



**ATICO MINING CORPORATION**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**DECEMBER 31, 2012**

## **GENERAL**

This Management's Discussion and Analysis ("MD&A") for Atico Mining Corporation (the "Company" or "Atico") has been prepared based on information known to management as of April 10, 2013.

This MD&A is intended to help the reader understand the consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2012 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included therein and in the following MD&A are in Canadian dollars except where noted.

## **FORWARD LOOKING INFORMATION**

This MD&A may contain "forward looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Atico's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

The Company is currently conducting an exploration program on the El Roble property and the operating plan is based on the expectation of favourable results from this program. Should results prove to be unfavourable, the Company may not proceed with the acquisition of the El Roble property.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

## **COMPANY OVERVIEW**

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

The Company is engaged in the acquisition, exploration and development of copper and gold projects in Latin America. Currently, the Company has an option to acquire 90% of the issued and outstanding shares of Minera El Roble S.A. ("MINER") (the "Option Agreement"), the owner of the El Roble Property, a copper-gold mine in Colombia.

The Company completed its initial public offering ("IPO") in March 2012 by issuing 23,000,000 common shares of the Company at a price of \$0.50 per common share for gross proceeds of \$11,500,000, including the Agent's over-allotment option. In conjunction with the IPO, the Company began trading on the TSX Venture Exchange ("TSX-V") under the symbol "ATY".

## **MANAGEMENT UPDATE**

The Company appointed Mr. Fernando E. Ganoza as Chief Executive Officer effective April 24, 2012.

On March 7, 2013, the Company appointed Mr. Thomas Kelly to the position of Chief Operating Officer.

## **EL ROBLE PROPERTY**

### **Property Agreement**

The Company has an option to acquire 90% of the issued and outstanding shares of MINER, pursuant to the terms of the Option Agreement entered into by the Company on January 28, 2011. The El Roble Property, located in the Choco Department of Colombia comprises 6,679 hectares and includes an operating underground copper-gold-silver mine. The Company's objective is to discover additional mineralization on the El Roble Property beyond that currently being mined that would justify an upgrade to the milling facility and ensure continuing production.

The Company made the required staged payments of US\$2,250,000 as follows:

- US\$200,000 on January 28, 2011 (paid);
- US\$350,000 in six months after the date of execution (July 28, 2011) (paid);
- US\$650,000 in twelve months after the date of execution (January 28, 2012, extended to March 13, 2012) (paid);
- US\$1,050,000 in eighteen months after the date of execution (July 28, 2012) (paid).

The final lump sum payment of US\$14,000,000 is due by January 28, 2014, as the Company elected to extend the option period by one year by paying US\$1,200,000.

### **El Roble Mine**

MINER's principal asset is the operating El Roble underground copper-gold mine with a nominal capacity of 400 tonnes per day that, over the past twenty-two years, has processed 1.5 million tonnes of ore at an average grade of 2.6% copper and estimated gold grade of 2.5 g/t. Copper and gold mineralization at the El Roble Property occurs in volcanogenic massive sulfide ("VMS") lenses. Exploration over the past two years has defined a productive contact and an enclosing package of host rocks extending for a distance of 10 km across the El Roble Property. This entire 10km strike length is marked by VMS mineral occurrences.

The Company's objective is the discovery of new VMS deposits either at the mine or elsewhere within the El Roble Property that would justify the exercise of the El Roble Option and acquisition of MINER. During the option term, the Company is not responsible for mining or for resource development and gains no income from the mine operation.

### **Exploration Overview**

#### *Nearfield Mine Vicinity Program*

During 2012, the Company completed 4,875 meters of underground drilling in 26 drill holes from the 2000 meter level, the lowest production level at the mine, to test for the occurrence of massive sulphide mineralization at depth. Fifteen of these holes intersected mineralization, with twelve intersecting mineralization interpreted as sections of four newly discovered massive sulfide bodies named Maximus, Goliath, Aquiles and Zeus. Due to mine constraints and orebody geometries, drilling was directed down dip, which historically has been the longest dimension of the mined-out massive sulphide bodies above

the 2000 level. Lengths of the new massive sulphide intercepts vary from 7 meters to 119 meters, with the longest being high-grade mineralization in the Zeus body.

