



**ATICO MINING CORPORATION**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

**THREE MONTHS ENDED MARCH 31, 2012 AND 2011**  
**(Unaudited)**

## **NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of Atico Mining Corporation for the three months ended March 31, 2012 and 2011 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

**ATICO MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	March 31, 2012	December 31, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (Note 4)	\$ 8,995,631	\$ 127,141
Receivables (Note 5)	54,055	31,079
Prepays and deposits	13,831	11,092
<b>Total current assets</b>	<b>9,063,517</b>	<b>169,312</b>
<b>Non-current assets</b>		
Equipment (Note 6)	61,247	23,298
Exploration and evaluation assets (Note 7)	2,620,069	1,500,359
Deferred share issuance costs (Note 10)	-	83,455
<b>Total non-current assets</b>	<b>2,681,316</b>	<b>1,607,112</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,744,833</b>	<b>\$ 1,776,424</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 126,539	\$ 509,943
Loans payable (Note 9)	399,218	708,250
<b>Total liabilities</b>	<b>525,757</b>	<b>1,218,193</b>
<b>EQUITY (DEFICIENCY)</b>		
Share capital (Note 10)	11,678,472	1,256,367
Share-based payments reserve (Note 10)	714,262	230,199
Deficit	(1,173,658)	(928,335)
<b>Total equity</b>	<b>11,219,076</b>	<b>558,231</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 11,744,833</b>	<b>\$ 1,776,424</b>

**Nature of operations and going concern** (Note 1)  
**Event after reporting date** (Note 15)

These consolidated financial statements are authorized for issuance by the Board of Directors on May 29, 2012.

**Approved by the Board of Directors**

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*"Jorge R. Ganoza"* Director                      *"David Miles"* Director

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

**ATICO MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Three months ended March 31, 2012	Three months ended March 31, 2011
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Administrative services	\$ 44,100	\$ -
Amortization (Note 6)	2,199	-
Interest expense	24,953	-
Investor relations	5,068	-
Management fees	74,369	-
Office and miscellaneous	30,475	1,377
Professional fees	7,793	37,628
Transfer agent and filing fees	2,590	-
	<u>191,547</u>	<u>39,005</u>
<b>Loss before other items</b>	<u>(191,547)</u>	<u>(39,005)</u>
<b>OTHER ITEMS</b>		
Foreign exchange gain	1,780	401
Loss on conversion of debentures	(55,556)	-
	<u>(53,776)</u>	<u>401</u>
<b>Loss and comprehensive loss for the period</b>	<u>\$ (245,323)</u>	<u>\$ (38,604)</u>
Basic and diluted loss per share	(0.01)	(0.01)
Weighted average number of common shares outstanding	<u>20,816,056</u>	<u>3,095,000</u>

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

**ATICO MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	Three months ended March 31, 2012	Three months ended March 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (245,323)	\$ (38,604)
Items not affecting cash:		
Amortization	2,199	-
Interest accrued	10,968	-
Loss on conversion of debentures	55,556	-
<b>Changes in non-cash working capital items:</b>		
Receivables	(22,976)	(6,369)
Prepays and deposits	(2,739)	-
Accounts payable and accrued liabilities	(396,246)	(109,370)
<b>Net cash used in operating activities</b>	<b>(598,561)</b>	<b>(154,343)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(40,148)	(10,181)
Exploration and evaluation expenditures	(1,106,868)	(212,005)
<b>Net cash used in investing activities</b>	<b>(1,147,016)</b>	<b>(222,186)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash	11,500,000	695,000
Share issue costs	(1,065,933)	-
Proceeds from loans payable	180,000	-
<b>Net cash provided by financing activities</b>	<b>10,614,067</b>	<b>695,000</b>
<b>Increase in cash during the period</b>	<b>8,868,490</b>	<b>318,471</b>
<b>Cash, beginning of period</b>	<b>127,141</b>	<b>26,400</b>
<b>Cash, end of period</b>	<b>\$ 8,995,631</b>	<b>\$ 344,871</b>

