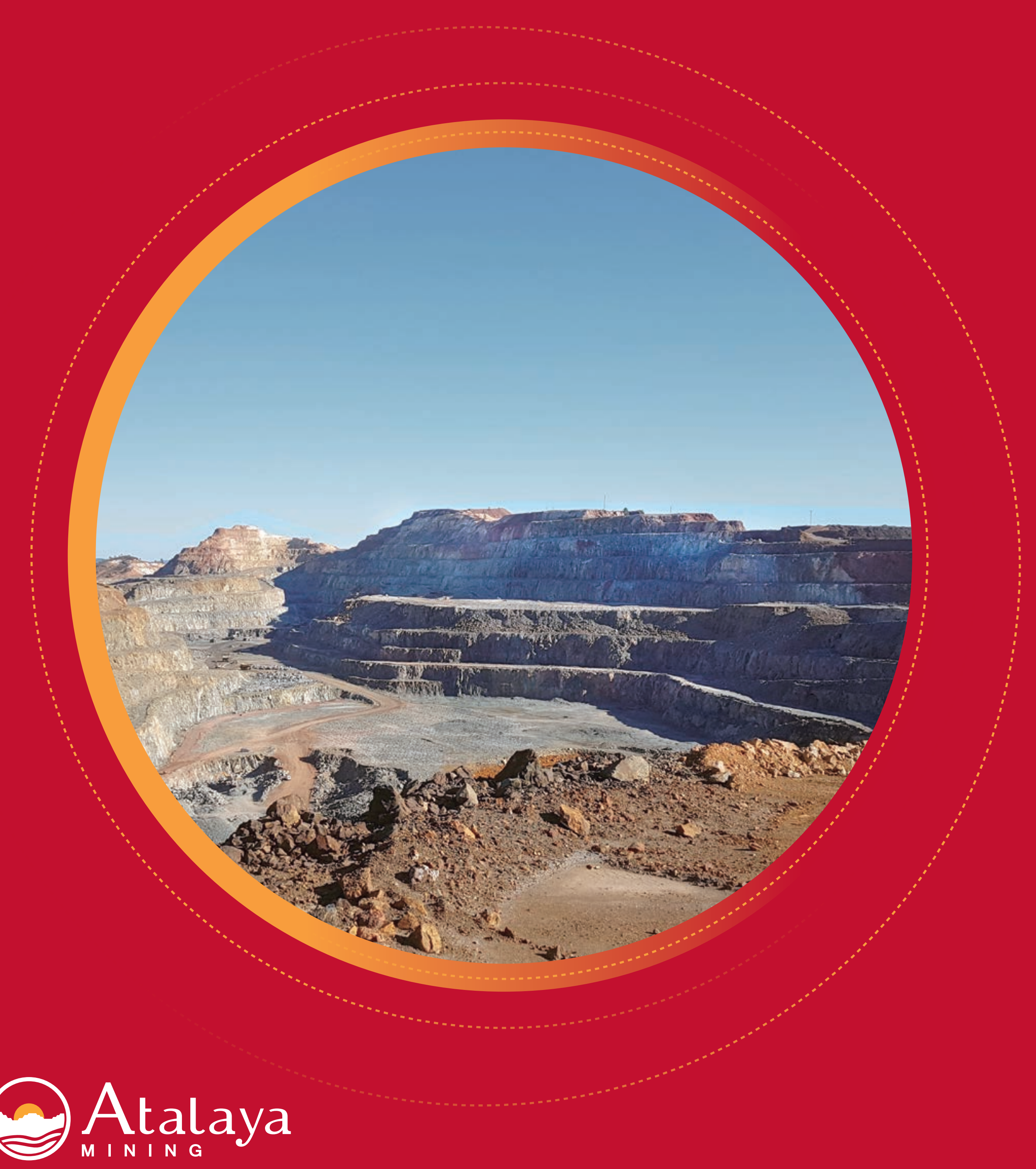
Atalaya Mining Plc

Annual Report

For the year ended 31 December 2017



Atalaya MINING

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Atalaya Mining Plc

Annual Report

For the year ended 31 December 2017

Company Highlights

2017 first full year of production with copper production in line with guidance

Operational highlights

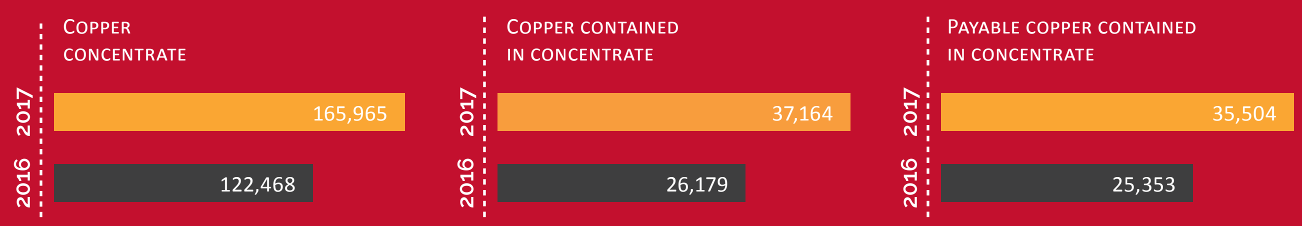
2018 guidance targeting an improvement on 2017 production

Expansion to 15Mtpa at Proyecto Riotinto approved and started in December 2017

Progress on permitting for Proyecto Touro

GROUP PRODUCTION	Unit	2018 guidance	FY2017	FY2016*
Copper concentrate	t		**165,965**	122,468
Copper contained in concentrate	t	37,000 – 40,000	**37,164**	26,179
Payable copper contained in concentrate	t		**35,504**	25,353

* Commercial production declared in February 2016



Financial highlights

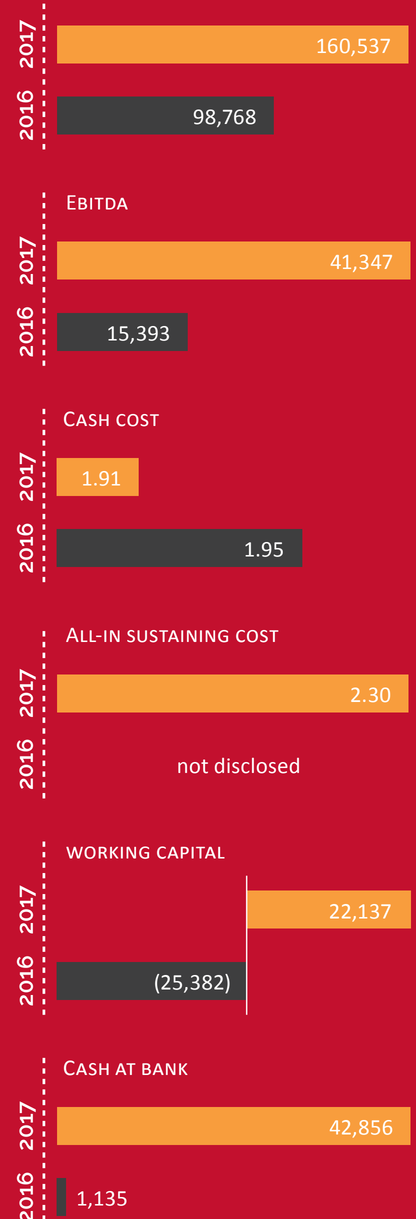
GROUP FINANCIALS	Unit	FY2017	FY2016*
Revenues	€k	**160,537**	98,768
EBITDA	€k	**41,347**	15,393
Cash cost	$/lb payable	**1.91**	1.95
All-in sustaining cost	$/lb payable	**2.30**	not disclosed
Working capital**	€k	**22,137**	(25,382)
Cash at bank**	€k	**42,856**	1,135

* Commercial production declared in February 2016

** Includes the proceeds of the equity raise in December 2017

Positive working capital of €22,137k, including €42,856k in cash at bank as a result of operational cash generated and the equity raise in December 2017

Positive EBITDA in line with 2017 expectations



Additional information about Atalaya Mining Plc. is available at **www.atalayamining.com**

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I. Strategic Report

Group at a glance

Atalaya is an AIM and TSX listed mining and development group which produces copper concentrates including silver by-product at its wholly owned Proyecto Riotinto site in southwest Spain. In addition, the Group has a phased, earn-in agreement to acquire up to 80% of Proyecto Touro, a brownfield copper project in northwest Spain which is currently at the permitting stage.

Strong pipeline of low risk growth projects

Proven management team

Supportive strategic shareholders

Proyecto Riotinto

Atalaya owns 100% of the Proyecto Riotinto copper mine in Huelva. This historic mining site restarted production in February 2016.

- Reserves of 153Mt at 0.45% Cu.
- 9.5Mtpa processing capacity.
- Open pit with 14+ years.
- Expansion to 15Mtpa started in December 2017.
- Low capital intensity.
- Located in the Iberian pyrite belt with access to modern infrastructure.

Proyecto Touro

Atalaya has a phased, earn-in agreement for up to 80% ownership of Proyecto Touro, a brown-field copper project in northwest Spain which is currently at the permitting stage.

