**ATICO MINING CORPORATION**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**For the Year Ended December 31, 2014**

## GENERAL

This management's discussion and analysis ("MD&A") for Atico Mining Corporation (the "Company" or "Atico") is intended to help the reader understand the significant factors that have affected Atico and its subsidiaries performance and such factors that may affect its future performance. This MD&A, which has been prepared as of April 14, 2015, should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014 and the related notes contained therewith. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included in the following MD&A are in United States dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at www.sedar.com.

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

## INDEX

Company Overview....2
2014 Financial and Operating Highlights....2
Fourth Quarter 2014 Highlights....3
Results of Operations....4
Outlook....7
Summary of Quarterly Results....7
Fourth Quarter Financial Results....8
Annual Financial Results....10
Liquidity and Capital Resources....12
Transactions with Related Parties....14
Off-Balance Sheet Arrangements....14
Contingencies....14
Proposed Transactions....14
Critical Accounting Estimates and Judgments....15
New Accounting Pronoucements....18
Financial Instruments....19
Risk Factors....20
Share Position and Outstanding Warrants and Options....25
Qualified Person....25
Non-GAAP Financial Measures....26
Cautionary Statement on Forward-Looking Statements....27

## COMPANY OVERVIEW

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

The Company is engaged in copper-gold mining and related activities including exploration, development, extraction, and processing in Colombia and the acquisition, exploration and development of copper and gold projects in Latin America. The Company completed its initial public offering ("IPO") in March 2012. In conjunction with the IPO, Atico began trading on the TSX Venture Exchange ("TSX-V") under the symbol "ATY".

On November 22, 2013, the Company completed the exercise of its mineral property purchase option, acquiring 90% of the shares of Minera El Roble S.A. ("MINER"), the owner of the El Roble mineral property and took control of the producing El Roble mine and 6,679 hectares of surrounding claims.

MINER's principal asset is the operating El Roble underground copper-gold-silver mine and processing plant, located in Choco, Colombia. With a nominal capacity of 400 tonnes per day, the mine has processed over the past twenty-two years, 1.5 million tonnes of ore at an average head grade of 2.6% copper and an estimated gold grade of 2.5 grams per tonne ("g/t"). The operation is currently in the final stages of an expansion to a nominal capacity of 650 tonnes per day.

## 2014 FINANCIAL AND OPERATING HIGHLIGHTS

The year 2014 was the first full year that the Company operated the El Roble mine.

### Financial highlights

Net loss for the year ended December 31, 2014 ("2014") amounted to $3.2 million. The loss was affected by a non-cash income tax provision of $2.0 million resulting from the initial recognition of the Colombian mining tax reform (introduction of the temporary CREE surtax and permanent increase to the CREE tax rate). Net loss before this non-cash income tax provision was $1.2 million.

Sales for the year were $25.4 million with copper accounting for 65% of the total, and gold and silver for 34% and 1% respectively. The average realized price per metal was $3.08 per pound of payable copper, $1,258.22 per ounce of gold and $19.04 per ounce of silver.

Cash costs for 2014 were $108.62 per tonne of processed ore and $0.82 per pound of payable copper produced, a 35% decrease over the 2013 cash cost per pound of payable copper (refer to non-GAAP Financial Measures).

Income from operations for 2014 was $3.3 million while cash flow from operations, before changes in working capital was $7.3 million. Capital expenditures amounted to $13.1 million.

### Operating Highlights

Over the course of 2014 the Company achieved material production increases as a result of the expansion and optimization projects undertaken at El Roble mine.

2014 operating highlights include:[1]

- Over 91% increase in processed ore year-on-year.
- Copper head grade improved 215% year-on-year.
- Gold head grade improved 112% year-on-year.
- Year-on-year concentrate production was increased sixfold.
- Copper metal production increased 543% year-on-year.
- Gold metal production increased 315% year-on-year.

[1] The Company did not operate the El Roble mine until November 22, 2013. The information for prior periods was obtained from the books and records of MINER prior to Atico's acquisition.

Construction of the level 1880 adit, a new mine access started in August 2013, was completed in January 2014. The adit intersected the Goliat deposit on the 1896 level, with stope development starting January 2014. In March 2014, the Maximus deposit was reached at the same level with development work beginning the same month. An access ramp was also started in March 2014 to provide access to the upper elevations of both Goliat and Maximus as well as provide exploration and in-fill drill access. The ramp work continued through the third quarter of 2014 ("2014-Q3"), providing access to various new sublevels above the 1895 level. Sublevel stoping commenced in the second quarter of 2014 ("2014-Q2") and is on-going.

A decline ramp was started in 2014-Q2 to provide access to the Goliat and Maximus deposits found below the 1896 elevation. The ramp provided access for stope development work, exploration and in-fill drill access. The ramp excavation continued sporadically though the remainder of 2014; eventually the decline ramp will provide access to the Zeus deposit and other ore sources.

The processing facility improvements began in the first quarter of 2014 ("2014-Q1") with the use of different reagents to enhance flotation. During 2014-Q2, pulp acclimation work was completed and a new reagent dosage system installed to provide improved flotation performance. In 2014-Q3, the grinding mill motors were changed to increase throughput and other changes were made to the plant grinding and flotation circuit to improve metal recovery and increase throughput.

During 2014-Q3, the first phase of the new tailings impoundment ("Tailings Impoundment 4") started operating, providing sufficient tailings storage capacity for approximately fourteen (14) months. The second phase is scheduled to be completed during 2015 and will provide continuous storage of tails. Once both phases are operational, the tailings impoundment is expected to provide storage capacity for over four (4) years. A four-kilometer tailings pipeline was completed from the plant to the impoundment during 2014-Q3. A vertical tailings thickener was installed at the plant to thicken the tails before they are transported to the impoundment.

Equipment, including a new concentrate filter, new secondary cone crusher, screens for the crushing circuit, larger-capacity flotation cells, and ancillary equipment, were purchased and installed closer to year-end. The equipment was commissioned in the first quarter of 2015 ("2015-Q1"), allowing process plant capacity to increase to 650 tonnes per day.

During 2014, important industrial security and safety initiatives were introduced with positive effects. Air quality, noise, lighting and routine mine ventilation monitoring programs were introduced during the year; the programs are on-going. A personal protective equipment policy has been standardized and implemented for all employees, as well as intense training of personnel in equipment operation, use of materials and other consumables and overall safety awareness. The results have been positive.

Man-hours worked in 2014 were approximately 100% more than 2013 and approximately 270% more than 2012. The total number of lost time accidents dropped from thirty-nine (39) accidents with lost time in 2012 (including two fatalities) and thirty-two (32) lost time accidents in 2013 to a total of nineteen (19) in 2014. The Company has achieved safety metrics above Colombian standards and it is committed to a continuous effort to raise its safety standard to international levels. The industrial security programs will continue throughout 2015.

## FOURTH QUARTER 2014 HIGHLIGHTS

- The Company produced 6,526 dry metric tonnes ("DMT") of concentrate during the quarter with a metal content of 2.91 million pounds ("lbs") of copper ("Cu"), 3,304 ounces ("oz") of gold and 7,310 oz of silver.
- Sales of $8.4 million were generated during the quarter from the shipping and provisional invoicing of 5,417 DMT of concentrate containing 2.41 million lbs of payable copper, and 2,650 and 1,804 oz of payable gold and silver respectively
- At quarter-end, 5,913 wet metric tonnes ("WMT") of non-invoiced concentrate remained at the Company's warehouses.

- Cash cost (i.e. before depletion, amortization and royalties) for the quarter was $99.80 per tonne of processed ore, or $0.54 per pound of payable copper produced (refer to non-GAAP Financial Measures).
- Income from mining operations for the quarter was $3.7 million.
- Net cash provided by operating activities before non-cash working capital items for the quarter was $2.5 million.

