



ATICO MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)

DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Atico Mining Corporation

We have audited the accompanying consolidated financial statements of Atico Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Atico Mining Corporation as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 11, 2017



ATICO MINING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States Dollars)

| | December 31 2016 | December 31 2015 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 15) | \$ 3,617,172 | \$ 3,794,619 |
| Receivables (Note 3) | 4,794,591 | 3,926,626 |
| Inventories (Note 4) | 8,759,852 | 5,179,035 |
| Prepays and deposits | 1,536,105 | 1,129,185 |
| Other financial assets (Note 5) | 151,933 | 223,810 |
| Total current assets | 18,859,653 | 14,253,275 |
| Non-current assets | | |
| Advances to suppliers (Note 6) | - | 101,798 |
| Mineral property, plant and equipment (Note 6) | 60,538,998 | 63,588,218 |
| Total non-current assets | 60,538,998 | 63,690,016 |
| TOTAL ASSETS | \$79,398,651 | \$77,943,291 |
| LIABILITIES AND EQUITY | | |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 6,479,643 | \$ 5,323,531 |
| Other financial liabilities (Note 5) | 684,783 | - |
| Credit facilities (Note 8) | 5,390,680 | 3,870,900 |
| Taxes payable (Note 11) | 2,075,077 | 917,676 |
| Current portion of provisions (Note 9) | 345,545 | 140,485 |
| Current portion of long-term loans payable (Note 10) | 2,172,088 | 4,540,252 |
| Total current liabilities | 17,147,816 | 14,792,844 |
| Non-current liabilities | | |
| Provisions (Note 9) | 1,678,995 | 1,928,102 |
| Long-term loans payable (Note 10) | 3,436,533 | 3,117,720 |
| Deferred income tax liabilities (Note 11) | 17,419,017 | 19,260,625 |
| Total non-current liabilities | 22,534,545 | 24,306,447 |
| Total liabilities | 39,682,361 | 39,099,291 |
| EQUITY | | |
| Share capital (Note 12) | 37,853,750 | 37,751,114 |
| Reserves | 2,492,376 | 1,802,536 |
| Deficit | (4,334,425) | (4,514,864) |
| Total equity attributable to equity holders of the Company | 36,011,701 | 35,038,786 |
| Non-controlling interests | 3,704,589 | 3,805,214 |
| Total equity | 39,716,290 | 38,844,000 |
| TOTAL LIABILITIES AND EQUITY | \$79,398,651 | \$77,943,291 |

These consolidated financial statements were authorized for issuance by the Board of Directors on April 11, 2017.

Approved by the Board of Directors

"Luis F. Sáenz" Director

"Jorge R. Ganoza" Director

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

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

| | Year ended December 31 2016 | Year ended December 31 2015 |
|--|-----------------------------------|-----------------------------------|
| Sales | \$38,253,384 | \$36,722,624 |
| Cost of sales | | |
| Direct mining and processing costs | (18,801,082) | (14,952,242) |
| Royalties | (689,547) | (764,102) |
| Depletion and amortization | (10,355,258) | (9,846,493) |
| Total cost of sales (Note 4) | (29,845,887) | (25,562,837) |
| Income from mining operations | 8,407,497 | 11,159,787 |
| Selling, general and administrative expenses | (6,281,281) | (5,745,590) |
| Share-based payments (Note 12) | (565,390) | (339,252) |
| Income from operations | 1,560,826 | 5,074,945 |
| Interest on long-term loans payable (Note 10) | (609,556) | (874,222) |
| Accretion of provisions (Note 9) | (180,729) | (203,130) |
| Interest and other expenses | (464,186) | (508,901) |
| Fair value adjustment on derivative instruments, net (Note 5) | (756,660) | 223,810 |
| Realized gain on forward currency arrangements, net (Note 5) | 1,017,170 | - |
| Settlement of contingency (Note 18) | - | (200,000) |
| Foreign exchange gain (loss) | 121,643 | (160,963) |
| Income before income taxes | 688,508 | 3,351,539 |
| Current income tax expense (Note 11) | (2,211,692) | (1,299,801) |
| Deferred income tax recovery (expense) (Note 11) | 1,841,608 | (1,765,269) |
| Net income | \$ 318,424 | \$ 286,469 |
| Net income (loss) attributable to: | | |
| Equity holders of Atico Mining Corporation | \$ 180,439 | \$ (23,882) |
| Non-controlling interests (Note 14) | 137,985 | 310,351 |
| | \$ 318,424 | \$ 286,469 |
| Basic earnings (loss) per share (Note 13) | \$ 0.00 | \$ (0.00) |
| Diluted earnings (loss) per share (Note 13) | \$ 0.00 | \$ (0.00) |
| Weighted average no. of shares outstanding - basic (Note 13) | 97,616,092 | 97,591,571 |
| Weighted average no. of shares outstanding - diluted (Note 13) | 97,616,092 | 97,591,571 |

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

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

| | Year ended December 31 2016 | Year ended December 31 2015 |
|--|-----------------------------------|-----------------------------------|
| Net income | \$ 318,424 | \$ 286,469 |
| Other comprehensive income (loss) | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Foreign currency translation adjustment | - | (602,996) |
| Total other comprehensive income (loss) | - | (602,996) |
| Total comprehensive income (loss) | \$ 318,424 | \$ (316,527) |
| Total comprehensive income (loss) attributable to: | | |
| Equity holders of Atico Mining Corporation | \$ 180,439 | \$ (626,878) |
| Non-controlling interests | 137,985 | 310,351 |
| | \$ 318,424 | \$ (316,527) |