**Supplemental disclosure with respect to cash flows (Note 13)**

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

**ATICO MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-based Payments Reserve	Deficit	Total Equity
Issued and outstanding shares					
<b>Balance as at December 31, 2010</b>	1,200,000	\$ 60,000	\$ -	\$ (307,470)	\$ (247,470)
Common shares for cash, at \$0.20 per share	3,000,000	600,000	-	-	600,000
Loss for the period	-	-	-	(38,604)	(38,604)
<b>Balance as at March 31, 2011</b>	4,200,000	\$ 660,000	\$ -	\$ (346,074)	\$ 313,926
<b>Balance as at December 31, 2011</b>	15,400,000	\$ 1,256,367	\$ 230,199	\$ (928,335)	\$ 558,231
Common shares for cash, at \$0.50 per share	23,000,000	11,500,000	-	-	11,500,000
Shares issued on conversion of debentures	1,111,111	555,556	-	-	555,556
Share issue costs	-	(1,274,388)	-	-	(1,274,388)
Share issue costs - Finder's shares	250,000	125,000	-	-	125,000
Share issue costs - Finder's warrants	-	(484,063)	484,063	-	-
Loss for the period	-	-	-	(245,323)	(245,323)
<b>Balance as at March 31, 2012</b>	39,761,111	\$ 11,678,472	\$ 714,262	\$ (1,173,658)	\$ 11,219,076

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

**ATICO MINING CORPORATION**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Atico Mining Corporation (the "Company") was incorporated in the Yukon Territories on April 15, 2010 and continued to British Columbia on October 4, 2011. The Company is privately held and is engaged in the acquisition, exploration and development of mineral projects in Colombia. The address of its head office is Suite 501 - 543 Granville Street, Vancouver, British Columbia, Canada.

The Company completed its initial public offering ("IPO"), where it issued 23,000,000 common shares of the Company at \$0.50 per common share for gross proceeds of \$11,500,000 (Note 10) and the common shares of the Company began trading on the TSX Venture Exchange on March 13, 2012 under the symbol "ATY".

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

These consolidated financial statements of the Company are presented in Canadian dollars unless otherwise indicated. The consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation and measurement**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements of the Company have been prepared in accordance with the same accounting policies and methods of their application as the most recent audited financial statements for the year end December 31, 2011, except that they do not include all note disclosures required for annual audited financial statements, and they include new accounting standards effective in the current period. It is suggested that the condensed consolidated interim financial statements be read in conjunction with the annual audited financial statements.

Some of the comparative figures have been reclassified to conform to the current format.

### **3. NEW AND FUTURE ACCOUNTING STANDARDS**

#### **Amendments to IFRS 7 Financial Instruments: Disclosures**

The amendments increase disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

#### **Amendments to IAS 12 Income Taxes**

The amendments are made regarding *Deferred Tax: Recovery of Underlying Assets* and introduce an exception to the existing principle for the measurement of deferred tax assets and liabilities arising on an investment property measured at fair value, and the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 *Property, Plant and Equipment* should always be on a sales basis.

Effective January 1, 2012, the Company has adopted amendments to IFRS 7 *Financial Instruments: Disclosures*, and IAS 12 *Income Taxes*, and concluded that there are no material changes as a result of adopting these amendments

#### **Accounting Pronouncements Not Yet Effective**

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

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

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

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

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



**3. NEW AND FUTURE ACCOUNTING STANDARDS (cont'd...)**

**Accounting Pronouncements Not Yet Effective (cont'd...)**

*Accounting Standards Issued and Effective January 1, 2013 (cont'd...)*

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

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

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

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

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

*Accounting Standards Issued and Effective January 1, 2015*

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

**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**4. CASH**

Cash consists of cash on hand and deposits at banks earning interest at floating rates based on daily bank deposit rates:

	March 31, 2012	December 31, 2011
Cash	\$ 8,994,874	\$ 126,384
Held in trust	757	757
	<b>\$ 8,995,631</b>	<b>\$ 127,141</b>

**5. RECEIVABLES**

The Company's receivables arise from HST/VAT and other receivables due from government taxation authorities and other receivables:

	March 31, 2012	December 31, 2011
HST/VAT receivables	\$ 53,623	\$ 30,066
Other receivables	432	1,013
	<b>\$ 54,055</b>	<b>\$ 31,079</b>

