



**ATICO MINING CORPORATION**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

**For the Three and Six Months Ended June 30, 2014**

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(Expressed in US dollars, unless otherwise indicated)  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

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**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 August 14, 2014, should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 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](http://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.

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 undergoing an expansion to a nominal capacity of 650 tonnes per day.

**SECOND QUARTER 2014 HIGHLIGHTS**

- The Company produced 4,388 dry metric tonnes ("DMT") of concentrate during the quarter with a metal content of 2.07 million pounds ("lbs") of copper ("Cu"), 2,155 ounces ("oz") of gold and 6,673 oz of silver.
- Sales of \$7.5 million were generated during the quarter from the shipping and provisional invoicing of 3,892.65 DMT of concentrate containing 1.80 million lbs of payable copper, 2,191 and 2,353 oz of payable gold and silver respectively.
- At quarter-end, 3,306.14 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 \$111.60 per tonne of processed ore, or \$1.01 per pound of payable copper produced (refer to non-GAAP Financial Measures).
- Income from mining operations for the quarter was \$2,460,682.
- Net loss for the quarter was \$205,712.
- Net cash provided by operating activities for the quarter was \$1,745,074.

**RESULTS OF OPERATIONS**

**Metal production**

	Six months ended			Six months ended		
	Jun 30 2014	Q2 2014	Q1 2014	Jun 30 2013 <sup>(1)</sup>	Q2 2013 <sup>(1)</sup>	Q1 2013 <sup>(1)</sup>
Copper (000 lbs)	3,468	2,070	1,398	483	353	130
Gold (oz)	3,302	2,155	1,147	682	496	186
Silver (oz)	10,134	6,673	3,461	2,307	1,795	512
Cash cost per pound of payable copper produced <sup>(2)</sup> (\$/Cu lb)	1.14	1.01	1.33	2.84	1.27	5.26

<sup>(1)</sup> The Company did not operate the El Roble mine during the three and six months ended June 30, 2013. The information for this period was obtained from the books and records of MINER prior to Atico's acquisition.

<sup>(2)</sup> Net of by-product credits (refer to non-GAAP Financial Measures).

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In the second quarter of 2014 ("2014-Q2"), the Company produced 2.07 million lbs of copper, 2,155 oz of gold and 6,673 oz of silver. When compared to the comparative period in the previous year, production increased over five times for copper and over four times for gold.

Metal produced during 2014-Q2 increased 48% for copper, 88% for gold and 93% for silver over the first quarter of 2014 ("2014-Q1") production.

The cash cost per pound of payable copper produced decreased 31.7% in the 2014-Q2 relative to 2014-Q1. The reduction was driven mainly by an increase of 28% and 2% in the gold and copper content per processed tonne and an increase in throughput.

**EI Roble mine review**

The EI 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, 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 undergoing an expansion of a nominal capacity of 650 tonnes per day. Copper and gold mineralization at the EI 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.

**EI Roble operating performance**

	Six months ended Jun 30 2014	Q2 2014	Q1 2014	Six months ended Jun 30 2013 <sup>(2)</sup>	Q2 2013 <sup>(2)</sup>	Q1 2013 <sup>(2)</sup>
<b>Production (contained metals)<sup>(1)</sup></b>						
Copper (000 lbs)	3,468	2,070	1,398	483	353	130
Gold (oz)	3,302	2,155	1,147	682	496	186
Silver (oz)	10,134	6,673	3,461	2,307	1,795	512
<b>Mining</b>						
Ore (tonnes)	63,997	37,206	26,791	28,934	17,571	11,363
<b>Milling</b>						
Milled (tonnes)	56,904	33,888	23,016	28,934	17,571	11,363
Tonnes per day	400.7	440.1	354.1	302.6	331.5	270.5
Copper grade (%)	3.04	3.07	3.01	1.07	0.94	0.80
Gold grade (g/t)	2.84	3.12	2.43	1.56	1.13	1.13
Silver grade (g/t)	12.21	13.27	10.65	7.41	6.82	3.96
<b>Recoveries</b>						
Copper (%)	90.67	90.09	91.53	89.56	98.20	90.35
Gold (%)	63.54	63.41	63.73	65.15	78.85	64.84
Silver (%)	45.25	46.16	43.91	42.91	46.87	49.04
<b>Concentrate</b>						
Copper concentrate (DMT)	7,123	4,388	2,735	1,201	822	379
Copper (%)	22.08	21.39	23.19	18.24	19.49	15.55
Gold (g/t)	14.12	15.27	13.05	17.65	18.77	15.24
Silver (g/t)	44.24	47.29	39.36	59.75	67.95	41.98