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

ATICO MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

| | Year ended December 31 2016 | Year ended December 31 2015 |
|---|-----------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 318,424 | \$ 286,469 |
| Items not affecting cash and cash equivalents: | | |
| Depletion and amortization | 10,611,091 | 10,054,607 |
| Share-based payments | 565,390 | 339,252 |
| Accretion of provisions | 180,729 | 203,130 |
| Interest income | (1,262) | (3,680) |
| Interest expense | 798,756 | 1,095,473 |
| Fair value adjustment on derivative instruments, net | 756,660 | (223,810) |
| Deferred income tax (recovery) expense | (1,841,608) | 1,765,269 |
| Unrealized foreign exchange effect | 48,595 | (971,628) |
| | 11,436,775 | 12,545,082 |
| Changes in non-cash operating working capital items (Note 15) | (1,645,166) | 848,945 |
| Net cash provided by operating activities | 9,791,609 | 13,394,027 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Expenditures on mineral property, plant and equipment | (8,501,349) | (7,973,228) |
| Interest received | 1,262 | 3,680 |
| Net cash used in investing activities | (8,500,087) | (7,969,548) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of long-term loans payable | (2,651,060) | (4,951,207) |
| Payments on finance lease obligations | (170,597) | (176,793) |
| Advance on concentrate inventories withdrawn (repaid), net | 1,014,569 | (2,350,321) |
| Bank credit facilities withdrawn, net | 464,000 | 963,000 |
| Interest paid | (147,990) | (227,517) |
| Shares issued | 63,009 | - |
| Net cash used in financing activities | (1,428,069) | (6,742,838) |
| Effect of exchange rate changes on cash and cash equivalents | (40,900) | 10,344 |
| Change in cash and cash equivalents | (177,447) | (1,308,015) |
| Cash and cash equivalents, beginning of year | 3,794,619 | 5,102,634 |
| Cash and cash equivalents, end of year | \$ 3,617,172 | \$ 3,794,619 |

Supplemental disclosure with respect to cash flows (Note 15)

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

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

| | Number of shares | Share capital | Share-based payments reserve | Foreign currency translation reserve | Contributed surplus reserve | Non- controlling interests | Deficit | Total equity |
|---|---------------------|------------------|------------------------------------|---|-----------------------------------|----------------------------------|----------------|-------------------------|
| Balance as at December 31, 2014 | 97,591,571 | \$37,751,114 | \$ 2,179,219 | \$ (112,939) | \$ - | \$ 3,494,863 | \$ (4,490,982) | \$38,821,275 |
| Share-based payments | - | - | 339,252 | - | - | - | - | 339,252 |
| Foreign currency translation adjustment | - | - | - | (602,996) | - | - | - | (602,996) |
| Net income (loss) | - | - | - | - | - | 310,351 | (23,882) | 286,469 |
| 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 |
| Exercise of stock options | 245,399 | 102,636 | (39,627) | - | - | - | - | 63,009 |
| Share-based payments | - | - | 385,187 | - | - | - | - | 385,187 |
| Dividend declared by subsidiary | - | - | - | - | - | (276,863) | - | (276,863) |
| Contribution by non-controlling interests (Note 14) | - | - | - | - | 344,280 | 38,253 | - | 382,533 |
| Net income | - | - | - | - | - | 137,985 | 180,439 | 318,424 |
| Balance as at December 31, 2016 | 97,836,970 | \$37,853,750 | \$ 2,864,031 | \$ (715,935) | \$ 344,280 | \$ 3,704,589 | \$ (4,334,425) | \$39,716,290 |

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

ATICO MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2016

1. NATURE AND CONTINUANCE 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

The consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These 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 consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Principles of consolidation

These consolidated financial statements include the accounts of the parent company and its subsidiaries after eliminating intercompany balances and transactions.

Subsidiaries

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The Company's principal operating subsidiaries are as follows:

| Name | Place of incorporation | Ownership % |
|---------------------------------------|------------------------|-------------|
| Minera El Roble SA | Republic of Colombia | 90% |
| Atico Mining Corporation Colombia SAS | Republic of Colombia | 100% |
| Atico Mining Corporation Peru SAC | Republic of Peru | 100% |

ATICO MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of each of the entities in the group is the United States ("US") dollar. The functional currency determinations were conducted through an analysis of the factors identified in IAS 21 The Effects of Changes in Foreign Exchange Rates ("IAS 21").

The presentation currency of the Company is the US dollar.

Transactions in currencies other than the US dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statement of income (loss).

The Company determined that the functional currency of the parent entity had changed to the US dollar from July 1, 2015. In accordance with IAS 21, this change was accounted for prospectively.

Business combinations

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed are recorded at 100% of their fair values at the date of acquisition. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. Acquisition related costs of business combinations are recognized as expenses.

Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired on initial recognition and are classified as a separate component of equity. The excess of (a) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (b) the non-controlling interests in the acquiree, over the fair value of net assets acquired, is recorded as goodwill. Any excess of the aggregate fair value of net assets acquired over the consideration paid is recognized in the consolidated statement of income (loss).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Revenue recognition

Revenue arising from the sale of metals concentrate is recognized following the transfer of title and significant risk and rewards of ownership, provided that collection is reasonably assured, the price is reasonably determinable, the Company has no significant continuing involvement, and the costs incurred or to be incurred in respect of the transaction can be measured readily. The Company's metals concentrate is provisionally priced at the time of sale based on the prevailing market price. Sales of metals concentrate are net of refining and treatment charges.

ATICO MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue recognition (cont'd...)

Variations between the price recorded at the delivery date and the final price set under the sales contracts are caused by changes in market prices, and result in an embedded derivative in receivables. The embedded derivative in receivables is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included in sales in the consolidated statement of income (loss).

Revenues from metals concentrate sales are subject to adjustment upon final settlement of metals prices, weights, and assays as of a date that is typically three months after the delivery date. Typically, the adjustment is based on an inspection of the concentrate by the customer and, in certain cases, an inspection by a third party. The Company records adjustments to revenues based on quoted metal prices for the expected settlement period. Adjustments for weights and assays are recorded when results are determinable or on final settlement.

Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to equity holders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings attributable to equity holders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In periods where a loss is reported, diluted loss per share is the same as basic loss per share as the effects of potentially dilutive common shares would be anti-dilutive.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises financial assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of income (loss).

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of income (loss).

Available-for-sale ("AFS") - Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of income (loss).

A financial asset is derecognized when the contractual right of the asset's cash flows expires or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

ATICO MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Impairment of financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in accumulated other comprehensive income or loss are reclassified to profit or loss in the period. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of income (loss).

Other financial liabilities - This category comprises non-derivative liabilities, which are recognized at amortized cost using the effective interest method.

Derivative financial instruments and embedded derivatives

Derivative instruments that do not qualify for hedge accounting are initially recorded at fair value and are re-measured at each reporting date to their fair values, and any resulting gains or losses are recognized in the consolidated statements of income (loss).

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

ATICO MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition. Income or expense is recognized on an effective interest basis for instruments other than those financial instruments classified as FVTPL.

Cash and cash equivalents

Cash includes cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and/or with original maturities of three months or less.