## RESULTS OF OPERATIONS

### Metal production

| | Year ended Dec 31 2014 | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | Year ended Dec 31 2013[1] | Q4 2013[1] | Q3 2013[1] | Q2 2013[1] | Q1 2013[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Copper (000 lbs) | 9,079 | 2,909 | 2,702 | 2,070 | 1,398 | 1,412 | 389 | 540 | 353 | 130 |
| Gold (oz) | 9,538 | 3,304 | 2,932 | 2,155 | 1,147 | 2,297 | 666 | 949 | 496 | 186 |
| Silver (oz) | 25,701 | 7,310 | 8,257 | 6,673 | 3,461 | 7,167 | 1,928 | 2,932 | 1,795 | 512 |
| Cash cost per pound of payable copper produced[2] ($/Cu lb) | 0.82 | 0.54 | 0.72 | 1.01 | 1.33 | 1.26 | 1.44 | 0.18 | 1.27 | 5.26 |

[1] The Company did not operate the El Roble mine during the nine months ended September 30, 2013. The information for this period was obtained from the books and records of MINER prior to Atico's acquisition on November 22, 2013.
[2] Net of by-product credits (refer to non-GAAP Financial Measures).

In 2014, the Company produced 9.1 million lbs of copper, 9,538 oz of gold and 25,701 oz of silver. When compared to 2013, production increased over six, four and three times (6x, 4x, and 3x) for copper, gold and silver, respectively. This significant increase in metal produced year over year is mainly explained by an increase of 91% in processed ore, 215% in copper head grade, and 112% in gold head grade to the comparative periods. To a lesser extent, slight increases in metal recoveries for copper and gold in 2014 over 2013 also contributed.

As production increased quarter-over-quarter throughout 2014, the cash cost per pound of payable copper also decreased consistently from the previous quarters, reaching its lowest level in 2014-Q4. When comparing year-over-year, the cash cost per payable pound of copper decreased by 37% in 2014 relative to 2013.

### El Roble mine review

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

The mine has processed over the past twenty-two years, with an historic nominal capacity of 400 tonnes per day, a total of over 1.5 million tonnes of ore at an average head grade of 2.6% copper and an estimated gold grade of 2.5 g/t. The operation is currently in the final stages of an expansion to a nominal capacity of 650 tonnes per day. Copper and gold mineralization at the El Roble property occurs in volcanogenic massive sulfide ("VMS") lenses.

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

### El Roble operating performance

| | Year ended Dec 31 2014 | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | Year ended Dec 31 2013[2] | Q4 2013[2] | Q3 2013[2] | Q2 2013[2] | Q1 2013[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Production (contained metals)**[1] | | | | | | | | | | |
| Copper (000 lbs) | 9,079 | 2,909 | 2,702 | 2,070 | 1,398 | 1,412 | 389 | 540 | 353 | 130 |
| Gold (oz) | 9,538 | 3,304 | 2,932 | 2,155 | 1,147 | 2,297 | 666 | 949 | 496 | 186 |
| Silver (oz) | 25,701 | 7,310 | 8,257 | 6,673 | 3,461 | 7,167 | 1,928 | 2,932 | 1,795 | 512 |

| | Year ended Dec 31 2014 | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | Year ended Dec 31 2013[(2)] | Q4 2013[(2)] | Q3 2013[(2)] | Q2 2013[(2)] | Q1 2013[(2)] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Mining** | | | | | | | | | | |
| Ore (tonnes) | 148,775 | 44,690 | 40,088 | 37,206 | 26,791 | 69,901 | 17,659 | 23,308 | 17,571 | 11,363 |
| **Milling** | | | | | | | | | | |
| Milled (tonnes) | 133,332 | 39,923 | 36,505 | 33,888 | 23,016 | 69,895 | 17,653 | 23,308 | 17,571 | 11,363 |
| Tonnes per day | 462 | 551 | 493 | 440 | 354 | 303 | 289 | 311 | 332 | 270 |
| Copper grade (%) | 3.37 | 3.61 | 3.63 | 3.07 | 3.01 | 1.07 | 1.15 | 1.26 | 0.94 | 0.80 |
| Gold grade (g/t) | 3.30 | 3.70 | 3.60 | 3.12 | 2.43 | 1.56 | 1.94 | 2.08 | 1.13 | 1.13 |
| Silver grade (g/t) | 12.30 | 11.30 | 13.48 | 13.27 | 10.65 | 7.41 | 9.52 | 8.59 | 6.82 | 3.96 |
| **Recoveries** | | | | | | | | | | |
| Copper (%) | 91.4 | 91.3 | 92.4 | 90.1 | 91.5 | 89.6 | 86.9 | 88.7 | 98.2 | 90.3 |
| Gold (%) | 66.9 | 69.3 | 69.5 | 63.4 | 63.7 | 65.2 | 60.7 | 64.9 | 78.8 | 64.8 |
| Silver (%) | 48.8 | 50.4 | 52.2 | 46.2 | 43.9 | 42.9 | 35.5 | 48.1 | 46.9 | 49.0 |
| **Concentrate** | | | | | | | | | | |
| Cu concentrate produced (DMT) | 19,417 | 6,526 | 5,768 | 4,388 | 2,735 | 3,235 | 824 | 1,210 | 822 | 379 |
| Copper (%) | 21.2 | 20.2 | 21.2 | 21.4 | 23.2 | 19.8 | 21.5 | 20.3 | 19.5 | 15.6 |
| Gold (g/t) | 15.3 | 15.7 | 15.8 | 15.3 | 13.1 | 22.1 | 25.2 | 24.4 | 18.8 | 15.2 |
| Silver (g/t) | 41.2 | 34.8 | 44.5 | 47.3 | 39.4 | 68.9 | 72.8 | 75.4 | 68.0 | 42.0 |
| Payable copper produced (000 lbs) | 8,630 | 2,764 | 2,567 | 1,967 | 1,332 | 1,342 | 371 | 514 | 335 | 122 |
| Cash cost per pound of payable copper produced[(3)] | 0.82 | 0.54 | 0.72 | 1.01 | 1.33 | 1.26 | 1.44 | 0.18 | 1.27 | 5.26 |

[(1)] Subject to adjustments due to final settlement.
[(2)] The Company started operating the El Roble mine on November 22, 2013. The information prior to this date was obtained from the books and records of MINER prior to Atico's acquisition.
[(3)] Net of by-product credits (refer to non-GAAP Financial Measures).

The El Roble mine performed in line with expectations in 2014.

Daily throughput rate increased in 2014 by 52% year-over-year, while the 2014-Q4 daily throughput increase over the same period in 2013 was 91%.

The Company completed the last changes to the mill in early January 2015. Concurrently, commissioning of new equipment caused intermittent production interruptions and lower than expected throughput through late January 2015 and most of February 2015. Production was stabilized in March 2015 at about 600 tonnes per day; the Company has reached a nominal capacity of 650 tonnes per day.

In 2014, head grades were in line with expectations for resources mined during the period. The increase in head grades over 2013 is explained mainly by lower dilution during the mining process and higher resource grades. The Company anticipates a reduction in the average in-situ grade of stopes mined during 2015-Q1, reducing the head grade for the same period by approximately 20% relative to 2014 head grades. The head grade is expected to increase during second quarter of 2015 ("2015-Q2") to levels seen in 2014-Q4.

The metallurgical recovery performed at expected levels during 2014-Q4 and 2014. The Company expects copper recovery will fluctuate between 91% and 92% throughout 2015-Q1 while gold recovery is expected to have a modest increase.

The Company has continued stoping activities between levels 1885 and 1907 and has begun preparations between levels 1907 and 1919. Mined ore output during 2014-Q4 increased by 11% over 2014-Q3, in line with planned stope development work. The difference in material between ore mined and ore processed was taken from surface stockpiles. At the end of 2014, the Company maintained an ore inventory of 2,868 DMT in surface stockpiles.