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	Six months ended			Six months ended		
	Jun 30	Q2	Q1	Jun 30	Q2	Q1
	2014	2014	2014	2013 <sup>(2)</sup>	2013 <sup>(2)</sup>	2013 <sup>(2)</sup>
Payable copper produced (000 lbs)	3,298	1,967	1,331	457	335	122
Cash cost per pound of payable copper produced <sup>(3)</sup>	1.14	1.01	1.33	2.84	1.27	5.26

<sup>(1)</sup> Subject to adjustments due to final settlement.

<sup>(2)</sup> 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.

<sup>(3)</sup> Net of by-product credits (refer to non-GAAP Financial Measures).

The Company did not operate the El Roble mine until November 22, 2013 when it took control of the operation.

The El Roble mine performed as planned during 2014-Q2 with an increase of 48% and 88% in copper and gold produced respectively. The increase was driven by a combination of higher throughput and head grades offset by a slight decrease in metallurgical recovery.

The metallurgical recovery fluctuated during the quarter as a result of changes introduced for improved recovery and increased capacity. The Company believes there is further opportunity to increase and stabilize the metallurgical recovery, in particular for gold, given the results of the changes implemented at the mill in 2014-Q2 and changes planned for the third quarter, which will address issues such as flotation retention time, testing of additional reagents and improved reagent dosage control.

The Company initiated stoping activities between levels 1885 and 1907 and expects a sustained increase in mine output during the third quarter until the steady state production level of 650 tonnes per day is reached by year-end.

Capital expenditure activities for the quarter were \$4.68 million. Major categories of expenditure included \$2.21 million in underground mine development, \$1.82 million in equipment and infrastructure related to the mine and the mill (which includes acquisition of a leased asset of \$0.73 million), and \$0.65 million in tailings dam construction. Construction of the new tailings facility was completed during the second quarter and the mill expansion is scheduled for completion before the end of the third quarter.

Cash costs for 2014-Q2 were \$111.60 per tonne of processed ore and \$1.01 per pound of payable copper produced.

The 2014-Q2 cash cost per tonne of processed ore decreased 2.3% over 2014-Q1, mainly driven by an increase in throughput offset by an increase in ground support cost in April. For May and June 2014, the cash cost per processed tonne reflected the full benefit of the increased throughput as additional ground support was not required.

The Company believes there is opportunity to improve the cash cost as throughput is expected to increase in the subsequent quarters.

**Concentrate inventory**

	Three months ended	Six months ended
	June 30	June 30
	2014	2014
<b>Amounts in dry metric tonnes ("DMT")</b>		
Opening inventory	2,515.7	720.9
Production	4,388.0	7,123.0
Sales	(3,892.6)	(4,839.3)
Adjustment	-	6.5
Closing inventory	3,011.1	3,011.1

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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 regularly, almost daily, 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. At the current projected rate of production, the Company anticipates completing one concentrate shipment per quarter during 2014.

In May 2014, the Company sold a concentrate shipment of 4,297.5 WMT.

### **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 has continued through 2014-Q2 and the Company anticipates that 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 planned 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 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.
- Completion of phase 1 of the new tailings facility (achieved in 2014-Q2).

The Company is on schedule to deliver on these objectives.

Metal production is anticipated to increase in each of the following two 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.

### **CHANGE TO THE BOARD OF DIRECTORS**

The Company welcomed Mr. Luis F. Sáenz to the Board of Directors. Mr. Sáenz is a finance executive with over 20 years' experience in mining finance and metals trading with a focus on Latin America. Mr. Sáenz is currently the CEO of Li3 Energy Inc. in Chile and serves as an advisor to Faro Capital in Peru for all mining transactions. Throughout his career, Mr. Sáenz has held senior roles with Standard Bank of South Africa, Merrill Lynch and Pechiney World Trade. He holds a degree in Economics and International Affairs from Franklin & Marshall College in Lancaster, PA.