- Low risk, advanced stage project.
- Excellent infrastructure and location.
- In permitting stage with Government support.
- An estimated €200m-€250m investment for production of ~30,000 tpa Cu in concentrates.

Letter from the Chairman

Copper production

37,164 t

Expansion Project Ongoing

15 Mtpa

Dear Shareholder,

2017 has been a year of stabilisation and process improvements at the RioTinto Project and was the first full year of commercial production for your company.

The ore processing throughput rate was steadily increased to achieve a cumulative plant throughput of 8.8 Mtpa (against a nameplate capacity 9.5 Mtpa). Copper grade was consistent with reserve estimates and the process recovery rate improved over the year to 85.45%, producing a total of 37,164 tonnes of copper, an increase of 40% over the 2016 production, from an average copper head grade of 0.49%.

This year, to date, copper grades, recoveries and operating cash costs are within the forecast values and the estimated copper production guidance for 2018 remains in the range of 37,000 to 40,000 tonnes.

An expansion project to 15 Mtpa throughput was formally approved during Q4 2017 and launched at the beginning of December 2017. Process flowsheet, basic design criteria and preliminary layouts have been established. Financing to initiate the expansion was raised through a placing of new shares and this allowed long-lead equipment to be identified and purchase orders issued according to the schedule. The expansion is on track to deliver the increased production by 2019.

To facilitate the assessment of potential additional mining areas, the dewatering of the Atalaya pit continues as previously reported. An infill drilling campaign for reserve definition was initiated in the Cerro Colorado pit and is planned to last for most of 2018. Near-mine exploration also continued with drilling of the north-west extension of the Cerro Colorado pit. An updated resources and reserves statement is being prepared as part of the 15 Mtpa expansion Project.

Mining operations continue to run well, with the mining fleet fully operational and preparing to meet the increased requirements of the expansion programme. As part of the Company´s continuous improvement programme, improvements to process and water supply systems are under way, together with essential additions to the tailings storage facilities. Whilst dust emission indicators remain below legal requirements, as a precautionary measure, civil works and structural fabrication are under way to install a dome covering the coarse-ore stockpile.

The permitting of Proyecto Touro continues to progress according to plan. The Company has already engaged a number of consultants to address the recommendations received as part of the permitting process. The technical report is substantially completed at pre-feasibility level of detail and in compliance with NI 43-101 guidelines. The report will be released when the additional project improvements are incorporated to accommodate the final permitting process.

In March 2017, judgment in the Astor Case was handed down in the High Court of Justice in London. The High Court found that the deferred consideration under the master agreement entered into between the Group, Astor and others, did not start to become payable when permit approval was granted for Proyecto Riotinto. Accordingly, the first instalment of the deferred consideration had not fallen due. While the Court confirmed that Atalaya was not in breach of any of its obligations, the Master Agreement and its provisions remain in place.

In April 2017, Atalaya and Astor applied for permission to appeal to the Court of Appeal. In August 2017, the Court of Appeal granted permission to both parties to appeal with the Appeal scheduled to take place during May 2018.

All of our successful activities to date are due not only to the continued commitment and efforts of our management, staff and associates, but also to the continued support and contributions of all the board members. For this, I offer my sincerest thanks to all of them.

Last but not least, I extend my thanks to all of you, our valued shareholders, for your continued support and look to the year ahead with continued confidence and optimism.

Roger Davey
Chairman of Atalaya Mining Plc
27 March 2018

Our business model

The business model of Atalaya is founded upon creating value through operational and developmental excellence. Experience and an unceasing search for improvement are the pillars of our success

Our Values	Strategic Pillars
IMPORTANCE OF PEOPLE Importance of Safety, Health, Environment & Security Strong work force with longstanding employees Working closely with communities	OUR PEOPLE AND RELATIONSHIPS
OPERATIONAL EXCELLENCE Importance of cost management Establishing stable performance Operating to a world-class standard Maximising production capacity	OUR BUSINESS
CREATING VALUE Increasing asset value under management Focusing on generating free cash flows Focusing on creating value for shareholders Allocating capital efficiently Creating opportunities for growth	OUR FUTURE

Our strategy

		Key driver	Achievements	Principal Risks
Our people and relationships	› Environmental matters are discussed across the group from the operating workforce to the board of directors. › Continuous communication with regulatory bodies and shareholders to ensure world-class operation. › Experienced mining team to ensure proper safety, health and security policies. › Focused on creating a high-performance culture where our people are our core asset. › We have a flat management structure with accessible people. › Our people are primarily based at site. › Focused on improving our relationships with local government and communities. › Limited presence in the media, with efforts focused on direct contact with people.	expenditures to reduce environmental impact 373 employees 99.9% based at mine site community support through Atalaya Foundation	2017 achievements Stabilised the number of employees at Proyecto Riotinto. 2018 priorities Increase work capacity for Proyecto Touro.	Operational risks External risks
Our business	› World-class processing plant in Europe to maximise value of the Group, thereby increasing free cash flows from operations	€41m EBITDA 37k tonnes of Cu produced	2017 achievements Production at Proyecto Riotinto aligned with guidance. Working capital deficit eliminated through equity raise and cash generated by the operation. Approval and commencement in Q4 2017 of Proyecto Riotinto expansion to 15Mtpa. Raised funds to initiate expansion works in December 2017. 2018 priorities Progress on expansion at Proyecto Riotinto and permitting at Proyecto Touro.	Financial risks Operational risks
Our future	› Evaluation of existing capacity of each project and investment in exploration to replace reserves deployed › Searching and evaluating projects around the world	Market capitalisation of £223.17m as of 31 December 2017	2017 achievements Acquisition of 10% of Cobre San Rafael, S.L., the holder of Proyecto Touro's mining rights. Investment of €7.4 million (2016: €0.9 million) in sustaining capex in Proyecto Riotinto. Investment of €2.7 million (2016: €nil) in exploration at Proyecto Touro. 2018 priorities Release of pre-feasibility study for Proyecto Touro. Update reserves and resources at Proyecto Riotinto to provide support for plant expansion.	Strategic risks External risks

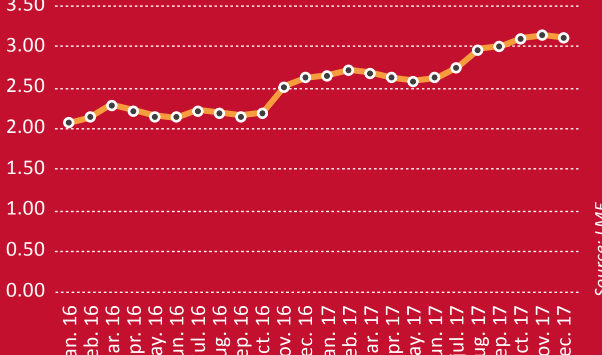
Market overview

Market price

During 2017, copper traded between US$2.48 and US$3.27 per pound of copper. The spot price for copper was US$2.53 as of 3 January 2017 and US$3.22 as of 29 December 2017, reflecting an increase of 28% for the period.

The market price of copper has a significant impact on Atalaya`s ability to generate positive operating cash flows.

Copper market price ($/lb)



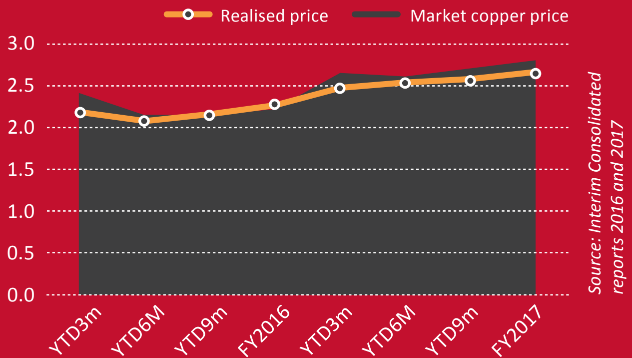
Realised copper prices

The average prices of copper for 2017 and 2016 were:

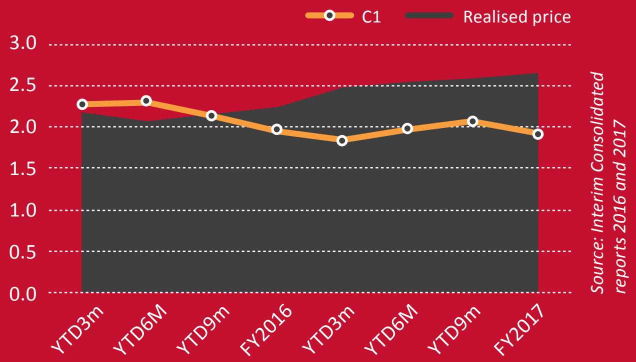
(USD)	FY2017	FY2016
Realised copper price per lb	2.66	2.25
Market copper price per lb (period average)	2.80	2.21

Realised copper prices for the reporting period noted above have been calculated using payable copper and including both provisional invoices and final settlements of quotation periods ("QPs") together. Lower than market average realised prices are mainly due to the final settlement of invoices Where the QP was fixed in the previous quarter due to a short open period when copper prices were lower. The realised price during the year, excluding the QP, was approximately $2.72/lb.