(Expressed in US dollars, unless otherwise indicated)

Capital expenditure activities for 2014 on a cash basis were $13.1 million. Major categories of expenditure included $4.45 million in underground mine development, $1.5 million in equipment and infrastructure related to the mine and $2.0 million related to the mill, $2.9 million in tailings impoundment construction and $1.5 million in surface infrastructure. Exploration expenditure for 2014 was $0.75 million.

Cash costs for 2014 were $108.62 per tonne of processed ore, and $0.82 per pound of payable copper produced, a 35% decrease over the 2013 cash cost per pound of payable copper.

Cash costs for 2014-Q4 were $99.80 per tonne of processed ore, and $0.54 per pound of payable copper produced. A decrease of 11% and 25% respectively over the 2014-Q3 cash cost, mainly driven by lower mining and distribution costs of 17% and 11%, respectively, partially offset by an increase of 28% in milling cost.

**Concentrate inventory**

| Amounts in dry metric tonnes ("DMT") | Three months ended December 31 2014 | Year ended December 31 2014 |
|---|---|---|
| Opening inventory | 4,366.3 | 720.9 |
| Production | 6,526.4 | 19,417.4 |
| Sales | (5,416.9) | (14,669.0) |
| Adjustment | - | 6.5 |
| Closing inventory | 5,475.8 | 5,475.8 |

The Company recognizes revenue associated with the sale of concentrate when the risks and rewards of ownership of the concentrate are transferred to the customer, which under the current off-take agreement is when the Company loads the concentrate to the performing vessel at the port of Buenaventura, Colombia. As final price settlement may occur several months after the revenue is recognized, changes in metal prices during that time may have a material impact on the final revenue recognition.

Production is trucked routinely from the El Roble mine to the port of Buenaventura, where 5,000 WMT of concentrate can be stored at the Company´s warehouse. Since the cost of shipping and freight is directly related to the size of the lot to be shipped, the Company prefers to sell lots closer to 5,000 WMT. The Company is exploring options to increase the concentrate storage capacity in 2015 to accommodate increased concentrate production at El Roble. The Company postponed the shipment of 5,000 WMT scheduled for December of 2014 to January of 2015 (refer to Annual Financial Results).

**Exploration**

During 2014, the underground drilling program at the El Roble mine prioritized further defining the known mineralized bodies for mine planning purposes and initiated step out drilling to test continuity of known mineralized bodies. A total of 4,698 meters were drilled underground.

The Company has continued definition drilling of massive sulphide mineralization to the north and south of the Maximus/Goliat mineralization. During 2014-Q4, sufficient information was gathered to begin planning access and mining of these mineralized areas.

During 2014-Q4, the Company began a drill program to crosscut Zeus, Aquiles, and Ares mineralization. In-fill drilling approximately perpendicular to the strike direction of these known massive sulfide bodies as well as drilling of new prospective areas below the 2000-meter level is being conducted from the new main level 1880 adit.

(Expressed in US dollars, unless otherwise indicated)

With the first three holes of the program (ATD-0001, ATD-0002 and ATD-0003), drilling intercepted significantly larger intervals of massive sulfide than had been modeled in the National Instrument 43-101("NI 43-101") inferred resource estimate wireframes of Zeus and Aquiles (see Atico's technical report dated August 27, 2013). At the levels of mineralization drilled, the average interval used in the wireframe calculation of the inferred resource was approximately 58 meters, whereas the first infill hole (ATD-0001) intersected 116.6 meters, the second hole (ATD-0002) intersected 70.8 meters and the third hole (ATD-0003) intersected 86.4 meters of mineralization.

The Company anticipates this program will continue through 2015-Q2.

During 2014, the Company continued the surface soil sampling, rock geochemistry and geology work in the 10-kilometer prospective contact. The Santa Anita and San Lorenzo target areas and other prospective target areas to further define drilling targets for the planned surface drill program. The Company expects drilling in the Santa Anita and San Lorenzo areas will begin during the 2015-Q2 after optimization and scale-up of the El Roble mine.

## OUTLOOK

The Company is basing 2015 guidance on full year 2014 financial and production results. Please refer to Cautionary Note on Forward Looking Statements at the end of this document.

The Company continues to pursue the following objectives for 2015 at the El Roble mine:

- Process between 185,000 and 195,000 tonnes.
- Optimize copper and gold recoveries.
- Increase the mill mechanical availability to 90% and reach 315 days worked.
- Continue increasing the safety and environmental standards.
- Develop and prepare the identified resources to be at an ore break rate of 700 tonnes per day.
- Update the resource estimate.
- Complete phase 2 of the new tailings facility.

## SUMMARY OF QUARTERLY RESULTS

The following table provides selected financial information for the eight quarters up to December 31, 2014, and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2014 and 2013.

| | December 31 2014 | September 30 2014 | June 30 2014 | March 31 2014 |
|---|---|---|---|---|
| Revenue[1] | $ 8,374,680 | $ 7,486,882 | $ 7,500,276 | $ 2,036,991 |
| Income (loss) from operations | 1,439,155 | 1,272,900 | 1,023,309 | (472,383) |
| Net income (loss) for the period[2] | (2,422,732) | 236,821 | (280,963) | (790,064) |
| Income (loss) per share - basic and diluted | (0.02) | 0.00 | (0.00) | (0.01) |
| Weighted average shares outstanding | 97,591,571 | 97,591,571 | 97,586,860 | 96,848,683 |

| | December 31 2013 | September 30 2013 | June 30 2013 | March 31 2013 |
|---|---|---|---|---|
| Revenue[1] | $ Nil | $ Nil | $ Nil | $ Nil |
| Loss from operations | (1,541,576) | (812,455) | (643,834) | (656,272) |
| Net income (loss) for the period[2] | 2,997,891 | (844,575) | (627,385) | (663,138) |
| Loss per share - basic and diluted | 0.03 | (0.02) | (0.01) | (0.01) |
| Weighted average shares outstanding | 95,681,414 | 52,316,707 | 52,107,305 | 49,915,226 |

[1] The Company started operating the El Roble mine on November 22, 2013.
[2] Income (loss) attributable to equity holders of the Company.

The financial results of MINER are only incorporated in the quarterly information in the above table as of November 22, 2013. The Company began earning revenue in 2014-Q1 due to the acquisition of MINER in late 2013. Prior quarters did not have any revenues, including 2013-Q4. The income for 2013-Q4 is a result of the acquisition accounting for the purchase of MINER, where the fair value of the acquisition resulted in a gain on bargain purchase of $735,691 and a deferred income tax recovery of $3,529,840. The net losses for Q3, Q2, and Q1 of 2013 increased from the prior quarters due to the hiring of the Company's CEO and ramping up of all activities relating to corporate activities in anticipation of the fund-raising required to exercise the option to purchase MINER.

## FOURTH QUARTER FINANCIAL RESULTS

Fourth quarter net loss was $2,608,882 compared to net income of $2,958,494 in 2013-Q4 and earnings (loss) per share was $(0.02) and $0.03, respectively. Income from mining operations was $3,657,802 (2013-Q4 - $Nil), and the Company had an income from operations of $1,439,155 (2013-Q4 - loss of $1,541,576). Income from mining operations in 2014-Q4 is from MINER, which was acquired effective November 22, 2013. Expenses in 2014-Q4 were higher primarily due to general and administration expenses of the Colombian administration office now being expensed whereas prior to acquiring MINER these costs were capitalized to exploration and evaluation assets. The Company also incurred significantly higher interest expense on loans payable and other short-term credit facilities, as there was only one loan outstanding for 40 days in the comparative year.

