ATICO MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Audited - Expressed in United States Dollars)

DECEMBER 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Atico Mining Corporation

We have audited the accompanying consolidated financial statements of Atico Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Atico Mining Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 16, 2014

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

	December 31 2013	December 31 2012
ASSETS		
Current assets		
Cash and cash equivalents (Note 14)	$ 6,083,871	$ 2,807,960
Receivables (Note 4)	1,487,248	26,745
Inventories (Note 5)	2,715,013	-
Prepaids and deposits	1,317,997	197,402
Total current assets	11,604,129	3,032,107
Non-current assets		
Mineral property, plant and equipment (Note 6)	56,992,863	150,284
Exploration and evaluation assets (Note 7)	-	7,475,059
Total non-current assets	56,992,863	7,625,343
TOTAL ASSETS	$ 68,596,992	$ 10,657,450
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,610,116	$ 186,919
Income taxes payable (Note 10)	174,502	-
Total current liabilities	4,784,618	186,919
Non-current liabilities		
Long-term debt (Note 8)	7,958,950	-
Other long-term payable (Note 18)	944,936	-
Decommissioning and restoration provision (Note 9)	1,012,003	-
Deferred income tax liabilities (Note 10)	13,335,801	-
Total non-current liabilities	23,251,690	-
Total liabilities	28,036,308	186,919
EQUITY		
Share capital (Note 11)	36,455,001	11,669,364
Share-based payments reserve (Note 11)	1,926,950	855,575
Foreign currency translation reserve	(56,210)	42,429
Deficit	(1,234,044)	(2,096,837)
Total equity attributable to equity holders of the Company	37,091,697	10,470,531
Non-controlling interest (Note 13)	3,468,987	-
Total equity	40,560,684	10,470,531
TOTAL LIABILITIES AND EQUITY	$ 68,596,992	$ 10,657,450

Change in presentation currency (Note 19)
Events after reporting date (Note 20)

These consolidated financial statements are authorized for issuance by the Board of Directors on April 16, 2014.

Approved by the Board of Directors

_____”*Fernando E. Ganoza*”_____________ Director   _____”*Jorge R. Ganoza*”_____________ Director

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

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

	Year ended December 31 2013	Year ended December 31 2012
General and administrative expenses	$ 2,446,966	$ 967,721
Property investigation costs	125,154	48,264
Share-based payments (Note 11)	1,082,017	152,277
	3,654,137	1,168,262
Income (loss) from operations	(3,654,137)	(1,168,262)
Foreign exchange gain/(loss)	81,484	(14,455)
Interest and other income	61,877	51,857
Interest on long-term debt (Note 8)	(83,950)	-
Loss on conversion of debentures	-	(55,578)
Accretion on decommissioning and restoration provision (Note 9)	(10,005)	-
Impairment on inventories (Note 5)	(195,649)	-
Bargain purchase on acquisition of MINER (Note 3)	735,691	-
Income (loss) before income taxes	(3,064,689)	(1,186,438)
Current income tax (expense) recovery (Note 10)	358,245	-
Deferred income tax (expense) recovery (Note 10)	3,529,840	-
Net income (loss)	$ 823,396	$ (1,186,438)
Net income (loss) attributable to:		
Equity holders of Atico Mining Corporation	$ 862,793	$ (1,186,438)
Non-controlling interest	(39,397)	-
	$ 823,396	$ (1,186,438)

Earnings (loss) per share (Note 12)

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

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

	Year ended December 31 2013	Year ended December 31 2012
Net income (loss)	$ 823,396	$ (1,186,438)
Other comprehensive income (loss)		
Foreign currency translation adjustments	(98,639)	(39,397)
Total other comprehensive income (loss)	(98,639)	(39,397)
Total comprehensive income (loss) for the year	$ 724,757	$ (1,225,835)
Total comprehensive income (loss) attributable to:		
Equity holders of Atico Mining Corporation	$ 764,154	$ (1,225,835)
Non-controlling interest	(39,397)	-
	$ 724,757	$ (1,225,835)

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

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

	Year ended December 31 2013	Year ended December 31 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) attributable to equity holders of Atico Mining Corporation	$ 862,793	$ (1,186,438)
Items not affecting cash:		
Amortization	195,992	35,753
Share-based payments	1,082,017	152,277
Loss on conversion of debentures	-	55,578
Accretion on decommissioning and restoration provision	10,005	-
Inventory impairment	195,649	-
Bargain purchase on acquisition of MINER	(735,691)	-
Interest income	(148,274)	(51,857)
Interest expense	83,950	-
Deferred income tax expense (recovery)	(3,529,840)	-
Non-controlling interest	(39,397)	-
Depletion on mineral property	141,439	-
Foreign currency translation adjustments	(98,639)	54,750
Unrealized foreign exchange effect on cash and cash equivalents	19,449	-
Changes in non-cash working capital items	(2,088,555)	(576,052)
Net cash used in operating activities	(4,049,102)	(1,515,989)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	148,274	51,857
Purchase of mineral property, plant and equipment	(3,773,695)	(163,189)
Acquisition of MINER - final option payment	(14,000,000)	-
Cash acquired on acquisition of MINER	868,339	-
Exploration and evaluation expenditures including staged option payments to MINER	(9,493,387)	(5,923,596)
Net cash used in investing activities	(26,250,469)	(6,034,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	26,180,208	11,504,602
Share issue costs	(1,425,445)	(1,074,832)
Exercise of warrants	20,232	12,755
Proceeds from debt payable	7,875,000	180,072
Other long-term payable	944,936	-
Loan repayment - principal portion	-	(380,152)
Loan repayment - interest portion	-	(8,253)
Net cash provided by financing activities	33,594,931	10,234,192
Effect of exchange rate changes on cash and cash equivalents	(19,449)	-
Change in cash during the year	3,295,360	2,683,275
Cash and cash equivalents, beginning of year	2,807,960	124,685
Cash and cash equivalents, end of year	$ 6,083,871	$ 2,807,960