Inventories

Inventories include metals contained in concentrate, ore stockpiles, materials and supplies. The classification of metals inventory is determined by the stage in the production process. Finished goods inventories are sampled for metal content and are valued based on the lower of actual production costs incurred or estimated net realizable value based upon the period ending prices of contained metal. Concentrate and ore stockpile inventories are valued at the lower of actual production costs incurred or estimated net realizable value based upon the period ending prices of contained metal expected to be recovered. Production costs include all mine site costs. Materials and supplies are valued at the lower of average cost less allowance for obsolescence or net realizable value. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Mineral property

Operating mineral properties are recorded at cost less accumulated depletion and impairment charges. The costs associated with operating mineral properties include acquired interests in production stage properties representing the fair value at the time they were acquired. Operating mineral properties also include additional capitalized costs after initial acquisition, such as mine development costs. Upon sale or abandonment of an operating mineral property, the carrying value is written off and any gains or losses thereon are included in the consolidated statement of income (loss).

Plant and equipment

Completed mineral property, plant and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item are accounted for separately, including major inspection and overhaul expenditures which are capitalized.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income (loss).

ATICO MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Capital work in progress

Mineral property development and plant and equipment construction commences when approved by management and/or the Board and the Company has obtained all regulatory permissions to proceed. Development and construction expenditures are capitalized and classified as capital work in progress. Once completed and available for use as intended, the costs associated with all applicable assets, related to the development and construction, are reclassified to the appropriate category within mineral property, plant and equipment.

Exploration and evaluation assets (Non-depletable mineral property)

Exploration and evaluation expenditures incurred for regional reconnaissance or property investigations prior to the acquisition of a property or the right to explore are obtained are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets.

Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of exploration and evaluation assets quarterly. In the case of undeveloped projects, there may be only limited data to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for exploration and development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. Where this is the case, it is intended that these will be developed and put into production when the current source of ore is exhausted or to replace the reduced output.

Once an economically viable resource has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to capital work in progress. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If the property is put into production, the costs of acquisition and exploration and evaluation will be amortized over the life of the property. If a project does not prove viable, all non-recoverable costs associated with the project net of any impairment provisions are written off.

Depletion and amortization of mineral property, plant and equipment

The carrying amounts of mineral property, plant and equipment are depleted or amortized over the estimated economic life of the specific assets to which they relate, using the depletion and amortization methods and rates as indicated below.

| Categories | Methods | Estimated economic life |
|-------------------------|---------------------|-----------------------------|
| Mineral property | Units of production | Estimated mineral resources |
| Plant and building | Straight line | 5 to 10 years |
| Machinery and equipment | Straight line | 3 to 5 years |

On an annual basis, the amortization method, useful economic life and the residual value of each component asset is reviewed, with any changes recognized prospectively over its remaining useful economic life. Amortization commences on the date the asset is available for its use as intended by management.

ATICO MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The recoverable amount of an asset is determined as the higher of its fair value less costs of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. For mining assets fair value less costs of disposal is typically estimated using a discounted cash flow approach. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying value, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. When an impairment loss exists it is recorded as an expense immediately.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Leases

A lease is a finance lease when substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. Assets under finance leases are initially capitalized at the lower of the fair value or the estimated present value of the minimum lease payments and are depreciated over the assets' useful lives. The corresponding liability is recognized as a finance lease obligation. The interest element is allocated to reporting periods during the lease term to reflect the rate of interest on the remaining balance of the obligation. Operating lease assets are not capitalized and payments are included in the statement of income (loss) on a straight line basis over the lease term.

Decommissioning, restoration and other provisions

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to income (loss). The method of amortization follows that of the underlying asset. The costs related to a decommissioning and restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit. For a closed site or where the asset which generated a decommissioning and restoration provision no longer exists, there is no longer a future benefit related to the costs. As such, adjustments to the provisions are required and the resulting changes in estimates are charged to income in the period in which the adjustment is identified. For operating sites, a revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the capitalized retirement cost.

Provisions are recognized when a present legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using a risk-adjusted market based pre-tax discount rate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share capital

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as part of the share-based payments reserve. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Share-based payments

The Company grants stock options to directors, officers, employees and consultants to acquire common shares of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other equity-settled share-based payment arrangements are recorded based on the estimated fair value at the grant date and charged to earnings over the vesting period. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

Share-based payment expense relating to cash-settled awards, including deferred and restricted share units is accrued over the vesting period of the units based on the quoted market value of Company's common shares. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statement of income (loss).

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd...)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer.

Critical accounting estimates and judgments

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

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

a) *Estimated decommissioning and restoration costs*

The Company's provision for decommissioning and restoration represents management's interpretation of current regulatory requirements, constructive obligations, and best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs, inflation, and assumptions of risks associated with the future cash outflows, and the applicable risk-adjusted discount rate for discounting future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company. Changes to the restoration and decommissioning costs are recorded with a corresponding change to the carrying amount of the related mining property. Adjustments to the carrying amounts of the related mineral property can result in a change to future depletion expense.

b) *Share-based payments*

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the consolidated statement of income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

c) *Inventory valuation*

Consumable parts and supplies, ore stockpiles, and metals concentrates are valued at the lower of cost and net realizable value. Estimates in the carrying values of inventories arise due to the nature of the valuation of ore stockpiles and metals concentrate based on an appropriate allocation of direct mining costs, direct labour and material costs, overhead, and depletion and amortization. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Critical accounting estimates and judgments (cont'd...)

d) Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward. The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets.

The tax rates expected to be in effect when temporary differences reverse are 26% for Canada, 36% for Colombia, and 30% for Peru. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

e) Valuation of financial instruments

Financial instrument estimates are based on either unadjusted quoted prices in active markets or direct or indirect observable inputs in accordance with the definitions of the financial instruments. Provisional pricing calculations are determined based on the change in fair value of forward commodity prices of metals. To account for the change in metal prices from the total contract value to the provisional value amount that has been received, estimates of the value of metals concentrate are used to determine the provisionally-priced trade receivables at each reporting date.

f) Mineral reserve and/or resource estimates

Mineral reserves and/or resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions, including economic assumptions such as metal prices, and the market conditions could have a material effect in the future on the Company's financial position and results of operations.

g) Estimated recoverable resources

The carrying amount of the Company's mineral property is depleted based on recoverable resources. Changes to estimates of recoverable resources and depletable costs including changes resulting from revisions to the Company's mine plan and changes in metal price forecasts can result in a change to future depletion rates.

h) Amortization rate for plant and equipment and depletion for mineral property

Depletion and amortization expenses are allocated based on assumed asset lives. Should the asset life, depletion rates, or amortization rates differ from the initial estimate, an adjustment would be made in the consolidated statement of income (loss).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Critical accounting estimates and judgments (cont'd...)