Mr. David Miles, who contributed to the growth and development of Atico as it transitioned into a producer, did not stand for re-appointment as a director at the 2014 AGM.

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**SUMMARY OF QUARTERLY RESULTS**

The following table provides selected financial information for the eight quarters up to June 30, 2014, and should be read in conjunction with the Company's consolidated financial statements for the three and six months ended June 30, 2014, and for the years ended December 31, 2013 and 2012.

	June 30 2014	March 31 2014	December 31 2013	September 30 2013
Revenue <sup>(1)</sup>	\$ 7,500,276	\$ 2,036,991	\$ Nil	\$ Nil
Income (loss) from operations	1,023,309	(472,383)	(944,341)	(820,242)
Net income (loss) for the period <sup>(2)</sup>	(280,963)	(790,064)	2,982,085	(865,234)
Income (loss) per share - basic and diluted	(0.00)	(0.01)	0.03	(0.02)
Weighted average shares outstanding	97,586,860	96,848,683	57,316,731	57,316,731

  

	June 30 2013	March 31 2013	December 31 2012	September 30 2012
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Income (loss) from operations	(643,834)	(656,272)	(368,584)	(262,071)
Net income (loss) for the period <sup>(2)</sup>	(627,385)	(663,138)	(331,505)	(263,085)
Income (loss) per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average shares outstanding	52,107,305	49,915,226	39,763,883	39,761,111

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

<sup>(2)</sup> 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 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.

**SECOND QUARTER FINANCIAL RESULTS**

Second quarter net loss was \$205,712 compared to a net loss of \$627,385 in 2013-Q2 and loss per share was \$0.00 and \$0.01, respectively. Income from mining operations was \$2,460,682 (2013-Q2 - \$Nil), and the Company had an income from operations of \$1,023,309 (2013-Q2 - loss of \$643,834). Expenses in 2014-Q2 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 incurred interest expense on loans payable which did not exist during 2013-Q2.

**Sales** for 2014-Q2 were \$7,500,276 (2013-Q2 - \$Nil) from the shipping and provisional invoicing of 3,892.65 DMT of concentrate. The Company did not have any revenue in 2013-Q2 as it did not own the El Roble mine until 2013-Q4. 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. Sales for 2014-Q2 increased over 2014-Q1 due to an increase in concentrate sold, offset by a decrease in net price.

	June 30 2014	March 31 2014 <sup>(1)</sup>	June 30 2013
<b>Three months ended</b>			
<b>Sales and realized prices</b>			
Provisional invoices	\$ 7,502,838	\$ 2,000,329	\$ -
Adjustments <sup>(2)</sup>	(2,562)	36,662	-
Sales per financial statements	7,500,276	2,036,991	-
<b>Copper</b>			

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	June 30 2014	March 31 2014 <sup>(1)</sup>	June 30 2013
<b>Three months ended</b>			
Provisional sales (000's lbs)	1,795.3	421.2	-
Realized price (\$/lb) <sup>(3)</sup>	2.99	3.23	-
Net realized price (\$/lb) <sup>(4)</sup>	2.64	3.01	-
<b>Gold</b>			
Provisional sales (oz)	2,191.2	570.7	-
Realized price (\$/oz) <sup>(3)</sup>	1,300.00	1,282.75	-
Net realized price (\$/oz) <sup>(4)</sup>	1,290.25	1,276.75	-
<b>Silver</b>			
Provisional sales (oz)	2,352.8	1,577.1	-
Realized price (\$/oz) <sup>(3)</sup>	20.20	20.17	-
Net realized price (\$/oz) <sup>(4)</sup>	19.85	19.82	-

<sup>(1)</sup> Given the expansion and changes undergoing in the operation, the Company believes the relevant comparison for the readers is with 2014-Q1.

<sup>(2)</sup> Include adjustments for mark-to-market price and foreign exchange rates.

<sup>(3)</sup> Based on provisional sales (adjusted for payable metals deductions) before final price and assay adjustments.

