ATICO MINING CORPORATION

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

MARCH 31, 2016

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Atico Mining Corporation (the "Company") for the three months ended March 31, 2016 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 United States Dollars)

	March 31 2016	December 31 2015
ASSETS		
Current assets		
Cash and cash equivalents (Note 16)	$ 2,050,740	$ 3,794,619
Receivables (Note 3)	7,819,346	3,926,626
Inventories (Note 4)	4,096,260	5,179,035
Prepaids and deposits	1,466,120	1,129,185
Other financial assets (Note 5)	709,988	223,810
Total current assets	16,142,454	14,253,275
Non-current assets		
Advances to suppliers (Note 6)	142,984	101,798
Mineral property, plant and equipment (Note 6)	62,017,457	63,588,218
Total non-current assets	62,160,441	63,690,016
TOTAL ASSETS	$78,302,895	$77,943,291
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 5,257,154	$ 5,323,531
Advance on concentrate inventories (Note 3)	-	2,320,900
Bank credit facilities (Note 8)	2,483,745	1,550,000
Taxes payable	2,268,623	917,676
Current portion of finance lease obligations (Note 9)	149,960	140,485
Current portion of long-term loans payable (Note 10)	4,434,758	4,540,252
Total current liabilities	14,594,240	14,792,844
Non-current liabilities		
Finance lease obligations (Note 9)	258,678	285,807
Long-term loans payable (Note 10)	2,402,542	3,117,720
Decommissioning and restoration provision (Note 11)	1,531,584	1,642,295
Deferred income tax liabilities	18,777,947	19,260,625
Total non-current liabilities	22,970,751	24,306,447
Total liabilities	37,564,991	39,099,291
EQUITY		
Share capital (Note 13)	37,751,114	37,751,114
Share-based payments reserve (Note 13)	2,582,628	2,518,471
Foreign currency translation reserve	(715,935)	(715,935)
Deficit	(2,790,186)	(4,514,864)
Total equity attributable to equity holders of the Company	36,827,621	35,038,786
Non-controlling interests	3,910,283	3,805,214
Total equity	40,737,904	38,844,000
TOTAL LIABILITIES AND EQUITY	$78,302,895	$77,943,291

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on May 24, 2016.

Approved by the Board of Directors

"Luis F. Sáenz" Director   *"Jorge R. Ganoza"* Director

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

ATICO MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS)
(Expressed in United States Dollars)

	Three months ended March 31 2016	Three months ended March 31 2015
Sales	$12,122,542	$13,452,803
Cost of sales		
Direct mining and processing costs	(4,559,832)	(5,164,076)
Royalties	(248,887)	(317,976)
Depletion and amortization	(3,706,229)	(3,156,161)
Total cost of sales (Note 4)	(8,514,948)	(8,638,213)
Income from mining operations	3,607,594	4,814,590
Selling, general and administrative expenses	(1,270,708)	(1,185,698)
Share-based payments (Note 13)	(64,157)	(107,364)
Income from operations	2,272,729	3,521,528
Interest on long-term loans payable (Note 10)	(171,408)	(221,874)
Accretion of decommissioning and restoration provision (Note 11)	(35,177)	(34,787)
Interest and other expenses	174,283	48,867
Fair value adjustment on derivative instruments, net (Note 5)	486,178	-
Foreign exchange gain	69,684	156,695
Income before income taxes	2,796,289	3,470,429
Current income tax expense (Note 12)	(1,312,207)	(990,771)
Deferred income tax recovery (expense) (Note 12)	482,678	(64,954)
Net income (loss)	$ 1,966,760	$ 2,414,704
Net income (loss) attributable to:		
Equity holders of Atico Mining Corporation	$ 1,724,678	$ 2,128,961
Non-controlling interests (Note 15)	242,082	285,743
	$ 1,966,760	$ 2,414,704
Earnings (loss) per share - basic (Note 14)	$ 0.02	$ 0.02
Earnings (loss) per share - diluted (Note 14)	$ 0.02	$ 0.02
Weighted average no. of shares outstanding - basic (Note 14)	97,591,571	97,591,571
Weighted average no. of shares outstanding - diluted (Note 14)	97,591,571	97,661,552