The carrying amounts of the Company's HST/VAT and other receivables are denominated in the following currencies:

<b>Currency</b>	March 31, 2012	December 31, 2011
Canadian dollars	\$ 53,699	\$ 30,142
Colombian pesos	356	937
	<b>\$ 54,055</b>	<b>\$ 31,079</b>

**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**6. EQUIPMENT**

	Office Equipment	Field Equipment	Total
<b>Cost</b>			
As at December 31, 2010	\$ -	\$ -	\$ -
Additions	21,060	7,787	28,847
Disposals	-	-	-
As at December 31, 2011	21,060	7,787	28,847
Additions	3,663	36,485	40,148
Disposals	-	-	-
As at March 31, 2012	24,723	44,272	68,995
<b>Accumulated amortization</b>			
As at December 31, 2010	-	-	-
Additions	4,064	1,485	5,549
Disposals	-	-	-
As at December 31, 2011	4,064	1,485	5,549
Additions	1,455	744	2,199
Disposals	-	-	-
As at March 31, 2012	5,519	2,229	7,748
<b>Net book value</b>			
As at December 31, 2010	-	-	-
As at December 31, 2011	16,996	6,302	23,298
As at March 31, 2012	19,204	42,043	61,247

**7. EXPLORATION AND EVALUATION ASSETS**

On January 28, 2011, the Company entered into an option agreement to acquire 90% of the shares of a company, the main asset of which is the El Roble mineral property located in Colombia. To exercise the option, the Company must make staged payments of US\$2,250,000 over two years and a lump-sum payment of US\$14,000,000 at the end of the two year option period as follows:

- a) US\$200,000 on January 28, 2011 (paid);
- b) US\$350,000 on July 28, 2011 (paid);
- c) US\$650,000 on January 28, 2012 (paid);
- d) US\$1,050,000 on July 28, 2012; and
- e) US\$14,000,000 on or before January 28, 2013.

The option period can be extended for one year to January 28, 2014 for an additional US\$1,200,000.

**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

During the three months ended March 31, 2012, the Company incurred the following exploration expenditures on its mineral properties:

	<b>El Roble, Colombia</b>
Balance, December 31, 2011	\$ 1,500,359
<b>Acquisition Costs</b>	
Property acquisition costs	644,113
	<u>644,113</u>
<b>Exploration Expenditures</b>	
Assays	182,480
Field costs/logistical support	37,365
Geophysics	74,834
Office and administration	88,845
Salaries and benefits	92,073
	<u>475,597</u>
Balance, March 31, 2012	<u>\$ 2,620,069</u>

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following:

	March 31, 2012	December 31, 2011
Trade accounts payable	\$ 83,145	\$ 442,438
Accrued liabilities	43,394	67,505
	<u>\$ 126,539</u>	<u>\$ 509,943</u>

**ATICO MINING CORPORATION**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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**9. LOANS PAYABLE**

In September 2011, the Company entered into debenture agreements for an aggregate principal amount of \$500,000 with an interest rate of 6% per annum calculated and compounded annually. On completion of the Company's initial public offering (Note 10), the aggregate principal amount was converted into 1,111,111 common shares of Company, valued at \$555,556. As at March 31, 2012, the Company recorded accrued interest of \$13,506.

In November 2011, the Company entered into promissory note agreements for an aggregate principal amount of \$200,000 with an interest rate of 6% per annum calculated and compounded annually. The promissory note is repayable at any time up to May 31, 2013. As at March 31, 2012, the Company recorded accrued interest of \$3,012.

In January 2012, the Company entered into promissory note agreements for an aggregate principal amount of \$180,000 with an interest rate of 6% per annum calculated and compounded annually. The promissory note is repayable at any time up to July 19, 2013. As at March 31, 2012, the Company recorded accrued interest of \$2,700.

**10. SHARE CAPITAL**

**Authorized Share Capital**

Authorized share capital consists of an unlimited number of common shares without par value.