**Sales** for 2014-Q4 were $8,374,680 (2013-Q4 - $Nil) from the shipping and provisional invoicing of 5,416.9 DMT of concentrate and adjustments on shipments made during prior periods. The Company did not have any revenue in 2013-Q3 as it did not make its first shipment following the acquisition of the El Roble mine until 2014-Q1. The Company's metal concentrates are provisionally priced at the time of sale based on the prevailing commodity market prices. Final prices are set in a period subsequent to the date of sale based on specified quotational period after delivery. Under the current sales agreement, final pricing for metals concentrates generally occurs four months after the month of sales. Sales for 2014-Q4 increased over 2014-Q3 due to an increase in the tonnes of concentrate sold, offset by a decrease in net price.

| **Three months ended** | December 31 2014 | September 30 2014[1] | December 31 2013 |
|---|---|---|---|
| **Sales and realized prices** | | | |
| Provisional invoices | $ 9,286,131 | $ 7,520,499 | $ - |
| Adjustments[2] | (911,451) | (33,617) | - |
| Sales per financial statements | $ 8,374,680 | $ 7,486,882 | - |
| **Copper** | | | |
| Provisional sales (000's lbs) | 2,549.6 | 1,932.0 | - |
| Realized price ($/lb)[3] | 3.01 | 3.22 | - |
| Net realized price ($/lb)[4] | 2.61 | 2.81 | - |
| **Gold** | | | |
| Provisional sales (oz) | 2,789.8 | 2,012.8 | - |
| Realized price ($/oz)[3] | 1,189.50 | 1,300.00 | - |
| Net realized price ($/oz)[4] | 1,152.22 | 1,260.08 | - |
| **Silver** | | | |
| Provisional sales (oz) | 7,110.8 | 6,037.6 | - |
| Realized price ($/oz)[3] | 16.21 | 20.84 | - |
| Net realized price ($/oz)[4] | 16.09 | 20.67 | - |

(1) Given the expansion and changes undergoing in the operation, the Company believes the relevant comparison for the readers is with 2014-Q3.
(2) Include adjustments for mark-to-market price and foreign exchange rates.
(3) Based on provisional sales before final price and assay adjustments. The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.
(4) Adjusted for payable metals deductions, treatment and refining charges, and transportation charges.

(Expressed in US dollars, unless otherwise indicated)

**Cost of sales** for 2014-Q4 was $4,716,878 (2013-Q4 - $Nil) consisting of the following components:

| Three months ended | December 31 2014 | September 30 2014(1) | December 31 2013 |
|---|---|---|---|
| Direct mining and processing costs | $ 2,567,604 | $ 3,455,534 | $ - |
| Royalties | 168,794 | 99,278 | - |
| Depletion and amortization | 1,980,480 | 1,173,210 | - |
| | $ 4,716,878 | $ 4,728,022 | $ - |

(1) Given the expansion and changes undergoing in the operation, the Company believes the relevant comparison for the readers is with 2014-Q3.

Cost of sales recognized in 2014-Q4 was primarily related to the production costs of concentrate produced during 2014-Q3 and shipped during 2014-Q4. The decreased cost of sales for 2014-Q4 over 2014-Q3 is reflective of the downward trend of the Company's production costs of 2014-Q3 from 2014-Q2.

**Selling, general and administrative** expenses were higher in 2014-Q4 compared to 2013-Q4; $2,074,263 compared to $1,235,566. The breakdown of the Company's selling, general and administrative ("SG&A") expense is as follows:

| | Three months ended December 31, 2014 | | | Three months ended December 31, 2013(1) | | |
|---|---|---|---|---|---|---|
| | Operations | Corporate | **Total** | Operations | Corporate | **Total** |
| Selling expenses | $ 671,765 | $ - | $ 671,765 | $ - | $ - | $ - |
| Amortization | 13,754 | 1,043 | 14,797 | 57,214 | 969 | 58,183 |
| Corporate administration | 282,349 | 107,103 | 389,452 | 122,206 | 344,953 | 467,159 |
| Professional fees | 59,759 | 35,606 | 95,365 | 18,951 | 309,757 | 328,708 |
| Salaries and benefits | 397,370 | 504,651 | 902,021 | 123,056 | 248,888 | 371,944 |
| Transfer agent and filing fees | - | 863 | 863 | - | 9,572 | 9,572 |
| | $1,424,997 | $ 649,266 | $2,074,263 | $ 321,427 | $ 914,139 | $1,235,566 |

| | Three months ended December 31, 2014 | | | Three months ended September 30, 2014(2) | | |
|---|---|---|---|---|---|---|
| | Operations | Corporate | **Total** | Operations | Corporate | **Total** |
| Selling expenses | $ 671,765 | $ - | $ 671,765 | $ 497,036 | $ - | $ 497,036 |
| Amortization | 13,754 | 1,043 | 14,797 | 1,686 | 1,044 | 2,730 |
| Corporate administration | 282,349 | 107,103 | 389,452 | 213,127 | 78,556 | 291,683 |
| Professional fees | 59,759 | 35,606 | 95,365 | 45,191 | 12,787 | 57,978 |
| Salaries and benefits | 397,370 | 504,651 | 902,021 | 182,615 | 186,635 | 369,250 |
| Transfer agent and filing fees | - | 863 | 863 | - | 2,040 | 2,040 |
| | $1,424,997 | $ 649,266 | $2,074,263 | $ 939,655 | $ 281,062 | $1,220,717 |

(1) The Company started operating the El Roble mine on November 22, 2013.
(2) Given the expansion and changes undergoing in the operation, the Company believes the relevant comparison for the readers is with 2014-Q3.

**Other income and expenses:** In 2014-Q4, the Company recognized share-based payments of $116,736 (2013-Q4 - $301,615) for 2,160,000 stock options granted in February and March 2013 that have vesting terms over 18 months and 2,870,671 stock options granted in July 2014 that have vesting terms over 36 months.

In 2014-Q4, the Company recognized interest expense of $297,997 (2013-Q4 - $83,950) for various long-term credit facilities, and accretion expense of $25,705 (2013-Q4 - $10,005) for its decommissioning and restoration provision related to the El Roble mine. The Company recognized deferred income tax expense of $3,000,936 affected by a non-cash income tax provision of $2,005,658 resulting from the initial recognition of the Colombian mining tax reform in 2014-Q4 and deferred income tax recovery of $3,529,840 arising from the acquisition of MINER in 2013-Q4.

## ANNUAL FINANCIAL RESULTS

Selected financial information from the Company's three most recently completed financial years is summarized as follows:

| Year ended | December 31 2014 | December 31 2013 | December 31 2012 |
|---|---|---|---|
| Revenue[1] | $ 25,398,829 | $ Nil | $ Nil |
| Net income (loss)[2] | (3,256,938) | 862,793 | (1,186,438) |
| Earnings (loss) per share - basic and diluted | (0.03) | 0.01 | (0.03) |
| Total assets | 79,600,075 | 68,596,992 | 10,657,450 |
| Total long-term liabilities | 24,567,084 | 23,251,690 | Nil |
| Dividends declared | Nil | Nil | Nil |

[1] Include adjustments for mark-to-market price and foreign exchange rates.
[2] Income (loss) attributable to equity holders of the Company.

For the year ended December 31, 2014, the Company incurred a net loss of $3,231,062 compared to a net income of $823,396 for the comparative year and earnings (loss) per share was $(0.03) and $0.01, respectively. For the year ended December 31, 2014, income from mining operations was $9,417,214 (2013 - $Nil), and the Company had an income from operations of $3,262,981 (2013 - loss of $3,654,137). Income from mining operations for the year ended December 31, 2014 is from MINER, which was acquired effective November 22, 2013. Expenses for the year ended December 31, 2014 were higher primarily due to general and administration expenses of the Colombian administration office now being expensed whereas prior to acquiring MINER these costs were capitalized to exploration and evaluation assets. The Company also incurred significantly higher interest expense on loans payable and other short-term credit facilities, as there was only one loan outstanding for 40 days in the comparative year.