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

ATICO MINING CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in United States Dollars)

	Three months ended March 31 2016	Three months ended March 31 2015
Net income (loss)	$ 1,966,760	$ 2,414,704
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment	-	(655,955)
Total other comprehensive income (loss)	-	(655,955)
Total comprehensive income (loss)	$ 1,966,760	$ 1,758,749
Total comprehensive income (loss) attributable to:		
Equity holders of Atico Mining Corporation	$ 1,724,678	$ 1,473,006
Non-controlling interests	242,082	285,743
	$ 1,966,760	$ 1,758,749

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 United States Dollars)

	Three months ended March 31 2016	Three months ended March 31 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 1,966,760	$ 2,414,704
Items not affecting cash and cash equivalents:		
Depletion and amortization	3,764,080	3,212,813
Share-based payments	64,157	107,364
Accretion of decommissioning and restoration provision	35,177	34,787
Interest on finance lease obligations	10,098	14,009
Interest income	(913)	(1,219)
Interest expense	218,716	272,690
Fair value adjustment on derivative instruments, net	(486,178)	-
Deferred income tax expense	(482,678)	64,954
Unrealized foreign exchange effect	80,280	(795,490)
	5,169,499	5,324,612
Changes in non-cash operating working capital items (Note 16)	(2,748,763)	(803,595)
Net cash provided by operating activities	2,420,736	4,521,017
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral property, plant and equipment	(1,660,823)	(2,100,878)
Interest received	913	1,219
Net cash used in investing activities	(1,659,910)	(2,099,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term loans payable	(1,029,390)	(1,105,699)
Payments on finance lease obligations	(46,019)	(43,973)
Advance on concentrate inventories paid, net	(2,318,233)	(4,671,221)
Bank credit facilities withdrawn, net	923,700	1,285,990
Interest paid	(39,931)	(56,844)
Net cash used in financing activities	(2,509,873)	(4,591,747)
Effect of exchange rate changes on cash and cash equivalents	5,168	(13,733)
Change in cash and cash equivalents	(1,743,879)	(2,184,122)
Cash and cash equivalents, beginning of period	3,794,619	5,102,634
Cash and cash equivalents, end of period	$ 2,050,740	$ 2,918,512

Supplemental disclosure with respect to cash flows (Note 16)

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 United States Dollars)

	Number of shares	Share capital	Share-based payments reserve	Foreign currency translation reserve	Non-controlling interests	Deficit	**Total equity**
Balance as at December 31, 2015	97,591,571	37,751,114	2,518,471	(715,935)	3,805,214	(4,514,864)	38,844,000
Share-based payments	-	-	64,157	-	-	-	64,157
Adjustment to non-controlling interests	-	-	-	-	(137,013)	-	(137,013)
Net income (loss)	-	-	-	-	242,082	1,724,678	1,966,760
Balance as at March 31, 2016	97,591,571	$37,751,114	$ 2,582,628	$ (715,935)	$ 3,910,283	$ (2,790,186)	$ 40,737,904
Balance as at December 31, 2014	97,591,571	$37,751,114	$ 2,179,219	$ (122,939)	$ 3,494,863	$ (4,490,982)	$ 38,811,275
Share-based payments	-	-	107,364	-	-	-	107,364
Foreign currency translation adjustment	-	-	-	(655,955)	-	-	(655,955)
Net income (loss)	-	-	-	-	285,743	2,128,961	2,414,704
Balance as at March 31, 2015	97,591,571	$37,751,114	$ 2,286,583	$ (778,894)	$ 3,780,606	$ (2,362,021)	$ 40,677,388

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

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 4, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and measurement

These condensed consolidated interim financial statements have been prepared 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"), including International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements, except as described below, and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2015.

Accounting pronouncements not yet effective

The following standards and pronouncements have been issued by the IASB and have not yet been adopted by the Company. The Company is currently evaluating the impact the new and amended standards are expected to have on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 9 Financial Instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 Financial Instruments: Recognition and Measurement requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. IFRS 9 is effective for periods beginning on or after January 1, 2018.