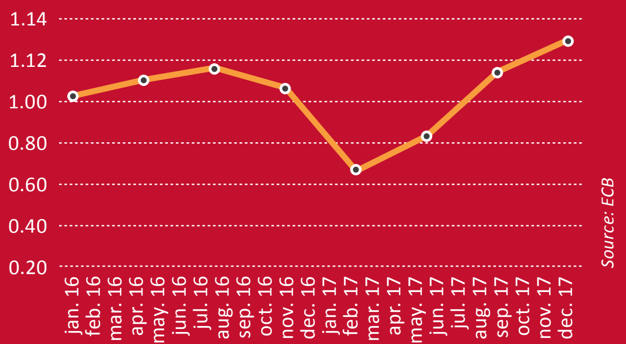
Market vs Realised Cu price



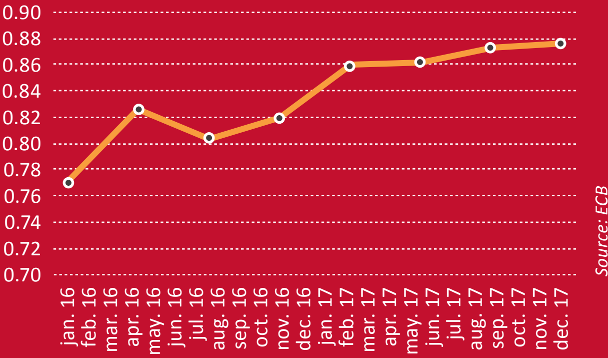
Realised Cu price vs C1 Cash cost



FX USD/EUR



FX GBP/EUR



Atalaya's response

The Group had no hedges on commodities prices during 2017 and the resultant increase in revenues is reflected in the income statement. As at the date of this report, the Group is fully exposed to the copper prices with no commodities hedging agreement in place.

Foreign exchange

Foreign exchange rate movements can have a significant effect on Atalaya's operations, financial position and results. Atalaya's sales are denominated in U.S. dollars ("USD"), while Atalaya's operating expenses, income taxes and other expenses are denominated in Euros ("EUR"), and to a much lesser extent in British Pounds ("GBP").

Accordingly, fluctuations in the exchange rates can impact the results of operations and carrying value of assets and liabilities on the balance sheet.

Atalaya's response

The Group was negatively impacted by unfavourable rate against USD, the currency where all sales of the Group are denominated.

Management continuously monitor currency rates and evaluate currency hedging to minimise risk (*Note 28.1*).

Corporate social responsibility

Overview

Atalaya has integrated Corporate Social Responsibility ("CSR") into its activities at Proyecto Riotinto and strives for excellent standards in health and safety, looking after the environment and helping the community.

The Group employs highly qualified people to oversee its CSR with the support of a specific CSR committee and the board of directors.

Our communities

Atalaya is committed to being a responsible corporate citizen by managing the environmental and social impact of its mining operations in a conscientious and sensitive manner.

Our strategy is to ensure that relations with authorities, society and the environment are led by transparency in our commercial activities, the appropriate degree of interaction with stakeholders and maximum responsibility and accountability in all our operations.

2017 was particularly important to our communities. The Group launched a significant archaeological programme to study and document a number of archaeological sites, including Cortalago, a Roman settlement of note.

In June 2017, the discovery of a number of gold coins at the site was well covered by the media. The formal presentation of the discovery at the Minas de Riotinto town Foundation was closely followed by the local communities.

Sustainable development

Atalaya is committed to achieving development that provides benefits to those regions where it operates, without compromising the ability of future generations to meet their own needs both economically and environmentally. Atalaya will endeavour to achieve excellence in environmental performance, abiding by all expected environmental standards.

The Group through its wholly owned entities and foundation, frequently organises site visits for engineering schools and other mining professionals to embed sustainability in its projects.

Our people

Atalaya operates within a favourable framework for labour relations based on a non-discriminatory, equal opportunities employment system, that respects diversity and facilitates communication at all levels of the Group. The Group provides a healthy and safe working environment by implementing the best available international practices and procedures.

Communication

Atalaya advocates the establishment of broad communication channels and seeks opportunities for conversation with its various stakeholders to ensure that business objectives remain in tune with social needs and expectations. The Group will always seek to provide relevant, transparent and accurate information about its activities and encourage continuous improvement in this area.

Political and charitable donations

The Group made no political or charitable donations during the year ended 31 December 2017 (2016: €nil) and channelled its contribution to local communities through the foundation, by supporting cultural events during the year.

Principal risks and uncertainties

Due to the nature of Atalaya's business in the mining industry, the Group is subject to various risks that could materially impact its future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to Atalaya.

Our principal risks have continued to fall within four categories:

- Strategic risks.
- Financial risks.
- External risks.
- Operational risks.

		Description	Level
Strategic risks	Single asset, single commodity and single country risk	Our current production is from Proyecto Riotinto, our single producing asset. We produce and sell copper concentrates with silver by-product. Any interruption in the producing asset may impact the Group's results	(orange)
Strategic risks	Mineral resources and reserves	We must continually replace and expand our mineral resources and mineral reserves. The depletion of our mineral reserves may not be offset by future discoveries or acquisitions	(green)
Strategic risks	Capital Projects	Our capital expenditure requirements in Proyecto Touro and/or Proyecto Riotinto expansion may require more capital than anticipated and/or we may have difficulty obtaining required permitting and financing, which could delay project development	(green)
Commercial and financial risks	Significant changes to commodity prices	A decline in the price of copper and other metals in world markets, which can fluctuate widely, could adversely affect our business, operating results and prospects.	(red)
Commercial and financial risks	Limited number of customers	100% of our concentrate production is sold to three offtakers. Offtakers' business can significantly impact our business	(orange)
Commercial and financial risks	Control over certain key inputs	We may be unable to control the cost and availability of key inputs, which are beyond management's influence	(red)
Commercial and financial risks	Insurance coverage	Our insurance coverage does not cover all potential losses, liabilities and damage related to our business and certain risks are uninsured or uninsurable	(green)
Commercial and financial risks	Changes in taxation and other financial conditions	We are subject to laws and regulations relating to taxation, customs and excise and royalties that could have an adverse effect on our business, financial conditions and results of operations	(orange)

High
Medium
Low

		Description	Level
External risks	Political, legal and regulatory developments	We are subject to extensive regulation, concessions, authorisations, licences, and permits which are subject to expiration, to limitation on renewal and to various other risks and uncertainties	Low
	Economic conditions	General economic conditions or changes in consumption patterns may adversely affect our growth and profitability. In particular, the Chinese market, which has a significant impact on the world's copper demand	Medium
	Dependence on key infrastructure	We are dependent on transportation facilities, infrastructure and certain suppliers, a lack of which could impact our production and development projects	Low
Operational risks	Shortages of equipment, services and skilled personnel	The industry has faced a worldwide shortage of mining and construction equipment, spare parts, contractors, and other skilled personnel during periods of high demand in commodities	Medium
	Operational risks and hazards	Operational risks and hazards may adversely impact our business, financial condition and result of operations, particularly: floods, natural disasters, industrial accidents, labour disputes, structural collapses, transportations delays and earthquakes.	Low
	Labour disruptions	We may be adversely affected by labour disruptions.	Low
	Water, electricity and other key supplies	Our mining operations depend on the availability of water, electricity and other key inputs	Low
	Complexity of environmental laws	Our operations are subject to complex and evolving environmental laws and regulations and changes may increase our running costs	Medium

II. Performance Review

Operational Review

Proyecto Riotinto

The following table presents a summarised statement of operations of Proyecto Riotinto for the twelve months ended 31 December 2017 and 31 December 2016.

Units expressed in accordance with the international system of units (SI)

	Unit	FY2017	FY2016[1]
Ore mined	t	**9,340,028**	7,754,499
Ore processed	t	**8,796,715**	6,505,762
Copper ore grade	%	**0.50**	0.49
Copper concentrate grade	%	**22.39**	21.56
Copper recovery rate	%	**85.45**	83.29
Copper concentrate	t	**165,965**	122,468
Copper contained in concentrate	t	**37,164**	26,179
Payable copper contained in concentrate	t	**35,504**	25,353
Cash cost[2]	$/lb payable	**1.91**	1.95
All-in sustaining cost[2]	$/lb payable	**2.30**	Not available

Notes:

The numbers in the above table may slightly differ between them due to rounding.

(1) 2016 figures include pre-commissioning production for January 2016.

(2) Refer to note (iii) of this Report.

Mining and Processing

Mining

Mining operations are now stable quarter-on-quarter. Operations continued in the Cerro Colorado open pit and Proyecto Riotinto mined 9.3 million metric tonnes of ore during 2017. In anticipation of higher mining rates in the near future, additional mining equipment was delivered, assembled and commissioned during the second half of the year.

Processing

Ore processed during the year was 8.8 million tonnes representing an improvement over the previous year when 6.5 million tonnes were processed. Overall, hourly throughput rates were improved quarter-by-quarter as equipment availability and efficiency increased.

Copper grade was consistent with estimates averaging 0.50% for 2017, in line with the previous year. Recovery rate was above estimates, increasing to approximately 85.5%, a material improvement on last year. The copper concentrate grade was 22.4% during 2017, in line with expectations and also slightly above last year's grade.

