



ATICO MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in United States Dollars)

For the three and six months ended June 30, 2023

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Atico Mining Corporation (the "Company") for the six months ended June 30, 2023 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

ATICO MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited - Expressed in United States Dollars)

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Sales (Note 14)	\$ 12,228,088	\$ 5,463,057	\$ 25,011,328	\$ 26,108,058
Cost of sales (Note 15)	(11,273,890)	(5,705,078)	(21,976,299)	(17,256,725)
Income (loss) from mining operations	954,198	(242,021)	3,035,029	8,851,333
General and administrative expenses	(1,452,364)	(1,357,251)	(2,919,080)	(2,634,927)
Share-based payments (Note 13)	(104,778)	(150,460)	(145,831)	(342,785)
Income (loss) from operations	(602,944)	(1,749,732)	(29,882)	5,873,621
Interest and finance costs, net (Note 16)	(614,437)	(512,252)	(1,275,846)	(1,002,000)
Foreign exchange gain (loss)	281,704	(1,185,055)	567,242	(399,126)
Income (loss) before income taxes	(935,677)	(3,447,039)	(738,486)	4,472,495
Current income tax (expense) recovery	1,392,515	(395,502)	(412,012)	(855,329)
Deferred income tax (expense) recovery	(401,798)	1,148,720	705,868	(2,410,785)
Net income (loss) and comprehensive income (loss)	\$ 55,040	\$ (2,693,821)	\$ (444,630)	\$ 1,206,381
Net (loss) income and comprehensive (loss) income attributable to:				
Equity holders of Atico Mining Corporation	\$ (60,936)	\$ (2,541,218)	\$ (636,944)	\$ 814,985
Non-controlling interests (Note 18)	115,976	(152,603)	192,314	391,396
	\$ 55,040	\$ (2,693,821)	\$ (444,630)	\$ 1,206,381
Basic earnings (loss) per share (Note 17)	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ 0.01
Diluted earnings (loss) per share (Note 17)	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ 0.01
Weighted average no. of shares outstanding - basic (Note 17)	121,286,185	121,286,185	121,286,185	121,286,185
Weighted average no. of shares outstanding - diluted (Note 17)	121,286,185	121,286,185	121,286,185	121,286,185

The accompanying notes are an integral part of these consolidated financial statement

ATICO MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in United States Dollars)

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) income	\$ 55,040	\$ (2,693,821)	\$ (444,630)	\$ 1,206,381
Items not affecting cash:				
Depletion and amortization	2,378,224	1,682,360	5,393,160	4,747,761
Share-based payments	104,778	150,460	145,831	342,785
Accretion of lease liabilities	18,124	11,082	35,669	24,265
Accretion of decommissioning and restoration provision	66,507	77,838	133,016	153,238
Interest expense	509,370	363,060	1,066,069	672,792
Deferred income tax expense (recovery)	401,798	(1,148,720)	(705,868)	2,410,785
Unrealized foreign exchange effect	(534,574)	(231,568)	(584,601)	(137,531)
	2,999,267	(1,789,309)	5,038,646	9,420,476
Changes in non-cash operating working capital items (Note 20)	(3,690,431)	3,285,588	(2,343,076)	(10,649,978)
Net cash provided by operating activities	(691,164)	1,496,279	2,695,570	(1,229,502)
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on mineral properties	(2,663,512)	(2,794,746)	(5,774,941)	(5,340,194)
Acquisition of plant and equipment	(337,295)	(1,457,781)	(617,922)	(2,318,977)
Expenditures on reclamation activities	(91,567)	-	(192,493)	-
Net cash used in investing activities	(3,092,374)	(4,252,527)	(6,585,356)	(7,659,171)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans payable withdrawn, net of financing costs	1,000,000	2,500,000	5,500,000	15,528,347
Loans payable repaid	(1,376,667)	(250,000)	(5,206,667)	(3,200,000)
Payments on lease obligations, principal	(115,820)	(30,053)	(236,360)	(75,706)
Payments on lease obligations, interest	(66,507)	(77,838)	(133,016)	(153,238)
Interest paid	(332,943)	(268,577)	(738,627)	(516,691)
Dividend paid to non-controlling interests	(205,305)	(533,597)	(205,305)	(533,597)
Payment to the National Mining Agency	(1,669,184)	(1,557,635)	(1,669,184)	(1,557,635)
Net cash used in financing activities	(2,766,426)	(217,700)	(2,689,159)	9,491,480
Effect of exchange rate changes on cash	26,103	(4,534)	26,387	(77,828)
Change in cash	(6,523,861)	(2,978,482)	(6,552,558)	524,979
Cash, beginning of period	15,202,138	18,127,020	15,230,835	14,623,559
Cash, end of period	\$ 8,678,277	\$ 15,148,538	\$ 8,678,277	\$ 15,148,538

Supplemental disclosure with respect to cash flows (Note 20)

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

ATICO MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in United States Dollars)