i) Impairment of mineral property, plant and equipment

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's mineral property, plant and equipment are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mineral property, plant and equipment. Internal sources of information that management considers include the manner in which mineral property, plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral property, plant and equipment, management makes estimates of the future operating results and discounted net cash flows expected to be derived from the Company's mineral property, costs to sell the mineral property and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansory capital expenditures, reductions in the amount of recoverable mineral reserves, mineral resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral property, plant and equipment.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

a) Functional currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions, which determined the primary economic environment. The Company expected a significant majority of the parent entity's operating cash flow to be sourced in the US dollar. The change in functional currency reflects the accumulation over time of those factors which are the main determinants of functional currency. Having considered the aggregate effect of all relevant factors, management concluded that this point was reached. Accordingly, the Company determined that the functional currency of the parent entity had changed to the US dollar from July 1, 2015. In accordance with IAS 21, this change was accounted for prospectively. The US dollar was determined to be the functional currency for all entities within the corporate group on a prospective basis. All entities continue to measure the items in their financial statements using their functional currencies.

b) Recoverability of exploration and evaluation assets

The Company estimates its mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to mineral resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the mineral resources estimates may impact the carrying value of exploration and evaluation assets, mineral property, plant and equipment, decommissioning and restoration provision, recognition of deferred tax amounts and depletion.

c) Commercial production

In concluding when commercial production has been achieved, the Company considered the following factors: all major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed; the mine or mill is operating as per design capacity and metallurgical recoveries were achieved; and the ability to sustain ongoing production of ore at a steady or increasing level.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Critical accounting estimates and judgments (cont'd...)

d) Financial instruments

Financial assets and liabilities are designated upon inception to various classifications. The designation determines the method by which the financial instruments are carried on the consolidated statements of financial position subsequent to inception and how changes in value are recorded. The designation may require the Company to make certain judgments, taking into account management's intention of the use of the financial instruments.

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 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.

3. RECEIVABLES

| | December 31 2016 | December 31 2015 |
|-------------------------------------|---------------------|---------------------|
| Trade receivables | \$ 1,298,125 | \$ 1,703,070 |
| GST/VAT and other taxes recoverable | 3,403,260 | 2,077,677 |
| Other receivables | 93,206 | 145,879 |
| | \$ 4,794,591 | \$ 3,926,626 |

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

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3. RECEIVABLES (cont'd...)

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. This current 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:

| | December 31 2016 | December 31 2015 |
|----------------|---------------------|---------------------|
| 0 to 30 days | \$ 186,157 | \$ 1,133,362 |
| 31 to 60 days | - | - |
| 61 to 90 days | 408,973 | - |
| 91 to 120 days | 702,995 | 569,708 |
| Over 120 days | - | - |
| | \$ 1,298,125 | \$ 1,703,070 |

4. INVENTORIES

| | December 31 2016 | December 31 2015 |
|-------------------------------|---------------------|---------------------|
| Consumable parts and supplies | \$ 2,276,191 | \$ 2,029,908 |
| Ore stockpiles | 357,575 | 152,429 |
| Metals concentrate | 6,126,086 | 2,996,698 |
| | \$ 8,759,852 | \$ 5,179,035 |

For the year ended December 31, 2016, the Company recorded cost of sales of \$29,845,887 (2015 - \$25,562,837) where direct mining and processing costs include salaries and other short-term benefits, contractor charges, energy, consumables, and other production-related costs.

5. OTHER FINANCIAL ASSETS AND LIABILITIES

| | Commodity derivative arrangements | Commodity forward sale arrangements | Currency forward arrangements | Total |
|---|---|---|-------------------------------------|---------------------|
| As at December 31, 2014 | \$ - | \$ - | \$ - | \$ - |
| Fair value adjustments during the year | - | 180,000 | 43,810 | 223,810 |
| As at December 31, 2015 | - | 180,000 | 43,810 | 223,810 |
| Fair value adjustments during the year | (598,298) | - | 65,448 | (532,850) |
| Reversal of previous fair value adjustments | - | (180,000) | (43,810) | (223,810) |
| As at December 31, 2016 | \$ (598,298) | \$ - | \$ 65,448 | \$ (532,850) |
| Other financial assets | \$ 86,485 | \$ - | \$ 65,448 | \$ 151,933 |
| Other financial liabilities | \$ (684,783) | \$ - | \$ - | \$ (684,783) |

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5. OTHER FINANCIAL ASSETS AND LIABILITIES (cont'd...)

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 other financial assets or liabilities on the consolidated statement of financial position. During the year ended December 31, 2016, the Company recognized a negative net fair value adjustment of \$756,660 (2015 - positive \$223,810) on its derivative instruments, and a net realized gain of \$1,017,170 (2015 - \$Nil) on the settlement of its forward currency arrangements.

Commodity derivative arrangements

As at December 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 proceeds if the contracted settlement price is above the market price. The details of the arrangements are as follows:

| Settlement date | Quantity ⁽¹⁾ | Settlement price |
|-----------------|-------------------------|------------------|
| Copper | | |
| Jan 13, 2017 | 300 MT | \$ 4,850 |
| Feb 15, 2017 | 300 MT | \$ 4,908 |
| May 03, 2017 | 300 MT | \$ 5,045 |
| Jun 02, 2017 | 300 MT | \$ 5,045 |
| Jul 05, 2017 | 300 MT | \$ 5,450 |
| Gold | | |
| Jan 17, 2017 | 400 oz | \$ 1,260 |
| Feb 15, 2017 | 400 oz | \$ 1,260 |
| Feb 15, 2017 | 400 oz | \$ 1,335 |

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

Commodity forward sale arrangements

During the years ended December 31, 2016 and 2015, the Company had entered into zero-cost commodity forward sale arrangements with its customer, whereby both parties agreed to preset the prices on metals shipped and to be settled at the end of the settlement period. As at December 31, 2016, the Company did not have any outstanding arrangements for metals to be shipped and provisionally invoiced.

Currency forward arrangements

During the years ended December 31, 2016 and 2015, the Company had entered into zero-cost non-deliverable currency forward arrangements with Bancolombia 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 received proceeds if the contracted settlement rate is above the market exchange rate to purchase Colombian peso.

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5. OTHER FINANCIAL ASSETS AND LIABILITIES (cont'd...)

Currency forward arrangements (cont'd...)