IFRS 16 Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

(Expressed in United States Dollars)

3. RECEIVABLES

	March 31 2016	December 31 2015
Trade receivables	$ 4,930,708	$ 1,703,070
GST/VAT and other taxes recoverable	2,779,604	2,077,677
Other receivables	109,034	145,879
	$ 7,819,346	$ 3,926,626

As at March 31, 2016 and December 31, 2015, the Company did not have any trade receivables that were past due. The Company's allowance for doubtful accounts at March 31, 2016 and December 31, 2015 was $Nil.

The Company has a concentrate off-take agreement where the customer will purchase 100% of the metals concentrate produced at the El Roble mining property. As part of the agreement, the customer has provided the Company with an inventory credit facility. As at March 31, 2016, related to this credit facility, the Company did not have any outstanding balance (December 31, 2015 - $2,320,900, which included accrued interest expense of $2,668).

The Company's current concentrate off-take agreement has an expected settlement period of four months. The aging analysis of the Company's trade receivables from sales of metals concentrate is as follows:

	March 31 2016	December 31 2015
0 to 30 days	$ 2,489,441	$ 1,133,362
31 to 60 days	950,372	-
61 to 90 days	-	-
91 to 120 days	1,490,895	569,708
Over 120 days	-	-
	$ 4,930,708	$ 1,703,070

4. INVENTORIES

	March 31 2016	December 31 2015
Consumable parts and supplies	$ 2,398,581	$ 2,029,908
Ore stockpiles	134,399	152,429
Metals concentrate	1,563,280	2,996,698
	$ 4,096,260	$ 5,179,035

For the three months ended March 31 2016, the Company recorded cost of sales of $8,514,948 (2015 - $8,638,213), where direct mining and processing costs include salaries and other short-term benefits, contractor charges, energy, consumables, and other production-related costs.

(Expressed in United States Dollars)

5. OTHER FINANCIAL ASSETS

	Commodity derivative arrangements	Commodity forward sale arrangements	Currency forward arrangements	**Total**
As at December 31, 2015	$ -	$ 180,000	$ 43,810	$ 223,810
Fair value adjustments during the reporting period	73,380	27,560	609,048	709,988
Reversal of previous fair value adjustments	-	(180,000)	(43,810)	(223,810)
	73,380	(152,440)	565,238	486,178
As at March 31, 2016	$ 73,380	$ 27,560	$ 609,048	$ 709,988

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 would have been recognized in other financial assets or liabilities on the consolidated statement of financial position. During the three months ended March 31 2016, the Company recognized a net realized gain of $39,800 (2015 - $Nil) on the settlement of derivative instruments.

Commodity derivative arrangements

As at March 31, 2016, the Company had a series of zero-cost commodity derivative arrangements with Auramet International LLC. Each arrangement is net settled based on the difference between the market price and the contracted settlement price, where the Company receives proceed if the market price is below the contracted settlement price. The details of the arrangements are as follows:

Settlement date	Quantity[1]	Settlement price
Copper		
October 17, 2016	300 MT	4,930
December 15, 2016	300 MT	4,910
Gold		
October 17, 2016	400 oz	1,260
December 15, 2016	400 oz	1,260
January 17, 2017	400 oz	1,260

[1]Copper quantities in metric tonnes ("MT") and gold quantities in ounces ("oz")

(Expressed in United States Dollars)

5. OTHER FINANCIAL ASSETS (cont'd…)

Commodity forward sale arrangements

As at March 31, 2016, the Company had the following zero-cost commodity forward sale arrangements with its customer, whereby both parties agree to preset the prices on metals to be shipped and settled at the end of the settlement period. The details of the arrangements are as follows:

	Quantity[1]	Settlement price
Copper	400 MT	$ 4,887
Gold	400 oz	$ 1,264

[1]Copper quantity in metric tonnes ("MT") and gold quantity in ounces ("oz")

The metals pertaining to arrangements above were expected to shipped and provisionally invoiced in May 2016.