**Sales** for the year ended December 31, 2014 were $25,398,829 (2013 - $Nil) from the shipping and provisional invoicing of 14,361.1 DMT of concentrate and mark-to-market adjustments on shipments awaiting final settlements. The Company did not have any revenue for the comparative period in 2013 as it did not make its first shipment following the acquisition of the El Roble mine until 2014-Q1. The Company's metal concentrates are provisionally priced at the time of sale based on the prevailing commodity market forward prices. Final prices are set in a period subsequent to the date of sale based on specified quotational period after delivery. Under the current sales agreement, final pricing for metals concentrates generally occurs four months after the month of sales. The Company has not hedged its exposure to metal price risks. The Company delayed its final 2014 shipment to 2015 and held more than 5,000 WMT of concentrate inventory as at December 31, 2014. The delayed shipment was shipped in January 2015 with provisional invoicing of $8.3 million. The pro forma revenue and income from mining operations for 2014 would have been $33.1 million and $13.1 million, respectively.

| Year ended | December 31 2014 | December 31 2013[1] |
|---|---|---|
| **Sales and realized prices** | | |
| Provisional invoices | $ 25,960,745 | $ - |
| Adjustments[2] | (561,916) | - |
| Sales per financial statements | $ 25,398,829 | $ - |
| | | |
| **Copper** | | |
| Provisional sales (000's lbs) | 6,744.8 | - |
| Realized price ($/lb)[3] | 3.08 | - |
| Net realized price ($/lb)[4] | 2.69 | - |

(Expressed in US dollars, unless otherwise indicated)

| Year ended | December 31 2014 | December 31 2013[(1)] |
|---|---|---|
| **Gold** | | |
| Provisional sales (oz) | 7,626.8 | - |
| Realized price ($/oz)[(3)] | 1,258.22 | - |
| Net realized price ($/oz)[(4)] | 1,223.90 | - |
| | | |
| **Silver** | | |
| Provisional sales (oz) | 21,137.6 | - |
| Realized price ($/oz)[(3)] | 19.04 | - |
| Net realized price ($/oz)[(4)] | 18.87 | - |

(1) The Company started operating the El Roble mine on November 22, 2013.
(2) Include adjustments for mark-to-market price and foreign exchange rates.
(3) Based on provisional sales before final price and assay adjustments. The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.
(4) Adjusted for payable metals deductions, treatment and refining charges, and transportation charges.

**Cost of sales** for the year ended December 31, 2014 was $15,981,615 (2013 - $Nil) consisting of the following components:

| Year ended | December 31 2014 | December 31 2013[(1)] |
|---|---|---|
| Direct mining and processing costs | $ 10,927,070 | $ - |
| Royalties | 499,400 | - |
| Depletion and amortization | 4,555,145 | - |
| | $ 15,981,615 | $ - |

(1) The Company started operating the El Roble mine on November 22, 2013.

**Selling, general and administrative** expenses were higher for the year ended December 31, 2014 compared to the comparative year; $5,263,074 compared to $2,446,966. The breakdown of the Company's SG&A expense is as follows:

| | Year ended December 31, 2014 | | | Year ended December 31, 2013[(1)] | | |
|---|---|---|---|---|---|---|
| | Operations | Corporate | **Total** | Operations | Corporate | **Total** |
| Selling expenses | $1,630,791 | $ - | $1,630,791 | $ - | $ - | $ - |
| | | | | | | |
| Amortization | 77,271 | 3,599 | 80,870 | 57,214 | 3,759 | 60,973 |
| Corporate administration | 820,680 | 522,568 | 1,343,248 | 122,206 | 958,103 | 1,080,309 |
| Professional fees | 127,268 | 168,796 | 296,064 | 18,951 | 505,307 | 524,258 |
| Salaries and benefits | 826,390 | 1,038,445 | 1,864,835 | 123,056 | 561,478 | 684,534 |
| Transfer agent and filing fees | - | 47,266 | 47,266 | - | 96,892 | 96,892 |
| | $3,482,400 | $1,780,674 | $5,263,074 | $ 321,427 | $2,125,539 | $2,446,966 |

(1) The Company started operating the El Roble mine on November 22, 2013.

**Other income and expenses:** For the year ended December 31, 2014, the Company recognized share-based payments of $674,271 (2013 - $1,082,017) for 2,160,000 stock options granted in February and March 2013 that have vesting terms over 18 months and 2,870,671 stock options granted in July 2014 that have vesting terms over 36 months.

For the year ended December 31, 2014, the Company recognized interest expense of $1,147,634 (2013 - $83,950) for various long-term credit facilities, accretion expense of $98,642 (2013 - $10,005) for its decommissioning and restoration provision related to the El Roble mine, and interest and other expenses of $442,115 (2013 - $61,877) related to interest on bank credit facilities and other non-operating charges. The Company recognized deferred income tax expense of $4,159,555 (2013 - recovery of $3,529,840) affected by a non-cash income tax provision of $2,005,658 resulting from the initial recognition of the Colombian mining tax reform in 2014.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has begun to generate cash flows from operations that have been used to fund the increase in its working capital, capital expenditures on expansions, and meeting its financing obligations. Prior to January 1, 2014, the Company relied on private placement financings of equity securities, a secured loan facility, and a credit facility (refer to Contractual Obligations) to fund its operating and investing activities.

The Company's cash and cash equivalents as at December 31, 2014 totaled $5,102,634 (2013 - $6,083,871) and its working capital position was negative $1,291,281 (2013 - positive $6,668,785).

The Company's debt facility with Trafigura Pte Ltd. is subject to various qualitative and quantitative covenants, and the Company was in compliance with all such debt covenants as at December 31, 2014.

### Fourth quarter liquidity and capital resources

During 2014-Q4, cash and cash equivalents increased by $743,328. The increase was due to net cash provided by operating activities of $3,716,084, offset by net cash used in investing activities of $2,063,506 and net cash used in investing activities of $909,250. Exchange rate changes had a negative impact on cash and cash equivalents of $12,474.

*Operating activities*

During 2014-Q4, net cash provided by operating activities amounted to $3,716,084, which included positive operating cash flow before changes in non-cash operating working capital items of $2,458,019, and changes in non-cash working capital items of $1,258,065. Non-cash working capital changes included the effects from a decrease in receivables of $2,052,439, offset by a decrease in accounts payable and accrued liabilities of $446,679 during the normal course of business.

*Investing activities*

Cash used by the Company in investing activities during 2014-Q4 totaled $2,063,506, which were primarily comprised of underground mine development, acquisition of new equipment, and construction of an on-site laboratory and phase two of the new tailings impoundment facility.

*Financing activities*

During 2014-Q4, the Company used net cash of $909,250 for its financing activities. The Company repaid a net advance of $429,685 on its concentrate inventories. Additionally, the Company repaid net of $157,615 to its unsecured credit facilities with Colombian banks. Finally, the Company paid $206,766 of principal and $65,932 of interest towards its long-term loans payable.

### Annual liquidity and capital resources

During the year ended December 31, 2014, cash and cash equivalents decreased by $981,237. The decrease was due to net cash provided by operating activities of $4,938,825, net cash used in investing activities of $13,078,475, and net cash provided by financing activities of $7,191,378. Exchange rate changes had a negative impact on cash and cash equivalents of $32,965.

(Expressed in US dollars, unless otherwise indicated)

*Operating activities*

During the year ended December 31, 2014, net cash provided by operating activities amounted to $4,938,825, which included operating cash flow before changes in non-cash working capital items of $7,251,380, offset by changes in non-cash operating working capital items of $2,312,555. Non-cash working capital changes included effects from an increase in receivables and inventories of $1,335,564 and $1,600,849 during the normal course of business.