	Number of shares	Share capital	Reserves	Non- controlling interests	Retained earnings	Total equity
Balance as at December 31, 2022	121,286,185	\$ 43,690,353	\$ 5,479,671	\$ 4,063,007	\$ 13,714,702	\$ 66,947,733
Share-based payments	-	-	92,558	-	-	92,558
Dividend declared by subsidiary	-	-	-	(205,305)	-	(205,305)
Net income (loss) and comprehensive income (loss)	-	-	-	192,314	(636,944)	(444,630)
Balance as at June 30, 2023	121,286,185	\$ 43,690,353	\$ 5,572,229	\$ 4,050,016	\$ 13,077,758	\$ 66,390,356

	Number of shares	Share capital	Reserves	Non- controlling interests	Retained earnings	Total equity
Balance as at December 31, 2021	121,286,185	\$ 43,690,353	\$ 4,806,985	\$ 5,412,292	\$ 17,386,334	\$ 71,295,964
Share-based payments	-	-	314,386	-	-	314,386
Dividend declared by subsidiary	-	-	-	(533,597)	-	(533,597)
Net income and comprehensive income	-	-	-	391,396	814,985	1,206,381
Balance as at June 30, 2022	121,286,185	\$ 43,690,353	\$ 5,121,371	\$ 5,270,091	\$ 18,201,319	\$ 72,283,134

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

ATICO MINING CORPORATION
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in United States Dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

1. NATURE OF OPERATIONS

Atico Mining Corporation (the "Company") was incorporated in the Yukon Territories on April 15, 2010 and continued to British Columbia on October 17, 2011. The Company is engaged in copper-gold mining and related activities including exploration, development, extraction, and processing in Colombia and the acquisition, exploration and development of copper and gold projects in Latin America. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "ATY". The address of its head office is Suite 501 - 543 Granville Street, Vancouver, British Columbia, Canada.

On November 22, 2013, the Company acquired 90% of the issued and outstanding common shares of Minera El Roble S.A. ("MINER"), the owner of the El Roble mining property ("El Roble"), an operating copper-gold mine in Colombia.

On September 11, 2019, the Company acquired, in a plan of arrangement, 100% of the issued and outstanding common shares of Toachi Mining Inc. ("Toachi"), which owns the La Plata project in Ecuador.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company is closely monitoring the developments and has implemented preventative measures at the El Roble mine site, La Plata project, as well as corporate offices to safeguard the health of its employees, while continuing to operate effectively and responsibly in its communities. It is currently not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. However, management will continue to assess the situation and is prepared to swiftly make any necessary adjustments within the regulatory framework issued by the Colombian and Ecuadorian Ministry of Health and Social Protection.

In December 2021, the Company entered into an agreement with the mining authority (the "National Mining Agency") in Colombia related to an ongoing royalty dispute. While the Company maintains it has complied with the royalty payments due and called for under the mining contract for the El Roble mining property, this agreement allows for the Company to be recognized as being formally in good standing with the National Mining Agency ("NMA"), enabling the Company to apply for a new mining contract on the property. The mining contract and related title expired on January 23, 2022, where the Company has been allowed to continue operating while the process for the contract and title renewal continues. The Company and the National Mining Agency agreed to settle the royalty dispute via binding arbitration at the Center for Arbitration and Conciliation of the Bogota Chamber of Commerce for the purposes of seeking an expedited resolution to the ongoing claim. In addition, the Company entered into a five-year payment plan, amended in June 2022, payable in biannual instalments for a total amount of approximately \$24,150,000 plus interest at a 6% annual rate. To the extent that a final ruling is made in favor of the Company, the payment plan will cease and any amounts already paid are to be reimbursed to the Company or offset against future royalty obligations (Note 23).

While to date the NMA has allowed continued operation of El Roble, in the event that title renewal is not extended, operations of El Roble would cease and related assets would be impaired. This material uncertainty may put significant doubt on the Company's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and measurement

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to preparation of interim financial statements including International Accounting Standard 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, which have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2022.

3. RECEIVABLES

	June 30 2023	December 31 2022
Trade receivables	\$ 3,292,635	\$ 6,792,915
GST/VAT and other taxes recoverable	2,418,192	1,820,549
Income tax instalments, net	2,787,223	-
Other receivables	77,600	81,503
	\$ 8,575,650	\$ 8,694,967

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3. RECEIVABLES (cont'd...)

As at June 30, 2023, the Company has a concentrate off-take agreement whereby the customer will purchase 100% of the metals concentrate produced at the El Roble mining property. This current agreement has an expected settlement period of one or four months following the month of shipment. As at June 30, 2023 and December 31, 2022, the Company did not have any trade receivables that were past due. The Company's allowance for doubtful accounts at June 30, 2023 and December 31, 2022 was \$Nil.

4. INVENTORIES

	June 30 2023	December 31 2022
Consumable parts and supplies	\$ 2,606,525	\$ 2,424,898
Ore stockpiles	449,440	379,070
Metals concentrate ⁽¹⁾	10,642,965	9,513,726
	\$ 13,698,930	\$ 12,317,694

⁽¹⁾ As at June 30, 2023 and December 31, 2022, all metals concentrate in inventories were pledged as security in connection to the agreement between the Company and the National Mining Agency (Note 23). The security is released proportionally as payments are made in accordance with the payment schedule and may be substituted at a later date.