Currency forward arrangements

As at March 31, 2016, the Company had the following zero-cost non-deliverable currency forward arrangements with Bancolombia between the US dollar and Colombian peso. Each arrangement is net settled based on the difference between the market exchange rate and the contracted settlement rate, where the Company receives proceed if the market exchange rate is below the contracted settlement rate to purchase Colombian peso. The details of the arrangements are as follows:

Settlement date	Amount	Settlement rate
April 6, 2016	$ 628,000	3,445.30
April 13, 2016	511,000	3,448.21
April 20, 2016	203,000	3,451.12
April 27, 2016	746,000	3,454.35
May 4, 2016	368,000	3,457.65
May 11, 2016	460,000	3,460.63
May 18, 2016	339,000	3,465.27
May 25, 2016	627,000	3,468.39
June 1, 2016	217,000	3,471.51

(Expressed in United States Dollars)

6. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral property	Land	Plant, building, machinery, and equipment	Capital work in progress	**Total**
As at December 31, 2015, net	$51,783,887	$ 275,834	$11,528,497	$ -	$63,588,218
Changes for the period:					
Additions	546,224	-	1,114,599	-	1,660,823
Provision adjustments (Note 11)	(145,888)	-	-	-	(145,888)
Depletion and amortization	(1,874,161)	-	(1,211,535)	-	(3,085,696)
As at March 31, 2016, net	$50,310,062	$ 275,834	$11,431,561	$ -	$62,017,457
As at December 31, 2015					
Historical cost	$62,950,637	$ 275,834	$16,668,080	$ -	$79,894,551
Accumulated amortization	(11,166,750)	-	(5,139,583)	-	(16,306,333)
Net carrying amount	$51,783,887	$ 275,834	$11,528,497	$ -	$63,588,218
As at March 31, 2016					
Historical cost	$63,350,973	$ 275,834	$17,782,679	$ -	$81,409,486
Accumulated amortization	(13,040,911)	-	(6,351,118)	-	(19,392,029)
Net carrying amount	$50,310,062	$ 275,834	$11,431,561	$ -	$62,017,457

Capital work in progress related to capital costs incurred in connection with sustaining capital at the El Roble mining property. As at March 31, 2016, the Company held leased assets with net carrying amount of $346,917 (December 31, 2015 - $408,137) financed by finance leases (Note 9) and carried $142,984 (December 31, 2015 - $101,798) of advances to suppliers related to the sustaining capital at the El Roble mining property.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31 2016	December 31 2015
Trade and other payables	$ 3,179,238	$ 3,821,348
Payables to non-controlling interest of MINER	224,369	83,817
Payroll and related liabilities	403,879	525,963
Accrued liabilities	1,449,668	892,403
	$ 5,257,154	$ 5,323,531

(Expressed in United States Dollars)

8. BANK CREDIT FACILITIES

The Company has arrangements for unsecured credit facilities with a number of Colombian banks, including Banco Davivienda S.A., Banco de Occidente, Bancolombia, and Banco Popular, of up to Colombian pesos ("COP") $21,200,000,000 (approximately $7,260,000). As at March 31, 2016, the Company owed $2,483,745 on these facilities, which included accrued interest expense of $10,045 (December 31, 2015 - $1,550,000 and $Nil, respectively) and carries annual interest based on the London Inter-bank Offered Rates ("LIBOR") plus 1.60% to 2.20% (December 31, 2015 - LIBOR plus 1.60%) payable monthly and the principal portion is repayable in six months from the date of drawn down.