As at December 31, 2016, the details of any outstanding arrangements are as follows:

| Settlement date | Amount | Settlement rate |
|-----------------|------------|-----------------|
| Jan 03, 2017 | \$ 220,000 | 3,137.57 |
| Jan 10, 2017 | 100,000 | 3,139.00 |
| Jan 17, 2017 | 190,000 | 3,141.77 |
| Jan 24, 2017 | 210,000 | 3,144.54 |
| Jan 31, 2017 | \$ 190,000 | 3,147.31 |

6. MINERAL PROPERTY, PLANT AND EQUIPMENT

| | Mineral property | Plant, building, machinery, and equipment | Land and non-depletable exploration property | Total |
|----------------------------------|------------------|---|--|---------------|
| As at December 31, 2014, net | \$ 54,456,366 | \$ 9,920,648 | \$ 275,834 | \$ 64,652,848 |
| Changes for the year: | | | | |
| Additions | 3,552,674 | 5,206,741 | - | 8,759,415 |
| Depletion and amortization | (6,057,865) | (3,598,892) | - | (9,656,757) |
| Currency translation adjustments | (167,288) | - | - | (167,288) |
| As at December 31, 2015, net | 51,783,887 | 11,528,497 | 275,834 | 63,588,218 |
| Changes for the year: | | | | |
| Additions | 3,488,435 | 4,440,956 | 571,958 | 8,501,349 |
| Provision adjustments (Note 9) | (220,053) | - | - | (220,053) |
| Reclassification | (436,220) | - | 436,220 | - |
| Depletion and amortization | (5,964,160) | (5,366,356) | - | (11,330,516) |
| As at December 31, 2016, net | \$ 48,651,889 | \$ 10,603,097 | \$ 1,284,012 | \$ 60,538,998 |
| As at December 31, 2015 | | | | |
| Historical cost | \$ 62,950,637 | \$ 16,668,080 | \$ 275,834 | \$ 79,894,551 |
| Accumulated amortization | (11,166,750) | (5,139,583) | - | (16,306,333) |
| Net carrying amount | \$ 51,783,887 | \$ 11,528,497 | \$ 275,834 | \$ 63,588,218 |
| As at December 31, 2016 | | | | |
| Historical cost | \$ 65,782,799 | \$ 21,109,036 | \$ 1,284,012 | \$ 88,175,847 |
| Accumulated amortization | (17,130,910) | (10,505,939) | - | (27,636,849) |
| Net carrying amount | \$ 48,651,889 | \$ 10,603,097 | \$ 1,284,012 | \$ 60,538,998 |

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6. MINERAL PROPERTY, PLANT AND EQUIPMENT (cont'd...)

As at December 31, 2016, the Company held leased assets with net carrying amount of \$163,255 (2015 - \$408,137) financed by finance leases (Note 9) and carried \$Nil (December 31, 2015 - \$101,798) of non-current advances to suppliers.

For the year ended December 31, 2016, no impairment indicators were present.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31 2016 | December 31 2015 |
|---|---------------------|---------------------|
| Trade and other payables | \$ 4,604,226 | \$ 3,821,348 |
| Payables to non-controlling interest of MINER | 88,407 | 83,817 |
| Payroll and related liabilities | 816,940 | 525,963 |
| Accrued liabilities | 970,070 | 892,403 |
| | \$ 6,479,643 | \$ 5,323,531 |

8. CREDIT FACILITIES

| | December 31 2016 | December 31 2015 |
|-------------------------------------|---------------------|---------------------|
| Bank credit facilities | \$ 2,014,000 | \$ 1,550,000 |
| Advances on concentrate inventories | 3,332,802 | 2,320,900 |
| Accrued interest expense | 43,878 | - |
| | \$ 5,390,680 | \$ 3,870,900 |

Advance on concentrate inventories

As part of the off-take agreement with the customer, the Company has been provided with an inventory facility. Any amount advanced by the customer carries annual interest based on the London Inter-bank Offered Rates ("LIBOR") plus 4.50% from the date of advance until the date of the payment on the provisional invoice has been made.

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") \$29,370,000,000 (approximately \$9,875,000). As at December 31, 2016, the Company owed balances on these facilities, which carry annual interest based on the LIBOR plus 1.90% to 2.20% (2015 - LIBOR plus 1.60%) and terms up to twelve months from the date of drawn down.

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9. PROVISIONS

| | Decommissioning and restoration provision | Finance lease obligations | Share-based payment provision | Total |
|----------------------------------|---|---------------------------------|-------------------------------------|--------------|
| As at December 31, 2014 | \$ 1,496,407 | \$ 616,841 | \$ - | \$ 2,113,248 |
| Accretion expense | 145,888 | 57,242 | - | 203,130 |
| Payments during the year | - | (176,793) | - | (176,793) |
| Currency translation adjustments | - | (70,998) | - | (70,998) |
| As at December 31, 2015 | 1,642,295 | 426,292 | - | 2,068,587 |
| Changes in estimates | (220,053) | - | - | (220,053) |
| Accretion expense | 146,306 | 34,423 | - | 180,729 |
| Payments during the year | - | (170,597) | - | (170,597) |
| Share-based payments (Note 12) | - | - | 180,203 | 180,203 |
| Currency translation adjustments | - | (14,329) | - | (14,329) |
| As at December 31, 2016 | 1,568,548 | 275,789 | 180,203 | 2,024,540 |
| Less: current portion | - | 275,789 | 69,756 | 345,545 |
| Long term portion | \$ 1,568,548 | \$ - | \$ 110,447 | \$ 1,678,995 |

Decommissioning and restoration provision

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 December 31, 2016 were \$3,150,000 (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% (2015 - 9.75%). The changes in the timing of estimated cash flows resulted in an aggregate reduction of \$220,053 to the decommissioning and restoration provision.

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.

Share-based payment provision

The Company recognized a share-based payment provision for restricted share units ("RSUs") granted, refer to Note 12 for details on the RSUs plans.

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9. PROVISIONS (cont'd...)

