



ATICO MINING CORPORATION
MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three Months Ended March 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 May 29, 2014, should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 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, used by the Company to manage and evaluate operating performance. These measures are widely reported in the mining industry but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. The Company believes that certain investors use these non-GAAP financial measures to evaluate the Company's performance. Accordingly, non-GAAP financial measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. To facilitate a better understanding of these measures as calculated by the Company, we have provided detailed descriptions and reconciliations as required.

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COMPANY OVERVIEW

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

The Company is engaged in copper mining and related activities including exploration, 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. Information on MINER for the comparative period disclosed in this MD&A was analyzed and compiled by the Company based on data gathered by MINER prior its acquisition by the Company.

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").

FIRST QUARTER 2014 HIGHLIGHTS

- The Company produced 2,735 dry metric tonnes ("DMT") of concentrate during the quarter with a metal content of 1.398 million pounds ("lbs") of copper ("Cu"), 1,147 ounces ("oz") of gold and 3,461 oz of silver.
- Revenues of \$2.04 million were generated during the quarter from the shipping and provisional invoicing of 946.7 DMT of concentrate containing 465,941 pounds of payable copper, 694 and 1,598 oz of payable gold and silver respectively.
- At quarter-end, 2,515.7 DMT of non-invoiced concentrate remained at the Company's warehouses.
- Cash cost (i.e. before depletion, amortization and royalties) for the quarter ended was \$114.2 per tonne of processed ore, or \$1.33 per pound of payable copper produced (refer to non-GAAP Financial Measures).
- Income from mining operations of \$528,362 for the quarter.
- Net loss of \$779,972 for the quarter primarily due to the sale and shipping of only a limited quantity of metals concentrate.
- Net cash from operating activities before changes in non-cash working capital items for the quarter was \$126,423.

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RESULTS OF OPERATIONS

Metal production

Three months ended	March 31 2014	March 31 2013 ⁽¹⁾
Copper (000 lbs)	1,398	130
Gold (oz)	1,147	186
Silver (oz)	3,461	512
Cash cost per pound of payable copper produced ⁽²⁾ (\$/Cu lb)	1.33	5.26

⁽¹⁾ The Company did not operate the El Roble mine during the three months ended March 31, 2013. The information for this period was obtained from the books and records of MINER prior to Atico's acquisition.

⁽²⁾ Net of by-product credits (refer to non-GAAP Financial Measures)

In the first quarter of 2014, the Company produced 1.398 million lbs of copper, 1,147 oz of gold and 3,461 oz of silver. When compared to the comparative period in the previous year, production increased over nine times for copper and over five times for gold and silver.

Metal produced during the first quarter of 2014 is equivalent to 99% of the copper, 50% of the gold and 48% of the silver produced during all of 2013.

Cash costs for the quarter ended March 31, 2014 were \$114.2 per tonne of processed ore and \$1.33 per pound of payable copper produced. This cost is in line with Company expectations and represents an increase of 5.5% over the 2013 annual cash cost of \$1.26 per pound of payable copper produced, driven by a reactivation of certain mine operation capabilities and implementation of additional safety and environmental processes and standards at the El Roble mine.

El Roble mine review

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.

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 g/t. 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

	Q1 2014	Total 2013 ⁽²⁾	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Production (contained metals)⁽¹⁾						
Copper (000 lbs)	1,398	1,412	389	540	353	130
Gold (oz)	1,147	2,297	666	949	496	186
Silver (oz)	3,461	7,167	1,928	2,932	1,795	512