Results from the underground drilling program indicate potential for a significant volume of high-grade massive sulphide below the mine. These newly discovered mineralized bodies remain open at depth and along strike with at least two already having dimensions comparable to the largest mined-out bodies above the 2000 level. The largest of these mined-out bodies, the Main Body (Cuerpo Principal), measured 100 meters down dip by 80 meters along strike by 45 meters thick and produced over 700,000 tonnes of high-grade ore. In addition, untested zones remain below level 2000 along the known deposit strike-length which continue to be prospective for additional massive sulphide mineralization.

The success of the underground drill program highlights the role of geological understanding of the controls of mineralization in the El Roble system, derived from the interpretation of over 20 years of mining production data and recent geological mapping and core logging. This expanded knowledge base will be the main driver for underground exploration going forward as well as district scale exploration on the greater land package.

Table 1 - Summary of 2012 Drill Holes that intercepted mineralization

Hole ID	Azimuth (°)	Dip (°)	Total Depth (m)	Intercept		Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)
				From (m)	To (m)				
ATDHR-01	45	-60	197.8	109.2	151	41.70	6.54	1.82	7.43
ATDHR-02	45	-70	207.55	165.5	170.8	5.30	1.71	1.76	2.1
ATDHR-04	45	-75	150.75	61	102	41.00	6.49	17.57	13.26
ATDHR-10	45	-50	105.05	38.6	40.5	1.94	0.14	1.94	6.95
ATDHR-12	355	-59	184.2	113.9	132.1	18.15	10.3	2.1	6.59
ATDHR-13	90	-75	335.95	58.2	65.4	7.25	0.95	2.2	11.12
				70.6	74.1	3.50	1.6	0.26	7.25
				234.7	235.2	0.50	2.4	14.15	143
ATDHR-17	10	-75	200	71.8	160.5	88.70	5.41	2.48	10.83
ATDHR-18	81	-70	124.2	58.3	60.8	2.50	1.27	1.25	25.7
ATDHR-19	75	-70	157.3	56.5	63.4	6.90	1.86	5.41	21.94
ATDHR-20	60	-65	203.5	128	148.4	20.40	5.25	1.28	6.16
ATDHR-22	180	-45	135.2	57.3	58	0.65	1.56	0.4	6.73
ATDHR-23	225	-85	237	191	218.3	27.30	1.14	3.88	21.2
ATDHR-24	215	-85	244.8	189.5	220.5	31.00	0.49	3.03	17.58
ATDHR-25	45	-70	229.3	88.5	93	4.50	3.23	6.4	20.75
				109	110.7	1.70	3.38	1.7	8.96
				118.3	119.4	1.16	0.5	3.68	8.63
ATDHR-26	10	-70	283.6	72.5	76.5	3.95	13	4.49	38.51
				82.6	85	2.40	4.1	2.28	5.77
				96.1	100.2	4.08	6.59	4.7	22.34
				144	263.7	119.70	6.89	6.26	16.5

### Greenfields Program

During 2012, the Company completed a VTEM survey over the property and a gravity survey over certain prospective areas that complemented previously completed magnetic and IP/Resistivity surveys. Geophysical data from the surveys confirms and enhances the understanding of drilling targets based on geology and geochemistry conducted over the 10 kilometer favorable trend running through the property.

Analysis and interpretation of the geophysical surveys has resulted in additional target areas being identified, namely Anomaly 8 located south east of El Roble mine, Anomaly 28 located at the south border of the El Roble claims, and Anomaly 42 located to the north west of El Roble mine.

As part of the greenfields program, the Company drilled two holes to test continuity of the favorable host lithology from the mine into the Otos-Gorgona area at the south of the El Roble mine.

### **Outlook**

#### Nearfield Mine Vicinity Program

For 2013, the Company has an underground drilling program of 5,000 meters underway which may be expanded as results warrant.

The program aims to define a resource within the newly discovered massive sulphide bodies as well as test additional prospective areas below level 2000 including several deep holes to test for occurrence of massive sulphides below the deepest intercepts to date.

The Company expects the 2013 program will provide a better understanding of the geometry and grade as well as potential for additional high-grade massive sulphides below the El Roble mine.

Atico is conducting technical and engineering studies of the mine and processing plant to provide a thorough understanding of the existing operation. Studies by engineering firms will assess the mill and processing facility's potential for scale-up, the mine's design and optimization, the tailings dam upgrade and the operation's environmental standards.

#### Greenfields Program

For 2013 the Company has budgeted 7,000 meters of surface diamond drilling to test several targets including the Archie and Santa Anita areas.