9. FINANCE LEASE OBLIGATIONS

During the year ended December 31, 2014, the Company acquired certain mining equipment that are classified as finance leases, with the applicable costs included in mineral property, plant and equipment (Note 6). Future minimum lease payments as at March 31, 2016 and December 31, 2015 are as follows:

	March 31 2016	December 31 2015
2016	$ 147,786	$ 197,039
2017	334,732	334,732
Total minimum lease payments	482,518	531,771
Future finance charges at implicit rate	(42,218)	(116,936)
Currency translation adjustments	(31,662)	11,457
Balance of unpaid obligations	408,638	426,292
Less: current portion	149,960	140,485
Long term portion	$ 258,678	$ 285,807

10. LONG-TERM LOANS PAYABLE

	Trafigura	Nordea/ Sandvik	**Total**
As at December 31, 2015	$ 6,603,262	$ 1,054,710	$ 7,657,972
Repayments - principal	(666,667)	(180,476)	(847,143)
Repayments - interest	(161,549)	(20,698)	(182,247)
Interest expense	152,009	19,399	171,408
Currency translation adjustments	-	37,310	37,310
As at March 31, 2016	5,927,055	910,245	6,837,300
Less: current portion	3,927,055	507,703	4,434,758
Long term portion	$ 2,000,000	$ 402,542	$ 2,402,542

(Expressed in United States Dollars)

10. LONG-TERM LOANS PAYABLE (cont'd…)

Trafigura Pte. Ltd.

In November 2013, the Company entered into a senior secured repayable debt facility for $8,000,000 with Trafigura Pte. Ltd. ("Trafigura"). The funds drawn have a repayment term of 48 months, with stated annual interest of LIBOR plus 9%, payable quarterly, subject to a 12-month grace period with the first repayment date being February 22, 2015. There was a $125,000 financing fee paid to Trafigura when the funds were drawn. The facility is secured by the Company's shareholding in MINER. Under the effective interest method, this loan has an effective annual interest rate of 9.53%. In February 2015, the repayment schedule was amended where the Company has the option to postpone each of the first four principal repayments for twelve months; at which, the Company has elected to postpone two of its principal repayments to August and November 2016. As at March 31, 2016, the Company was in compliance with all qualitative and quantitative covenants.

Nordea Bank Finland plc and Sandvik AB

On the acquisition of MINER, the Company assumed two loans for an aggregate amount of €1,254,600 in connection with purchase financings of equipment from Sandvik AB ("Sandvik"). Under the terms of these arrangements, the Company makes quarterly installments totaling €104,550, along with applicable interest at a stated annual interest rate of 8.5% over three years. The facility is secured by the equipment financed. Sandvik subsequently assigned the loans to Nordea Bank Finland plc ("Nordea"), where the terms remained unchanged.

During the year ended December 31, 2015, the Company entered into loan agreements for an aggregate of €708,900 in connection with purchase financing of equipment from Sandvik. Under the terms of the arrangement, the Company makes quarterly installments totaling €59,075, along with applicable interest at a stated annual interest rate of 7.5% over three years.

The schedule of maturities on outstanding loan obligations is as follows:

	March 31 2016
2016	$ 3,701,001
2017	2,935,028
2018	201,271
Total	$ 6,837,300

11. DECOMMISSIONING AND RESTORATION PROVISION

	Three months ended March 31 2016	Year ended December 31 2015
Opening balance	$ 1,496,407	$ 1,012,003
Change in estimates	(145,888)	385,762
Accretion expense	35,177	98,642
Ending balance	$ 1,385,696	$ 1,496,407

(Expressed in United States Dollars)

11. DECOMMISSIONING AND RESTORATION PROVISION (cont'd…)

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 March 31, 2016 were $3,150,000 (December 31, 2015 - $3,150,000), 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, 2015 - 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.

12. INCOME TAXES

Income tax expense differs from the amount that would result from applying Canadian income tax rates to earnings before income taxes. These differences result from the following items:

For the three months ended	March 31 2016	March 31 2015
Income before income taxes	$ 2,796,289	$ 3,470,429
Canadian federal and provincial income tax rates	26.00%	26.00%
Expected income tax expense at statutory income tax rate	717,511	902,329
Difference between Canadian and foreign tax rates	490,696	545,631
Change in effective tax rate	-	(265,186)
Permanent differences and other adjustments	(282,982)	37,646
Changes in recognized deferred tax assets and liabilities	-	86,514
Changes in unrecognized deferred tax assets	196,405	50,428
Impact of foreign exchange on deferred tax assets and liabilities	(292,101)	(301,637)
Total income tax expense	$ 829,529	$ 1,055,725
Current income tax expense	$ 1,312,207	$ 990,771
Deferred income tax expense (recovery)	(482,678)	64,954

(Expressed in United States Dollars)

13. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without par value. As at March 31, 2016 and December 31, 2015, the Company did not have any common shares held in escrow.