Supplemental disclosure with respect to cash flows (Note 14)

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

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

	Number of Shares	Share Capital	Share-based Payments Reserve	Foreign Currency Translation Reserve	Non-Controlling Interest	Deficit	**Total Equity**
Balance as at December 31, 2011	15,400,000	$ 1,232,095	$ 225,752	$ -	$ -	$ (910,399)	$ 547,448
Private placement	23,000,000	11,504,602	-	-	-	-	11,504,602
Conversion of debentures to shares	1,111,111	555,778	-	-	-	-	555,778
Share issue costs	-	(1,283,370)	-	-	-	-	(1,283,370)
Share issue costs - Finder's shares	250,000	125,050	-	-	-	-	125,050
Share issue costs - Finder's warrants	-	(484,257)	484,257	-	-	-	-
Exercise of warrants	25,500	19,466	(6,711)	-	-	-	12,755
Share-based payments	-	-	152,277	-	-	-	152,277
Foreign currency translation adjustment	-	-	-	42,429	-	-	42,429
Net income (loss) for the year	-	-	-	-	-	(1,186,438)	(1,186,438)
Balance as at December 31, 2012	39,786,611	11,669,364	855,575	42,429	-	(2,096,837)	10,470,531
Private placement	55,477,238	26,180,208	-	-	-	-	26,180,208
Finder's units issued	400,000	171,821	-	-	-	-	171,821
Share issue costs	-	(1,597,266)	-	-	-	-	(1,597,266)
Exercise of warrants	43,000	30,874	(10,642)	-	-	-	20,232
Acquisition of MINER	-	-	-	-	3,508,384	-	3,508,384
Share-based payments	-	-	1,082,017	-	-	-	1,082,017
Foreign currency translation adjustment	-	-	-	(98,639)	-	-	(98,639)
Net income (loss) for the year	-	-	-	-	(39,397)	862,793	823,396
Balance as at December 31, 2013	95,706,849	$ 36,455,001	$ 1,926,950	$ (56,210)	$ 3,468,987	$ (1,234,044)	$ 40,560,684

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

1. NATURE OF OPERATIONS

Atico Mining Corporation (the "Company") was incorporated in the Yukon Territories on April 15, 2010 and continued to British Columbia on October 4, 2011. The Company is engaged in copper mining and related activities including exploration, extraction, and processing, in Colombia and other areas in Latin America. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "ATY".

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.

The address of its head office is Suite 501 - 543 Granville Street, Vancouver, British Columbia, Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

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

Principles of consolidation

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

Subsidiaries

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

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

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, with the exception of the parent entity, being the Canadian dollars ("CAD" or "C$"). The functional currency determinations were conducted through an analysis of the factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21").

The presentation currency of the Company is the US dollar.

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

On translation of the parent entity, whose functional currency is other than the US dollar, revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date. Exchange gains and losses, including results of re-translation, are recorded in the foreign currency translation reserve.

Business combinations

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

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

Revenue recognition

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

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

Revenue recognition (cont'd…)

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

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

Earnings (loss) per share

The Company presents basic and diluted earning (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to equity holders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting the loss 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 (loss) 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.

Financial instruments

Financial assets

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

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

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

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

Financial instruments (cont'd…)

Financial assets (cont'd…)

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

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

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

Impairment of financial assets

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

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

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

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

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

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

Financial instruments (cont'd…)

Impairment of financial assets (cont'd…)

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

Financial liabilities

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

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

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

Effective interest method

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

Cash and cash equivalents

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

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

Inventories

Inventories include metals contained in finished concentrate, 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. Production costs include all mine site costs. Materials and supplies are valued at the lower of average cost less allowance for obsolescence or net realizable value. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Mineral property

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

Depletion and amortization of mineral property, plant and equipment

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

	Methods	Rates
Mineral property	Units of production	Estimated mineral resources
Plant and building	Straight line	5 years
Machine and equipment	Straight line	5 years

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.

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.

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

Plant and equipment (cont'd…)

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 in the consolidated statement of income (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, the costs associated with all applicable assets, related to the development and construction, are reclassified to the appropriate category within mineral property, plant and equipment.