<sup>(4)</sup> Adjusted for treatment and refining charges.

**Cost of sales** for 2014-Q2 was \$5,039,594 (2013-Q2 - \$Nil) consisting of the following components:

	June 30 2014	March 31 2014 <sup>(1)</sup>	June 30 2013
<b>Three months ended</b>			
Direct mining and processing costs	\$ 3,787,964	\$ 1,115,968	\$ -
Royalties	200,930	30,398	-
Depletion and amortization	1,050,700	350,755	-
	\$ 5,039,594	\$ 1,497,121	\$ -

<sup>(1)</sup> Given the expansion and changes undergoing in the operation, the Company believes the relevant comparison for the readers is with 2014-Q1.

Cost of sales for 2014-Q2 increased over 2014-Q1 primarily due to the increase in quantity of metal concentrate sold.

**Selling, general and administrative** expenses were higher in 2014-Q2 compared to 2013-Q2; \$1,259,878 compared to \$327,725. The breakdown of the Company's selling, general and administrative ("SG&A") expense is as follows:

	Three months ended June 30, 2014			Three months ended June 30, 2013 <sup>(1)</sup>		
	El Roble	Corporate	Total	El Roble	Corporate	Total
Selling expenses	\$ 351,264	\$ -	\$ 351,264	\$ -	\$ -	\$ -
Amortization	34,561	23,271	57,832	-	899	899
Corporate administration	127,384	163,971	291,355	-	156,050	156,050
Professional fees	60,237	128,412	188,649	-	22,228	22,228
Salaries and benefits	165,911	180,818	346,729	-	128,157	128,157
Transfer agent and filing fees	-	24,049	24,049	-	20,391	20,391
	\$ 739,357	\$ 520,521	\$ 1,259,878	\$ -	\$ 327,725	\$ 327,725



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	Three months ended June 30, 2014			Three months ended March 31, 2014 <sup>(2)</sup>		
	El Roble	Corporate	Total	El Roble	Corporate	Total
Selling expenses	\$ 351,264	\$ -	\$ 351,264	\$ 110,726	\$ -	\$ 110,726
Amortization	34,561	23,271	57,832	5,041	470	5,511
Corporate administration	127,384	163,971	291,355	56,312	110,937	167,249
Professional fees	60,237	128,412	188,649	22,081	53,991	76,072
Salaries and benefits	165,911	180,818	346,729	162,003	166,341	328,344
Transfer agent and filing fees	-	24,049	24,049	-	20,314	20,314
	\$ 739,357	\$ 520,521	\$ 1,259,878	\$ 356,163	\$ 352,053	\$ 708,216

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

<sup>(2)</sup> Given the expansion and changes undergoing in the operation, the Company believes the relevant comparison for the readers is with 2014-Q1.

**Other income and expenses:** In 2014-Q2, the Company recognized share-based payments of \$123,975 (2013-Q2 - \$298,338) for 2,160,000 stock options granted in February and March 2013 that have vesting terms over 18 months. Exploration expense has not changed significantly from \$17,771 in 2013-Q2 to \$53,520 in 2014-Q2.

In 2014-Q2, the Company recognized interest expense of \$266,733 (2013-Q2 - \$Nil) for various long-term credit facilities, and accretion expense of \$24,282 (2013-Q2 - \$Nil) for its decommissioning and restoration provision related to the El Roble mine. The Company recognized deferred income tax expense of \$626,732 (2013-Q2 - \$Nil) arising from the Company's Colombian operations in the quarter.

### SIX MONTHS FINANCIAL RESULTS

For the six months ended June 30, 2014, the Company incurred a net loss was \$985,684 compared to a net loss of \$1,290,523 for the comparative period in 2013 and loss per share was \$0.01 and \$0.03, respectively. For the six months ended June 30, 2014, income from mining operations was \$3,000,552 (2013 - \$Nil), and the Company had an income from operations of \$550,926 (2013 - loss of \$1,300,106). Expenses for the six months ended June 30, 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 incurred interest expense on loans payable which did not exist during the comparative period in 2013.