Concentrate production for 2017 was 165,965 tonnes compared with 122,468 tonnes in 2016 (including pre-commissioning production for January 2016). Contained copper was 37,164 tonnes compared with 26,179 tonnes in 2016. Copper payable amounted to 35,504 tonnes from 25,353 tonnes in 2016.

As of the reporting date, all concentrate production was sold except for 7,374 tonnes of concentrate which were shipped during Q1 2018. Concentrate shipments were not impacted by disruptions reported at ports across Spain during Q1 2017.

A number of initiatives were delivered during the year. In Q1 2017, process water supply systems were upgraded and the main incoming electrical substation

went through yearly maintenance. With regards to the environment, rehabilitation of the south waste dump commenced. During Q2 2017, a new 300 m^3 primary rougher flotation cell was commissioned and installation of plastic lining in one of the paddocks of the tailings storage facilities was completed. A cover dome over the coarse ore stockpile is under construction and the installation of an additional secondary cone crusher is under evaluation.

Exploration and Geology

During 2017, near-mine exploration and infill drilling were concentrated on the lateral extension of Filon Sur and the north-west extension of Cerro Colorado. Results will form part of a resource and reserve update due for completion during Q2 2018.

An airborne VTEM geophysical survey was completed during Q4 2017 with results expected in Q1 2018.

Expansion of Proyecto Riotinto

In June 2017, the board of directors approved the commencement of a study to demonstrate the feasibility of increasing mining and processing capacity at Proyecto Riotinto beyond the existing 9.5Mtpa, to a maximum of 15Mtpa. Copper production is estimated to reach 50,000 – 55,000 tonnes per year once the expansion project is fully ramped up.

The study was completed in the third quarter of 2017, concluding that the expansion was technically and financially robust. The expansion project was then approved by the board of directors in Q4 2017 and launched in December 2017.

The capital cost estimate is €80.4 million with commissioning scheduled for the second half of 2019.

Proyecto Touro

Permitting is progressing according to schedule. Reports were received as part of the permitting process and project improvements were suggested. Consultants have already been engaged in order to address these recommendations.

A technical report is substantially completed at pre-feasibility level of detail and in compliance with NI 43-101 guidelines. The report will be released when the additional project improvements are incorporated to accommodate the final permitting process.

During Q3 2017, the Group signed an option agreement to acquire exploration concessions that cover 122.7 km^2 immediately surrounding Proyecto Touro, where mineralised copper occurrences are documented.

An exploration campaign was initiated during the year over the newly optioned exploration concessions around Proyecto Touro. The campaign included an airborne VTEM geophysical survey, detailed assessment of structural geology and a regional geochemical campaign. The first phase of an airborne VTEM geophysical survey was completed during the last quarter of 2017 with results still pending.

Operational guidance

The forward-looking information contained in this section is subject to the risk factors and assumptions contained in the cautionary statement on forward-looking statements included in the note of this report.

Proyecto Riotinto operational guidance for 2018 is as follows:

Copper head grade for 2018 is budgeted to average between 0.47% and 0.50% Cu, with a recovery rate of approximately 84% - 86%. Cash operating costs for 2018 are expected to be in the range of $2.15/lb – $2.30/lb. AISC for 2018 is expected to be in the range of $2.50/lb – $2.60/lb Cu payable.

		Guidance	Actual	Guidance
	Unit	2018	2017	2017
Ore processed	million tonnes	9.6	8.8	8.7 – 9.0
Contained copper	tonnes	37,000 - 40,000	37,164	36,000 - 39,000

Financial review

Revenues for the twelve month period ended 31 December 2017 amounted to €160.5 million

Results

The following table presents a summarised consolidated income statement for the twelve months ended 31 December 2017, with comparatives for twelve months ended 31 December 2016.

	Twelve months ended 31 Dec 2017 (Euro 000's)	Twelve months ended 31 Dec 2016 (Euro 000's)
Sales	**160,537**	**98,768**
Total operating costs	(114,687)	(77,845)[1]
Corporate expenses	(4,508)	(4,800)[1]
Exploration expenses	-	(1,022)
Other income	5	292
EBITDA	**41,347**	**15,393**
Depreciation/amortisation	(16,671)	(11,757)[1]
Impairment of land options not exercised	-	(903)
Net foreign exchange loss	(2,212)	(665)
Net finance cost	(557)	(549)
Share of result of associate	-	(10)
Tax charge / (credit)	(3,696)	12,187
	18,211	**13,696**

(1) Include reclassifications on corporate expenses for comparative purposes.

Revenues for the twelve month period ended 31 December 2017 amounted to €160.5 million (FY16: €98.8 million). Commercial production at Proyecto Riotinto was declared in February 2016. Revenue benefited from the increasing copper price.

Copper concentrate production during FY17 was 165,965 tonnes (FY16: 122,468 tonnes). Inventories of concentrates as at the reporting date were 7,374 tonnes with no inventories held as at 31 December 2016. All concentrate inventories held as of 31 December 2017 were shipped in Q1 2018.

The realised price for the twelve month period in 2017 was $2.66/lb copper compared with $2.25/lb copper in the same period of 2016. Concentrates were sold under offtake agreements in place.

Operating costs for the twelve month period ended 31 December 2017 amounted to €114.7 million, compared with €77.8 million in the twelve month period in 2016. The increase was mainly due to higher mining and processing variable costs directly attributable to an increase in copper production.

Cash costs of $1.91/lb payable copper during the twelve month period in 2017 compares with $1.95/lb payable copper in the same period last year. All-in sustaining costs for FY17 were $2.30/lb payable copper.

Sustaining capex for the twelve month period, included in capital expenditure, amounted to €7.4 million. Sustaining capex accounted for development programmes at the perimetric channel of tailings storage facility, optimisation of the flotation circuit and coarse ore stock pile, modifications to the processing flowsheet, upgrades at the main incoming substation and improvements to process and water supply systems.

Corporate costs for the twelve months period ended 31 December 2017 were €4.5 million, compared with €4.8 million in the twelve month period ended 31 December 2016.

Exploration costs related to Proyecto Touro were capitalised during 2017.

EBITDA for the twelve months ended 31 December 2017 amounted to €41.3 million, compared with EBITDA of €15.4 million in the same period last year.

Depreciation and amortisation amounted to €16.7 million in the twelve month period ended 31 December 2017 (FY16: €11.7 million). The increase in depreciation was mainly driven by higher production levels, as mining equipment is depreciated by using the unit of production method (***Note 2.9***).

Net finance costs for FY17 amounted to €0.6 million (FY16: €0.5 million) mainly related to the interest costs for the Transamine prepayment and the Social Security debt. Both the Transamine prepayment and the Social Security debt were fully repaid as of 31 December 2017.

Cash cost methodology

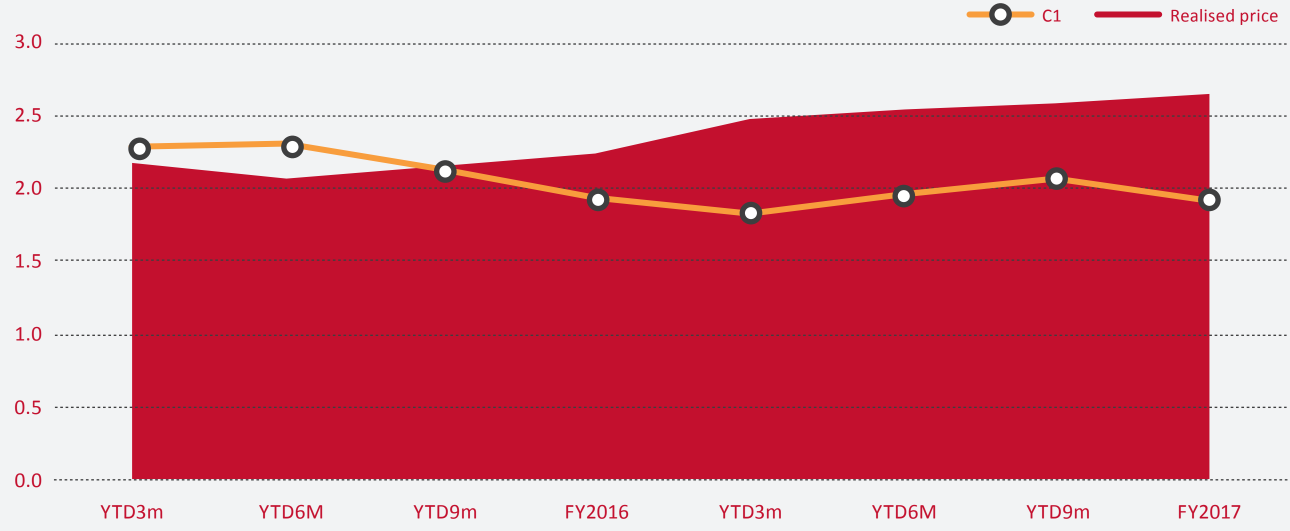
Following the first full year of production at Proyecto Riotinto, during the last quarter of 2017 Atalaya carried out an exhaustive analysis on the methodology applied to its operating costs reported through the year, with the main purpose of providing enough and consistent information to the market to assess the operating cash costs (“Cash Cost” or “C1”) and All In Sustaining Cost (“AISC”) of Proyecto Riotinto.