5. OTHER ASSETS

	June 30 2023	December 31 2022
Prepaid expenses and deposits	\$ 891,553	\$ 704,466
National Mining Agency arbitration asset (Note 23)	6,355,796	3,939,179
	7,247,349	4,643,645
Less: current portion	891,553	704,466
Non-current portion	\$ 6,355,796	\$ 3,939,179

Derivatives

The Company enters into derivative instruments from time to time in the normal course of business in order to manage its exposure to fluctuations in copper price, gold price, and the Colombian peso/US dollar exchange rate. The Company does not enter into or trade derivative instruments for speculative purposes. The Company has not applied hedge accounting to these derivative transactions. Derivative instruments are marked-to-market at the end of each reporting period based on the terms of the arrangements and the expected settlement prices and/or rates. Any resulting mark-to-market adjustment has been recognized in derivative instruments on the consolidated statement of financial position. During the six months ended June 30, 2023 and 2022, the Company recognized a net fair value adjustment of \$Nil on its derivative instruments, and a net realized loss of \$Nil on the settlement of its derivative instruments.

Currency forward arrangements

The Company has entered into zero-cost non-deliverable currency forward arrangements with local Colombian banks between the US dollar and Colombian peso. Each arrangement was net settled based on the difference between the market exchange rate and the contracted settlement rate, where the Company receives (or pays) proceeds if the contracted settlement rate is above (or below) the market exchange rate to purchase Colombian peso. As at June 30, 2023, the Company had no outstanding collar arrangements to convert United States dollars into Colombian pesos at the negotiated exchange rates (December 31, 2022 - \$Nil).

Commodity derivative arrangements

In the past, the Company has entered into zero-cost commodity derivative arrangements with Auramet International LLC. These arrangements were net settled based on the difference between the market price and the contracted settlement price, where the Company received proceeds if the contracted settlement price was above the market price. As at June 30, 2023 and December 31, 2022, the Company did not have any outstanding arrangements.

ATICO MINING CORPORATION
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited - Expressed in United States Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

6. MINERAL PROPERTIES

	Depletable El Roble	Land and non-depletable El Roble	Land and Non-depletable La Plata	Total
As at December 31, 2022, net	\$ 16,817,137	\$ 18,004,009	\$ 35,625,475	\$ 70,446,621
Additions	1,314,466	1,579,654	2,880,821	5,774,941
Depletion and amortization	(2,867,221)	-	-	(2,867,221)
As at June 30, 2023, net	\$ 15,264,382	\$ 19,583,663	\$ 38,506,296	\$ 73,354,341
As at December 31, 2022				
Historical cost	\$ 74,136,130	\$ 18,004,009	\$ 35,625,475	\$ 127,765,614
Accumulated amortization	(57,318,993)	-	-	(57,318,993)
Net carrying amount	\$ 16,817,137	\$ 18,004,009	\$ 35,625,475	\$ 70,446,621
As at June 30, 2023				
Historical cost	\$ 75,450,596	\$ 19,583,663	\$ 38,506,296	\$ 133,540,555
Accumulated amortization	(60,186,214)	-	-	(60,186,214)
Net carrying amount	\$ 15,264,382	\$ 19,583,663	\$ 38,506,296	\$ 73,354,341

Prior to August 2021, the Company held a 60% ownership interest and had an option agreement to earn up to 75% ownership in Compania Minera La Plata S.A. ("CMLP") who holds the La Plata project, which is a polymetallic (primarily gold, silver, copper, lead, and zinc) exploration project at its pre-development stage located in Ecuador.

In August 2021, the Company acquired the remaining 40% for \$10,000,000, of which \$7,000,000 was paid and the remaining \$3,000,000 is payable over three years in three equal annual installments. The option agreement was terminated. In August 2022, the first installment was paid. As at June 30, 2023, \$2,000,000 remains payable (Note 10).

7. PLANT AND EQUIPMENT

	Plant and building	Machinery and equipment	Assets under lease	Total
As at December 31, 2022, net	\$ 7,665,651	\$ 890,010	\$ 1,127,464	\$ 9,683,125
Additions	382,480	230,327	245,732	858,539
Derecognition	-	-	(137,384)	(137,384)
Depletion and amortization	(1,901,359)	(252,450)	(304,361)	(2,458,170)
As at June 30, 2023, net	\$ 6,146,772	\$ 867,887	\$ 931,451	\$ 7,946,110
As at December 31, 2022				
Historical cost	\$ 24,517,817	\$ 18,850,654	\$ 4,877,279	\$ 48,245,750
Accumulated amortization	(16,852,166)	(17,960,644)	(3,749,815)	(38,562,625)
Net carrying amount	\$ 7,665,651	\$ 890,010	\$ 1,127,464	\$ 9,683,125
As at June 30, 2023				
Historical cost	\$ 24,900,297	\$ 19,080,981	\$ 4,985,627	\$ 48,966,905
Accumulated amortization	(18,753,525)	(18,213,094)	(4,054,176)	(41,020,795)
Net carrying amount	\$ 6,146,772	\$ 867,887	\$ 931,451	\$ 7,946,110