**Sales** for the six months ended June 30, 2014 were \$9,537,267 (2013 - \$Nil) from the shipping and provisional invoicing of 4,826.97 DMT of concentrate. The Company did not have any revenue for the comparative period in 2013 as it did not own the El Roble mine until 2013-Q4. 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 three months after the month of sales. The Company has not hedged its exposure to metal price risks.

Six months ended	June 30 2014	June 30 2013 <sup>(1)</sup>
<b>Sales and realized prices</b>		
Provisional invoices	\$ 9,503,167	\$ -
Adjustments <sup>(2)</sup>	34,100	-
Sales per financial statements	9,537,267	
<b>Copper</b>		
Provisional sales (000's lbs)	2,216.5	-
Realized price (\$/lb) <sup>(3)</sup>	3.04	-
Net realized price (\$/lb) <sup>(4)</sup>	2.80	-

### Gold

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	June 30 2014	June 30 2013 <sup>(1)</sup>
<b>Six months ended</b>		
Provisional sales (oz)	2,762.0	-
Realized price (\$/oz) <sup>(3)</sup>	1,296.33	-
Net realized price (\$/oz) <sup>(4)</sup>	1,287.38	-
<b>Silver</b>		
Provisional sales (oz)	3,929.9	-
Realized price (\$/oz) <sup>(3)</sup>	20.19	-
Net realized price (\$/oz) <sup>(4)</sup>	19.84	-

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

<sup>(2)</sup> Include adjustments for mark-to-market price and foreign exchange rates.

<sup>(3)</sup> Based on provisional sales (adjusted for payable metals deductions) before final price and assay adjustments.

<sup>(4)</sup> Adjusted for treatment and refining charges.

**Cost of sales** for the six months ended June 30, 2014 was \$6,536,715 (2013 - \$Nil) consisting of the following components:

	June 30 2014	June 30 2013
<b>Six months ended</b>		
Direct mining and processing costs	\$ 4,903,932	\$ -
Royalties	231,328	-
Depletion and amortization	1,410,455	-
	\$ 6,536,715	\$ -

**Selling, general and administrative** expenses were higher for the six months ended June 30, 2014 compared to the comparative period in 2013; \$1,968,094 compared to \$705,713. The breakdown of the Company's SG&A expense is as follows:

	Six months ended June 30, 2014			Six months ended June 30, 2013 <sup>(1)</sup>		
	El Roble	Corporate	Total	El Roble	Corporate	Total
Selling expenses	\$ 461,990	\$ -	\$ 461,990	\$ -	\$ -	\$ -
Amortization	39,602	23,741	63,343	-	1,607	1,607
Corporate administration	183,696	274,908	458,604	-	404,030	404,030
Professional fees	82,318	182,403	264,721	-	55,366	55,366
Salaries and benefits	327,914	347,159	675,073	-	210,072	210,072
Transfer agent and filing fees	-	44,363	44,363	-	34,638	34,638
	\$1,095,520	\$ 872,574	\$1,968,094	\$ -	\$ 705,713	\$ 705,713

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

**Other income and expenses:** For the six months ended June 30, 2014, the Company recognized share-based payments of \$382,685 (2013 - \$478,785) for 2,160,000 stock options granted in February and March 2013 that have vesting terms over 18 months. Exploration expense has decreased to \$98,847 from \$115,608 in the comparative period in 2013 due to the Company's change in focus on optimization and scale-up at the El Roble mine.

For the six months ended June 30, 2014, the Company recognized interest expense of \$526,633 (2013 - \$Nil) for various long-term credit facilities, and accretion expense of \$47,806 (2013 - \$Nil) for its decommissioning and restoration provision related to the El Roble mine. The Company recognized deferred income tax expense of \$693,718 (2013 - \$Nil) arising from the Company's Colombian operations in the six month period.

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**LIQUIDITY AND CAPITAL RESOURCES**

The Company has begun to generate cash flows from operations to finance its investing and financing activities during fiscal 2014. 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 June 30, 2014 totaled \$2,848,754 (December 31, 2013 - \$6,083,871) and its working capital position was \$467,610 (December 31, 2013 - \$6,819,511).

The Company's debt facility with Trafigura Pte. Ltd. is subject to various qualitative and quantitative covenants, and the Company is in compliance with all such debt covenants as at June 30, 2014.