Exploration and evaluation assets

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

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

Management reviews the carrying value of capitalized exploration costs 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 reserve 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 will be amortized over the life of the property. If a project does not prove viable, all non-recoverable costs associated with the project net of any impairment provisions are written off.

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

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. In assessing value in use, the 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 or cash-generating unit.

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.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to income. 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 future benefit related to the costs. As such, adjustments to the provisions are required and the resulting changes in estimates are charged to income in the period in which the adjustment is identified. For operating sites, a revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the capitalized retirement cost.

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

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

Share capital

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

Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Share-based payments

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

Income taxes

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

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

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

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

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

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

Segment reporting

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

Critical accounting estimates and judgments

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

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) *Accounting for business combination*

The fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management makes estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, including the associated deferred income taxes and resulting goodwill, if any, will be retrospectively adjusted when the final measurements are determined (within one year of acquisition date). The determination of fair value as of the acquisition date requires management to make certain estimates about future events, including, but not restricted to, mineral reserves and resources acquired, exploration potential, future operating costs and capital expenditures, future metal prices, foreign exchange rates and discount rates.

b) *Estimated decommissioning and restoration costs*

The Company's provision for decommissioning and restoration provision represents management's 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.

c) *Share-based payments*

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

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

Critical accounting estimates and judgments (cont'd…)

d) *Inventory valuation*

Consumable parts and supplies 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 metals concentrate based on an appropriate allocation of direct mining costs, direct labour and material costs, overhead, and depletion and amortization.

e) *Income taxes*

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

The tax rates expected to be in effect when temporary differences reverse are 26% for Canada, 33% for Colombia, and 30% for Peru. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

f) *Mineral reserve and/or resource estimates*

The figures for 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 operation.

g) *Amortization rate for plant and equipment and depletion for mineral property*

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

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

Critical accounting estimates and judgments (cont'd…)

h) *Impairment of mineral property, plant and equipment*

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

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

i) *Valuation of financial instruments*

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

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

a) *Functional currency*

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates.

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

Effective November 22, 2013, the US dollar was determined to be the functional currency for all entities within the corporate group, except the parent entity, on a prospective basis. All entities continue to measure the items in their financial statements using their functional currencies.

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

Critical accounting estimates and judgments (cont'd…)

b) Recoverability of exploration and evaluation assets

The Company estimates its mineral reserves and 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 reserves and 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 reserves or resources estimates may impact the carrying value of exploration and evaluation assets, mineral property, plant and equipment, decommissioning and restoration provision, recognition of deferred tax amounts and depletion.

c) Business combination

Determination of whether a set of assets acquired or liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of MINER was determined to constitute a business acquisition.

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.

e) Identification of reportable segments

The identification of reportable segments, basis for measurement and disclosure of the segmented information may require the Company to make certain judgments, taking into the identification factors used by the chief operating decision maker.

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

New and amended IFRS pronouncements effective January 1, 2013

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements ("IFRS 10") replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11 Joint Arrangements ("IFRS 11") supersedes IAS 31 Interests in Joint Ventures and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28 Investments in Associates and Joint Ventures (amended in 2011) ("IAS 28"). The other amendments to IAS 28 did not affect the Company. The Company has not entered into any joint arrangement and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structure entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate that nature, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. Given the nature of the Company's interest in other entities, the amendments did not have an impact on the Company's financial position or performance.

IFRS 13 Fair Value Measurement ("IFRS 13") provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

The Company has adopted the amendments to IAS 1 Presentation of Financial Statements ("IAS 1"). These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

3. ACQUISITION OF MINERA EL ROBLE S.A.

On January 28, 2011, the Company entered into an option agreement to acquire 90% of the common shares of MINER, whose main asset is the El Roble mining property located in Colombia. To exercise the option, the Company made staged payments of $3,450,000 over two years (which includes a $1,200,000 payment to extend the option period) and on November 22, 2013 ("the Closing Date"), the Company made the final lump-sum payment of $14,000,000 to complete the acquisition of 90% of MINER. During the option period and up to the Closing Date of the Acquisition, the Company incurred exploration and evaluation expenditures of $13,389,762 in order to quantify the mineral resources at the El Roble mining property and to support its decision to exercise the option.

The acquisition of MINER was considered a business combination and was accounted for using the acquisition method whereby identifiable assets and liabilities assumed are recorded at 100% of their fair values at the date of acquisition. Any excess of the aggregate fair value of net assets acquired over the consideration paid is considered a gain on bargain purchase and is recognized in the consolidated statement of income (loss). The Company applied the discounted cash flow model to estimate a fair value of $52,110,000 for the El Roble Mineral Property, which resulted in the gain on bargain purchase of $735,691. The discounted cash flow model value is determined based on the life-of-mine before tax cash flow forecast which incorporate management's best estimates of future metal prices, production based on current estimates of recoverable resources, future operating costs and non-expansionary capital expenditures.