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	Q1 2014	Total 2013⁽²⁾	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Mining						
Ore (tonnes)	26,791	69,901	17,659	23,308	17,571	11,363
Milling						
Milled (tonnes)	23,016	69,895	17,653	23,308	17,571	11,363
Tonnes per day	354.1	302.6	289.4	310.7	331.5	270.5
Copper grade (%)	3.01	1.07	1.15	1.26	0.94	0.80
Gold grade (g/t)	2.43	1.56	1.94	2.08	1.13	1.13
Silver grade (g/t)	10.65	7.41	9.52	8.59	6.82	3.96
Recoveries						
Copper (%)	91.53	89.56	86.87	88.70	98.20	90.35
Gold (%)	63.73	65.15	60.69	64.95	78.85	64.84
Silver (%)	43.91	42.91	35.54	48.11	46.87	49.04
Concentrate						
Copper concentrate (DMT)	2,735	3,235	824	1,210	822	379
Copper (%)	23.19	19.82	21.45	20.27	19.49	15.55
Gold (g/t)	13.05	22.08	25.15	24.39	18.77	15.24
Silver (g/t)	39.36	68.91	72.78	75.37	67.95	41.98
Payable copper produced (000 lbs)	1,332	1,342	371	514	335	122
Cash cost per pound of payable copper produced ⁽³⁾	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 Company did not operate El Roble mine until November 22, 2013 when it took control of the operation. The first three months of 2014 mark the first full quarter of operations by the Company.

El Roble mine performed better than planned during the first quarter of 2014 with an increase in copper and gold production. The performance was driven by a combination of higher than expected throughput, head grade and metallurgical recovery due to an increased contribution of ore from mine preparation activities at the 1880 level and process improvements at the mill.

The Company believes there is further opportunity to increase the metallurgical recovery, in particular for gold, as work to expand the mill is expected to address issues such as flotation retention time and pulp acclimation time that will add to process improvements planned for the second and third quarter of 2014, such as testing of new reagents and improved reagent dosage control.

The main level 1880 adit was completed in January and the Company is preparing the Maximus and Goliath mineralized bodies for stoping activities between the levels 1885 and 1907. Initial stoping activities are expected before the end of the second quarter with a gradual increase in the ore breaking rate towards 650 tonnes per day by year-end.

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Capital expenditure activities for the quarter were \$4.57 million. Major categories of expenditure included \$1.47 million in underground mine development, \$1.67 million in equipment and infrastructure, \$1.19 million in tailings dam construction and \$0.24 million in other capital investments. Completion of the new tailings dam is expected before the end of the second quarter and the mill expansion is scheduled for completion before the end of the third quarter.

Cash cost per tonne of processed ore was \$114.2 and in line with Company's expectations. Cash cost per payable pound of copper produced was \$1.33. The Company believes there is opportunity to improve the cash cost as throughput is expected to increase in the subsequent quarters.

Concentrate inventory

	Concentrate (DMT)
December 31, 2013	720.9
Production	2,735.0
Sales	(946.7)
Adjustment	6.5
March 31, 2014	2,515.7

The Company recognizes revenue associated with the sale of copper 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 regularly, almost daily, fourteen hours from the El Roble mine to the port of Buenaventura, where 5,000 wet metric tonnes 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 wet metric tonnes. At the current projected rate of production, the Company anticipates completing one concentrate shipment per quarter during 2014.

In February, the Company sold a small concentrate shipment of 1,033.5 wet metric tonnes to complete and close the 2013 off-take agreement.

On March 25, 2014, the Company received an advance of \$2,800,342 from the concentrate buyer for 80% of the value of 2,000 wet metric tonnes of metals concentrate stored at the Company's warehouse in the Buenaventura port.

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Exploration

The goal of the underground drilling program at the El Roble mine is to further define the known mineralized bodies and expand the identified resource. In-fill drilling of the newly discovered massive sulphide bodies and drilling of new prospective areas below the 2000-meter level will be conducted from the new main level 1880 adit. The in-fill drilling program began in January 2014 and the Company anticipates drilling for new mineralized areas at the mine will begin in the third quarter of 2014.

Surface soil sampling, rock geochemistry and geology work will continue in the 10 kilometer prospective contact with a focus on Santa Anita, San Lorenzo and other prospective target areas to further define drilling targets for the upcoming surface drill program. The Company expects drilling in the Santa Anita and San Lorenzo areas will begin during the first quarter of 2015 after optimization and scale-up of the El Roble mine.

OUTLOOK

The Company continues to pursue the following objectives for 2014 at the El Roble mine:

- Increase the safety and environmental standards.
- Expand the mill capacity to 650 wet metric tonnes per day and optimize copper and gold recoveries.
- Develop and prepare the identified resources to be at an ore break rate of 650 tonnes per day by year end.
- Complete phase 1 of the new tailings dam by the second quarter and begin phase 2 before year end.