**Issued Share Capital**

In March 2012, the Company completed its initial public offering ("IPO") for gross proceeds of \$11,500,000 by issuing 23,000,000 common shares at \$0.50 per share. In connection with the IPO, the Company paid a commission at 7% of the gross proceeds, issued 250,000 common shares, valued at \$125,000 to its finder, and issued 1,840,000 finder's warrants, valued at \$484,063, to its agent, where each warrant is exercisable at \$0.50 per share for 2 years from the closing date.

In March 2012, the Company issued 1,111,111 common shares, valued at \$555,556, for the aggregate principal amount of debentures issued in September 2011 (Note 9).

**Stock Options**

The Company has adopted a stock option plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years. All options granted vest immediately unless otherwise stated.

**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**10. SHARE CAPITAL (cont'd...)**

**Stock Options (cont'd...)**

The continuity of share purchase warrants for the three months ended March 31, 2012 is as follows:

Expiry Date	Exercise Price	Balance, December 31, 2011	Granted	Exercised	Expired/Cancelled	Balance, March 31, 2012
June 30, 2016	\$ 0.50	1,710,000	-	-	-	1,710,000
July 11, 2016	0.50	145,000	-	-	-	145,000
<b>Total</b>		<b>1,855,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,855,000</b>
Weighted average exercise price						
	\$	0.50	\$	0.50	\$	- \$ - \$ 0.50

**Warrants**

The continuity of share purchase warrants for the three months ended March 31, 2012 is as follows:

Expiry Date	Exercise Price	Balance, December 31, 2011	Granted	Exercised	Expired/Cancelled	Balance, March 31, 2012
March 12, 2014	\$ 0.50	-	1,600,000	-	-	1,600,000
March 21, 2014	0.50	-	240,000	-	-	240,000
<b>Total</b>		<b>-</b>	<b>1,840,000</b>	<b>-</b>	<b>-</b>	<b>1,840,000</b>
Weighted average exercise price						
	\$	-	\$	0.50	\$	- \$ - \$ 0.50

**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**10. SHARE CAPITAL (cont'd...)**

**Share-based Payments and Share-based Payment Reserve**

During the three months ended March 31, 2012, the Company issued 1,840,000 (2011 - Nil) share purchase warrants as share issue costs. Using the fair value method for share-based payments, the Company recorded a charge to share capital of \$484,063 (2011 - \$Nil) or \$0.26 (2011 - \$Nil) per share, for finder's warrants issued.

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

	March 31, 2012	March 31, 2011
Weighted average:		
Risk free interest rate	1.18%	-
Expected dividend yield	0%	-
Expected stock price volatility	100%	-
Expected life in years	2	-

**11. RELATED PARTY TRANSACTIONS**

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

	Salary or Fees	Share-based Payments	Total
<b>Three months ended March 31, 2012</b>			
Management	\$ 51,044	\$ -	\$ 51,044
Outside directors	-	-	-
	\$ 51,044	\$ -	\$ 51,044

	Salary or Fees	Share-based Payments	Total
<b>Three months ended March 31, 2011</b>			
Management	\$ -	\$ -	\$ -
Outside directors	-	-	-
	\$ -	\$ -	\$ -

**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**11. RELATED PARTY TRANSACTIONS (cont'd...)**

Related party liabilities	Items or Services	March 31, 2012	December 31, 2011
<b>Accounts payable and accrued liabilities</b>			
Jorge R. Ganoza Aicardi	Management fees	\$ -	\$ 91,428
<b>Loans payable:</b>			
Jorge R. Ganoza Aicardi		\$ 113,255	\$ 101,000
Jorge A. Ganoza Durant		51,351	100,750
Luis D. Ganoza Durant		113,255	101,000
Mario Szotlender		113,255	50,750

Seabord Services Corp., ("Seabord") is a management services company controlled by Michael Winn, a director. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to the Company. The Chief Financial Officer is an employee of Seabord and is not paid directly by the Company. During the three months ended March 31, 2012, Seabord charged \$44,100 (2011 - \$Nil) for the administrative services, of which \$1,668 is included in accounts payable as at March 31, 2012 (December 31, 2011 - \$101,740).