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2023	December 31 2022
Trade and other payables	\$ 7,235,783	\$ 6,934,938
Payables to non-controlling interest of MINER	59,152	51,541
Payroll and related liabilities	1,279,486	1,487,510
Taxes payable	-	2,012,378
Accrued liabilities	1,661,115	551,702
	\$ 10,235,536	\$ 11,038,069

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9. LOANS PAYABLE AND CONVERTIBLE DEBENTURES

	Credit facilities	Loans payable	Convertible debentures	Total
As at December 31, 2022	\$ 5,821,487	\$ 10,322,309	\$ 5,748,706	\$ 21,892,502
Additions, net of financing costs	5,500,000	-	-	5,500,000
Interest expense	283,781	446,791	335,497	1,066,069
Repayments - principal	(4,790,000)	(416,667)	-	(5,206,667)
Repayments - interest	(141,584)	(369,542)	(227,500)	(738,626)
As at June 30, 2023	6,673,684	9,982,891	5,856,703	22,513,278
Less: current portion	6,673,684	-	-	6,673,684
Non-current portion	\$ -	\$ 9,982,891	\$ 5,856,703	\$ 15,839,594

Credit facilities

The Company has arrangements with several Colombian banks to enter into unsecured credit facilities with terms up to one year from the date of drawn down (Note 21).

In January 2022, the Company entered into a loan agreement with a Colombian bank totaling \$3,280,000, which carried an interest rate at Secured Overnight Financing Rate ("SOFR") plus 0.75% per annum repayable in six months (later granted a partial extension to January 2023 for \$1,580,000), which was fully paid in January 2023.

In the year ended December 31, 2022, the Company entered into loan agreements with Colombian banks totaling \$4,210,000, which carried interest rates at SOFR plus a range from 1.01% to 2.42% per annum, of which \$2,000,000 and \$1,210,000 was paid in February 2023 and April 2023, respectively. \$1,000,000 remains repayable in December 2023.

In the six months ended June 30, 2023, the Company entered into loan agreements with Colombian banks totaling \$5,500,000, which carried interest rates at SOFR plus a range from 1.80% to 2.10% per annum. \$3,000,000, \$1,000,000 and \$1,500,000 is repayable in August 2023, October 2023 and February 2024, respectively.

As part of the off-take agreement with the customer, the Company has been provided an inventory facility. Any amount advanced by the customer carries annual interest based on LIBOR plus 4.5% from the date of advance and would be secured by such inventory until the date of the payment on provisional invoice has been made. As at June 30, 2023 and December 31, 2022, there were no amounts advanced.

Loans payable

In September 2020, the Company entered into a loan arrangement with Export Development Canada ("EDC") for a non-revolving facility of up to \$2,500,000 repayable in 30 equal monthly principal installments over 30 months from the time of the initial advance. Any amount advanced carries interest rate of LIBOR plus 3.5% per annum. The Company received the initial advance of \$2,500,000 in November 2020 and the final repayment was made in May 2023.

In February 2022, the Company entered into a secured definitive credit agreement with Trafigura PTE Ltd. for a facility of \$10,000,000. The credit agreement has a term of 30 months and includes standard terms and conditions customary in secured financing transactions of this nature. The principal bears interest at a rate of LIBOR plus 5% for the first 24 months and then at a rate of LIBOR plus 7.5% thereafter. At the inception of the credit agreement, the Company paid \$251,653 in debt issue costs which were netted against the principal and are being amortized in interest expense over the life of the loan.

Convertible debentures

In December 2020, the Company entered into an unsecured convertible debenture arrangement with Dundee Corporation ("Dundee") for principal balance of \$6,500,000, which carries an interest rate of 7.0% per annum payable quarterly for five years. The principal balance is convertible into 11,627,907 common shares of the Company at \$0.559 per share. On the closing date, the Company paid \$357,500 as a finder's fee. Over the term of the debenture, the Company may, at its option, redeem the debenture, in whole or in part, at par plus accrued and unpaid interest. The Company must pay a redemption fee equal to 2% of the principal amount if redeemed between 12 months and 2 years after the closing date and equal to 4% of the principal amount if redeemed within 12 months of the closing date. No redemption fee will be charged after two years of closing date. On initial recognition, the Company determined the fair value of the liability component to be \$5,393,572, which was determined by calculating the fair value of the future cash flows of the loan assuming a discount rate of 10%. The equity component was determined to be \$689,517, which comprised the proceeds received less the liability component. A deferred tax liability of \$176,829 related to the taxable temporary difference arising from the equity portion of the convertible loan was recognized as an offset in equity reserves. The debt component of the convertible note is being accreted over the term to maturity, with accretion charge included in interest expense.