The Company is on schedule to deliver on these objectives.

Metal production is anticipated to increase in each of the following three quarters reaching a steady state level of production by year end. Along with the increase in production, the Company anticipates a decrease in the cash cost per pound of payable copper produced from the 2013 cost.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected financial information for the eight quarters up to March 31, 2014, and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2013 and 2012.

	March 31 2014	December 31 2013	September 30 2013	June 30 2013
Revenue ⁽¹⁾	\$ 2,036,991	\$ Nil	\$ Nil	\$ Nil
Net income (loss) for the period ⁽²⁾	(790,064)	2,982,085	(865,234)	(630,317)
Income (loss) per share - basic and diluted	(0.01)	0.03	(0.02)	(0.01)
Weighted average shares outstanding	96,848,683	95,681,414	57,316,731	52,107,305
	March 31	December 31	September 30	June 30

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	2013	2012	2012	2012
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net income (loss) for the period ⁽²⁾	\$ (663,138)	\$ (331,505)	\$ (263,085)	\$ (346,525)
Income (loss) per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average shares outstanding	49,915,226	39,763,883	39,761,111	39,761,111

⁽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 Q1-2014 due to the acquisition of MINER in late 2013. Prior quarters did not have any revenues including Q4-2013. The income for Q4-2013 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 2013 increased from the prior three 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.

FIRST QUARTER FINANCIAL RESULTS

First quarter net loss was \$779,972 compared to a net loss of \$663,138 in Q1-2013 and loss per share was \$0.01 for both quarters. Income from mining operations was \$528,362 (Q1-2013 - \$Nil), and the Company had a loss from operations of \$483,891 (Q1-2013 - \$656,272). Expenses in Q1-2014 were higher 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 incurs interest expense on loans payable which did not exist during Q1-2013.

Sales for Q1-2014 were \$2,036,991 (Q1-2013 - \$Nil) from the shipping and provisional invoicing of 946.7 DMT of concentrate containing 465,941 lbs of payable copper, 694 and 1,598 oz of payable gold and silver, respectively. The Company did not have any revenue in Q1-2013 as it did not own the El Roble mine until Q4-2013. 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 three months after the month of sales.

Cost of sales for Q1-2014 was \$1,508,629 (Q1-2013 - \$Nil) consist the following components:

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Three months ended	March 31 2014	March 31 2013
Direct mining costs	\$ 1,127,476	\$ -
Royalty expenses	30,398	-
Depletion and amortization	350,755	-
	\$ 1,508,629	\$ -

Selling, general and administrative expenses were higher in Q1-2014 compared to Q1-2013; \$708,216 compared to \$377,988. The breakdown of the Company's selling, general and administrative ("SG&A") expense is as follow:

	Three months ended March 31, 2014			Three months ended March 31, 2013 ⁽¹⁾		
	El Roble	Corporate	Total	El Roble	Corporate	Total
Selling expenses	\$ 110,726	\$ -	\$ 110,726	\$ -	\$ -	\$ -
Amortization	5,041	470	5,511	-	708	708
Corporate administration	56,312	110,937	167,249	-	247,980	247,980
Professional fees	22,081	53,991	76,072	-	33,138	33,138
Salaries and benefits	162,003	166,341	328,344	-	81,915	81,915
Transfer agent and filing fees	-	20,314	20,314	-	14,247	14,247
	\$ 356,163	\$ 352,053	\$ 708,216	\$ -	\$ 377,988	\$ 377,988

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

Other income and expenses: In Q1-2014, the Company recognized share-based payments of \$258,710 (Q1-2013 - \$180,447) for 2,160,000 stock options granted in February and March 2013 that have vesting terms over 18 months. Exploration expense has decreased to \$45,327 in Q1-2014 from \$97,837 in 2013-Q1 primarily due to the Company's change in focus on optimization and scale-up at the El Roble mine.

In Q1-2014, the Company recognized aggregate interest expense of \$262,352 (Q1-2013 - \$Nil) for various credit facilities and accretion expense of \$23,522 (Q1-2013 - \$Nil) for its decommissioning and restoration provision related to the El Roble mine. The Company recognized deferred income tax expense of \$66,986 (Q1-2013 - \$Nil) arising from the Company's Colombian operations.