**12. SEGMENTED INFORMATION**

As at March 31, 2012 and December 31, 2011, the Company operated in one reportable operating segment, being the exploration and development of mineral properties. Summarized financial information for the geographic segments the Company operates in are as follows:

<b>As at March 31, 2012</b>	Canada	Colombia	<b>Total</b>
Cash and other assets	\$ 9,031,012	\$ 32,505	\$ 9,063,517
Equipment	-	61,247	61,247
Exploration and evaluation assets	-	2,620,069	2,620,069
<b>Total assets</b>	<b>\$ 9,031,012</b>	<b>\$ 2,713,821</b>	<b>\$ 11,744,833</b>
<b>As at December 31, 2011</b>			
Cash and other assets	\$ 142,534	\$ 26,778	\$ 169,312
Equipment	-	23,298	23,298
Exploration and evaluation assets	-	1,500,359	1,500,359
Deferred share issuance costs	83,455	-	83,455
<b>Total assets</b>	<b>\$ 225,989</b>	<b>\$ 1,550,435</b>	<b>\$ 1,776,424</b>



**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the three months ended March 31, 2012, the Company:

- a) issued 250,000 common shares, valued at \$125,000, as share issue costs (Note 10);
- b) issued 1,840,000 finder's warrants, valued at \$484,063, as share issue costs (Note 10);
- c) reallocated deferred share issuance costs of \$83,455 to share capital;
- d) issued 1,111,111 common shares, valued at \$555,556, for the aggregate principal amount of debentures issued in September 2011 (Note 9); and
- e) incurred exploration and evaluation expenditures of \$62,392 included in accounts payable and accrued liabilities.

During the three months ended March 31, 2011, the Company did not have any significant non-cash investing or financing activities.

**14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT**

**Financial Instruments**

The Company classified its financial instruments as follows:

	Financial Instruments at FVTPL	Loans and Receivables	Other Financial Liabilities
<b>As at March 31, 2012</b>			
Cash	\$ 8,995,631	\$ -	\$ -
Receivables	-	54,055	-
Accounts payable and accrued liabilities	-	-	(126,539)
Loans payable	-	-	(399,218)
	<b>\$ 8,995,631</b>	<b>\$ 54,055</b>	<b>\$ (525,757)</b>

	Financial Instruments at FVTPL	Loans and Receivables	Other Financial Liabilities
<b>As at December 31, 2011</b>			
Cash	\$ 127,141	\$ -	\$ -
Receivables	-	31,079	-
Accounts payable and accrued liabilities	-	-	(509,943)
Loans payable	-	-	(708,250)
	<b>\$ 127,141</b>	<b>\$ 31,079</b>	<b>\$ (1,218,193)</b>

**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)**

**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:

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

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

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

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

<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 8,995,631	\$ -	\$ -	\$ 8,995,631

**Risk and Capital Management**

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations.

The 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.

**ATICO MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

**14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)**

**Currency Risk**

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

As at March 31, 2012, the Company is exposed to currency risk through the following assets and liabilities:

		US dollars	Colombian pesos	<b>Total</b>
Cash	\$	49,151	\$ 52,261,445	
Receivables		-	632,280	
Accounts payable and accrued liabilities		(24,224)	(58,056,634)	
<b>Net exposure</b>		<b>24,927</b>	<b>(5,162,909)</b>	
<b>Canadian dollar equivalent</b>	<b>\$</b>	<b>24,860</b>	<b>\$ (2,905)</b>	<b>\$ 21,955</b>

Based on the above net exposure as at March 31, 2012, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Colombian peso would result in an increase/decrease of approximately \$2,196 in the Company's pre-tax earnings (loss).

**Interest rate risk**

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates. The Company's loans payable are carried at a fixed interest rate, which have minimal interest rate risk.

**Credit Risk**

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

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

**ATICO MINING CORPORATION**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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**14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)**

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities and the ability to pay obligations as they fall due. Financial liabilities, as at March 31, 2012, included \$126,539 of accounts payable and accrued liabilities and loans payable of \$399,218 that have expected maturity dates of less than one year from March 31, 2012. Balances due within 12 months equal their carrying balance as the impact of discounting is not significant.

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

**15. EVENT AFTER REPORTING DATE**

Subsequent to March 31, 2012, the Company granted an aggregate of 380,000 stock options at exercise prices ranging from \$0.51 to \$0.55 per option to an officer, employees and consultants of the Company.