Finance lease obligations

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

| | December 31 2016 | December 31 2015 |
|---|---------------------|---------------------|
| 2016 | \$ - | \$ 197,039 |
| 2017 | 334,732 | 334,732 |
| Total minimum lease payments | 334,732 | 531,771 |
| Future finance charges at implicit rate | (14,105) | (50,926) |
| Currency translation adjustments | (44,838) | (54,553) |
| Balance of unpaid obligations | \$ 275,789 | \$ 426,292 |

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 | (1,416,667) | (601,730) | (2,018,397) |
| Repayments - interest | (570,346) | (62,317) | (632,663) |
| Interest expense | 551,688 | 57,868 | 609,556 |
| Currency translation adjustments | - | (7,847) | (7,847) |
| As at December 31, 2016 | 5,167,937 | 440,684 | 5,608,621 |
| Less: current portion | 1,917,937 | 254,151 | 2,172,088 |
| Long term portion | \$ 3,250,000 | \$ 186,533 | \$ 3,436,533 |

| | Trafigura | NCI of MINER | Nordea/ Sandvik | Total |
|----------------------------------|---------------------|-----------------|--------------------|---------------------|
| As at December 31, 2014 | \$ 8,768,833 | \$ 1,675,871 | \$ 955,043 | \$ 11,399,747 |
| Additions - principal | - | - | 786,188 | 786,188 |
| Repayments - principal | (1,333,334) | (1,373,940) | (528,930) | (3,236,204) |
| Repayments - interest | (1,510,498) | (135,624) | (68,881) | (1,715,003) |
| Interest expense | 678,261 | 116,995 | 78,966 | 874,222 |
| Currency translation adjustments | - | (283,302) | (167,676) | (450,978) |
| As at December 31, 2015 | 6,603,262 | - | 1,054,710 | 7,657,972 |
| Less: current portion | 3,936,595 | - | 603,657 | 4,540,252 |
| Long term portion | \$ 2,666,667 | \$ - | \$ 451,053 | \$ 3,117,720 |

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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 elected to postpone two of its principal repayments.

During year ended December 31, 2016, the repayment schedule was extended up to 2019 where each principal payment amount has been reduced and an accelerated payment component, dependent on metal prices, has been added. As at December 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 8.50% 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.

Non-controlling interest of MINER

In January 2014, the Company entered into a loan agreement with certain non-controlling interest ("NCI") shareholders of MINER to borrow up to COP\$3,900,000,000 (approximately \$1,980,000), where each tranche of principal drawn has a repayment term of 12 months with a 12% annual implicit interest rate payable monthly. In February 2014, the full balance was drawn. In October 2014, the repayment date was extended without any changes to other terms or any additional consideration. During the year ended December 31, 2015, the Company repaid all outstanding loan payable balance.

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

| | December 31 2016 |
|--------------|---------------------|
| 2017 | \$ 2,172,088 |
| 2018 | 2,186,533 |
| 2019 | 1,250,000 |
| Total | \$ 5,608,621 |

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11. 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 years ended | December 31 2016 | December 31 2015 |
|---|---------------------|---------------------|
| Income before income taxes | \$ 688,508 | \$ 3,351,539 |
| Canadian federal and provincial income tax rates | 26.00% | 26.00% |
| Expected income tax expense at statutory income tax rate | 179,012 | 871,400 |
| Difference between Canadian and foreign tax rates | (91,134) | 668,206 |
| Change in effective tax rate | (392,873) | (457,370) |
| Permanent differences and other adjustments | 515,228 | (150,330) |
| Changes in recognized deferred tax assets and liabilities | - | (60,253) |
| Changes in unrecognized deferred tax assets | 437,027 | 7,958 |
| Impact of foreign exchange on deferred tax assets and liabilities | (277,177) | 2,185,459 |
| Total income tax expense | \$ 370,083 | \$ 3,065,070 |
| Current income tax expense | \$ 2,211,692 | \$ 1,299,801 |
| Deferred income tax expense (recovery) | (1,841,608) | 1,765,269 |

As at December 31, 2016, the Company had taxes payable of \$2,075,077 (2015 - \$917,676), which related to current income taxes.

The composition of the Company's net deferred income tax asset (liability) that has been recognized is as follows:

| Deferred income tax assets (liabilities) | December 31 2016 | December 31 2015 |
|--|------------------------|------------------------|
| Mineral property, plant and equipment | \$ (18,820,166) | \$ (19,446,218) |
| Decommissioning and restoration provision | 658,790 | 656,918 |
| Share issue costs | 64,757 | 173,597 |
| Non-capital losses and others | 3,026,863 | 1,267,312 |
| | (15,069,756) | (17,348,391) |
| Unrecognized deferred tax assets | (2,349,261) | (1,912,234) |
| Net deferred income tax asset (liability) | \$ (17,419,017) | \$ (19,260,625) |

The Company's significant temporary differences, unused tax credits, and unused tax losses that have not been recognized as deferred income tax assets are as follows:

| | December 31 2016 | Expiry date range | December 31 2015 | Expiry date range |
|---------------------------------------|---------------------|----------------------|---------------------|----------------------|
| Mineral property, plant and equipment | \$ 45,973 | No expiry date | \$ 50,199 | No expiry date |
| Share issue costs | 249,064 | 2035 to 2039 | 667,679 | 2035 to 2038 |
| Non-capital losses and other - Canada | 8,006,107 | 2030 to 2036 | 5,914,265 | 2030 to 2035 |
| Non-capital losses and other - other | 633,987 | 2030 onward | 622,739 | 2030 onward |

Tax attributes are subject to review, and potential adjustments, by tax authorities.

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12. SHARE CAPITAL

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

Issued share capital

During the year ended December 31, 2016, the Company issued 245,399 common shares pursuant to the exercise of stock options for gross proceeds of \$102,636. During the year ended December 31, 2015, the Company did not issue any common shares.

Stock options

The Company has adopted a stock option plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined by the Company's Board of Directors at the time of the grant. The continuity of stock options for the years ended December 31, 2016 and 2015 are as follows:

| Expiry Date | Exercise Price (CAD) | Balance December 31 2015 | Granted | Exercised | Expired/Cancelled | Balance December 31 2016 |
|---------------------------------|----------------------|--------------------------|------------------|------------------|--------------------|--------------------------|
| Jun 30, 2016 | \$ 0.50 | 1,710,000 | - | - | (1,710,000) | - |
| Jul 11, 2016 | 0.50 | 140,000 | - | - | (140,000) | - |
| Apr 24, 2017 | 0.55 | 250,000 | - | - | - | 250,000 |
| May 16, 2017 | 0.51 | 130,000 | - | - | - | 130,000 |
| Feb 04, 2018 | 0.98 | 1,810,000 | - | - | (5,000) | 1,805,000 |
| Mar 01, 2018 | 0.98 | 340,000 | - | - | - | 340,000 |
| July 11, 2019 | 0.79 | 2,870,671 | - | - | - | 2,870,671 |
| Apr 12, 2021 | 0.345 | - | 2,490,583 | (245,399) | - | 2,245,184 |
| Outstanding | | 7,250,671 | 2,490,583 | (245,399) | (1,855,000) | 7,640,855 |
| Weighted average exercise price | | | | | | |
| | \$ | 0.76 | \$ | 0.345 | \$ | 0.50 |
| | \$ | | \$ | 0.345 | \$ | 0.70 |
| Exercisable | | 4,954,134 | | | | 4,130,019 |