LIQUIDITY AND CAPITAL RESOURCES

The current quarter is the first quarter that the Company has generated cash flows from commercial production to finance its operational and development requirements. Prior to Q1-2014, the Company relied on private placement financings of equity securities, a secured loan facility, and a credit facility (refer to Contractual Obligations and Capital Commitments).

The Company's cash and cash equivalents as at March 31, 2014 totaled \$5,848,803 (December 31, 2013 - \$6,083,871) and its working capital position was \$2,206,956 (December 31, 2013 - \$6,819,511).

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During Q1-2014, cash and cash equivalents decreased by \$204,349. The decrease was due to net cash used in operating activities of \$2,564,836, net cash used in investing activities of \$3,221,726, and net cash provided by financing activities of \$5,582,213. Exchange rate changes had a negative impact on cash and cash equivalents of \$30,719.

Operating activities

During the three months ended March 31, 2014, operating cash flow before changes in non-cash working capital items was \$126,423. Net cash used in operating activities amounted to \$1,824,333 and included changes in non-cash working capital items of \$1,950,756. Non-cash working capital includes an increase of \$1,600,973 related to a buildup of concentrate inventory, and decrease in prepaids and deposits of \$121,194 incurred in the normal course of business.

Investing activities

Cash used by the Company in investing activities for the three months ended March 31, 2014, totaled \$3,864,984 which were primarily comprised of underground mine development, acquisition of new equipment, and construction on the new tailings dam and on-site laboratory.

In addition to the above, during Q1 the main level 1880 adit was completed and \$512,157 in expenditures classified at year end as capital work in progress was moved to Mineral Property.

Financing activities

During the three months ended March 31, 2014, the Company received net cash from financing activities of \$5,484,968. The Company received an advance of \$2,797,890 on its metals concentrate and a further \$1,974,040 from a loan entered into with certain minority shareholders. The Company paid \$97,245 towards its purchase financings of equipment with Sandvik. Additionally, the Company received \$810,283 from the issuance of shares on exercise of share purchase warrants and stock options.

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

Contractual obligations

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

	Less than 1 year	1 - 2 years	3 - 4 years	Total
Trade and other payables	\$ 4,954,072	\$ -	\$ -	\$ 4,954,072
Advance on concentrate inventories	2,800,342	-	-	2,800,342
Taxes payable	36,377	-	-	36,377
Loans payable	3,417,016	5,908,521	5,025,130	14,350,667
	\$ 11,207,807	\$ 5,908,521	\$ 5,025,130	\$ 22,141,458

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

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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 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.

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. A trial date has not been set. As at March 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.

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TRANSACTIONS WITH RELATED PARTIES

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

Three months ended March 31, 2014	Salary or Fees	Share-based Payments	Total
Management	\$ 244,968	\$ 477,994	\$ 722,962
Outside directors	-	327,561	327,561
Seabord Services Corp.	44,493	-	44,493
	\$ 289,461	\$ 805,555	\$ 1,095,016

Three months ended March 31, 2013	Salary or Fees	Share-based Payments	Total
Management	\$ 189,090	\$ 86,988	\$ 276,078
Outside directors	-	58,621	58,621
Seabord Services Corp.	45,847	-	45,847
	\$ 234,937	\$ 145,609	\$ 380,546

Related party liabilities	Items or Services	March 31 2014	December 31 2013
Accounts payable and accrued liabilities:			
Chief Executive Officer	Management fees	\$ 97,600	\$ 80,000
President	Management fees	76,000	60,000
Chief Operating Officer	Management fees	40,000	62,000

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

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

For full details on the critical accounting estimates and judgments affecting the Company, please refer to the Company's audited annual consolidated financial statements and notes and annual MD&A for the year ended December 31, 2013.

NEW ACCOUNTING PRONOUNCEMENTS

New and amended IFRS pronouncements effective January 1, 2014

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2013, except for the application of the following new interpretation and amendments to existing IFRSs, which were effective January 1, 2014:

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 the Amended IAS 32 did not have a significant impact on the Company's condensed consolidated interim financial statements.