The surface drilling program was significantly reduced in 2012 to allow management time to better understand the geologic controls throughout the property through continued mapping, geochemistry, geophysics and surface drilling. The Company expects the surface drill program will continue to accelerate during 2013.

Surface soil and rock geochemistry and geology work will continue in newly identified, as well as, known target areas to better understand and prioritize drilling targets.

Demetrius Pohl, Ph.D. AIPG Certified Geologist, is a Qualified Person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects, and is responsible for the preparation and verification of the technical information in the MD&A.

## **RESULTS OF OPERATIONS**

The Company has not generated any revenue since its inception and has incurred losses primarily from the expenses related to its IPO and general and administrative expenses. The Company capitalizes expenditures incurred on its exploration activities at the El Roble Property.

### **For the Year Ended December 31, 2012**

The net loss for the year was \$1,185,964 compared to a net loss of \$620,865 for the prior year. Some of the factors of note when comparing the current year to the prior year are as follows:

- Management fees increased by \$201,216 to \$310,380 due to: a) the hiring of a CEO in the current period and b) management fees were only charged by the President for seven months during the prior year as his contract commenced on June 1, 2011.
- Office and administrative costs increased from \$137,047 to \$292,012. In the prior period, the Company was not operating at full capacity as it was working on the IPO. Therefore, office and admin costs were substantially less than in the current period.
- Share-based payments decreased from \$230,199 to \$152,216 as there were a decreased number of stock options granted in the year.
- Interest income of \$51,836 in the current year (\$Nil - 2011) was earned on cash from the Company's IPO which closed in March 2012.
- Investor relations costs of \$51,625 (\$Nil - 2011) were incurred as a result of an active shareholder communications program beginning after Atico became a reporting issuer.

### **For the Three Months Ended December 31, 2012**

The net loss for the fourth quarter was \$331,031 compared to a net loss of \$150,772 for the prior year's comparative quarter. Fluctuations in expenses were consistent with the discussion above for the year.

## SUMMARY OF QUARTERLY RESULTS

The following table provides selected financial information for the quarters up to December 31, 2012, and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2012 and 2011.

Quarter ended	December 31 2012	September 30 2012	June 30 2012	March 31 2012
Revenue	Nil	Nil	Nil	Nil
Share-based payments	Nil	Nil	152,216	Nil
Loss for the period	(331,031)	(263,085)	(346,525)	(245,323)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding	39,763,883	39,761,111	39,761,111	20,816,056

  

Quarter ended	December 31 2011	September 30 2011	June 30 2011	March 31 2011
Revenue	Nil	Nil	Nil	Nil
Share-based payments	Nil	\$ 17,955	\$ 212,244	Nil
Loss for the period	(150,772)	(181,093)	(250,396)	(38,604)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding	15,400,000	15,400,000	15,027,778	3,095,000

The reasons for variations in results worth noting are:

During the quarters ended June 30, 2012, September 30, 2012, and December 31, 2012, the Company increased its investor relations activities, and hired a full time CEO.

During the quarters ended December 31, 2011 and March 31, 2012, the Company increased the level of operations in Colombia, and hired exploration staff.

During the quarter ended September 30, 2011, activity increased as the Company set up its operations in Colombia, hired exploration staff, and incurred a non-cash expense of stock-based compensation for the stock options granted to officers, directors and employees.

During the quarter ended June 30, 2011, the Company incurred a significant non-cash expense of share-based payment for the stock options granted to officers, directors and employees.

During the quarter ended March 31, 2011, the Company had less expenses as the Option Agreement and corresponding due diligence had been finalized early in the year.

## LIQUIDITY AND CAPITAL RESOURCES

The Company completed its IPO in March 2012 for gross proceeds of \$11,500,000 and its common shares began trading on the TSX-V. Atico's working capital position at December 31, 2012 was \$2,835,515 (2011 – deficit of \$1,048,881). In January 2013, the Company completed a non-brokered private placement financing, raising \$8.0 million by the issuance of 12,307,694 units at \$0.65 per unit. With this financing complete, the Company has sufficient resources to fund its exploration programs and administrative expenditures for the ensuing year. The Company will be required to undertake additional financing in order to make the final option payment of US\$14,000,000 towards the El Roble property, if it should decide that it is warranted. The company is required to make the final option payment by January 28, 2014. There can be no assurance that the Company will be successful in raising the additional funds required to complete the option exercise for the El Roble Property should it decide to exercise the option.