| Expiry Date | Exercise Price (CAD) | Balance December 31 2014 | Granted | Exercised | Expired/Cancelled | Balance December 31 2015 |
|---------------------------------|----------------------|--------------------------|----------|-----------|-------------------|--------------------------|
| Jun 30, 2016 | \$ 0.50 | 1,710,000 | - | - | - | 1,710,000 |
| Jul 11, 2016 | 0.50 | 140,000 | - | - | - | 140,000 |
| Apr 24, 2017 | 0.55 | 250,000 | - | - | - | 250,000 |
| May 16, 2017 | 0.51 | 130,000 | - | - | - | 130,000 |
| Feb 04, 2018 | 0.98 | 1,815,000 | - | - | (5,000) | 1,810,000 |
| Mar 01, 2018 | 0.98 | 340,000 | - | - | - | 340,000 |
| July 11, 2019 | 0.79 | 2,870,671 | - | - | - | 2,870,671 |
| Outstanding | | 7,255,671 | - | - | (5,000) | 7,250,671 |
| Weighted average exercise price | | | | | | |
| | \$ | 0.76 | \$ | - | \$ | 0.98 |
| | \$ | | \$ | - | \$ | 0.76 |
| Exercisable | | 4,385,000 | | | | 4,954,134 |

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12. SHARE CAPITAL (cont'd...)

Stock options (cont'd...)

As at December 31, 2016, the weighted average remaining life of the stock options outstanding is 2.53 (2015 - 2.22) years with vesting periods ranging from 0 to 36 months.

Warrants

The continuity of share purchase warrants and finder's warrants for the years ended December 31, 2016 and 2015, all of which were exercisable, are as follows:

| Expiry Date | Exercise Price (CAD) | Balance December 31 2014 | Issued | Exercised | Expired/Cancelled | Balance December 31 2015 and 2016 | | |
|---------------------------------|----------------------|--------------------------|--------|-----------|-------------------|-----------------------------------|----|---|
| Sep 19, 2015 | \$ 0.65 | 21,676,650 | - | - | (21,676,650) | - | | |
| Total | | 21,676,650 | - | - | (21,676,650) | - | | |
| Weighted average exercise price | \$ | 0.65 | \$ | - | \$ | 0.65 | \$ | - |

Restricted share units

In 2016, the Company has adopted a RSUs plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. The RSUs entitle employees, directors, or officers to cash payments payable upon vesting based on vesting terms determined by the Company's Board of Directors at the time of the grant. The RSUs payment will be an amount equal to the fair market value of the Company's common shares on the vesting date multiplied by the number of RSUs held.

The continuity of RSUs for the year ended December 31, 2016 is as follows:

| Expiry Date | Balance December 31 2015 | Granted | Exercised | Expired/Cancelled | Balance December 31 2016 |
|--------------|--------------------------|---------|-----------|-------------------|--------------------------|
| Apr 12, 2019 | - | 971,429 | - | (200,000) | 771,429 |

As at December 31, 2016, the weighted average remaining life of the RSUs outstanding is 2.28 (2015 - Nil) years with vesting periods ranging from 12 to 36 months.

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12. SHARE CAPITAL (cont'd...)

Share-based payments and share-based payment reserve

During the year ended December 31, 2016, the Company granted 2,490,583 stock options and 971,429 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 options granted to be C\$540,404 or C\$0.22 per option. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

| | December 31 2016 | December 31 2015 |
|---------------------------------|---------------------|---------------------|
| Weighted average: | | |
| Risk free interest rate | 0.76% | n/a |
| Expected dividend yield | 0% | n/a |
| Expected stock price volatility | 79% | n/a |
| Expected life in years | 5 | n/a |
| Forfeiture rate | 0% | n/a |

In accordance with the vesting terms of stock options and RSUs granted, the Company recorded a charge to share-based payments expense of \$565,390 (2015 - \$339,252) with the offsetting credit to share-based payments reserve and provision of \$385,187 and \$180,203 (2015 - \$339,252 and \$Nil) respectively during the year ended December 31, 2016.

13. EARNINGS (LOSS) PER SHARE

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

| | December 31 2016 | December 31 2015 |
|--|---------------------|---------------------|
| For the years ended | | |
| Net income (loss) ⁽¹⁾ | \$ 180,439 | \$ (23,882) |
| Weighted average number of common shares outstanding - basic | 97,616,092 | 97,591,571 |
| Dilutive effect of stock options outstanding | - | - |
| Weighted average number of common shares outstanding - diluted | 97,616,092 | 97,591,571 |
| Basic earnings (loss) per share⁽¹⁾ | \$ 0.00 | \$ (0.00) |
| Diluted earnings (loss) per share⁽¹⁾ | \$ 0.00 | \$ (0.00) |

⁽¹⁾ Attributable to equity holders of the Company

14. 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 ("NCI") based on the fair value of assets acquired and liabilities assumed on the acquisition of MINER. For the year ended December 31, 2016, the minority shareholders' group made a contribution of \$382,533 to MINER, which has been allocated between the contributed surplus reserve and NCI based on proportionate interests. For the year ended December 31, 2016, income of \$137,985 (2015 - \$310,351) has been allocated to the non-controlling interests of MINER.

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

MINER non-controlling interests (cont'd...)

Summarized financial information about MINER is as follows:

| | December 31 2016 | December 31 2015 |
|---|---------------------|---------------------|
| For the years ended | | |
| Current assets | \$ 17,301,524 | \$ 13,620,409 |
| Non-current assets | 56,950,805 | 60,386,619 |
| | | |
| Current liabilities | 13,318,102 | 9,901,267 |
| Non-current liabilities | 19,174,098 | 21,639,781 |
| | | |
| Net income and total comprehensive income | \$ 1,379,850 | \$ 3,103,510 |

Compensation of key management personnel

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

| | Salary or fees | Share-based payments | Total |
|---|-------------------|-------------------------|--------------|
| For the year ended December 31, 2016 | | | |
| Management | \$ 1,043,800 | \$ 392,446 | \$ 1,436,246 |
| Outside directors | 136,800 | 130,138 | 266,938 |
| Seabord Services Corp. | 176,829 | - | 176,829 |
| | \$ 1,357,429 | \$ 522,584 | \$ 1,880,013 |

| | Salary or fees | Share-based payments | Total |
|---|-------------------|-------------------------|--------------|
| For the year ended December 31, 2015 | | | |
| Management | \$ 1,148,500 | \$ 180,697 | \$ 1,329,197 |
| Outside directors | 97,600 | 134,970 | 232,570 |
| Seabord Services Corp. | 185,872 | - | 185,872 |
| | \$ 1,431,972 | \$ 315,667 | \$ 1,747,639 |

As at December 31, 2016, the Company had \$832,200 (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.