*Investing activities*

Cash used by the Company in investing activities for the year ended December 31, 2014 totaled $13,078,475, which were primarily comprised of underground mine development, acquisition of new equipment, and construction of the new tailings impoundment and construction of an on-site laboratory. Construction of the main level 1880 adit and phase one of the new tailings management facility were completed during 2014-Q1 and 2014-Q2, respectively.

*Financing activities*

During the year ended December 31, 2014, the Company received net cash from financing activities of $7,191,378. The Company received net advances of $4,671,221 on its concentrate inventories and a further $1,974,040 from a loan entered into with certain minority shareholders of MINER. The Company paid $756,352 of principal and $102,274 of interest towards its long-term loans payable. The Company entered into an arrangement for unsecured credit facilities with Colombian banks and drew down net amount of $587,000 from them. Additionally, the Company received $874,111 from the issuance of shares on exercise of share purchase warrants, finder's warrants, and stock options.

**Contractual obligations**

As at December 31, 2014, the Company expects the following cash flows for its financial liabilities and other contractual commitments:

| | Less than 1 year | 1 - 2 years | 3 - 4 years | **Total** |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 4,253,439 | $ - | $ - | $ 4,253,439 |
| Advances on concentrate inventories | 4,677,487 | - | - | 4,677,487 |
| Bank credit facilities | 587,000 | - | - | 587,000 |
| Taxes payable | 252,523 | - | - | 252,523 |
| Finance lease obligations | 197,039 | 532,961 | - | 730,000 |
| Long-term loans payable | 6,303,615 | 3,451,682 | 2,842,694 | 12,597,991 |
| | $ 16,721,103 | $ 3,984,643 | $ 2,842,694 | $ 23,098,440 |

**Requirement of additional equity financing**

Management believes that the Company's current operational requirements and capital projects can be funded from existing cash and cash equivalents and cash generated from operations. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through debt financing, the issuance of hybrid debt-equity securities, or additional equity securities. The Company has relied entirely on equity financings and loans for all funds raised to date for its acquisitions, capital expansions, and operations. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. The Company's growth and success may be dependent on external sources of financing which may not be available on acceptable terms.

(Expressed in US dollars, unless otherwise indicated)

## TRANSACTIONS WITH RELATED PARTIES

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

| Year ended December 31, 2014 | Salary or fees | Share-based payments | Total |
|---|---|---|---|
| Management | $ 1,127,400 | $ 353,332 | $ 1,480,732 |
| Outside directors | - | 234,103 | 234,103 |
| Seabord Services Corp. | 182,320 | - | 182,320 |
| | $ 1,309,720 | $ 587,435 | $ 1,897,155 |

| 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 |

Included in accounts payable and accrued liabilities, as at December 31, 2014, was $315,000 due to management.

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. In addition to the agreement with Seabord, the Company entered into rental agreements with companies with common directors for office space for $2,200 and $800 per month, respectively.

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.

## CONTINGENCIES

During the year ended December 31, 2013, the Company was advised that a notice of civil claim was 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 is defending itself in this matter. The action was filed on October 8, 2013 and a Response to Civil Claim was filed on November 26, 2013. The trial of this matter is scheduled to commence in December 2015. As at December 31, 2014, the Company believes it is too early to make a formal determination as to the claim.

## PROPOSED TRANSACTIONS

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

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

### Accounting for business combinations

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.

### 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.

### Estimated decommissioning and restoration costs

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

### Inventory valuation

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

### 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, 34% 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.

**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 operations.

**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).

**Estimated recoverable resources**

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

**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).

**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.

**Valuation of financial instruments**

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

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:

**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.

**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.

**Commercial production**

In concluding when commercial production has been achieved, the Company considered the following factors: all major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed; the mine or mill is operating as per design capacity and metallurgical recoveries were achieved; and the ability to sustain ongoing production of ore at a steady or increasing level.

**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.

**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.

**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.

## NEW ACCOUNTING PRONOUCEMENTS

**New and amended IFRS pronouncements effective January 1, 2014**

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 Financial instruments: Presentation ("Amended IAS 32") was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of Amended IAS 32 did not have a significant impact on the Company's consolidated financial statements.

IAS 36 Impairment of Assets ("Amended IAS 36") was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of Amended IAS 36 did not have a significant impact on the Company's consolidated financial statements.

IFRIC 21 Levies ("IFRIC 21"), an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments was issued by the IASB in May 2013. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective prospectively for annual periods commencing on or after January 1, 2014. The adoption of IFRIC 21 did not result in an adjustment to the Company's consolidated financial statements.

**Accounting pronouncements not yet effective**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue - Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

The IASB intends to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(Expressed in US dollars, unless otherwise indicated)

## FINANCIAL INSTRUMENTS

### Fair value

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

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

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

As at December 31, 2014, the Company's financial instruments measured at fair value are as follows:

| **Financial assets and liabilities** | Level 1 | Level 2 | Level 3 | **Total** |
|---|---|---|---|---|
| Trade receivable from provisional sales | $ - | $ 246,568 | $ - | $ 246,568 |

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

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

### Metal price risk

The Company is exposed to metals price risk given that its revenues are derived from the sale of metals through its metals concentrate products, the prices for which have been historically volatile. Consequently, the economic viability of the Company's mineral property may be adversely affected by fluctuations in metals prices. The Company does not hedge its metals production. A 1% change in copper, gold, and silver prices would result in an increase/decrease of approximately $198,000, $85,000, and $1,000 in the Company's pre-tax income or loss on an annualized basis, respectively.

### Interest rate risk

The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on US dollar London Inter-bank Offered Rates ("LIBOR") plus a fixed-margin. The Company does not enter into derivative contracts to manage this risk. As at December 31, 2014, a 10% change in LIBOR rates would result in an increase/decrease of approximately $31,000 in the Company's pre-tax income or loss on an annualized basis based on the debt facilities used.

**Credit risk**

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

**Currency risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and Colombia and incurs expenditures in currencies other than 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, 2014, the Company is exposed to currency risk through the following monetary assets and liabilities:

| | Canadian dollars | Peruvian soles | Euros | Colombian pesos (000's) |
|---|---|---|---|---|
| Cash and cash equivalents | $ 331,578 | $ 81,817 | $ - | $ 5,650,731 |
| Receivables | 6,462 | - | - | 6,042,192 |
| Accounts payable and accrued liabilities | (124,936) | (98,790) | - | (8,690,091) |
| Taxes payable | - | - | - | (593,535) |
| Finance lease obligations | - | - | (507,413) | - |
| Long-term loan payables | - | - | (785,619) | (3,939,000) |
| Net exposure | $ 213,104 | $ (16,973) | $ (1,293,032) | $ (1,529,703) |
| US dollar equivalent | $ 183,284 | $ (5,796) | $ (1,571,884) | $ (650,821) |

Based on the above net exposure, as at December 31, 2014, and assuming that all other variables remain constant, a 1% depreciation or appreciation of the US dollar against the Canadian dollar, Peruvian nuevo sol, Euro, and Colombian peso would result in an increase/decrease of approximately $20,000 in the Company's pre-tax income or loss.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuing to monitor forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its development plans. The Company strives to maintain sufficient liquidity to meet its short term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash, and its committed liabilities (refer to Contractual Obligations for the expected payments due as at December 31, 2014).

## RISK FACTORS

The Company's ability to generate revenues and profits from its natural resource properties is subject to a number of risks and uncertainties including, without limitation, the following:

**Operating hazards and risks**

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions can occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

**Substantial reliance on the El Roble Mine**

All of the Company's future revenues are generated by the El Roble. For 2014, the Company anticipates that most if not all of its future revenue will come from the El Roble mine. Unless the Company develops or acquires additional properties or projects, the Company will remain largely dependent upon the operation of the El Roble mine for its revenue and profits, if any. If for any reason, production at the mine is reduced or stopped, the Company's anticipated revenues and profits would decrease significantly.

