, 2021	11,958,794	\$ 0.53

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

**Stock options (cont'd...)**

As at December 31, 2021, the weighted average remaining life of the stock options outstanding is 2.82 (2020 - 2.78) years with vesting periods ranging from 0 to 36 months. The Company's outstanding stock options as at December 31, 2021 are as follows:

Expiry date	Exercise price (C\$)	Outstanding	Exercisable
Apr 17, 2022 <sup>(1)</sup>	0.77	841,119	841,119
Aug 09, 2022	1.77	49,794	49,794
Jan 31, 2023	0.88	261,418	261,418
Feb 22, 2023	0.69	1,597,678	1,597,678
May 07, 2023	0.56	37,345	37,345
Jun 05, 2023	0.59	35,000	35,000
Mar 22, 2024	0.40	87,138	62,242
May 02, 2024	0.29	2,197,768	1,097,668
Oct 07, 2024	0.34	1,420,258	264,052
Oct 09, 2025	0.48	2,770,300	554,060
Apr 20, 2026	0.65	2,360,976	-
Jul 02, 2026	0.57	300,000	-

<sup>(1)</sup> Expired subsequently

**Share purchase warrants**

In connection to the acquisition of Toachi, the Company issued 2,489,689 share purchase warrants exercisable at C\$0.68 per share until April 13, 2020, which was recognized as a derivative due to currency of the exercise price. During the year ended December 31, 2020, all share purchase warrants expired unexercised.

**Restricted share units**

The continuity of restricted share units ("RSUs") for the years ended December 31, 2021 and 2020 are as follows:

	Outstanding
As at December 31, 2019	956,225
Granted	249,067
Vested	(267,640)
As at December 31, 2020	937,652
Granted	198,386
Vested	(346,983)
As at December 31, 2021	789,055

As at December 31, 2021, the weighted average remaining life of the RSUs outstanding was 1.19 (2020 - 1.64) years with vesting periods of 36 months. The Company's outstanding RSUs as at December 31, 2021 are as follows:

Expiry date	Outstanding
May 02, 2022	391,415
Oct 09, 2023	199,254
Apr 20, 2024	198,386

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

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

During the year ended December 31, 2021, the Company granted stock options and RSUs to employees, directors, and officers of the Company, all of which will vest over 36 months. Using the fair value method for share-based payments, the Company determined the fair value of the options granted to be C\$1,018,296 or C\$0.38 per option (2020 - C\$842,130 or C\$0.30). The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	December 31 2021	December 31 2020
Weighted average:		
Risk free interest rate	0.78%	0.41%
Expected dividend yield	0%	0%
Expected stock price volatility	74%	80%
Expected life in years	5	5
Forfeiture rate	0%	0%

In accordance with the vesting terms of stock options and RSUs granted, the Company recorded a charge to share-based payments expense of \$917,014 (2020 - \$624,759) with an offsetting credit of \$777,564 (2020 - \$445,516) to the share-based payments reserve and \$139,450 (2020 - \$179,243) to the provision, respectively, during the year ended December 31, 2021.

**15. SALES**

	Year ended December 31 2021	Year ended December 31 2020
Metals concentrate sold	\$ 72,643,787	\$ 63,328,345
Provisional pricing adjustments	46,025	(3,753,661)
	\$ 72,689,812	\$ 59,574,684

**16. COST OF SALES**

	Year ended December 31 2021	Year ended December 31 2020
Direct mining and processing costs	\$ (27,664,791)	\$ (25,617,754)
Royalties	(1,167,463)	(998,712)
Selling expense	(3,105,618)	(3,194,675)
Depletion and amortization	(12,725,925)	(11,696,719)
	\$ (44,663,797)	\$ (41,507,860)

Direct mining and processing costs include salaries and other short-term benefits, contractor charges, energy, consumables, and other production-related costs. Selling expense included mostly the transportation, storage, and security costs of concentrate prior to provisional invoicing.