The purchase price allocation based on the fair value of MINER's assets acquired and liabilities assumed is summarized as follows:

	November 22 2013
Purchase Price:	
Final option payment	$ 14,000,000
Option period extension payment	1,200,000
Staged option payments paid previously	2,250,000
Total purchase price	$ 17,450,000
Purchase Price Allocation:	
Cash	$ 868,339
Receivables	1,492,746
Inventories	1,871,234
Prepaid expenses	678,518
Mineral property, plant and equipment	53,406,314
Accounts payable and accrued liabilities	(4,853,903)
Income taxes payable	(511,772)
Decomissioning and restoration provision	(1,001,998)
Deferred income tax liability	(16,865,641)
	35,083,837
Non-controlling interest (10%)	(3,508,384)
Net assets acquired and liabilities assumed	31,575,453
Less: amounts allocated from exploration and evaluation assets	(13,389,762)
Gain on bargain purchase	$ 735,691

4. RECEIVABLES

	December 31 2013	December 31 2012
Trade receivables	$ 320,537	$ -
HST/VAT and other taxes recoverable	1,130,283	14,774
Other receivables	36,428	11,971
	$ 1,487,248	$ 26,745

As at December 31, 2013, the Company did not have any trade receivables (2012 - $Nil) that were past due with no impairment. The Company's allowance for doubtful accounts is $Nil (2012 - $Nil).

The aging analysis of the Company's trade receivables from sales of metals concentrate is as follows:

	December 31 2013	December 31 2012
0 to 30 days	$ -	$ -
31 to 60 days	-	-
61 to 90 days	320,537	-
Over 90 days	-	-
	$ 320,537	$ -

5. INVENTORIES

	December 31 2013	December 31 2012
Raw materials	$ 230,986	$ -
Finished goods	1,767,899	-
Supplies	716,128	-
	$ 2,715,013	$ -

For the year ended December 31, 2013, the Company recorded a cost of sales of $Nil (2012 - $Nil) and a non-cash charge of $195,649 (2012 - $Nil) related to write-down of inventories to net realizable value.

6. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral Property	Land	Plant and Building	Machine and Equipment	Capital Work in Progress	**Total**
As at December 31, 2012, net	$ -	$ -	$ -	$ 150,284	$ -	$ 150,284
Changes for the year:						
Additions	568,840	75,032	16,338	1,363,351	1,750,134	3,773,695
Acquisition of MINER (net carrying amounts)	52,110,000	202,072	275,250	818,992	-	53,406,314
Depletion and amortization	(141,439)	-	(9,344)	(186,647)	-	(337,430)
As at December 31, 2013, net	$ 52,537,401	$ 277,104	$ 282,244	$ 2,145,980	$ 1,750,134	$ 56,992,863
As at December 31, 2012						
Historical cost	$ -	$ -	$ -	$ 191,713	$ -	$ 191,713
Accumulated amortization	-	-	-	(41,429)	-	(41,429)
Net carrying amount	$ -	$ -	$ -	$ 150,284	$ -	$ 150,284
As at December 31, 2013						
Historical cost	$ 52,678,840	$ 277,104	$ 375,444	$ 3,142,433	$ 1,750,134	$ 58,223,955
Accumulated amortization	(141,439)	-	(93,200)	(996,453)	-	(1,231,092)
Net carrying amount	$ 52,537,401	$ 277,104	$ 282,244	$ 2,145,980	$ 1,750,134	$ 56,992,863

As at December 31, 2013, capital work in progress relates to capital costs incurred in connection with construction of the new 1880-level adit and the new tailings dam at the El Roble mining property.

6. MINERAL PROPERTY, PLANT AND EQUIPMENT

		Machine and Equipment
As at December 31, 2011, net	$	22,848
Changes for the year:		
Additions		162,279
Depletion and amortization		(35,753)
Currency translation adjustments		910
As at December 31, 2012, net	$	150,284
As at December 31, 2011		
Historical cost	$	28,290
Accumulated amortization		(5,442)
Net carrying amount	$	22,848
As at December 31, 2012		
Historical cost	$	191,713
Accumulated amortization		(41,429)
Net carrying amount	$	150,284

El Roble mining property

On the Closing Date of the Acquisition, the Company acquired the El Roble mining property. El Roble is located in the Chocó Department of Colombia and consists of a 6,679-hectare concession package and an operating underground copper and gold mine.

Pursuant to an Option Agreement signed on January 28, 2011, the Company, through a wholly owned subsidiary, acquired 90% of the issued and outstanding shares of MINER the owner of the El Roble mine and surrounding claims.

7. EXPLORATION AND EVALUATION ASSETS

On the Closing Date of the Acquisition, the Company made all required payments in connection to the option agreement and acquired 90% of the common shares of MINER and took full control of the producing El Roble mining property and surrounding claims (Note 3).

During the option period and up to the Closing Date, the Company incurred the following exploration and evaluation expenditures on the El Roble mining property:

El Roble, Colombia		**November 22 2013**
As at December 31, 2011		
Acquisition Costs	$	2,250,000
Exploration Expenditures		5,225,059
As at December 31, 2012		**7,475,059**
Additions during the period:		
Acquisition Costs		
Property acquisition costs		1,200,000
		1,200,000
Exploration Expenditures		
Assays		770,043
Drilling		3,750,011
Field costs/logistical support		910,158
General and administrative		1,341,022
Geophysics		515,489
Salaries and benefits		877,980
		8,164,703
Allocated to the purchase price on the acquisition of MINER		(3,450,000)
Allocated to mineral property on the acquisition of MINER		(13,389,762)
Ending balance	**$**	**-**

Subsequent to the Closing Date of the Acquisition, the Company capitalized further exploration and evaluation expenditures on El Roble to its mineral property.