Issued share capital

During the three months ended March 31, 2016, the Company did not issue any common shares.

Stock options

The continuity of stock options for the three months ended March 31, 2016 is as follows:

Expiry Date	Exercise Price (CAD)	**Balance December 31 2015**	Granted	Exercised	Expired/ Cancelled	**Balance March 31 2016**
June 30, 2016	$ 0.50	1,710,000	-	-	-	1,710,000
July 11, 2016	0.50	140,000	-	-	-	140,000
April 24, 2017	0.55	250,000	-	-	-	250,000
May 16, 2017	0.51	130,000	-	-	-	130,000
February 4, 2018	0.98	1,810,000	-	-	-	1,810,000
March 1, 2018	0.98	340,000	-	-	-	340,000
July 11, 2019	0.79	2,870,671	-	-	-	2,870,671
Outstanding		7,250,671	-	-	-	7,250,671
Weighted average exercise price		$ 0.76	$ -	$ -	$ -	$ 0.76
Exercisable		4,954,134				4,954,134

As at March 31, 2016, the weighted average remaining life of the stock options outstanding is 1.97 (December 31, 2015 - 2.22) years with vesting periods ranging from 0 to 36 months.

Share-based payments and share-based payment reserve

During the year ended December 31, 2014, the Company granted 2,870,671 stock options 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 options granted to be C$1,050,805 or C$0.37 per option. In accordance with the vesting terms, the Company recorded a charge to share-based payments expense with the offsetting credit to share-based payments reserve of $64,157 (2015 - $107,364) during the three months ended March 31, 2016.

(Expressed in United States Dollars)

14. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share, calculated on a basic and diluted basis, is as follows:

	Three months March 31 2016	Three months March 31 2015
Net income (loss)[1]	$ 1,724,678	$ 2,128,961
Weighted average number of common shares outstanding - basic	97,591,571	97,591,571
Dilutive effect of stock options outstanding	-	69,981
Weighted average number of common shares outstanding - diluted	97,591,571	97,661,552
Basic earnings (loss) per share[1]	$ 0.02	$ 0.02
Diluted earnings (loss) per share[1]	$ 0.02	$ 0.02

[1] Attributable to equity holders of the Company

15. RELATED PARTY BALANCES AND TRANSACTIONS

MINER non-controlling interests

MINER is a 90%-owned subsidiary of the Company and is 10% owned by a minority shareholders' group. On the acquisition date, the Company allocated $3,508,384 to the non-controlling interests based on the fair value of assets acquired and liabilities assumed on the acquisition of MINER. For the three months ended March 31, 2016, income of $242,082 (2015 - $285,743) has been allocated to the non-controlling interests of MINER. Summarized financial information about MINER is as follows:

For the three months ended	March 31 2016	March 31 2015
Current assets	$15,743,635	$12,407,035
Non-current assets	58,772,484	61,391,155
Current liabilities	9,654,198	9,352,035
Non-current liabilities	20,970,751	19,653,788
Net income and total comprehensive income	$ 2,420,820	$ 2,857,430

(Expressed in United States Dollars)

15. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd…)

Compensation of key management personnel

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

Three months ended March 31, 2016	Salary or fees	Share-based payments	Total
Management	$ 203,250	$ 31,962	$ 235,212
Outside directors	40,800	23,875	64,675
Seabord Services Corp.	43,259	-	43,259
	$ 287,309	$ 55,837	$ 343,146

Three months ended March 31, 2015	Salary or fees	Share-based payments	Total
Management	$ 203,100	$ 56,640	$ 259,740
Outside directors	-	42,310	42,310
Seabord Services Corp.	46,986	-	46,986
	$ 250,086	$ 98,950	$ 349,036

As at March 31, 2016, the Company had $768,075 (December 31, 2015 - $733,700) due to directors and management related to remuneration and performance-based remuneration, which have been included in accounts payable and accrued liabilities.