**17. EARNINGS PER SHARE**

	Year ended December 31 2021	Year ended December 31 2020
Net income attributable to equity holders	\$ 5,769,534	\$ 7,236,455
Weighted average number of shares	120,707,859	119,029,627
Dilutive effect of stock options <sup>(2)</sup>	752,434	453,969
Diluted weighted average number of shares	121,460,293	119,483,596
Basic earnings per share <sup>(1)</sup>	\$ 0.05	\$ 0.06
Diluted earnings per share <sup>(1)</sup>	\$ 0.05	\$ 0.06

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

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



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**18. NON-CONTROLLING INTERESTS**

	MINER		CMLP		Total
Ow nership %	90%		N/A <sup>(1)</sup>		
As at December 31, 2019	\$	4,499,432	\$	6,606,196	\$ 11,105,628
Carried interest allocation		-		1,938,057	1,938,057
Dividend declared by subsidiary		(553,250)		-	(553,250)
Net income and comprehensive income		1,159,838		-	1,159,838
As at December 31, 2020	\$	5,106,020	\$	8,544,253	\$ 13,650,273
Carried interest allocation		-		1,687,325	1,687,325
Acquisition of non-controlling interest		-		(10,231,578)	(10,231,578)
Dividend declared by subsidiary		(931,921)		-	(931,921)
Net income and comprehensive income		1,238,193		-	1,238,193
As at December 31, 2021	\$	5,412,292	\$	-	\$ 5,412,292

<sup>(1)</sup> Ow nership interest was 60% prior to acquisition in August 2021

In August 2021, the Company acquired the remaining 40% of CMLP for \$10,000,000, of which \$7,000,000 was paid and the remaining \$3,000,000 is payable over three years in three equal annual installments (Notes 6 and 10). The Company recognized an increase in retained earnings of \$231,578.

Summarized financial information about MINER and CLMP is as follows:

	MINER		CMLP	
For the year ended	December 31	December 31	December 31	December 31
	2021	2021 <sup>(1)</sup>	2020	2020
Current assets	\$ 33,139,760	n/a	\$ 32,900,047	\$ 455,414
Non-current assets	47,424,845	n/a	47,664,105	21,250,096
Current liabilities	17,172,408	n/a	14,197,721	344,877
Non-current liabilities	16,124,927	n/a	18,216,517	-
Net income and comprehensive income	\$ 12,381,930	n/a	\$ 11,598,380	\$ -

<sup>(1)</sup> Wholly-ow ned post-acquisition completed in August 2021

**19. RELATED PARTY BALANCES AND TRANSACTIONS**

The Company considers key management personnel to include its management, outside directors, and any entity controlled by a director. The aggregate value of transactions (included in administrative expenses) and outstanding balances relating to key management personnel were as follows:

For the year ended December 31, 2021	Salary or fees	Share-based payments	Total
Management	\$ 1,242,156	\$ 331,901	\$ 1,574,057
Directors	147,600	367,529	515,129
Seabord Management Corp.	225,372	-	225,372
	\$ 1,615,128	\$ 699,430	\$ 2,314,558

For the year ended December 31, 2020	Salary or fees	Share-based payments	Total
Management	\$ 1,288,300	\$ 377,108	\$ 1,665,408
Directors	150,000	137,269	287,269
Seabord Services Corp.	193,516	-	193,516
	\$ 1,631,816	\$ 514,377	\$ 2,146,193

As at December 31, 2021, the Company had \$592,219 (2020 - \$1,159,028) due to directors and management related to remuneration and performance-based remuneration, which have been included in accounts payable and accrued liabilities.

Seabord Management Corp. ("Seabord", formerly Seabord Services Corp.) is a management services company controlled by a director. Seabord provides Corporate Secretary, accounting staff, administration staff and office space to the Company pursuant to a service agreement. The Corporate Secretary and the accounting and administrative staff are employees of Seabord and are not paid directly by the Company.

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

**Changes in non-cash working capital**

	Year ended December 31 2021	Year ended December 31 2020
Receivables	\$ 4,695,291	\$ (676,148)
Inventories	(2,504,094)	(1,651,747)
Prepaid expenses and deposits	547,556	(528,527)
Accounts payable and accrued liabilities	4,364,260	397,915
<b>Net change in non-cash working capital</b>	<b>\$ 7,103,013</b>	<b>\$ (2,458,507)</b>

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

During the year ended December 31, 2021, the Company:

- a) reallocated mineral property depletion of \$2,626,744 to the carrying amount of ore stockpile and metals concentrate inventories produced but not yet sold at the reporting date;
- b) reallocated mineral property depletion of \$2,315,502 previously recognized in carrying amounts of metals concentrate inventories sold to cost of sales;
- c) reallocated to retained earnings \$1,687,325 for NCI carried interest in CMLP;
- d) reallocated to retained earnings \$231,578 for acquisition of NCI interest in CMLP for \$10,000,000, of which \$3,000,000 remained as payable;
- e) reallocated \$393,911 of reserve for stock options exercised; and
- f) recorded \$747,651 of addition in decommissioning and restoration provision.