**Second quarter liquidity and capital resources**

During 2014-Q2, cash and cash equivalents decreased by \$3,000,049. The decrease was due to net cash provided by operating activities of \$1,745,074, net cash used in investing activities of \$3,167,751, and net cash used in financing activities of \$1,595,857. Exchange rate changes had a positive impact on cash and cash equivalents of \$18,485.

*Operating activities*

During 2014-Q2, net cash provided by operating activities amounted to \$1,745,074, which included operating cash flow before changes in non-cash working capital items of \$2,112,196, and changes in non-cash working capital items of \$367,122. Non-cash working capital changes included effects from increase in receivables of \$1,824,978, and increase in accounts payable and accrued liabilities of \$1,347,210 during the normal course of business.

*Investing activities*

Cash used by the Company in investing activities during 2014-Q2 totaled \$3,167,751, which were primarily comprised of underground mine development, acquisition of new equipment, and construction on the new tailings management facility and on-site laboratory. Construction of the new tailings management facility was completed during 2014-Q2, but it was not yet in use.

*Financing activities*

During 2014-Q2, the Company used net cash of \$1,595,857 in its financing activities. The Company made a net repayment of \$1,743,893 against advances on its concentrate inventories. The Company also entered into an arrangement for an unsecured credit facility with a Colombian bank and drew down \$315,000 from it. Additionally, the Company paid \$194,990 towards its long-term loans payable (including related interest). Finally, the Company received \$63,828 from the issuance of shares on exercise of share purchase warrants.

**Six months liquidity and capital resources**

During the six months ended June 30, 2014, cash and cash equivalents decreased by \$3,235,117. The decrease was due to net cash used in operating activities of \$33,454, net cash used in investing activities of \$7,046,709, and net cash provided by financing activities of \$3,843,078. Exchange rate changes had a positive impact on cash and cash equivalents of \$1,968.

*Operating activities*

During the six months ended June 30, 2014, net cash used in operating activities amounted to \$33,454, which included positive operating cash flow before changes in non-cash working capital items of \$2,330,116, and changes in non-cash working capital items of \$2,363,570. Non-cash working capital changes included effects from increase in receivables of \$2,118,178, increase in inventories of \$1,826,775, and increase in accounts payable and accrued liabilities of \$1,261,118 during the normal course of business.

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*Investing activities*

Cash used by the Company in investing activities for the six months ended June 30, 2014 totaled \$7,055,445, which were primarily comprised of underground mine development, acquisition of new equipment, and construction on the new tailings dam and on-site laboratory. Construction of the main level 1880 adit and the new tailings management facility were completed during 2014-Q1 and 2014-Q2, respectively. As at June 30, 2014, the completed new tailings management facility was not yet in use.

*Financing activities*

During the six months ended June 30, 2014, the Company received net cash from financing activities of \$3,843,078. The Company received an advance of \$1,053,997 (net of repayments) on its metals concentrate and a further \$1,974,040 from a loan entered into with certain minority shareholders of MINER. The Company paid \$338,268 towards its long-term loans payable (including related interest). The Company entered into an arrangement for an unsecured credit facility with a Colombian bank and drew down \$315,000 from it. Additionally, the Company received \$874,111 from the issuance of shares on exercise of share purchase warrants and stock options.

**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	<b>Total</b>
Accounts payable and accrued liabilities	\$ 6,892,995	\$ -	\$ -	\$ 6,892,995
Advances on concentrate inventories	1,055,090	-	-	1,055,090
Bank credit facilities	315,000	-	-	315,000
Taxes payable	214,386	-	-	214,386
Finance lease obligations	202,835	442,550	238,945	884,330
Long-term loans payable	5,208,207	7,047,490	1,379,095	13,634,792
	<b>\$ 13,888,513</b>	<b>\$ 7,490,040</b>	<b>\$ 1,618,040</b>	<b>\$ 22,996,593</b>

**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 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.

**TRANSACTIONS WITH RELATED PARTIES**

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

<b>Six months ended June 30, 2014</b>	Salary of fees	Share-based payments	<b>Total</b>
Management	\$ 439,302	\$ 229,030	\$ 668,332
Outside directors	-	93,482	93,482
Seabord Services Corp.	91,125	-	91,125
	<b>\$ 530,427</b>	<b>\$ 322,512</b>	<b>\$ 852,939</b>