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(Unaudited - Expressed in United States Dollars)
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10. OTHER LIABILITIES

	June 30 2023	December 31 2022
Provision for restricted share units (Note 13)	\$ 82,299	\$ 46,830
Acquisition of CMLP non-controlling interest (Note 6)	2,000,000	2,000,000
	2,082,299	2,046,830
Less: current portion	1,050,971	1,028,413
Non-current portion	\$ 1,031,328	\$ 1,018,417

11. LEASE LIABILITIES

	June 30 2023	December 31 2022
Not later than one year	\$ 606,293	\$ 467,107
Later than one year and not later than five years	423,284	629,449
Later than five years	-	-
Total minimum lease payments	1,029,577	1,096,556
Future finance charges at implicit rate	(43,961)	(68,833)
Present value of minimum lease payments	985,616	1,027,723
Less: current portion	613,936	425,956
Non-current portion	\$ 371,680	\$ 601,767

12. DECOMMISSIONING AND RESTORATION PROVISION

	June 30 2023	December 31 2022
Opening balance	\$ 2,728,563	\$ 3,244,681
Settlements	(192,492)	(119,817)
Change in estimate	(5,115)	(712,544)
Accretion expense	133,017	316,243
Ending balance	\$ 2,663,973	\$ 2,728,563

A decommissioning and restoration provision has been recognized in respect of the mining operations at the El Roble mining property, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy the decommissioning and restoration provision as at June 30, 2023 were \$3,346,163 (December 31, 2022 - \$3,346,155), which were adjusted for inflation and uncertainty of the cash flows and then discounted using a risk adjusted pre-tax discount rate of 9.75% (December 31, 2022 - 9.75%). In view of the uncertainties concerning environmental reclamation, the ultimate cost of reclamation activities could differ materially from the estimated amount recorded. The estimate of the Company's decommissioning and restoration liability relating to the El Roble mining property is subject to change based on amendments to laws and regulations and as new information regarding the Company's operations becomes available. Future changes, if any, to the estimated liability as a result of amended requirements, laws, regulations, operating assumptions, estimated timing and amount of obligations may be significant and would be recognized prospectively as a change in accounting estimate. Any such change would result in an increase or decrease to the liability and a corresponding increase or decrease to the mineral property, plant and equipment balance.

13. SHARE CAPITAL

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

Issued share capital

During the six months ended June 30, 2023 and 2022, the Company issued Nil common shares pursuant to the exercise of stock options for proceeds of \$Nil.

ATICO MINING CORPORATION**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in United States Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

13. SHARE CAPITAL (cont'd...)**Restricted share units**

The continuity of restricted share units ("RSUs") for the six months ended June 30, 2023 are as follows:

	Outstanding
As at December 31, 2022	584,732
Granted	2,725,136
Vested	(119,814)
As at June 30, 2023	3,190,054

As at June 30, 2023, the weighted average remaining life of the RSUs outstanding was 2.57 (December 31, 2022 - 1.71) years with vesting periods of 36 months. The Company's outstanding RSUs as at June 30, 2023 are as follows:

Expiry date	Outstanding
October 9, 2023	124,534
April 20, 2024	99,192
April 19, 2025	241,192
April 19, 2026	2,725,136

Stock options

The continuity of stock options for the six months ended June 30, 2023 are as follows:

	Outstanding	Weighted average exercise price (C\$)
As at December 31, 2022	12,073,087	\$ 0.49
Granted	1,913,936	0.21
Expired/Cancelled	(1,931,441)	0.71
As at June 30, 2023	12,055,582	\$ 0.41

As at June 30, 2023, the weighted average remaining life of the stock options outstanding is 2.54 (December 31, 2022 - 2.21) years with vesting periods ranging from 0 to 36 months. The Company's outstanding and exercisable stock options as at June 30, 2023 are as follows:

Expiry date	Exercise price (C\$)	Outstanding	Exercisable
March 22, 2024	0.40	87,138	87,138
May 2, 2024	0.29	2,197,768	2,197,768
October 7, 2024	0.34	1,420,258	1,420,258
October 9, 2025	0.48	2,770,300	1,385,150
April 20, 2026	0.65	2,360,976	1,180,488
July 2, 2026	0.57	300,000	60,000
April 28, 2027	0.41	1,005,206	201,041
April 21, 2028	0.21	1,913,936	-

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13. SHARE CAPITAL (cont'd...)
Share-based payments and share-based payment reserve

During the six months ended June 30, 2023, the Company granted stock options and RSUs to employees, directors, and officers of the Company, all of which will vest over 36 months. Using the fair value method for share-based payments, the Company determined the fair value of the stock options granted to be C\$244,293 or C\$0.13 per option (2022 - C\$242,181 or C\$0.24). The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	June 30 2023	June 30 2022
Weighted average:		
Risk free interest rate	3.10%	3.08%
Expected dividend yield	0%	0%
Expected stock price volatility	73%	69%
Expected life in years	5	5
Forfeiture rate	0%	0%

In accordance with the vesting terms of stock options and RSUs granted, the Company recorded a charge to share-based payments expense of \$145,831 (2022 - \$342,785) with an offsetting credit of \$92,558 (2022 - \$314,386) to the share-based payments reserve and \$53,272 (2022 - \$28,399) to the provision, respectively, during the six months ended June 30, 2023.