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

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Components of cash and cash equivalents

	March 31 2016	December 31 2015
Cash	$ 1,951,749	$ 3,708,369
Short-term deposits	86,250	86,250
	$ 2,037,999	$ 3,794,619

The short-term deposits are used as collateral for the Company's credit cards.

(Expressed in United States Dollars)

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

Changes in non-cash working capital

The changes in non-cash working capital items are comprised as follows:

	Three months March 31 2016	Three months March 31 2015
Receivables	$ (3,892,720)	$ (4,324,861)
Inventories	374,521	2,068,748
Prepaids and deposits	(336,935)	504,145
Accounts payable and accrued liabilities	(244,576)	(350,224)
Taxes payable	1,350,947	1,298,597
Net change in non-cash working capital	$ (2,748,763)	$ (803,595)

Significant non-cash investing and financing activities

During the year ended March 31, 2016, the Company:

a) reallocated mineral property depletion of $660,580 to the carrying amount of ore stockpile and metals concentrate inventories produced but not yet sold at the reporting date;
b) reallocated mineral property depletion of $1,368,834 previously recognized in carrying amounts of metals concentrate inventories sold to cost of sales;
c) recorded advances to suppliers of $41,486 in accounts payable and accrued liabilities;
d) recorded adjustment to non-controlling interest of $137,013 in accounts payable and accrued liabilities; and
e) recorded adjustment to mineral property, plant and equipment of $145,888 in decommissioning and restoration provision.

During the three months ended March 31, 2015, the Company:

a) reallocated mineral property depletion of $387,982 to the carrying amount of ore stockpile and metals concentrate inventories produced but not yet sold at the reporting date;
b) reallocated mineral property depletion of $1,763,083 previously recognized in carrying amounts of metals concentrate inventories sold to cost of sales; and
c) recorded advances to suppliers of $279,341 in accounts payable and accrued liabilities.

17. 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 capital of the Company consists of share capital and available credit facilities. 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 believes that the capital resources of the Company as at March 31, 2016 are sufficient for its present needs for at least the next twelve months. The Company is not subject to externally imposed capital requirements.

(Expressed in United States Dollars)

18. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

As at March 31, 2016	Loans and receivables	Fair value through profit or loss	Other financial liabilities
Cash and cash equivalents	$ 2,050,740	$ -	$ -
Receivables	109,034	4,930,708	-
Derivative instruments	-	709,988	-
Accounts payable and accrued liabilities	-	-	5,257,154
Advance on concentrate inventories	-	-	-
Bank credit facilities	-	-	2,483,745
Long-term loans payable	-	-	6,837,300
Finance lease obligations	-	-	408,638
	$ 2,159,774	$ 5,640,696	$14,986,837

As at December 31, 2015	Loans and receivables	Fair value through profit or loss	Other financial liabilities
Cash and cash equivalents	$ 3,794,619	$ -	$ -
Receivables	145,879	1,703,070	-
Derivative instruments	-	223,810	-
Accounts payable and accrued liabilities	-	-	5,323,531
Advance on concentrate inventories	-	-	2,320,900
Bank credit facilities	-	-	1,550,000
Long-term loans payable	-	-	7,657,927
Finance lease obligations	-	-	426,292
	$ 3,940,498	$ 1,926,880	$17,278,650

Fair value

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.

(Expressed in United States Dollars)

18. FINANCIAL INSTRUMENTS (cont'd…)

As at March 31, 2016, the Company's financial instruments measured at fair value are as follows:

Financial assets and liabilities	Level 1	Level 2	Level 3	**Total**
Trade receivable from provisional sales	$ -	$ 4,930,708	$ -	$ 4,930,708
Derivative instruments	$ -	$ 709,988	$ -	$ 709,988

The carrying value of cash and cash equivalents, receivables (excluding trade receivable from provisional 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 and finance lease obligations 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 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. Based on concentrate shipped and provisionally invoiced during the three months ended March 31, 2016, a 1% change in copper and gold prices would result in an increase/decrease of approximately $96,000 and $33,000 in the Company's pre-tax income or loss on an annualized basis, respectively.