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<b>Six months ended June 30, 2013</b>	Salary of fees	Share-based payments	<b>Total</b>
Management	\$ 210,072	\$ 228,050	\$ 438,122
Outside directors	-	155,615	155,615
Seabord Services Corp.	90,990	-	90,990
	\$ 301,062	\$ 383,665	\$ 684,727

Related party liabilities	Items or services	June 30 2014	December 31 2013
<b>Accounts payable and accrued liabilities:</b>			
Chief Executive Officer	Management fees and expenses	\$ 94,108	\$ 80,000
President	Management fees	60,000	60,000
Chief Operating Officer	Management fees	40,000	60,000

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. 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 June 30, 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, 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.

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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**

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.

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**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 June 30, 2014, the Company's financial instruments measured at fair value are as follows:

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<b>Financial assets</b>		Level 1	Level 2	Level 3	<b>Total</b>
Trade receivable from concentrate sales	\$	-	\$ 1,290,725	\$ -	\$ 1,290,725

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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 rate.

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. There have been no significant changes in the Company's exposure to these financial risks since as at December 31, 2013.

**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 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 June 30, 2014, a 10% change in LIBOR rates would cause an approximate \$18,000 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.

**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.

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**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 June 30, 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	\$ 550,236	\$ 22,320	\$ -	\$ 31,940
Receivables	12,783	71,190	-	4,278,031
Accounts payable and accrued liabilities	(102,804)	(126,477)	-	(11,877,999)
Taxes payable	-	-	-	(402,874)
Finance lease obligations	-	-	(538,400)	-
Long-term loan payables	-	-	(996,625)	(3,939,000)
<b>Net exposure</b>	<b>\$ 460,165</b>	<b>\$ (32,967)</b>	<b>\$ (1,535,025)</b>	<b>\$ (11,909,902)</b>
<b>US dollar equivalent</b>	<b>\$ 431,634</b>	<b>\$ (11,787)</b>	<b>\$ (2,095,597)</b>	<b>\$ (6,337,751)</b>

**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 August 14, 2014, 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.

**NON-GAAP FINANCIAL MEASURES**



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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 and six months ended June 30, 2014.

Expressed in \$000's	Q2 2014	Six months ended June 30 2014
<b>Cash cost per tonne of processed ore</b>		
Cost of sales <sup>(1)</sup>	\$ 5,039.6	\$ 6,536.7
Add / subtract		
Change in concentrate inventory	66.4	1,837.4
Depletion and amortization in concentrate inventory	(424.1)	(794.1)
Government royalties and mining taxes	(200.9)	(231.3)
Distribution costs	351.3	462.0
Depletion and amortization in cost of sales	(1,050.7)	(1,401.5)
Cash cost	3,781.6	6,409.2
Total processed ore (tonnes)	33,888	56,904
<b>Cash cost per tonne of processed ore (\$/t)</b>	<b>\$ 111.60</b>	<b>\$ 112.60</b>
<b>Cash cost per pound of payable copper produced</b>		
Aggregate cash cost (above)	3,781.6	6,409.2
Add / subtract		
By-product credits	(2,688.3)	(4,109.7)
Refining charges	615.6	1,000.9
Transportation charges	285.2	462.9
Cash cost applicable to payable copper produced	1,994.1	3,763.3
Total payable copper produced (000's lbs)	1,967.0	3,299.3
<b>Cash cost per pound of payable copper produced (\$/lb)</b>	<b>\$ 1.01</b>	<b>\$ 1.14</b>
Mining cost per tonne	52.30	48.80
Milling cost per tonne	16.10	18.00
Indirect cost per tonne	32.70	37.70
Distribution cost per tonne	10.50	8.10
<b>Total production cost per tonne of processed ore (\$/t)</b>	<b>\$ 111.60</b>	<b>\$ 112.60</b>

<sup>(1)</sup> Includes depletion, amortization, government royalties and mining taxes.

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**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;
- 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

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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](http://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.