14. SALES

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Metals concentrate sold	\$ 12,369,177	\$ 7,459,781	\$ 25,140,577	\$ 28,213,537
Provisional pricing adjustments	(141,089)	(1,996,724)	(129,249)	(2,105,479)
	\$ 12,228,088	\$ 5,463,057	\$ 25,011,328	\$ 26,108,058

In February 2023, the Company entered into an agreement with Trafigura PTE Ltd to sell future quantities of fine payable copper content at a fixed price. As at June 30, 2023, a total of 3,968,316 pounds of copper was sold at a weighted average price of \$4.14 with the date of settlement between July 2023 and January 2024, and a total of 1,940 ounces of gold was sold at a weighted average price of \$1,958 with the date of settlement between July 2023 and October 2023.

15. COST OF SALES

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Direct mining and processing costs	\$ (7,638,602)	\$ (3,226,281)	\$ (14,170,311)	\$ (10,031,552)
Royalties	(820,083)	(277,706)	(1,561,795)	(1,306,231)
Selling expense	(527,090)	(582,045)	(970,484)	(1,299,066)
Depletion and amortization	(2,288,115)	(1,619,046)	(5,273,709)	(4,619,876)
	\$ (11,273,890)	\$ (5,705,078)	\$ (21,976,299)	\$ (17,256,725)

Direct mining and processing costs include salaries and other short-term benefits, contractor charges, energy, consumables, and other production-related costs. Selling expense included mostly the in-land transportation, storage, and security costs of concentrate prior to provisional invoicing.

16. INTEREST AND FINANCE COSTS, NET

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Interest on loans payable and convertible debentures (Note 9)	\$ (509,370)	\$ (363,060)	\$ (1,066,069)	\$ (672,792)
Accretion expenses	(84,632)	(88,920)	(168,686)	(177,503)
Interest and other expenses	(20,435)	(60,272)	(41,091)	(151,705)
	\$ (614,437)	\$ (512,252)	\$ (1,275,846)	\$ (1,002,000)

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17. EARNINGS PER SHARE

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Net income (loss) attributable to equity holders	\$ (60,936)	\$ (2,541,218)	\$ (636,944)	\$ 814,985
Weighted average number of shares	121,286,185	121,286,185	121,286,185	121,286,185
Dilutive effect of stock options ⁽²⁾	-	-	-	-
Diluted weighted average number of shares	121,286,185	121,286,185	121,286,185	121,286,185
Basic earnings (loss) per share ⁽¹⁾	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ 0.01
Diluted earnings (loss) per share ⁽¹⁾	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ 0.01

⁽¹⁾ Attributable to equity holders of the Company

⁽²⁾ Amounts are Nil for periods with basic loss per share, as the effects would be anti-dilutive

18. NON-CONTROLLING INTERESTS

	MINER 90%
Ownership %	90%
As at December 31, 2022	\$ 4,063,007
Dividend declared by subsidiary	(205,305)
Net income and comprehensive income	192,314
As at June 30, 2023	\$ 4,050,016

In August 2022, the Company acquired the remaining 40% of CMLP for \$10,000,000, of which \$7,000,000 was paid and the remaining \$3,000,000 is payable over three years in three equal annual installments. In August 2022, the first installment was paid with \$2,000,000 remaining payable (Note 10).

Summarized financial information about MINER is as follows:

	June 30 2023	June 30 2022
Six months ended		
Current assets	\$ 26,806,583	\$ 31,781,451
Non-current assets	44,993,533	47,558,745
Current liabilities	13,877,947	11,735,250
Non-current liabilities	17,665,252	18,876,339
Net income and comprehensive income	\$ 1,923,140	\$ 3,913,960

19. RELATED PARTY BALANCES AND TRANSACTIONS

The Company considers key management personnel to include its management, outside directors, and any entity controlled by them. The aggregate value of transactions (included in general and administrative expenses and share-based payments) and outstanding balances relating to key management personnel were as follows:

For the six months ended June 30, 2023	Salary or fees	Share-based payments	Total
Management	\$ 572,172	\$ 77,984	\$ 650,156
Directors	68,400	40,873	109,273
Seabord Management Corp.	100,394	-	100,394
	\$ 740,966	\$ 118,857	\$ 859,823
For the six months ended June 30, 2022	Salary or fees	Share-based payments	Total
Management	\$ 445,832	\$ 106,922	\$ 552,754
Directors	72,000	149,277	221,277
Seabord Services Corp.	111,843	-	111,843
	\$ 629,675	\$ 256,199	\$ 885,874

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19. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd...)

As at June 30, 2023, the Company had \$538,769 (December 31, 2022 - \$592,219) due to directors and management related to remuneration and performance-based remuneration, which have been included in accounts payable and accrued liabilities.