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.

Liquidity risk

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 and 10. All current liabilities are settled within one year.

Interest rate risk

As at March 31, 2016, a 10% change in LIBOR rates would result in an increase/decrease of approximately $44,000 in the Company's pre-tax income or loss on an annualized basis based on the debt and credit facilities used.

18. FINANCIAL INSTRUMENTS (cont'd…)

Currency risk

As at March 31, 2016, the Company is exposed to currency risk through the following monetary assets and liabilities:

	Canadian dollars	Peruvian nuevo soles	Euros	Colombian pesos (000's)
Cash and cash equivalents	$ 144,885	$ -	$ -	$ 574,539
Receivables	195	132,921	-	8,571,768
Accounts payable and accrued liabilities	(160,829)	(196,457)	-	(12,775,990)
Taxes payable	-	-	-	(6,828,079)
Finance lease obligations	-	-	(359,818)	-
Long-term loans payable	-	-	(801,498)	-
Net exposure	(15,749)	(63,536)	(1,161,316)	(10,457,762)
US dollar equivalent	$ (12,146)	$ (19,372)	$ (1,318,883)	$ (3,474,582)

Based on the above net exposure, as at March 31, 2016, and assuming that all other variables remain constant, a 1% depreciation or appreciation of the US dollar against the Canadian dollar, Peruvian nuevo sol, Euro, and Colombian peso would result in an increase/decrease of approximately $48,000 in the Company's pre-tax income or loss.

19. CONTINGENCY

During the year ended December 31, 2015, the Company's operating subsidiary, MINER, received notice of claim from the mining authority in Colombia requesting payment of royalties related to past copper production. The mining authority is basing its claim on the current mining law, which is subsequent to the prevailing mining law under which MINER executed the contract regulating its royalty obligations. The current mining law in Colombia explicitly states that it does not affect contracts executed prior to this law entering into force. Therefore, the Company and its legal counsel's position is that MINER has complied rigorously with royalty payments due and called for under the current contractual obligations. The claim of approximately $2,000,000 is at an administrative level and the Company will attempt to favorably resolve the claim at this level, and if necessary, will vigorously defend itself should legal action be required. As at March 31, 2016, no provisions have been recorded for any potential liability arising from this matter.

While the outcome of this matter is uncertain, based upon the information currently available, the Company does not believe that this matter in aggregate will have a material adverse effect on its consolidated financial position or results of operations. In the event that management's estimate of the future resolution of this matter changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

(Expressed in United States Dollars)

20. 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 March 31, 2016, the Company only has a single off-take agreement for metals concentrate produced at the El Roble mining property.

Geographic segment details

As at March 31, 2016	Canada	Colombia	Other	**Total**
Cash and other current assets	$ 484,285	$15,601,038	$ 57,131	$16,142,454
Advances to suppliers	-	142,984	-	142,984
Mineral property, plant and equipment	-	62,014,814	2,643	62,017,457
Total assets	$ 484,285	$77,758,836	$ 59,774	$78,302,895

As at December 31, 2015	Canada	Colombia	Other	**Total**
Cash and other current assets	$ 645,435	$13,518,982	$ 88,858	$14,253,275
Advances to suppliers	-	101,798	-	101,798
Mineral property, plant and equipment	-	63,585,041	3,177	63,588,218
Total assets	$ 645,435	$77,205,821	$ 92,035	$77,943,291

21. EVENTS AFTER THE REPORTING DATE

Subsequent to March 31, 2016, the Company granted 2,490,583 stock options exercisable at C$0.345 and expiring on April 12, 2021. In addition, the Company issued 971,429 restricted share units ("RSU's") redeemable for cash under its RSU Plan. The stock options granted and RSU's issued will vest over 36 months.