As a result of the analysis, management has changed the methodology used when calculating C1 and AISC in previous quarters. The following table provides a reconciliation between the C1 and AISC reported and the reclassifications and adjustments to make the information comparable.

Cash Cost C1 ($/lb)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY2017
Cash cost C1 reported	**$1.83**	**$2.07**	**$2.14**	**$2.35**	**$1.91**
Reclassification from C1 to AISC – Astor agency fee and local corporate costs	($0.03)	($0.06)	($0.07)	-	-
Ag credits	($0.09)	($0.07)	($0.07)	-	-
Exploration & geology costs	($0.02)	($0.03)	($0.02)	-	-
Finalisation of provision for concentrate penalties	($0.02)	($0.04)	($0.07)	-	-
Finalisation of provisions for freights, TCs and RCs	($0.02)	$0.01	($0.07)	-	-
Other adjustments	($0.01)	-	-	-	-
Normalised cash costs	**$1.64**	**$1.88**	**$1.84**	**$2.35**	**$1.91**

AISC ($/lb)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY2017
AISC reported	**$2.15**	**$2.30**	**$2.33**	**$2.94**	**$2.30**
Adjustments from C1	($0.15)	($0.13)	($0.23)	-	-
Reclassifications from C1	$0.03	$0.06	$0.07	-	-
Corporate costs	($0.03)	($0.02)	($0.02)	-	-
Other adjustments	$0.01	$0.01	($0.02)	-	-
Normalised AISC costs	**$2.01**	**$2.22**	**$2.13**	**$2.94**	**$2.30**

Realised Cu price vs C1 Cash cost



Source: Interim Consolidated reports 2016 and 2017

Non-GAAP Measures

Atalaya has included certain non-IFRS measures including "EBITDA", "Cash Cost per pound of payable copper" "All In Sustaining Costs" ("AISC") and "realised prices" in this report. Non-IFRS measures do not have any standardised meaning prescribed under IFRS, and therefore they may not be comparable to similar measures presented by other companies. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for indicators prepared in accordance with IFRS.

EBITDA includes gross sales net of penalties and discounts and all operating costs, excluding finance, tax, impairment, depreciation and amortisation expenses.

Cash Cost per pound of payable copper includes on-site cash operating costs, and off-site costs including treatment and refining charges ("TC/RC"), freight and distribution costs net of by-product credits. Cash Cost per pound of payable copper is consistent with the widely accepted industry standard established by Wood Mackenzie and is also known as the C1 cash cost.

AISC per pound of payable copper includes the C1 Cash Costs plus royalties and agency fees, expenditure on rehabilitations, stripping costs, exploration and geology costs, corporate costs, and sustaining capital expenditures.

Realised prices per pound of payable copper is the value of the copper payable included in the concentrate produced including the penalties, discounts, credits and other features governed by the offtake agreements of the Group and all discounts or premia provided in commodity hedge agreements with financial institutions, expressed in USD per pound of payable copper. Realised price is consistent with the widely accepted industry standard definition.

Liquidity and capital resources

Atalaya monitors factors that could impact its liquidity as part of Atalaya's overall capital management strategy. Factors that are monitored include, but are not limited to, the market price of copper, foreign currency rates, production levels, operating costs, capital and administrative costs.

The following is a summary of Atalaya's cash position as at 31 December 2017 and 31 December 2016 and cash flows for the twelve months ended 31 December 2017 and 2016.

Liquidity information

(Euro 000's)	31 Dec. 2017	31 Dec. 2016
Unrestricted cash and cash equivalents at Group level	**39,179**	460
Unrestricted cash and cash equivalents at Operation level	**3,427**	425
Restricted cash	**250**	250
Working capital surplus/ (deficit)	**22,137**	(25,382)

Unrestricted cash and cash equivalents as at 31 December 2017 increased to €42.6 million from €0.9 million at 31 December 2016. The increase in cash balances is the result of net cash flow generated by the Group in the period and the capital raised amounting to £31.0 million in December 2017. Cash balances are unrestricted and include balances at operational and corporate level.

Restricted cash remains at €0.3 million as at 31 December 2017 and mainly relates to deposit bond guarantees.

As of 31 December 2017, Atalaya reported a working capital surplus of €22.1 million, compared with a working capital deficit of €25.4 million at 31 December 2016. Like last year, the main liability of the working capital is trade payables related to the main contractor, where the Group has reached certain agreements to reduce its deficit progressively during 2018.

In June 2017, the Group completed repayment of €16.9 million to the Social Security's General Treasury in Spain. The debt liability was incurred by the former owners of the assets. Repayment was completed according to the agreed repayment schedule.

In 2016, the Group entered into a US$14 million copper concentrate prepayment agreement with Transamine Trading, S.A. an independent and privately owned commodity trader company based in Geneva. The duration of the prepayment was from 2016 to 31 December 2018 with terms at market conditions and the settlement was agreed to be paid through deductions from payments received for each shipment. On 15 December 2017, the Group fully settled the prepayment ahead of schedule and has decided not to extend the contract on the same terms before January 2018 as permitted under the original agreement.

Overview of the Group's cash flows

(Euro 000's)	Twelve months ended	
	31 Dec. 2017	31 Dec. 2016
Cash flows from operating activities	**30,500**	13,789
Cash flows used in investing activities	**(22,678)**	(31,272)
Cash flows from financing activities	**33,899**	-
Net increase/(decrease) in cash and cash equivalents	**41,721**	(17,483)

Cash and cash equivalents increased by €41.7 million during the twelve months ended 31 December 2017. This was due to cash from operating activities amounting to €30.5 million, cash used in investing activities amounting to €22.7 million and cash generated by financing activities totalling to €33.9 million.

Cash generated from operating activities before working capital changes was €39.5 million. Atalaya increased its trade receivables by €4.4 million, its trade payables balance in the period by €5.4 million and its inventory levels by €7.5 million.

Investing activities in 2017 amounted to €22.7 million, mainly relating to sustaining capex, the expansion of Proyecto Riotinto, capitalised stripping costs and the permits of Proyecto Touro.

Financing activities in 2017 related to the capital raised in Q4 2017.

Foreign exchange

During the twelve months ended 31 December 2017, Atalaya recognised a foreign exchange loss of €2.2 million. Foreign exchange losses mainly related to variances in EUR and USD conversion rates during the period, as all sales are settled and occasionally held in USD.

The following table summarises the movement in key currencies versus the EUR:

	Twelve months ended	
	31 Dec 2017	31 Dec 2016
Average rates for the periods		
GBP – EUR	0.8767	0.8195
USD – EUR	1.1297	1.1069
Spot rates as at		
GBP – EUR	0.8872	0.8562
USD – EUR	1.1993	1.0541

In February 2017, the Group entered into certain foreign exchange hedging contracts to offset the agreements in force as at 31 December 2016. During the remainder of 2017, Atalaya did not have any currency hedging agreements.

Further information on the hedging agreements is disclosed in the audited, consolidated and company financial statements (hereinafter "financial statements") that follow (*Note 28*).

Ruling on Astor litigation and deferred consideration

On 6 March 2017, judgment in the Astor Management AG ("Astor") case ("Astor Case") was handed down in the High Court of Justice in London (the "Judgment"). On 31 March 2017 declarations were made by the High Court which give effect to the Judgment.

In summary, the High Court found that the deferred consideration of €43.8 million (the "Deferred Consideration"), potentially payable to Astor under the master agreement entered into in 2008 between inter alia the Company and Astor (the "Master Agreement"), did not start to become payable when permit approval was granted for Proyecto Riotinto. In addition, the intra-group loans by which funding for the restart of mining operations was made available to the Company's subsidiary, Atalaya Riotinto Minera S.L. did not constitute a "Senior Debt Facility" so as to trigger payment of the Deferred Consideration. Accordingly, the first instalment of the Deferred Consideration has not fallen due.

Astor failed to show that there had been a breach of the all reasonable endeavours obligation contained in the Master Agreement to obtain a senior debt facility or that the Group had acted in bad faith in not obtaining a senior debt facility. While the Court confirmed that the Group was not in breach of any of its obligations, the Master Agreement and its provisions remain in place. Accordingly, other than up to US$10 million a year which may be required for non-Proyecto Riotinto related expenses, Atalaya Riotinto Minera S.L. cannot make any dividend, distribution or any repayment of the money lent to it by companies in the Group until the consideration under the Master Agreement (including the Deferred Consideration) has been paid in full.

As a consequence, the Judgment requires that, in accordance with the Master Agreement, Atalaya Riotinto Minera S.L. must apply any excess cash (after payment of operating expenses, sustaining capital expenditure, any senior debt service requirements and up to US$10 million (for non-Proyecto Riotinto related expenses)) to pay the consideration due to Astor (including the Deferred Consideration and the amount of €9.1 million payable under the loan assignment agreement between the parties) early. The Court confirmed that the obligation to pay consideration early out of excess cash does not apply to the up-tick payments of up to €15.9 million (the "Up-tick Payments") and the Judgment notes that the only situation in which the Up-tick Payments could ever become payable is in the unlikely event that mining operations stop at Proyecto Riotinto and a senior debt facility is then secured for a sum sufficient to restart mining operations. Accordingly, the Group has recorded the liability of €53 million.