IAS 36 Impairment of Assets ("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 IAS 36 did not have a significant impact on the Company's condensed consolidated interim 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 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 condensed consolidated interim financial statements.

Accounting pronouncements not yet effective

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.

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.

The carrying value of receivables (excluding trade receivables from sales of metals concentrate) and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. The fair values of the Company's other long-term payables are approximated by their carrying values.

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

Financial assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,848,803	\$ -	\$ -	\$ 5,848,803
Trade receivable from concentrate sales	-	399,074	-	399,074

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

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

Interest rate risk

The Company has variable rate debt facilities; and therefore, it is exposed to interest rate risk. Variable interest rates are based on both US dollar London Inter-bank Offered Rates ("LIBOR") plus a fixed margin. The Company does not enter into derivative contracts to manage this risk. Based on the credit facility used as at March 31, 2014, a 10% change in LIBOR rates would cause a \$106,000 change in net income before taxes on an annualized basis. The Company is also exposed to interest rate risk with respect to the interest it earns on its cash and cash equivalents balances.

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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.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held through large Canadian, international and foreign national financial institutions. These investments mature at various dates within one year. All of the Company's trade receivables from concentrate sales are held with a large international metals trading company. The Company mitigates this risk by transacting only with reputable financial institutions to minimize credit risk. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company believes it is not exposed to significant credit risk and overall, the Company's credit risk has not declined significantly from the prior year.

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 March 31, 2014, the Company is exposed to currency risk through the following monetary assets and liabilities:

	Canadian dollars	Peruvian nuevo soles	Euros	Colombian pesos (000's)
Cash and cash equivalents	\$ 961,126	\$ 9,219	\$ -	\$ 338,375
Receivables	9,245	71,610	-	504,036
Accounts payable and accrued liabilities	(258,102)	(90,926)	-	(8,316,995)
Taxes payable	-	-	-	(71,487)
Loans payable	-	-	(1,146,771)	(3,939,547)
Net exposure	712,269	(10,097)	(1,146,771)	(11,485,617)
US dollar equivalent	\$ 644,121	\$ (3,672)	\$ (1,577,185)	\$ (5,844,503)

Liquidity risk

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

RISK FACTORS

For further information regarding the Company's operational risks, please refer to the detailed disclosure concerning the material risks and uncertainties associated with the Company's business set out in its annual MD&A, dated April 16, 2014, which is available on SEDAR under the Company's filer profile.

SHARE POSITION AND OUTSTANDING WARRANTS AND OPTIONS

As at May 29, 2014, the Company had 97,579,571 common shares issued and outstanding. There were also stock options to purchase 4,385,000 shares outstanding with expiry dates ranging from June 30, 2016 to March 1, 2018, and 27,862,497 warrants with expiry dates ranging from July 16, 2014 to September 19, 2015.

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.

EI 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 the cost of sales in the condensed consolidated interim financial statements for the three months ended March 31, 2014.

Expressed in \$000's	March 31 2014
Cash cost per tonne of processed ore	
Cost of Sales ⁽¹⁾	1,497.1
Add / subtract	
Change in concentrate inventory	1,771.0
Depletion and amortization in concentrate inventory	(565.6)
Government royalties and mining taxes	(30.4)
Distribution costs	110.7
Depletion and amortization	(350.8)
Previously recognized inventory impairment	195.6
Aggregate cash cost	2,627.6
Total processed ore (tonnes)	23,016
Cash cost per tonne of processed ore (\$/t)	\$ 114.2

Cash cost per pound of payable copper produced

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Expressed in \$000's	March 31 2014
Aggregate cash cost (above)	2,627.6
Add / subtract	
By-product credits	(1,421.4)
Refining charges	563.0
Aggregate cash cost applicable to payable copper produced	1,769.2
Total payable copper produced (000's lbs)	1,332.3
Cash cost per pound of payable copper produced (\$/lb)	\$ 1.33
Mining cost per tonne	44.0
Milling cost per tonne	20.6
Indirect cost per tonne	44.8
Distribution cost per tonne	4.8
Total production cost per tonne of processed ore (\$/t)	\$ 114.2

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

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.

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;

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- 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, 2013 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.