8. LONG-TERM DEBT

On the Closing Date of the Acquisition, the Company entered into a senior secured repayable debt facility of $8,000,000 (the "Debt Financing") with Trafigura Pte. Ltd. ("Trafigura"). The funds drawn will have a repayment term of 48 months, with stated annual interest of LIBOR plus 9%, payable quarterly, subject to a 12 month grace period (with the first repayment date being 15 months from the date of the first advance). There was a financing fee paid to Trafigura when the funds were drawn. Under the effective interest method, the Debt Financing has an effective annual interest rate of 9.98%.

	December 31 2013
Opening balance	$ -
Principal balance	8,000,000
Financing fee	(125,000)
Interest expense	83,950
Ending balance	7,958,950
Less: current portion	-
Long term portion	$ 7,958,950

9. DECOMMISSIONING AND RESTORATION PROVISION

	December 31 2013
Opening balance	$ -
Recognition of provision	1,001,998
Accretion expense	10,005
Ending balance	$ 1,012,003

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, 2013 were $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%. 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.

10. 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 2013	December 31 2012
Income (loss) before income taxes	$ (3,064,689)	$ (1,186,438)
Expected income tax expense (recovery) at statutory income tax rate	(789,157)	(296,000)
Change in statutory, foreign tax, foreign exchange rates and other	9,669	(6,000)
Permanent difference	167,872	43,000
Change in recognized deductible temporary differences	(3,612,878)	(303,000)
Change in unrecognized deductible temporary differences	336,409	562,000
Total income tax expense (recovery)	$ (3,888,085)	$ -
Current income tax expense (recovery)	$ (358,245)	$ -
Deferred income tax expense (recovery)	(3,529,840)	-

As at December 31, 2013, the Company had income taxes payable of $174,502 (2012 - $Nil), which relates to current income taxes. The Canadian income rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada and British Columbia.

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

Deferred income tax assets (liabilities)	December 31 2013	December 31 2012
Mineral property	$ (13,866,740)	$ -
Plant and equipment	(69,711)	41,000
Decommissioning and restoration provision	333,961	-
Share issue costs	196,647	1,029,000
Non-capital losses and others	1,187,240	1,989,000
	(12,218,603)	3,059,000
Unrecognized deferred tax assets	(1,117,198)	(3,059,000)
Net deferred income tax asset (liability)	$ (13,335,801)	$ -

10. INCOME TAXES

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 2013	Expiry date rante	December 31 2012	Expiry date rante
Mineral property	$ 65,317	No expiry date	$ -	
Plant and equipment	2,109	No expiry date	164,000	No expiry date
Share issue costs	808,825	2034 to 2036	4,116,000	2033 to 2036
Non-capital losses and other	3,611,482	2030 onward	7,956,000	2030 onward

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

11. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2013, 5,768,746 (2012 - Nil) common shares of the Company were held in escrow.

Issued share capital

In September 2013, the Company completed a brokered private placement for gross proceeds of $13,445,017 by issuing 31,300,000 units at C$0.45 per unit. Each unit was comprised of one common share and one-half of one common non-transferable share purchase warrant, where each warrant entitles the holder to purchase an additional common share at C$0.65 until September 19, 2015. The Company paid a cash commission of $777,062 and issued 400,000 units (with the same terms), valued at $171,821, as share issue costs.

In September 2013, the Company completed a non-brokered private placement for gross proceeds of $5,098,687 by issuing 11,869,544 units at C$0.45 per unit. Each unit was comprised of one common share and one-half of one common non-transferable share purchase warrant, where each warrant entitles the holder to purchase an additional common share at C$0.65 until September 19, 2015. The Company paid cash finders' fees of $222,518.

In January 2013, the Company completed a non-brokered private placement for gross proceeds of $7,636,504 by issuing 12,307,694 units at C$0.65 per unit. Each unit was comprised of one common share and one-half of one non-transferable common share purchase warrant, where each warrant entitles the holder to purchase an additional common share at C$0.90 until July 16, 2014. The Company paid cash finders' fees of $204,181.

In March 2012, the Company completed its IPO for gross proceeds of $11,504,602 by issuing 23,000,000 common shares at C$0.50 per share. In connection with the IPO, the Company paid its agent a cash commission of 7% of the gross proceeds. It also issued 250,000 common shares to its agent, valued at $125,050 and 1,840,000 finder's warrants, valued at $484,257 using the Black-Scholes option pricing model, where each warrant is exercisable at $0.50 per share for 2 years from the closing date.

11. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

In March 2012, the Company issued 1,111,111 common shares, valued at $555,778, for the aggregate principal amount of debentures issued in September 2011.

During the year ended December 31, 2013, the Company issued 43,000 (2012 - 25,500) common shares for the exercise of share purchase warrants for proceeds of $20,232 (2012 - $12,755).