On 25 April 2017, Atalaya and Astor applied for permission to appeal to the Court of Appeal. On 11 August 2017, the Court of Appeal granted permission to both parties to appeal (although it rejected three of Astor's seven grounds). The Appeal will take place during May 2018.

More details on the Astor Case are included in *Note 27* of the audited financial statements that follow.

Critical accounting policies, estimates and accounting changes

The preparation of Atalaya's Financial Statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the Financial Statements and accompanying notes. There is a full discussion and description of Atalaya's critical accounting estimates and judgements in the audited financial statements for the year ended 31 December 2017 (*Note 3.4*).

III. Corporate Governance

Board of Directors

Board Structure

Board of Directors

Committees

Audit and Financial Risk Committee ("AFRC")

Summary of Committee responsibilities

- Reviews and monitors financial statements.
- Reviews Company's public disclosure of financial information.
- Reviews estimates and judgements that are material to reported financial information.
- Oversees the auditors arrangements and performance.
- Reviews internal and external risks of the Company.

Dr. Hussein Barma (Chairman)
Mr. Roger Davey
Mr. Stephen Scott

Corporate Governance Nominating Compensation Committee ("CGNCC")

Summary of Committee responsibilities

- Reviews Directors' compensation and performance.
- Reviews Corporate Governance of Atalaya and practices, independence, charters' review, and structure.
- Compensation and performance of officers of Atalaya.

Stephen Scott (Chairman)
Mr. Roger Davey
Dr. Hussein Barma
Mr. Damon Barber

Physical Risk Committee ("PRC")

Summary of Committee responsibilities

- Oversees safety, health, environment and security matters of the Company.
- Oversees enterprise-wide physical risk management.
- Reviews compliance with legal and regulatory obligations relating to safety, health, and environment.

Dr. Jose Sierra (Chairman)
Mr. Roger Davey
Mr. Stephen Scott

Directors

Non-executive Chairman of the Board

Mr. Davey has over forty years' experience in the mining industry. Previous employment included assistant director and senior mining engineer at NM Rothschild & Sons; director, vice-president and general manager of AngloGold's subsidiaries in Argentina; operations director of Greenwich Resources Plc, London; production manager for Blue Circle Industries in Chile; and various production roles from graduate trainee to mine manager, in Gold Fields of South Africa (1971 to 1978). Mr. Davey is currently a director of Orosur Mining inc., Central Asia Metals plc and Tharisa plc.

Mr. Davey is a graduate of the Camborne School of Mines, England (1970), with a Master of Science degree in Mineral Production Management from Imperial College, London University, (1979) and a Master of Science degree from Bournemouth University (1994). He is a Chartered Engineer (C.Eng.), a European Engineer (Eur. Ing.) and a Member of the Institute of Materials, Minerals and Mining (MIMMM).

Mr. Davey is the Chair of the Board of Directors and a member of the Audit and Financial Risk Committee, the Physical Risk Committee and the Corporate Governance Nominating Compensation Committee.

Managing Director and Chief Executive Officer

Mr. Lavandeira brings close to forty years of experience operating and developing mining projects. Formerly, he was President, CEO and COO of Rio Narcea Gold Mines which built three mines including Aguablanca, El Vallés-Boinas y Tasiast. He is a director of Black Dragon Gold Corp. and Samref Overseas S.A, and he was involved in the development of the Mutanda Mine in the Democratic Republic of Congo.

He is a graduate of the University of Oviedo, Spain with a degree in Mining Engineering.

Damon Barber

Non-executive Director

Mr. Barber is currently the Senior Managing Director of Liberty Metals & Mining. Mr. Barber has more than 20 years' experience in natural-resources finance, mining project development and mining operations. Mr. Barber graduated from the University of Kentucky with a B.S. in Mining Engineering and began his career as a section foreman at CONSOL Energy Inc.'s Loveridge Mine. Mr. Barber holds an MBA from the Wharton School of the University of Pennsylvania.

Mr. Barber is a member of the Corporate Governance Nominating Compensation Committee.

Dr. Hussein Barma

Non-executive Director

Dr. Barma is a principal of Barma Advisory. He was formerly CFO (UK) of Antofagasta Plc from 1998 to 2014 and possesses a deep knowledge of governance practices at board level, as well as accounting and reporting, investor relations and regulatory requirements of the London market. He previously worked as an auditor at Price Waterhouse (now PwC) and is a steering group member of the UK Financial Reporting Council's Financial Reporting Lab.

Dr. Barma is the Chair of the Audit and Financial Risk Committee, and a member of the Corporate Governance Nominating Compensation Committee.

Jesús Fernández

Non-executive Director

Mr. Fernandez is head of the M&A team for Trafigura. He joined Trafigura in 2004 and has fifteen years of experience in mining investments and financing. He is currently a director of Mawson West Limited. Previously, he was a director of Tiger Resources Limited, Cadilac Ventures, Anvil Mining Limited and Iberian Minerals Corp. plc.

Harry Liu

BSc. Economics - non-executive Director

Harry Liu, BSc. Economics - non-executive Director

Mr. Liu is a vice president of Yanggu Xiangguang Copper (Shandong, China), one of the world's largest copper smelting, refining and processing groups.

Mr. Liu has held a number of senior management and marketing positions in the mineral and financial industries in Shanghai and Hong Kong, including roles as marketing manager at BHP Billiton Marketing AG and Director at BNP Paribas Asia.

Mr. Liu graduated with a Bachelor´s Degree in Economics from Zhejiang University in Zhejiang Province, China.

Jonathan Lamb

Non-executive Director

Mr. Lamb is portfolio manager at Orion Mine Finance and a director at Minera la Negra and former director at Lynx Resources. He was formerly investment manager for Red Kite Group's Mine Finance business. He was previously with Deutsche Bank's Metals & Mining Investment Banking group in New York, where he worked on a variety of debt and equity financings and M&A transactions.

Dr. José Sierra López

Non-executive Director

Dr. Sierra has an extensive experience as a mining and energy leader in the business and government sectors. His experience includes being Spain's national Director General of Mines and Construction Industries and EU Director for Fossil Fuels for the European Commission. Most recently he was Commissioner at the National Energy Commission of Spain. He was a member of the Board of Transport et Infrastructures Gaz France.

Dr. Sierra holds a Ph.D. in Mining Engineering from the University of Madrid. He obtained a DIC at the Royal School of Mines (Imperial College) and is an elected member of the Royal Academy of Doctors of Spain. Dr. Sierra is the Chair of the Physical Risk Committee.

Stephen Scott

Non-executive Director

Mr. Scott is president and CEO of Entree Resources Limited. Previously, he was president and CEO of Minenet advisors advising on strategy, corporate development, business restructuring and project management. He held various global executive positions with Rio Tinto (2000-2014) and currently serves on the boards of a number of public and private mining companies.

Mr. Scott is the Chair of the Corporate Governance Nominating Compensation Committee and a member of the Audit and Financial Risk Committee.

Board of directors

The Board is responsible for approving Company policy and strategy. The Board is supplied with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new Directors and other Directors as necessary. A number of the Group's key strategic and operational decisions are reserved exclusively for the decision of the Board.

The Company has adopted a model code for Directors' dealings which is appropriate for a TSX and AIM listed company. The Directors intend to comply with Rules 21 and 31 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

Board Composition

As of 31 December 2017, the Board of Directors of Atalaya comprised a non-executive independent Chairman, one executive Director and seven other non-executive directors.

Non-executive directors bring a breadth of experience and knowledge, all of whom are independent of management and four of whom (including the Chairman) are independent of any business or other relationship which could interfere with the exercise of their independent judgment. The Board regularly reviews key business risks including the financial risks facing the Group in the operation of its business.

Indemnification of directors and officers

During the year, the Company held insurance to indemnify Directors, the Company Secretary and executive officers of the Company against liabilities incurred in the conduct of their duties to the extent permitted under applicable legislation.

Board changes during 2017

All directors held office from the start of the financial year to the date of this report. In accordance with the Company's Articles of Association, one-third of the board of directors must resign each year. All the directors will retire at the AGM and offer themselves for re-election.

2018 Annual General Meeting

Atalaya's AGM will be held in London on 27 of June 2018 at 11 hours (UK time). The business of the meeting will be conducted in accordance with regulatory requirements and standards. The Chairman of the Board and the Chairmen of the Committees will be available to answer questions put to them by shareholders at the meeting. The AGM Notice is included in the documentation that has been provided with this Annual Report and is also available on the Company's website.

	BoD		AFRC		CGNCC		PRC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R. Davey	12	12	6	6	2	2	3	3
A. Lavandeira	12	12	-	-	-	-	-	-
D. Barber	12	10	-	-	2	2	-	-
H. Barma	12	12	6	6	2	2	-	-
J. Fernández	12	8	-	-	-	-	-	-
H. Liu	12	11	-	-	-	-	-	-
J. Lamb	12	12	-	-	-	-	-	-
J. Sierra Lopez	12	10	-	-	-	-	3	3
S. Scott	12	10	6	5	2	2	3	3

Board meetings and attendance

Atalaya's decisions are predominantly made by achieving a consensus at Board meetings. In exceptional circumstances, decisions may be taken by the majority of Board members. Questions arising at any meeting are determined by a majority of votes. All Directors are required to take decisions objectively and in the best interests of the Company. As part of their duties as directors, non-executive directors are expected to apply independent judgement to contribute to issues of strategy and performance and to scrutinise the performance of management.