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15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Components of cash and cash equivalents

| | December 31 2016 | December 31 2015 |
|---------------------|---------------------|---------------------|
| Cash | \$ 3,530,922 | \$ 3,708,369 |
| Short-term deposits | 86,250 | 86,250 |
| | \$ 3,617,172 | \$ 3,794,619 |

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

Changes in non-cash working capital

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

| For the years ended | December 31 2016 | December 31 2015 |
|---|-----------------------|---------------------|
| Receivables | \$ (867,965) | \$ (1,103,814) |
| Inventories | (2,891,262) | 364,222 |
| Prepays and deposits | (406,920) | (71,702) |
| Accounts payable and accrued liabilities | 1,363,580 | 995,086 |
| Taxes payable | 1,157,401 | 665,153 |
| Net change in non-cash working capital | \$ (1,645,166) | \$ 848,945 |

Significant non-cash investing and financing activities

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

- a) reallocated mineral property depletion of \$2,058,389 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 adjustment to non-controlling interest of \$105,670 in accounts payable and accrued liabilities; and
- d) recorded adjustment to mineral property, plant and equipment of \$220,053 in decommissioning and restoration provision.

During the year ended December 31, 2015, the Company:

- a) reallocated mineral property depletion of \$1,368,834 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;
- c) recorded advances to suppliers of \$75,006 in accounts payable and accrued liabilities; and
- d) recorded mineral property, plant and equipment additions of \$786,188 in long-term loans payable.

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16. 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 December 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.

17. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

| | December 31 2016 | December 31 2015 |
|--|----------------------|----------------------|
| Financial assets | | |
| Loans and receivables: | | |
| Cash and cash equivalents | \$ 3,617,172 | \$ 3,794,619 |
| Receivables | 93,206 | 145,879 |
| Fair value through profit or loss: | | |
| Receivables from provisional sales | 1,298,125 | 1,703,070 |
| Other financial assets | 151,933 | 223,810 |
| | \$ 5,160,436 | \$ 5,867,378 |
| Financial liabilities | | |
| Other financial liabilities: | | |
| Accounts payable and accrued liabilities | \$ 6,479,643 | \$ 5,323,531 |
| Credit facilities | 5,390,680 | 3,870,900 |
| Finance lease obligations | 275,789 | 426,292 |
| Long-term loans payable | 5,608,621 | 7,657,972 |
| Fair value through profit or loss: | | |
| Other financial liabilities | 684,783 | - |
| Share-based payment provision | 180,203 | - |
| | \$ 18,619,719 | \$ 17,278,695 |

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

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.

As at December 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 | \$ | - | \$ 1,298,125 | \$ - | \$ 1,298,125 |
| Other financial assets | \$ | - | \$ 151,933 | \$ - | \$ 151,933 |
| Other financial liabilities | \$ | - | \$ 684,783 | \$ - | \$ 684,783 |
| Share-based payment provision | \$ | 180,203 | \$ - | \$ - | \$ 180,203 |

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 market 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 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. A 1% change in copper and gold prices would result in an increase/decrease of approximately \$146,000 and \$63,000 respectively in the Company's pre-tax income or loss on an annualized basis, respectively.

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held through large Canadian, international and foreign national financial institutions. 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 and 10. All current liabilities are settled within one year.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and Colombia and incurs expenditures in currencies other than the US dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. The Company has not hedged its exposure to currency fluctuations. As at December 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 | \$ 163,800 | \$ 99,496 | \$ - | \$ 941,191 |
| Receivables | 5,306 | 134,081 | - | 10,263,556 |
| Accounts payable and accrued liabilities | (161,173) | (123,587) | - | (15,930,584) |
| Taxes payable | - | - | - | (6,171,341) |
| Finance lease obligations | - | - | (262,027) | - |
| Long-term loans payable | - | - | (418,694) | - |
| Net exposure | 7,933 | 109,990 | (680,721) | (10,897,178) |
| | | | | |
| US dollar equivalent | \$ 5,904 | \$ 33,392 | \$ (716,472) | \$ (3,664,112) |

Based on the above net exposure, as at December 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 \$43,000 in the Company's pre-tax income or loss.

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

Interest rate risk

The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on the US dollar LIBOR plus a fixed-margin. The Company does not enter into derivative contracts to manage this risk. As at December 31, 2016, a 10% change in LIBOR rates would result in an increase/decrease of approximately \$102,000 in the Company's pre-tax income or loss on an annualized basis based on the debt and credit facilities used.

18. CONTINGENCIES

During the year ended December 31, 2015, the Company settled the outstanding civil claim filed with the British Columbia Supreme Court by Carl Nelson and Recursos del Caribe S.A., the company through which Carl Nelson conducts his geological consulting business (collectively, "Mr. Nelson"). The allegations of Mr. Nelson had not been proven. The Company disputed Mr. Nelson's claims and defended itself in this matter. The action was filed on October 8, 2013 and a Response to Civil Claim was filed on November 26, 2013. In connection to the settlement with Mr. Nelson, the Company recognized an expense of \$200,000 for the year ended December 31, 2015.

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 December 31, 2016 and 2015, 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.

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19. 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 December 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 December 31, 2016 | | Canada | | Colombia | | Other | | Total |
|---------------------------------------|-----------|----------------|-----------|-------------------|-----------|----------------|-----------|-------------------|
| Cash and other current assets | \$ | 236,879 | \$ | 17,986,327 | \$ | 636,447 | \$ | 18,859,653 |
| Mineral property, plant and equipment | | - | | 60,493,059 | | 45,939 | | 60,538,998 |
| Total assets | \$ | 236,879 | \$ | 78,479,386 | \$ | 682,386 | \$ | 79,398,651 |

| 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 |

20. EVENT AFTER REPORTING DATE

Subsequent to December 31, 2016, the Company issued 285,867 common shares pursuant to the exercise of stock options.