Stock options

The continuity of stock options for the year ended December 31, 2013 and 2012 is as follows:

Expiry Date	Exercise Price (CAD)	**Balance December 31 2012**	Granted	Exercised	Expired/ Cancelled	**Balance December 31 2013**
June 30, 2016	$ 0.50	1,710,000	-	-	-	1,710,000
July 11, 2016	0.50	145,000	-	-	-	145,000
April 24, 2017	0.55	250,000	-	-	-	250,000
May 16, 2017	0.51	130,000	-	-	-	130,000
February 4, 2018	0.98	-	1,820,000	-	-	1,820,000
March 1, 2018	0.98	-	340,000	-	-	340,000
Outstanding		2,235,000	2,160,000	-	-	4,395,000
Weighted average exercise price		$ 0.51	$ 0.98	$ -	$ -	$ 0.74
Exercisable		2,235,000				2,235,000

Expiry Date	Exercise Price (CAD)	**Balance, December 31 2011**	Granted	Exercised	Expired/ Cancelled	**Balance, December 31 2012**
June 30, 2016	$ 0.50	1,710,000	-	-	-	1,710,000
July 11, 2016	0.50	145,000	-	-	-	145,000
April 24, 2017	0.55	-	250,000	-	-	250,000
May 16, 2017	0.51	-	130,000	-	-	130,000
Outstanding and exercisable		1,855,000	380,000	-	-	2,235,000
Weighted average exercise price		$ 0.50	$ 0.54	$ -	$ -	$ 0.51

The weighted average remaining life of the stock options outstanding is 3.36 (2012 - 3.64) years.

11. SHARE CAPITAL (cont'd…)

Warrants

The continuity of share purchase warrants for the year ended December 31, 2013 and 2012 is as follows:

Expiry Date	Exercise Price (CAD)	**Balance December 31 2012**	Issued	Exercised	Expired/ Cancelled	**Balance December 31 2013**
March 12, 2014 [1]	$ 0.50	1,574,500	-	(43,000)	-	1,531,500
March 21, 2014 [1]	0.50	240,000	-	-	-	240,000
July 16, 2014	0.90	-	6,153,847	-	-	6,153,847
September 19, 2015	0.65	-	21,784,872	-	-	21,784,872
Total		1,814,500	27,938,719	(43,000)	-	29,710,219
Weighted average exercise price		$ 0.50	$ 0.71	$ 0.50	$ -	$ 0.69

[1] Exercised subsequently

Expiry Date	Exercise Price (CAD)	**Balance December 31 2011**	Issued	Exercised	Expired/ Cancelled	**Balance December 31 2012**
March 12, 2014	$ 0.50	-	1,600,000	(25,500)	-	1,574,500
March 21, 2014	0.50	-	240,000	-	-	240,000
Total		-	1,840,000	(25,500)	-	1,814,500
Weighted average exercise price		$ -	$ 0.50	$ 0.50	$ -	$ 0.50

The weighted average remaining life of the share purchase warrants outstanding is 1.38 (2012 - 1.20) years.

11. SHARE CAPITAL (cont'd…)

Share-based payments and share-based payment reserve

During the year ended December 31, 2013, the Company granted 2,160,000 (2012 - 380,000) stock options to employees, directors and officers of the Company, all of which will vest over 18 months. Using the fair value method for share-based payments, the Company determined the fair value of the options granted to be C$1,591,848 (2012 - C$152,216) or C$0.74 (2012 - C$0.40) per option. In accordance with the vesting terms, the Company recorded a charge to share-based payments with the offsetting credit to share-based payments reserve of $1,082,017 (2012 - $152,277).

During the year ended December 31, 2013, the Company issued Nil (2012 - 1,840,000) share purchase warrants as share issue costs. Using the fair value method for share-based payments, the Company recorded a charge to share capital of $Nil (2012 - $484,257) or $Nil (2012 - $0.26) per warrant, for finder's warrants issued.

The fair value of stock options and finder's warrants issued was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

Weighted average:	December 31 2013	December 31 2012
Risk free interest rate	1.45%	1.26%
Expected dividend yield	0%	0%
Expected stock price volatility	100%	100%
Expected life in years	5	3
Forfeiture rate	0%	0%

12. EARNINGS (LOSS) PER SHARE

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

	December 31 2013	December 31 2012
Net income (loss) attributable to equity holders	$ 862,793	$ (1,186,438)
Weighted average number of common shares outstanding - basic	63,862,910	34,895,688
Dilutive effect of stock options outstanding	520,909	-
Dilutive effect of share purchase warrants outstanding	522,855	-
Weighted average number of common shares outstanding - diluted	64,906,674	34,895,688
Basic earnings (loss) per share attributable to equity holders	$ 0.01	$ (0.03)
Diluted earnings (loss) per share attributable to equity holders	$ 0.01	$ (0.03)