The Board is scheduled to meet at least 8 times a year, and at such other times as are necessary to discharge its duties. The Board met a total of 12 times in 2017. Meetings occurred in person and by teleconference.

Directors' interests

The interests of the Directors and their immediate families, (all of which are beneficial unless otherwise stated) and of persons connected with them, in Ordinary Shares, as at 31 December 2017 and 2016, are as follows:

	2017		2016	
	No of existing ordinary shares	% of issued share capital	No of existing ordinary shares	% of issued share capital
R. Davey	-	-	-	-
A. Lavandeira	160,000*	0.12%	100,000*	0.09%
D. Barber(1)	19,578,947**	14.48%	16,315,789**	13.98%
H. Barma	-	-	-	-
J. Fernández(2)	30,821,213**	22.79%	25,684,344**	22.01%
H. Liu(3)	31,150,943***	23.03%	26,033,238***	22.31%
J. Lamb (4)	18,786,609**	13.89%	16,986,609**	14.56%
J. Sierra Lopez	26,666	0.02%	26,666	0.02%
S. Scott	-	-	-	-

(1) Liberty Metals & Mining Holdings LLC
(2) Urion Holdings (Malta) Ltd
(3) Yanggu Xiangguang Copper Co. Ltd
(4) Orion Mine Finance (Master) Fund I LP

* 66,666 shares held in escrow
** Shares held by the companies the directors represent
*** includes 444,711 shares held personally by Mr. Liu. No movements during 2017.

Directors' share options

The Directors to whom options over ordinary shares have been granted and the number of ordinary shares subject to such options (post share consolidation figures) as at the date of this report are as follows:

Grant date	Expiration date	Exercise price	A. Lavandeira
20 Mar. 14	19 Mar. 19	360 p	200,000
23 Feb. 17	22 Feb. 22	144 p	150,000
			350,000

Options expire five years after grant date and are exercisable at the exercise price in whole or in part up to one third in the first year from the grant date, two thirds in the second year from the grant date and the balance thereafter.

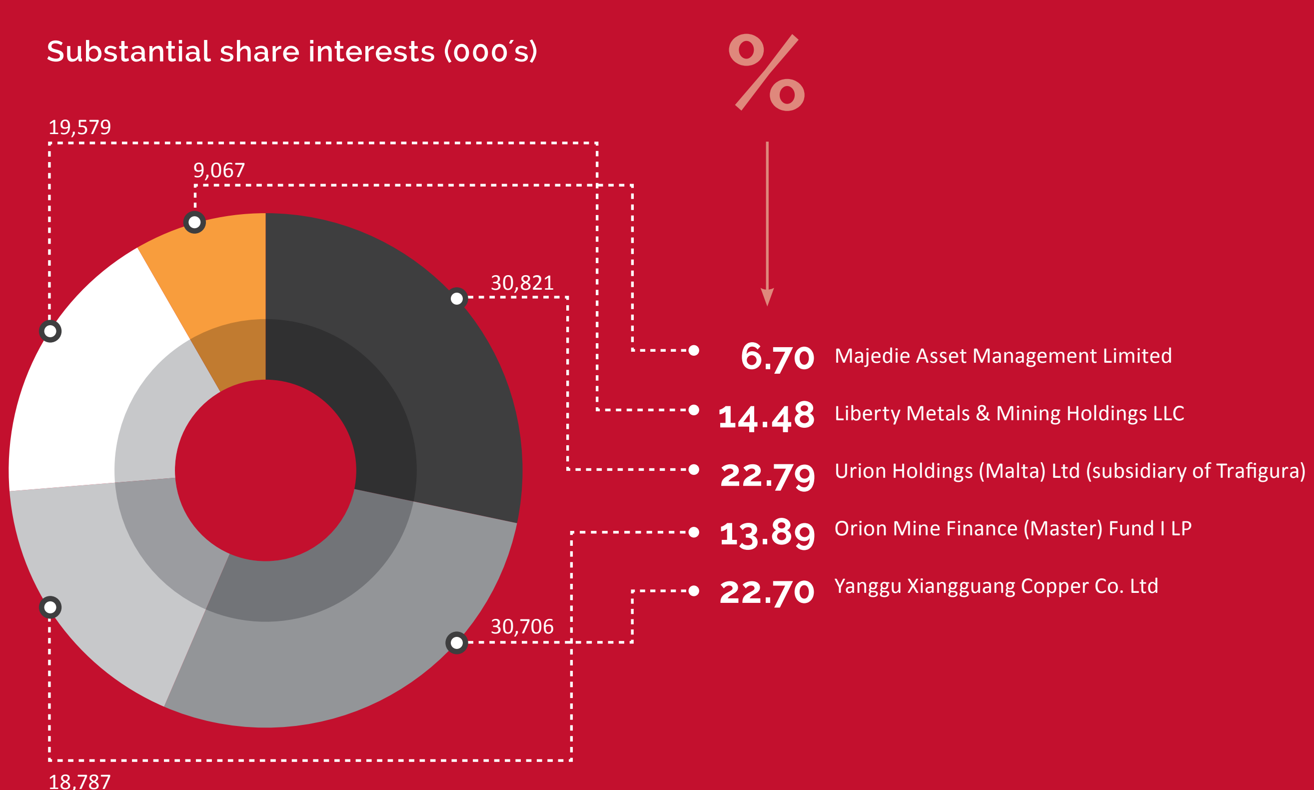
Substantial share interests

The Shareholders holding more than 3% of the share capital of the Company as at the date of this report were:

	Ordinary shares 000's	%
Urion Holdings (Malta) Ltd (subsidiary of Trafigura)	30,821	22.79
Yanggu Xiangguang Copper Co. Ltd	30,706	22.70
Orion Mine Finance (Master) Fund I LP	18,787	13.89
Liberty Metals & Mining Holdings LLC	19,579	14.48
Majedie Asset Management Limited	9,067	6.70

Corporate governance

The Directors comply with TSX and AIM regulations and Cyprus Company Law. The Board remains accountable to the Company's shareholders for good corporate governance.



Committee overview

Audit and Financial Risk Committee

The Company's Audit and Financial Risk Committee ("AFRC") is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on, for meeting with the Group's auditors and reviewing their reports on the Group's financial statements and the internal controls and for reviewing key financial risks.

The AFRC comprises three members all of whom are non-executive and Independent. The current membership of the committee is Dr. H. Barma (Chairman), Mr. R. Davey and Mr. S. Scott.

Corporate Governance, Nominating and Compensation Committee

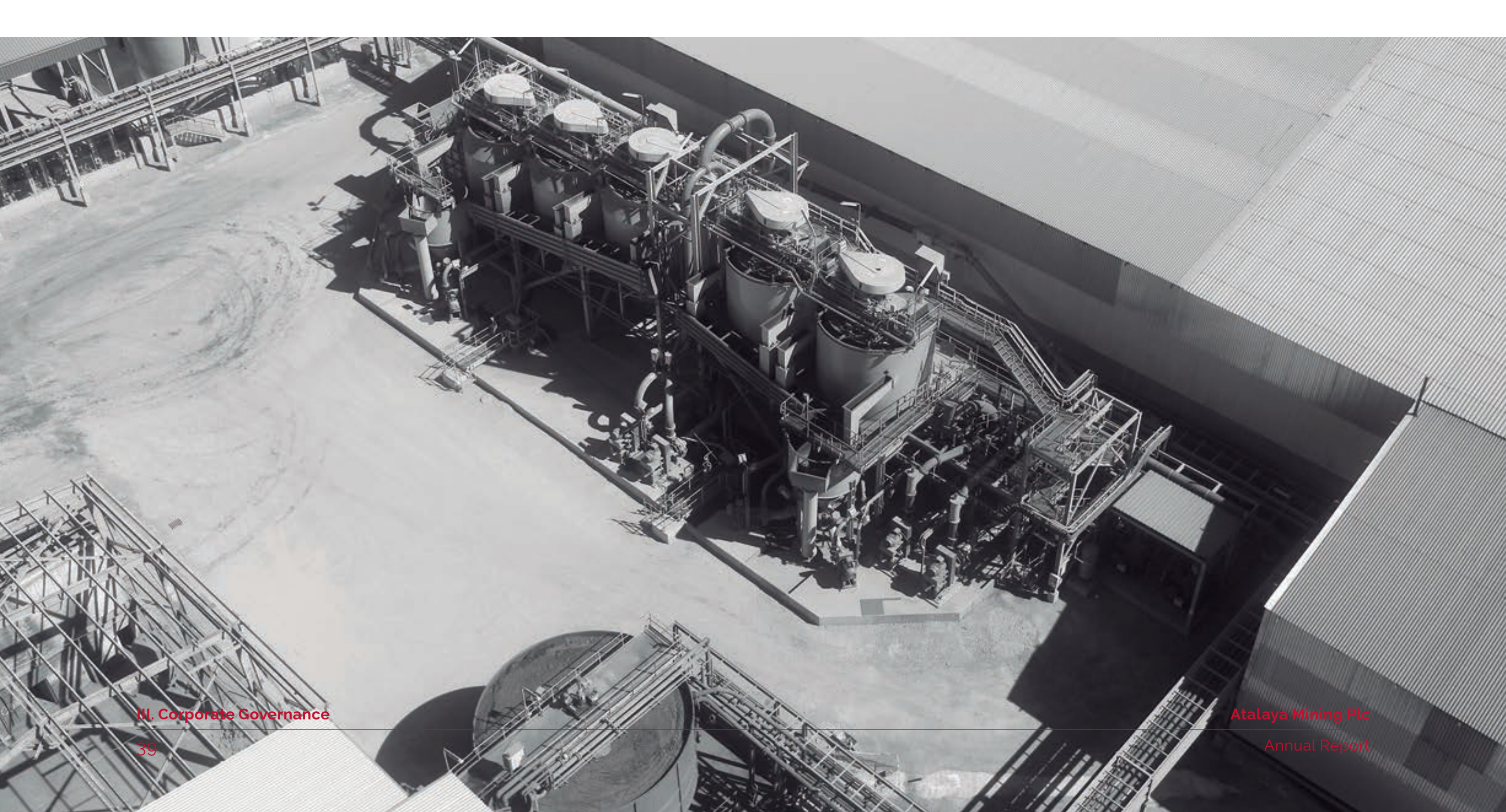
The Company's Corporate Governance, Nominating and Compensation Committee ("CGNCC") is, among other things, responsible for reviewing the performance of the executives, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant.