**General economic conditions**

Turmoil in global financial markets in recent years has had a profound impact on the global economy. Many industries, including the precious and base metals mining industry, have been impacted by these market conditions. Some of the key impacts have included contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. The sovereign debt crisis in Europe has been the most visible risk to world financial stability. A continued or worsened slowdown in economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. Specifically:

- under a worst case scenario, a new global credit/liquidity crisis could impact the cost and availability of financing and the Company's overall market liquidity;
- the volatility of metal prices could impact the Company's revenues, profits, losses and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates could impact the Company's production costs; and
- the devaluation and volatility of global stock markets, which are not related to the Company's operations or assets, could impact the valuation of the Company's equity and other securities.

These factors could have a material adverse effect on the Company's financial condition and results of operations.

**Competition**

The mining industry is intensely competitive in all of its phases, and such competition could adversely affect the Company's ability to acquire suitable resource properties in the future.

**Additional businesses and assets may not be successfully integrated**

The Company undertakes evaluations of opportunities to acquire additional mining assets and businesses. Any acquisitions may be significant in size, may change the scale of the Company's business, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms, and integrate their operations successfully. Any acquisitions would be accompanied by risks such as a significant decline in the relevant metal price after the Company commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of the Company's ongoing business; the inability of management to realize anticipated synergies and maximize the financial and strategic position of the Company; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel, and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that any assets or business acquired will prove to be profitable or that the Company will be able to integrate the required businesses successfully, which could slow the Company's rate of expansion and the Company's business, results of operations and financial condition could suffer.

Atico may need additional capital to finance other acquisitions. If the Company obtains further debt financing, it will be exposed to the risk of leverage and its operations could become subject to restrictive loan and lease covenants and undertakings. If the Company obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such financings.

**Political and country risk**

The Company conducts, or will conduct, exploration, development and production activities in Colombia and potentially other countries. The Company is not able to determine the impact of potential political, social, economic or other risks on its future financial position, which include:

- Cancellation or renegotiation of contracts;
- Changes in foreign laws or regulations;
- Changes in tax laws;
- Royalty and tax increases or claims by governmental entities;
- Retroactive tax or royalty claims;
- Expropriation or nationalization of property;
- Inflation of costs that is not compensated by a currency devaluation;
- Restrictions on the remittance of dividend and interest payments offshore;
- Environmental controls and permitting;
- Opposition from local community members or non-governmental organizations;
- Civil strife, acts of war, guerrilla activities, insurrection and terrorism, and
- Other risks arising out of foreign sovereignty over the areas in which the Company's operations are conducted.

Such risks could potentially arise in any country in which the Company operates. Furthermore, in the event of a dispute arising from such activities, the Company may be subject to the exclusive jurisdiction of courts outside North America or may not be successful in subjecting persons to the jurisdiction of the courts in North America, which could adversely affect the outcome of a dispute.

**Metal prices and marketability**

The marketability of any metals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling facilities, metal markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting metals and environmental protection.

The price of the common shares of the Company, the Company's financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of Cu, Au or other metals. The price of Cu, Au or other metals fluctuates widely and is affected by numerous factors beyond the Company's control such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions of major metal-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market value of Cu, Au or other metals could cause continued development of and commercial production from the Company's properties to be impracticable. Depending on the price of Cu, Au and other metals, cash flow from mining operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent upon the prices of Cu, Au and other metals being adequate to make these properties economic.

In addition to adversely affecting the Company's reserve estimates and its financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

**Government regulation**

Operations, development and exploration on the Company's properties are affected to varying degrees by political stability and government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price controls, tax increases, maintenance of claims, tenure, and expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. The activities of the Company require licenses and permits from various governmental authorities. While the Company currently has been granted the requisite licenses and permits to enable it to carry on its existing business and operations, there can be no assurance that the Company will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects.

**Environmental matters**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, 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 is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties.

**Dependence on key personnel**

The Company is dependent on a number of key management and employee personnel. The Company's ability to manage its exploration, development, construction and operating activities, and hence its success, will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and unskilled employees. The loss of the services of one or more key management personnel, as well as a prolonged labor disruption, could have a material adverse effect on the Company's ability to successfully manage and expand its affairs.

The Company's ability to recruit and assimilate new personnel will be critical to its performance. The Company will be required to recruit additional personnel and to train, motivate and manage its employees. The international mining industry is very active and the Company is facing increased competition for personnel in all disciplines and areas of operation, including geology and project management, and there can be no assurance that it will be able to retain current personnel and attract and retain new personnel.

**Director and officer conflicts of interest**

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. In such case, the Company's directors and officers comply with conflict of interest provisions in Canadian corporate law, including relevant securities regulatory instruments, in order to ensure that they exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest.

**Dilution from further equity financing**

If the Company raises additional funding by issuing equity securities, such financing may substantially dilute the interests of existing shareholders of the Company and reduce the value of their investment.

**Title to properties**

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore the precise area and location of the properties may be in doubt. The Company's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects. The Company has conducted as thorough investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the properties.

**Foreign currency**

The Company's activities and operations in Colombia make it subject to foreign currency fluctuations. The Company's operating expenses are primarily incurred in Colombian pesos and the fluctuation of the US dollar in relation to this currency will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

**Exploration and development, and infrastructure**

Development of any non-producing property will only follow upon obtaining satisfactory exploration results that confirm economically recoverable and saleable volumes of minerals and metal. The business of mineral exploration and development is speculative in nature and involve a high degree of risk, as few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of reserves of commercial ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish resources and reserves through drilling and development and for mining and processing facilities and infrastructure. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. Economic feasibility of a project is based on several other factors including anticipated metallurgical recoveries, environmental considerations and permitting, future metal prices, and timely completion of the development plan.

Completion of the development of the Company's advanced projects is subject to various requirements, including the availability and timing of acceptable arrangements for power, water, transportation, access and facilities. The lack of, or delay in, availability of any one or more of these items could prevent or delay development of the Company's advanced projects. There can be no assurance that adequate infrastructure, including road access, will be built, that it will be built in a timely manner or that the cost of such infrastructure will be reasonable or that it will sufficiently satisfy the requirements of the advanced projects. As well, accidents or sabotage could affect the provision or maintenance of adequate infrastructure.

**Insurance**

Where practical, a reasonable amount of insurance is maintained against risks in the Company's operations, but coverage has exclusions and limitations. There is no assurance that the Company's insurance will be adequate to cover all liabilities or that it will continue to be available and at terms that are economically acceptable. Losses from un-insured or under-insured events may cause the Company to incur significant costs that could have a material adverse effect on its financial performance.

**Estimation of mineral resources and reserves and precious metal recoveries**

There is a degree of uncertainty attributable to the estimation of resources and reserves and to expected mineral grades. Mineral resources and mineral reserves may require revision based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs and reduced recovery rates, may render certain mineral reserves uneconomic and may ultimately result in a restatement of mineral resources and/or reserves. Short term operating factors relating to the mineral resources and reserves, such as the need for sequential development of ore bodies may adversely affect the Company's profitability in any accounting period.

**Reclamation**

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of the waste rock or tailings and/or revisions to government regulations. Therefore, additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

**Uncertainty of funding**

The Company's operating cash flow from the El Roble mine may not be sufficient to cover the current costs of exploration and development of the Company's other projects. Exploration and development activities may be dependent upon the Company's ability to obtain financing through joint venturing, equity or debt financing or other means, and although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain additional financing or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of some of its plans.

**Uncertainty of dividends on its common shares**

The Company has paid no dividends on its common shares since incorporation and does not anticipate paying dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

**Legal proceedings**

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on the Company's business.