During the year ended December 31, 2020, the Company:

- a) reallocated mineral property depletion of \$2,315,502 to the carrying amount of ore stockpile and metals concentrate inventories produced but not yet sold at the reporting date;
- b) reallocated mineral property depletion of \$963,356 previously recognized in carrying amounts of metals concentrate inventories sold to cost of sales;
- c) recorded \$2,321,731 of additions in plant and equipment in accounts payable and accrued liabilities;
- d) recorded \$312,071 of ROU asset and lease liability;
- e) reallocated \$512,688 and \$176,829 to reserves and deferred income tax liability, respectively, related to the convertible debenture with Dundee;
- f) allocation to retained earnings of NCI carried interest in CMLP of \$1,938,057; and
- g) reallocated \$1,710 of reserve for stock options exercised.

**21. CAPITAL MANAGEMENT**

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

The Company has arrangements for unsecured credit facilities to borrow up to approximately \$9,400,000 with a number of Colombian banks, including Banco Davivienda S.A., Banco de Occidente, and Bancolombia.

In addition, as part of the off-take agreement with the customer, the Company has been provided an inventory facility. Any amount advanced by the customer carries annual interest based on LIBOR plus 4.5% from the date of advance until the date of the payment on provisional invoice has been made.

Furthermore, the Company considers components of shareholders' equity as part of its capital. The Board of Directors does not establish a quantitative return on capital criteria for management. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. The management of the Company estimates that the capital resources of the Company as at December 31, 2021 are sufficient for its present needs for at least the next twelve months. The Company is not subject to externally imposed capital requirements.

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**22. FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows:

	Fair value hierarchy	December 31 2021	December 31 2020
Financial assets - amortized cost:			
Cash		\$ 14,623,559	\$ 16,652,711
Other receivables		87,300	33,808
Financial assets - fair value through profit or loss:			
Trade receivables	Level 2	2,040,112	9,555,509
Derivative assets	Level 2	-	449,337
Financial liabilities - amortized cost:			
Accounts payable and accrued liabilities		8,356,402	8,908,171
Payable for acquisition of non-controlling interest		3,000,000	-
Loans payable		9,980,128	9,822,980
Financial liabilities - fair value through profit or loss:			
Derivative liabilities	Level 2	-	165,610
Provision for restricted share units	Level 2	\$ 165,184	\$ 216,963

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities; (b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and (c) Level 3 - Inputs for assets and liabilities that are not based on observable market data. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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

Trade receivable from provisional sales of metals concentrate includes provisional pricing, and final price and assay adjustments. Derivative instruments are forward arrangements that were valued using pricing models, which require a variety of inputs, such as expected copper prices, gold prices, and foreign exchange rates. The Company's conversion price on the convertible debentures are denominated in Canadian dollars or at a set exchange rate. The trade receivable from sales of metals concentrate, derivative instruments, and derivative component of the convertible debentures are valued using observable market commodity prices and thereby classified within Level 2 of the fair value hierarchy.

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

**Metal price risk**

The Company is exposed to metals price risk given that its revenues are derived from the sale of metals through its metals concentrate products, the prices for which have been historically volatile. Consequently, the economic viability of the Company's mineral property may be adversely affected by fluctuations in metals prices. For concentrate sold during the year ended December 31, 2021, a 10% change in copper and gold prices would result in an increase/decrease of approximately \$4,727,000 and \$1,612,000 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 is held through large Canadian, international and foreign national financial institutions. All of the Company's trade receivables from concentrate sales are held with a large international metals trading company. The Company mitigates this risk by transacting only with reputable financial institutions and requiring provisional payments of 90% of the value of the concentrate shipped to a single well-known buyer. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company believes it is not exposed to significant credit risk and overall, the Company's credit risk has not declined significantly from the prior year.

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

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuing to monitor forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its development plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash, and its committed liabilities. The maturities of the Company's non-current liabilities are disclosed in Notes 9, 10, and 11. All current liabilities are settled within one year.

**Interest rate risk**

The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on the US dollar LIBOR plus a fixed-margin. The Company does not enter into derivative contracts to manage this risk. As at December 31, 2021, a 10% change in LIBOR rates would result in an increase/decrease of approximately \$5,000 in the Company's pre-tax income or loss on an annualized basis based on the loan and credit facilities used.