### **Operating Activities**

Cash used in operations was \$1,579,993 for the year ended December 31, 2012 (2011 - \$95,022) and represents expenditures primarily on general and administrative expense and settlement of accounts payable.

### **Financing Activities**

The Company received net cash from financing activities of \$10,230,098 (2011 - \$1,675,419). The Company received \$11,500,000 from the issuance of common shares pursuant to its IPO, offset by share issue costs of \$1,074,402. Also during the year the Company received \$180,000 as proceeds from loans payable which it received from certain shareholders to fund ongoing working capital requirements prior to the completion of the IPO. After the IPO was completed, Atico repaid this loan along with a \$200,000 loan from 2011, with interest of \$8,250. A further \$12,750 was received on exercise of warrants.

### **Investing Activities**

During the year ended December 31, 2012, total cash used in investing activities was \$5,980,581 (2011 - \$1,479,656). The cash used in investing activities was comprised of \$162,214 in acquisition of equipment, \$1,811,537 on property acquisition costs, and \$4,058,666 in exploration expenditures consisting primarily of drilling, assays, geological consulting fees, field costs and logistical support, exploration personnel and office and administration of the Colombian office, offset by \$51,836 of interest income.

### **Requirement of Additional Equity Financing**

The Company has relied entirely on equity financings and loans for all funds raised to date for its operations. As noted above, the Company will need more funds to complete the acquisition of the El Roble Property. Until the Company starts generating profitable operations from exploration, development and sale of minerals, the Company will continue to rely upon the issuance of common stock to finance its operations and acquisitions pursuant to private placements, as well as the exercise of warrants and stock options. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's shares, restricting access to some institutional investors. The Company's growth and success is dependent on external sources of financing which may not be available on acceptable terms.



## TRANSACTION WITH RELATED PARTIES

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

<b>Year ended December 31, 2012</b>	Salary or Fees	Share-based Payments	<b>Total</b>
Management	\$ 310,380	\$ 102,760	\$ 413,140

<b>Year ended December 31, 2011</b>	Salary or Fees	Share-based Payments	<b>Total</b>
Management	\$ 90,428	\$ 99,296	\$ 189,724
Outside directors	-	93,090	93,090
	\$ 90,428	\$ 192,386	\$ 282,814

Related party liabilities	Items or Services	December 31, 2012	December 31, 2011
<b>Accounts payable and accrued liabilities:</b>			
Jorge R. Ganoza Aicardi	Management fees	\$ -	\$ 91,428
Seabord Services Corp.	Admin services/expense recovery	199	101,740
<b>Loans payable:</b>			
Jorge R. Ganoza Aicardi		\$ -	\$ 101,000
Jorge A. Ganoza Durant		-	100,750
Luis D. Ganoza Durant		-	101,000
Mario Szotlender		-	101,000

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 is an employee of Seabord and is not paid directly by the Company. During the year ended December 31, 2012, Seabord charged \$176,400 (2011 - \$83,400) for administrative services.

The above transactions are measured at the exchange amounts (the amounts established and agreed to by the related parties) which approximate the arm's length equivalent value. All balances due to related parties are included in accounts payable and accrued liabilities.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## ANNUAL INFORMATION

As at	December 31, 2012	December 31, 2011	December 31, 2010
<b>Financial Position</b>			
Working Capital	\$ 2,835,515	\$ (1,048,881)	\$ (247,470)
Exploration and Evaluation Assets	7,449,644	1,500,359	-
Total Assets	10,621,215	1,776,424	26,400
Share Capital	11,689,461	1,256,367	60,000
Deficit	(2,114,299)	(928,335)	(307,470)
	Year ended December 31 2012	Year ended December 31 2011	From Incorporation on April 15 to December 31, 2010
<b>Financial results</b>			
Net loss	\$ (1,185,964)	\$ (620,865)	\$ (307,470)
Net loss per share - basic and diluted	\$ (0.03)	\$ (0.05)	\$ (0.26)

## PROPOSED TRANSACTIONS

There are no proposed transactions of a material nature being considered by the Company other than its option to acquire the El Roble Property.