Seabord Management Corp. ("Seabord", formerly Seabord Services Corp.) is a management services company controlled by a director. Seabord provides Corporate Secretary, accounting staff, administration staff and office space to the Company pursuant to a service agreement. The Corporate Secretary and the accounting and administrative staff are employees of Seabord and are not paid directly by the Company.

20. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**Changes in non-cash working capital**

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Receivables	\$ (1,972,379)	\$ 12,985,331	\$ 119,317	\$ 858,142
Inventories	(551,238)	(2,962,774)	(1,454,969)	(4,772,225)
Prepaid expenses and deposits	(239,505)	(491,621)	(187,088)	(126,474)
Accounts payable and accrued liabilities	(927,309)	(6,245,348)	(820,336)	(6,609,421)
Net change in non-cash working capital	\$ (3,690,431)	\$ 3,285,588	\$ (2,343,076)	\$ (10,649,978)

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to provide shareholder returns through maximization of the profitable growth of the business and to maintain a degree of financial flexibility relevant to the underlying operating and metal price risks while safeguarding the Company's ability to continue as a going concern.

The Company has arrangements for unsecured credit facilities with a number of Colombian banks, including Banco Davivienda S.A, Banco Popular, Banco Occidente and Bancolombia to borrow up to approximately \$4,300,000 in additional funds.

In addition, as part of the off-take agreement with the customer, the Company has been provided an inventory facility. Any amount advanced by the customer carries annual interest based on LIBOR plus 4.5% from the date of advance until the date of the payment on provisional invoice has been made.

Furthermore, the Company considers components of shareholders' equity as part of its capital. The Board of Directors does not establish a quantitative return on capital criteria for management. The Company manages the capital structure and makes adjustments to it in 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 management of the Company estimates that the capital resources of the Company as at June 30, 2023 are sufficient for its present needs for at least the next twelve months. The Company is not subject to externally imposed capital requirements other than disclosed in notes 9 and 23. There has been no change to the Company's approach on capital management for the years presented.

22. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	Fair value hierarchy	June 30 2023	December 31 2022
Financial assets - amortized cost:			
Cash	\$	8,678,277	\$ 15,230,835
Other receivables		77,600	81,503
Financial assets - fair value through profit or loss:			
Trade receivables	Level 2	3,292,635	6,792,915
Financial liabilities - amortized cost:			
Accounts payable and accrued liabilities		10,235,536	9,025,691
Payable for acquisition of non-controlling interest		2,000,000	2,000,000
Loans payable		22,513,278	21,892,502
Financial liabilities - fair value through profit or loss:			
Provision for restricted share units	Level 2	\$ 82,299	\$ 46,830

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22. FINANCIAL INSTRUMENTS (cont'd...)

Financial instruments recorded at fair value on the consolidated 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 cash, receivables (excluding trade receivable from provisional sales of metals concentrate), and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. The fair values of the Company's loans payable are approximated by their carrying values as their interest rates are comparable to current interest rates.

Trade receivable from provisional sales of metals concentrate includes provisional pricing, and final price and assay adjustments. Derivative instruments are forward arrangements that were valued using pricing models, which require a variety of inputs, such as expected copper prices, gold prices, and foreign exchange rates. The Company's exercise price of its share purchase warrants and conversion price on the convertible debentures are denominated in Canadian dollars or at a set exchange rate. The trade receivable from sales of metals concentrate and derivative instruments are 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, liquidity risk, currency risk, and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

Metal price risk

The Company is exposed to metals price risk given that its revenues are derived from the sale of metals through its metals concentrate products, the prices for which have been historically volatile. Consequently, the economic viability of the Company's mineral property may be adversely affected by fluctuations in metals prices. For concentrate sold during the quarter ended June 30, 2023, a 10% change in copper and gold prices would result in an increase/decrease of approximately \$1,229,000 and \$573,000 respectively in the Company's pre-tax income or loss on an annualized basis, respectively.

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 is held through large Canadian, international and foreign national financial institutions. All of the Company's trade receivables from concentrate sales are held with a large international metals trading company. The Company mitigates this risk by transacting only with reputable financial institutions and requiring provisional payments of 90% of the value of the concentrate shipped to a single well-known buyer. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company believes it is not exposed to significant credit risk and overall, the Company's credit risk has not declined significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuing to monitor forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its development plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash, and its committed liabilities. The maturities of the Company's non-current liabilities are disclosed in Notes 9, 10, and 11. All current liabilities are settled within one year.

Interest rate risk

The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on the SOFR plus a fixed-margin. The Company does not enter into derivative contracts to manage this risk. As at June 30, 2023, a 10% change in SOFR and/or LIBOR would result in an increase/decrease of approximately \$397,000 in the Company's pre-tax income or loss on an annualized basis based on the loan and credit facilities used.

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22. FINANCIAL INSTRUMENTS (cont'd...)

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 the US dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. Based on the Company's net exposure, as at June 30, 2023, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar, Peruvian nuevo sol, and Colombian peso would result in an increase/decrease of approximately \$593,000 in the Company's pre-tax income or loss.