13. RELATED PARTY BALANCES AND TRANSACTIONS

Material non-controlling interest

MINER is a 90%-owned subsidiary of Atico and is 10% owned by a minority shareholders group. On the Closing Date, the Company allocated $3,508,384 to the non-controlling interest based on the fair value of assets acquired and liabilities assumed from the Acquisition of MINER (Note 3). For the year ended December 31, 2013, a loss of $39,397 has been allocated to the non-controlling interest of MINER. Summarized financial information about MINER is as follows:

		December 31 2013
Current assets	$	5,410,308
Non-current assets		54,979,435
Current liabilities		4,264,746
Non-current liabilities		15,292,740
Net income (loss) and total comprehensive income (loss)	$	(393,970)

Compensation of key management personnel

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

Year ended December 31, 2013		Salary or Fees		Share-based Payments		**Total**
Management	$	810,280	$	513,271	$	1,323,551
Outside directors		-		351,733		351,733
Seabord Services Corp.		179,452		-		179,452
	$	989,732	$	865,004	$	1,854,736

Year ended December 31, 2012		Salary or Fees		Share-based Payments		**Total**
Management	$	310,504	$	102,801	$	413,305
Seabord Services Corp.		176,471		-		176,471
	$	486,975	$	102,801	$	589,776

13. RELATED PARTY BALANCES AND TRANSACTION (cont'd…)

Related party liabilities	Items or Services	December 31 2013	December 31 2012
Accounts payable and accrued liabilities:			
Chief Executive Officer	Management fees	$ 80,000	$ -
President	Management fees	60,000	-
Chief Operating Officer	Management fees	62,000	-
Seabord Services Corp.	Expense recovery	-	199

Seabord Services Corp., ("Seabord") is a management services company controlled by a director. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to the Company. The Chief Financial Officer and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Components of cash and cash equivalents

	December 31 2013	December 31 2012
Cash	$ 5,997,621	$ 2,750,460
Short-term deposits	86,250	57,500
	$ 6,083,871	$ 2,807,960

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

Changes in non-cash working capital

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

	Year ended December 31 2013	Year ended December 31 2012
Receivables	$ 32,243	$ 3,734
Inventories	(1,039,428)	-
Prepaids and deposits	(442,077)	(186,524)
Accounts payable and accrued liabilities	(813,795)	(393,262)
Income taxes payable	174,502	-
Net change in non-cash working capital	$ (2,088,555)	$ (576,052)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

Significant non-cash investing and financing activities during the year

During the year ended December 31, 2013, the Company:

a) issued 400,000 finder's units, valued at $171,821, as share issue costs (Note 11); and
b) reallocated share-based payment reserve of $10,642 to share capital for warrants exercised.

During the year ended December 31, 2012, the Company:

a) issued 250,000 common shares, valued at $125,050, as share issue costs (Note 11);
b) issued 1,840,000 finder's warrants, valued at $484,257, as share issue costs (Note 11);
c) reallocated deferred share issuance costs of $83,488 to share capital;
d) reallocated share-based payment reserve of $6,711 to share capital for warrants exercised;
e) issued 1,111,111 common shares, valued at $555,778, for the aggregate principal amount of debentures (Note 11); and
f) incurred exploration and evaluation expenditures of $128,683 included in accounts payable and accrued liabilities.

15. CAPITAL MANAGEMENT

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

The capital of the Company consists of share capital and an available credit facility. The Board of Directors does not establish a quantitative return on capital criteria for management. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations.

The management of the Company believes that the capital resources of the Company as at December 31, 2013, are sufficient for its present needs for at least the next 12 months. The Company is not subject to externally imposed capital requirements.

16. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

As at December 31, 2013	Loans and Receivables	Fair Value Through Profit or Loss	Other Financial Liabilities
Cash and cash equivalents	$ 6,083,871	$ -	$ -
Receivables	1,166,711	320,537	-
Accounts payable and accrued liabilities	-	-	(4,610,116)
Long-term debt	-	-	(7,958,950)
Other long-term payables	-	-	(944,936)
	$ 7,250,582	$ 320,537	$ (13,514,002)

As at December 31, 2012	Loans and Receivables	Other Financial Liabilities
Cash and cash equivalents	$ 2,807,960	$ -
Receivables	26,745	-
Accounts payable and accrued liabilities	-	(186,919)
	$ 2,834,705	$ (186,919)

Fair value

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

16. FINANCIAL INSTRUMENTS (cont'd…)

Fair value (cont'd…)

The carrying value of receivables (excluding trade receivable from 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 other long-term payables are approximated by their carrying values. As at December 31, 2013, the Company's financial instruments measured at fair value are as follows:

Financial Assets	Level 1	Level 2	Level 3	**Total**
Cash and cash equivalents	$ 6,083,871	$ -	$ -	$ 6,083,871
Trade receivable from concentrate sales	$ -	$ 320,537	$ -	$ 320,537

Trade receivable from sales of metals concentrate includes provisional pricing, and final price and assay adjustments. The trade receivable from sales of metals concentrate is valued using observable market commodity prices and thereby classified within Level 2 of the fair value hierarchy.

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

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.