**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. Based on the Company's net exposure, as at December 31, 2021, 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 \$922,000 in the Company's pre-tax income or loss.

**23. CONTINGENCY AND COMMITMENT**

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 (the "National Mining Agency") in Colombia requesting payment of royalties related to past copper production. The National Mining Agency based 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. Accordingly, the Company refuted the notice of claim, taking the position it has complied with the royalty payments due and called for under the contract.

In 2017, the National Mining Agency in Colombia submitted a claim for \$5,000,000 (up from \$2,000,000) plus additional interest and fees. The Company has been vigorously defending itself against this action before the Administrative Tribunal of Cundinamarca (the "Tribunal"). Such claims may take up to ten years to reach a resolution in Colombian courts. The National Mining Agency has updated the claim amount to approximately \$21,900,000 for all royalties in dispute up to December 2021.

On December 29, 2021, the Company entered into an agreement with the National Mining Agency to settle the dispute via binding arbitration at the Center for Arbitration and Conciliation of the Bogota Chamber of Commerce for the purposes of seeking an expedited resolution to the ongoing claim. The arbitration rules state the final decision by the tribunal takes approximately six to twelve months from the commencement of the arbitration process. To the extent that a final ruling is made in favor of the Company, the Payment Plan (see below) will cease, and any amounts already paid will be reimbursed to or offset against future royalty obligations.

The Agreement allows for the Company to be recognized as being formally in good standing with the National Mining Agency, enabling the Company to apply for a new mining contract on the property. The previous contract and related title expired on January 23, 2022.

The Agreement calls for the Company to enter into a five-year Payment Plan, payable in biannual instalments for a total amount of approximately \$21,900,000 plus interest at a 6% annual rate. The Company will make an initial upfront payment of \$1,000,000 (paid), followed by \$3,200,000 in year 1, \$3,300,000 in year 2, \$3,400,000 in year 3, \$5,800,000 in year 4 and \$9,700,000 in year 5. The total amount payable represents all outstanding royalty payments which the National Mining Agency has claimed through to the end of December 2021. The parties have agreed to this interim arrangement until a final arbitration decision is made.

As security for the Payment Plan, the Company granted a rotating pledge over 9,700 wet metric tonnes of concentrate inventory. The security will be released proportionally as payments are made in accordance with the payment schedule. The security may be substituted at a later date. The Company recorded an arbitration asset for any payment made under the Payment Plan.

The Company continues to work towards obtaining a new contract to renew title for the operating mine. The Company has been allowed to continue operating while the process for the contract and title renewal continues. There is no assurance the renewal will be obtained.

**ATICO MINING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**24. SEGMENTED INFORMATION**

The Company is engaged in mining, exploration, and development of mineral properties, and has an operating mine in Colombia. The Company operates in one industry and has one reportable segment, which is reviewed by the chief operating decision maker and identified based on quantitative factors whereby its revenues or assets comprise 10% or more of the total revenues or assets of the Company. As at December 31, 2021, the Company only had a single off-take agreement for metals concentrate produced at the El Roble mining property.

**Geographic segment details**

As at December 31, 2021	Canada	Colombia	Ecuador and other	Total
Cash and other current assets	\$ 214,340	\$ 33,395,591	\$ 637,999	\$ 34,247,930
Other non-current assets	-	954,720	-	954,720
Mineral properties	-	38,988,731	29,838,186	68,826,917
Plant and equipment	-	11,858,905	53,494	11,912,399
<b>Total assets</b>	<b>\$ 214,340</b>	<b>\$ 85,197,947</b>	<b>\$ 30,529,679</b>	<b>\$ 115,941,966</b>

As at December 31, 2020	Canada	Colombia	Ecuador and other	Total
Cash and other current assets	\$ 7,110,348	\$ 31,003,556	\$ 1,040,026	\$ 39,153,930
Mineral properties	-	40,709,469	22,237,665	62,947,134
Plant and equipment	-	13,446,133	10,818	13,456,951
<b>Total assets</b>	<b>\$ 7,110,348</b>	<b>\$ 85,159,158</b>	<b>\$ 23,288,509</b>	<b>\$ 115,558,015</b>

**25. EVENT AFTER REPORTING DATE**

Subsequent to the year ended December 31, 2021, the Company entered into a secured definitive credit agreement with Trafigura PTE Ltd. (the "Lender") for the principal sum of \$10,000,000 (received) for a 30-month term bearing interest at a rate of LIBOR plus 5% for the first 24 months and then LIBOR plus 7.5% thereafter.