**Uncertainty of inferred mineral resources**

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. The estimates of mineral resources contained in this MD&A contain estimates of inferred mineral resources. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

## SHARE POSITION AND OUTSTANDING WARRANTS AND OPTIONS

As at the date of this MD&A, the Company had 97,591,571 common shares issued and outstanding. There were also 7,255,671 stock options outstanding with expiry dates ranging from June 30, 2016 to July 11, 2019, and 21,676,650 warrants with expiry date of September 19, 2015.

## QUALIFIED PERSON

Mr. Thomas Kelly (SME Registered Member 1696580), Chief Operating Officer of the Company and a qualified person under National Instrument 43-101 standards, is responsible for ensuring that the technical information contained in this MD&A is an accurate summary of the original reports and data provided to or developed by the Company.

## NON-GAAP FINANCIAL MEASURES

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

### El Roble mine cash cost

The following table presents a reconciliation of cash cost per tonne of processed ore and cash cost per pound of payable copper produced to cost of sales in the consolidated financial statements for the year ended December 31, 2014.

| Expressed in $000's | Q4 2014 | Year ended December 31 2014 |
|---|---|---|
| **Cash cost per tonne of processed ore** | | |
| Cost of sales[(1)] | $ 4,407.3 | $ 15,672.1 |
| Add / subtract | | |
| Change in concentrate inventory | 670.1 | 2,464.7 |
| Depletion and amortization in concentrate inventory | 74.9 | (540.1) |
| Government royalties and mining taxes | (168.8) | (499.4) |
| Distribution costs | 671.8 | 1,630.8 |
| Depletion and amortization in cost of sales | (1,670.9) | (4,245.6) |
| Cash cost | 3,984.4 | 14,482.5 |
| Total processed ore (tonnes) | 39,923 | 133,332 |
| Cash cost per tonne of processed ore ($/t) | $ 99.80 | $ 108.62 |
| Mining cost per tonne | $ 42.21 | $ 48.32 |
| Milling cost per tonne | 17.30 | 16.53 |
| Indirect cost per tonne | 28.15 | 32.90 |
| Distribution cost per tonne | 12.14 | 10.87 |
| Total production cost per tonne of processed ore ($/t) | $ 99.80 | $ 108.62 |
| **Cash cost per pound of payable copper produced** | | |
| Aggregate cash cost (above) | $ 3,984.4 | $ 14,482.5 |
| Add / subtract | | |
| By-product credits | (3,801.1) | (11,330.3) |
| Refining charges | 899.9 | 2,708.8 |
| Transportation charges | 402.5 | 1,240.3 |
| Cash cost applicable to payable copper produced | 1,485.7 | 7,101.3 |
| Total payable copper produced (000's lbs) | 2,764.0 | 8,630.3 |
| Cash cost per pound of payable copper produced ($/lb) | $ 0.54 | $ 0.82 |

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

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

| Expressed in $000's | | Q4 2014 | | Year ended December 31 2014 |
|---|---|---|---|---|
| **Aggregate cash production cost** | $ | 3,984.4 | $ | 14,482.5 |
| **Cash cost per pound of payable copper produced** | | | | |
| Cash cost attributable to copper production[(2)] | $ | 2,627.6 | $ | 9,458.5 |
| Add / subtract | | | | |
| By-product credit from silver | | (16.2) | | (111.4) |
| Refining charges | | 874.8 | | 2,643.0 |
| Transportation charges | | 265.4 | | 810.0 |
| Cash cost applicable to payable copper produced | | 3,751.6 | | 12,800.2 |
| Total payable copper produced (000's lbs) | | 2,764.0 | | 8,630.3 |
| Cash cost per pound of payable copper produced ($/lb) | $ | 1.36 | $ | 1.48 |
| **Cash cost per ounce of payable gold produced** | | | | |
| Cash cost attributable to gold production[(2)] | $ | 1,356.8 | $ | 5,024.0 |
| Add / subtract | | | | |
| Refining charges | | 25.1 | | 72.5 |
| Transportation charges | | 137.1 | | 430.3 |
| Cash cost applicable to payable gold produced | | 1,519.0 | | 5,526.8 |
| Total payable gold produced (oz) | | 3,138.8 | | 9,061.1 |
| Cash cost per pound of payable gold produced ($/oz) | $ | 483.94 | $ | 609.95 |

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

## CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and any documents incorporated by reference into this MD&A constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Section 21E of the United States Securities Exchange Act of 1934, as amended, and forward-looking information within the meaning of applicable Canadian securities legislation (collectively, "forward-looking statements"). Forward-looking statements express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified using words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategies", "targets", "goals", "forecasts", "objectives", "budgets", "schedules", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) and are not statements of historical fact.

Forward-looking statements relate to, among other things:

- mineral "reserves" and "resources" as they involve the implied assessment, based on estimates and assumptions that the resources described exist in the quantities predicted or estimated and can be profitably produced in the future;
- timing of the completion of construction activities at the Company's properties and their completion on budget;
- production rates at the Company's properties;
- cash cost estimates;
- timing to achieve full production capacity at the Company's properties;
- timing for completion of infrastructure upgrades related to the Company's properties;

- timing for delivery of materials and equipment for the Company's properties;
- the sufficiency of the Company's cash position and its ability to raise equity capital or access debt facilities;
- the Company's planned processing, and estimated major investments for mine development, tailings dam expansion, mill expansion and brownfields exploration at the El Roble property in 2014;
- management's belief that the Company's current operational requirements and capital projects can be funded from existing cash and cash equivalents, cash generated from operations, and the available credit facility;
- management's belief that if the Company needs to access the capital markets for additional financial resources, the Company will be able to do so at prevailing market rates;
- the expected maturities of the Company's financial liabilities, finance leases and other contractual
- commitments; and
- management's expectation that none of the investigations, claims, and legal, labor and tax proceedings arising in the ordinary course of business will have a material effect on the results of operations or financial conditions of the Company.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as at the date of such statements, are inherently subject to significant business, economic, social, political and competitive uncertainties and contingencies and other factors that could cause actual results or events to differ materially from those projected in the forward-looking statements. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A which may prove to be incorrect, include, but are not limited to, (1) that all required third party contractual, regulatory and governmental approvals will be obtained for the development, construction and production of its properties, (2) there being no significant disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; (3) permitting, development, expansion and power supply proceeding on a basis consistent with the Company's current expectations; (4) currency exchange rates being approximately consistent with current levels; (5) certain price assumptions for copper, gold and silver; (6) prices for and availability of fuel oil, electricity, parts and equipment and other key supplies remaining consistent with current levels; (7) production forecasts meeting expectations; (8) the accuracy of the Company's current mineral resource estimates; (9) labor and materials costs increasing on a basis consistent with the Company's current expectations; and (10) assumptions made and judgments used in engineering and geological interpretation.

In addition, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements. Known risk factors include, risks associated with mineral exploration and project development; the need for additional financing; operational risks associated with mining and mineral processing; uncertainty relating to concentrate treatment charges and transportation costs; uncertainty relating to capital and operating costs, production schedules, and economic returns; uncertainties relating to general economic conditions; the Company's substantial reliance on the El Roble mine for revenues; risks related to the integration of businesses and assets acquired by the Company; risks associated with entering into commodity forward and option contracts for base metals production; potential conflicts of interest involving the Company's directors and officers; risks associated with potential legal proceedings; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Colombia or other countries in which the Company does or may carry on business; the possibility of cost overruns or unanticipated expenses; fluctuations in copper, gold and silver prices; title matters; uncertainties and risks related to carrying on business in foreign countries; environmental liability claims and insurance; reliance on key personnel; currency exchange rate fluctuations; competition; and other risks and uncertainties, including those described in the "Risks Factors" section in the MD&A for the financial year ended December 31, 2014 filed with the Canadian Securities Administrators and available at www.sedar.com.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These forward-looking statements are made as of the date of this MD&A. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Except as required by law, the Company does not assume the obligation to revise or update these forward looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.