16. FINANCIAL INSTRUMENTS (cont'd…)

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and Colombia and incurs expenditures in currencies other than US dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2013, the Company is exposed to currency risk through the following assets and liabilities:

	Canadian dollars	Peruvian nuevo soles	Colombian pesos (000's)
Cash and cash equivalents	$ 205,818	$ 18,758	$ 537,412
Receivables	10,064	100,584	616,151
Accounts payable and accrued liabilities	(219,055)	(90,487)	(8,272,395)
Other long-term payable	-	-	(1,819,569)
Net exposure	(3,173)	28,855	(8,938,401)
US dollar equivalent	$ (2,967)	$ 10,450	$ (4,641,879)

Based on the above net exposure as at December 31, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar, Peruvian nuevo soles, and Colombian peso would result in an increase/decrease of approximately $463,000 in the Company's pre-tax income or loss.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held through large Canadian, international and foreign national financial institutions. These investments mature at various dates within one year. 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 to minimize credit risk.

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.

16. 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 cash equivalents and its committed liabilities.

The Company expects the following maturities of its monetary liabilities (including interest) and other contractual commitments:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	**Total**
Trade and other paybles	$ 4,610,116	$ -	$ -	$ -	$ 4,610,116
Income taxes payable	174,502	-	-	-	174,502
Long-term debt	-	5,555,550	5,111,106	-	10,666,656
Other long-term payable	-	944,936	-	-	944,936
	$ 4,784,618	$ 6,500,486	$ 5,111,106	$ -	$ 16,396,210

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value is limited because the balances are generally held with major financial institutions in demand deposit accounts. A 10% change in interest rates would cause an $82,000 change in income (loss) on an annualized basis.

17. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, and has an operating mine in Colombia. The Company has two reportable segments as identified by the operations at the El Roble mining property and Corporate. Segments are operations reviewed by the chief operating decision maker. Each segment is identified based on quantitative factors whereby its revenues or assets comprise 10% of more of the total revenues or assets of the Company. As at December 31, 2013, the Company only has a single sales agreement for metals concentrate produced at the El Roble mining property.

Geographic segment details

As at December 31, 2013	Canada	Colombia	Other	Total
Cash and other current assets	$ 5,821,310	$ 5,730,120	$ 52,699	$ 11,604,129
Plant and equipment	-	4,444,211	11,251	4,455,462
Mineral property	-	52,537,401	-	52,537,401
Total assets	$ 5,821,310	$ 62,711,732	$ 63,950	$ 68,596,992

As at December 31, 2012	Canada	Colombia	Other	Total
Cash and other current assets	$ 2,703,171	$ 232,134	$ 96,802	$ 3,032,107
Plant and equipment	-	147,438	2,846	150,284
Exploration and evaluation assets	-	7,475,059	-	7,475,059
Total assets	$ 2,703,171	$ 7,854,632	$ 99,648	$ 10,657,450

18. CONTINGENCY AND COMMITMENT

Contingency

During the year ended December 31, 2013, the Company has been advised that a notice of civil claim has been filed with the British Columbia Supreme Court by Carl Nelson and Recursos del Caribe S.A., the company through which Carl Nelson conducts his geological consulting business (collectively, “Mr. Nelson”). The allegations of Mr. Nelson have not been proven. The Company disputes Mr. Nelson’s claims and will defend itself in this matter. An action was filed on October 8, 2013 and no trial date has been set. As at December 31, 2013, the Company believes it is too early to make a formal determination as to the claim.

Commitment

As at December 31, 2013, the Company has an agreement for purchases of equipment that requires the Company to make quarterly installments of approximately $144,000, which include interest based on the stated annual interest rate of 8.5%, over the next three years for an aggregate amount of approximately $1,570,000. The portion that is payable beyond the next twelve months has been classified as other long-term payable.

19. CHANGE IN PRESENTATION CURRENCY

For the year ended December 31, 2013, the Company has changed its currency in which it presents its financial results from the Canadian dollar to the US dollar.

In order to satisfy the requirements of IAS 21 with respect to a change in presentation currency, the financial information previously stated in the Company's consolidated financial statements for the years ended December 31, 2012 and 2011 has been translated from the Canadian dollar to the US dollar using the procedures outlined below:

- assets and liabilities were translated into the US dollar at the relevant closing rates of exchange;
- results from operations were translated into the US dollar at the relevant average rates of exchange;
- share capital and other reserves were translated into the US dollar at the historical rates prevailing at the dates of transactions; and
- differences arising from the retranslation of the opening net assets and results for the year have been taken to the foreign currency translation reserve.

The exchange rates used where as follows:

US dollar/Canadian dollar exchange rate	December 31 2012	December 31 2011
Closing rate at the reporting date	0.9966	1.0197
Average rate	0.9996	1.0197

20. EVENTS AFTER REPORTING DATE

Subsequent to December 31, 2013, the Company:

- issued 1,867,722 common shares for the exercise of share purchase warrants for aggregate proceeds of $948,294;
- entered into a loan agreement with the non-controlling interest of MINER to borrow up to approximately $2,025,000 until May 1, 2014 where each tranche of funds drawn has a repayment term of 12 months with interest payable monthly; and
- issued 5,000 common shares for the exercise of stock options for proceeds of $2,500; and 5,000 stock options exercisable at $0.98 per share expired unexercised.