23. CONTINGENCY AND COMMITMENT

During the year ended December 31, 2015, the Company's operating subsidiary, Minera El Roble S.A. ("MINER"), received notice of claim from the mining authority (the "National Mining Agency") in Colombia requesting payment of royalties related to past copper production. The National Mining Agency based its claim on the current mining law, which is subsequent to the prevailing mining law under which MINER executed the mining contract regulating its royalty obligations for the El Roble mining property. The current mining law in Colombia explicitly states that it does not affect contracts executed prior to this law entering into force. Accordingly, the Company refuted the notice of claim, taking the position it has complied with the royalty payments due and called for under the contract.

In 2017, the National Mining Agency in Colombia submitted a claim for \$5,000,000 (up from \$2,000,000) plus additional interest and fees. The Company has been vigorously defending itself against this action before the Administrative Tribunal of Cundinamarca (the "Tribunal"). Such claims may take up to ten years to reach a resolution in Colombian courts. The National Mining Agency had updated the claim amount to COP\$87,933,286,817 (approximately \$21,000,000) for all royalties in dispute up to December 2021, and in June 2022, to COP\$101,217,832,270 (approximately \$24,150,000) for all royalties in dispute up to January 23, 2022, the expiry date of the mining contract. Such amounts exclude indexation and related late payment interest.

On December 29, 2021, the Company entered into an agreement (the "Agreement") with the National Mining Agency to settle the dispute via binding arbitration at the Center for Arbitration and Conciliation of the Bogota Chamber of Commerce for the purposes of seeking an expedited resolution to the ongoing claim. The arbitration rules state the final decision by the tribunal takes approximately six to twelve months from the commencement of the arbitration process. The Company expects a final decision to be made in the first half of 2024. According to the Agreement, to the extent that a final ruling is made in favor of the Company, the Payment Plan (see below) will cease, and any amounts already paid will be reimbursed to or offset against future royalty obligations.

The Agreement allowed for the Company to be recognized as being formally in good standing with the National Mining Agency, enabling the Company to apply for a new mining contract on the property. The previous contract and related title expired on January 23, 2022.

The Agreement called for the Company to enter into a five-year Payment Plan (which was amended in June 2022) payable in biannual instalments for a total amount of COP\$101,217,832,270 (approximately \$24,150,000) plus interest at a 6% annual rate (in aggregate of COP\$120,252,412,294 or approximately \$28,690,000) with the following payment schedule: initial upfront payment of COP\$3,800,000,000 (paid in 2021), followed by COP\$15,130,315,236 (paid in 2022), COP\$15,301,117,051 (approximately \$3,650,000) in 2023 of which COP\$7,705,923,313 was paid in May 2023, COP\$15,847,046,908 (approximately \$3,780,000) in 2024, COP\$26,501,243,006 (approximately \$6,320,000) in year 2025 and COP\$43,672,690,093 (approximately \$10,420,000) in year 2026. The total amount payable represents all outstanding royalty payments which the National Mining Agency has claimed through to the expiry date of the mining contract. The parties have agreed to this interim arrangement until a final arbitration decision is made.

As security for the Payment Plan, the Company pledged one real estate property located in Colombia in addition to granting a rotating pledge over 9,444 wet metric tonnes of concentrate inventory. The security is to be released proportionally as payments are made in accordance with the payment schedule. The security may be substituted at a later date. The Company recorded an arbitration asset for any payment made under the Payment Plan. The Company continues to work towards obtaining a new contract to renew title for the operating mine. The Company has been allowed to continue operating while the process for the contract and title renewal continues. There is no assurance the renewal will be obtained.

24. SEGMENTED INFORMATION

The Company is engaged in mining, exploration, and development of mineral properties, and has an operating mine in Colombia. The Company operates in one industry and has one reportable segment, which is reviewed by the chief operating decision maker and identified based on quantitative factors whereby its revenues or assets comprise 10% or more of the total revenues or assets of the Company. As at June 30, 2023, the Company only had a single off-take agreement for metals concentrate produced at the El Roble mining property.

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24. SEGMENTED INFORMATION (cont'd...)**Geographic segment details**

As at June 30, 2023	Canada		Colombia		Ecuador and other		Total
Cash and other current assets	\$	1,274,224	\$	29,593,805	\$	976,381	\$ 31,844,410
Other non-current assets		-		6,355,796		-	6,355,796
Mineral properties		-		34,848,045		38,506,296	73,354,341
Plant and equipment		-		7,935,441		10,669	7,946,110
Total assets	\$	1,274,224	\$	78,733,087	\$	39,493,346	\$ 119,500,657

As at December 31, 2022	Canada		Colombia		Ecuador and other		Total
Cash and other current assets	\$	5,484,605	\$	30,744,382	\$	718,975	\$ 36,947,962
Other non-current assets		-		3,939,179		-	3,939,179
Mineral properties		-		34,821,146		35,625,475	70,446,621
Plant and equipment		-		9,661,787		21,338	9,683,125
Total assets	\$	5,484,605	\$	79,166,494	\$	36,365,788	\$ 121,016,887