## NEW ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

### Accounting Standards Issued and Effective January 1, 2013

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements:

- a) defines the principle of control, and establishes control as the basis for consolidation.
- b) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.
- c) sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 Disclosure of Involvement with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 Separate Financial Statements has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

### **Accounting Standards Issued and Effective January 1, 2015**

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

## **FINANCIAL INSTRUMENTS**

### **Fair Value Hierarchy**

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

- 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 receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

As at December 31, 2012, the Company's financial instruments measured at fair value are as follows:

<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 2,798,413	\$ -	\$ -	\$ 2,798,413

### **Financial Instrument Risk Exposure and Risk Management**

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.

#### **Credit Risk**

Credit risk arises from cash and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions.

There is no significant concentration of credit risk other than cash deposits. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company has minimal accounts receivable exposure.

#### **Interest Rate Risk**

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates. As at December 31, 2012, the Company did not have any interest-bearing loans.

#### **Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities and the ability to pay obligations as they fall due. Financial liabilities, as at December 31, 2012, included \$186,283 of accounts payable and accrued liabilities that have expected maturity dates of less than one year. Balances due within 12 months equal their carrying balance as the impact of discounting is not significant.

The Company is currently considering funding options that are available including raising additional funds from institutional investors and/or current shareholders and is confident that funding will be available to meet the final work program.

#### **Foreign 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 Canadian dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities:

		US dollars	Colombian pesos	Total
Cash and cash equivalents	\$	98,273	\$ 109,425,722	
Accounts payable and accrued liabilities		(51,699)	(136,907,866)	
<b>Net exposure</b>		<b>46,574</b>	<b>(27,482,144)</b>	
Canadian dollar equivalent	\$	46,430	\$ (15,522)	\$ 30,908

Based on the above net exposure as at December 31, 2012, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Colombian peso would result in an increase/decrease of approximately \$3,091 in the Company's pre-tax profit or loss.

## RISKS AND UNCERTAINTIES

In addition to the usual risks associated with an investment in a business at an early stage of development, management and the directors of the Company believe that, in particular, the following risk factors should be considered. It should be noted that the list is not exhaustive and that other risk factors may apply. An investment in the Company may not be suitable for all investors.

### No Assurance of Titles or Borders

The acquisition of the right to exploit mineral properties is a very detailed and time consuming process. There can be no guarantee that the Company has acquired title to any such surface or mineral rights or that such rights will be obtained in the future. To the extent they are obtained, titles to the Company's surface or mineral properties may be challenged or impugned and title insurance is generally not available. The Company's surface or mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on the Company's operations.

### Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company has an option to acquire a mineral property. The Company also considers other property acquisition opportunities. The main operating risks, should the Company acquire a property, include: ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

The Company may earn an interest in the El Roble property through an option agreement and acquisition of title to the property is only completed when the option conditions have been met. These conditions primarily include making property option payments by January 28, 2014. If the Company does not satisfactorily complete the option payments in the time frame laid out in the option agreement, the Company's title to the related property will not vest and the Company will have to write-off the previously capitalized costs related to that property.

The market prices for silver, gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

## **Financing and Share Price Fluctuation Risks**

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

The securities markets can experience a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies such as the Company, may experience wide fluctuations in share prices which will not necessarily be related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

## **Foreign Country and Political Risk**

The Company is operating in Colombia that currently has varied political and economic environments. As such, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mineral concessions or other mineral rights, opposition from environmental or other non-governmental organizations, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Exploration and development may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine and/or site safety.

Notwithstanding any progress in restructuring political institutions or economic conditions, the present administration, or successor governments may not be able to sustain any progress. If any negative changes occur in the political or economic environment of Colombia, it may have an adverse effect on the Company's operations. The Company does not carry political risk insurance.

## **Currency Risks**

The Company's equity financings are sourced in Canadian dollars but for the most part it primarily incurs its expenditures in Colombian pesos or in US dollars. At this time, there are no currency hedges in place. Therefore, a weakening of the Canadian dollar against local currencies or the US dollar could have an adverse impact on the amount of exploration conducted.

## **Insured and Uninsured Risks**

In the course of exploration, development and production of mineral properties, the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in the damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future

profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Some work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

### **Environmental Risks and Hazards**

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

### **Competition**

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

### **Conflicts of Interest**

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **OUTSTANDING SHARE DATA**

As at April 10, 2013, the Company had 52,107,305 common shares issued and outstanding. There were also stock options to purchase 4,395,000 shares outstanding with expiry dates ranging from June 30, 2016 to March 1, 2018, and 7,993,847 warrants with expiry dates ranging from March 12, 2014 to July 16, 2014.