The CGNCC comprises four members all of whom are non-executive and three are Independent. The current membership of the committee is Mr. S. Scott (Chairman), Mr. R. Davey, Dr. H. Barma and Mr. D. Barber.

Physical Risks Committee

The Company's Physical Risks Committee ("PRC") is responsible for reviewing the compliance with regulatory and industry standards for environmental performance and occupational health and safety of personnel and the communities affected by the Company.

The PRC comprises three members all of whom are non-executive and Independent. The current membership of the committee is Dr. J. Sierra (Chairman), Mr. R. Davey and Mr. S. Scott.



Remuneration reports

Directors' emoluments

In compliance with the disclosure requirements of the listing requirements of AIM and TSX, the aggregate remuneration paid to the directors of Atalaya Mining Plc for the year ended 31 December 2017 is set out below:

31 Dec 2017

(Euro 000's)	Short term benefits		Share based payments		Total
	Salary & fees	Bonus	Incentive options*	Bonus shares**	
Executive directors					
A. Lavandeira	385	245***	23	-	653
Non-executive directors					
R. Davey	71	-	-	-	71
D. Barber	37	-	-	-	37
H. Barma	55	-	-	-	55
J. Fernández	34	-	-	-	34
J. Lamb	34	-	-	-	34
H. Liu	34	-	-	-	34
J. Sierra Lopez	43	-	-	-	43
S. Scott	49	-	-	-	49
	742	245	23	-	**1,010**

* 150,000 new options granted during 2017.

** There were no new shares granted during 2017.

*** The bonus in related to the completion of construction for the period up to the declaration of commercial production in early 2016.

31 Dec 2016

(Euro 000's)	Short term benefits		Share based payments		Total
	Salary & fees	Bonus	Incentive options*	Bonus shares**	
Executive directors					
A. Lavandeira	350	500*	56	63	969
Non-executive directors					
R. Davey	75				75
D. Barber	38				38
H. Barma	42				42
J. Fernández	37				37
J. Lamb	37				37
H. Liu	37				37
J. Sierra Lopez	39				39
S. Scott	41				41
	696	500	56	63	**1,315**

* The bonus relates to the Group's performance for 2016. The bonus for 2017 performance will be determined during 2018.

Other information

Internal controls

The Directors have overall responsibility for the Group's internal control and effectiveness in safeguarding the assets of the Group. Internal control systems are designed to reflect the particular type of business, operations and safety risks and to identify and manage risks, but not entirely all risks to which the business is exposed. As a result, internal controls can only provide a reasonable, but not absolute, assurance against material misstatements or loss.

The processes used by the Board to review the effectiveness of the internal controls are through the AFRC and the executive management reporting to the Board on a regular basis where business plans and budgets, including investments are appraised and agreed. The Board also seeks to ensure that there is a proper organisational and management structure with clear responsibilities and accountability. It is the Board's policy to ensure that the management structure and the quality and integrity of the personnel are compatible with the requirements of the Group.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time in accordance with AIM and TSX rules. The Company's principal communication with its investors is through the annual report and accounts, the quarterly statements and press releases issued as material events unfold.

Going concern

Operations at Proyecto Riotinto started in February 2016 and the Group has generated significant operational cash flows during the year and also carried out an equity raise to initiate the plant expansion project. Accordingly, the Directors have a reasonable expectation that the mining operation and the Group have adequate resources to continue in operational existence for the foreseeable future.

Creditors' payment terms

The Group does not have a specific policy towards our suppliers and does not follow any code or standard practice. However, terms of payment with suppliers are settled when agreeing overall terms of business, and the Group seeks to abide by the terms of the contracts to which it is bound.

Capital structure

At 31 December 2017, the Company had the following weighted average number of shares outstanding and commitments to issue shares:

	No. of shares
Ordinary shares	117,904,251
Warrants	311,771
Options	1,268,956
Fully diluted	**119,484,978**

Details of share options granted after year end are set out in *Note 23* to the financial statements.

Directors' responsibility statements

Directors' responsibilities for the financial statements

Cyprus company law states that the Directors are responsible for the preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In the preparation of these financial statements, the Directors are required to:

» Select suitable accounting policies and then apply them consistently;

» Make judgments and estimates that are reasonable and prudent; and

» State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. Legislation in Cyprus governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

IV. Management Report

The Board of Directors of Atalaya Mining PLC (the "Company") presents to the members, its management report and the audited consolidated financial statements of the Company and its subsidiaries ("the Group") and the individual financial statements of the Company for the year ended 31 December 2017.

Review of developments, current position and performance of the Group's business and principal risks and uncertainties

During the year, the Group recorded a profit after tax of € 18.2 million (15.5 cents per share), compared to the profit of €13.70 million (11.7 cents per share) in 2016. For details on the developments, current position and performance of the Group and the Company, refer to the Performance Review Report.

Principal risks and uncertainties

For details on the principal risks that both the Group and the Company face are disclosed in the Strategic Report. Additionally, these risks and the risk management policy adopted by the Group and the Company are explained in Note 3 of the financial statements.

Principal activities of the Company and its subsidiaries

The Company owns and operates through a wholly-owned subsidiary, Proyecto Riotinto, an open-pit copper mine located in the Pyritic belt, in the Andalusia region of Spain, approximately 65 km northwest of Seville. In addition, the Company has a phased earn-in agreement up to 80% ownership of Proyecto Touro, a brownfield copper project in northwest Spain, which is currently at the permitting stage. The Group's business is to explore for and develop metals production operations in Europe, with an initial focus on copper. The strategy is to evaluate and prioritise metal production opportunities in several jurisdictions throughout the well-known belts of base and precious metal mineralisation in Spain and the Eastern European region.

For further details on the principal activities of the Group and the Company, refer to Note 1 of the financial statements, the Performance review report and the Strategic report.

Future developments of the Group and the Company

For details on the future develop-ments of the Group and the Company refer to the Strategic Report.

The Board of Directors does not anticipate any significant changes in the activities of the Group and the Company in the foreseeable future.

Research and development activities

For details on research and develo-pment activities carried out by the Group, refer to the Strategic Report.

Existence of branches

The Company and the Group do not maintain any branches.

Share capital

The changes to the Company's share capital during the year ended 31 December 2017 are disclosed in Note 22 of the financial statements.

Proposed dividend

The Directors do not recommend the payment of a dividend for the year (2016: €nil).

Composition, responsibilities and remuneration of Board of Directors

The members of the Board of Direc-tors as at 31 December 2017 and on the date of this report are presented in the Corporate Governance report. There were no significant changes in the assignment of responsibili-ties of the members of the Board of Directors.

For further details on the composition, responsibilities and remuneration of the Board of Directors, refer to the Corporate Governance report.

Events after the reporting period

Material events after the reporting period, which have a bearing on the understanding of the financial statements have been disclosed in the Corporate Governance Report and Note 34 of the financial statements.

Suggestion in relation to the distribution of profits, absorption of losses and creation of provisions.

The results of the Group and the Company are set out on page 34-39. The Board of Directors does not suggest the payment of any dividend (2016: € nil).

Statement of Corporate Governance

The Company gives special attention to the application of sound corporate governance policies, practices and procedures. Corporate Governance is the set of procedures followed for the proper management and administration of the Group. Corporate Governance rules the relationship between the shareholders, the board of directors and the management team of a company. Refer to the Corporate Governance Report for further details.

Directors' interests in the Company's capital

Directors' interests in the Company's capital are listed in the Corporate Governance Report.

Substantial share interests

The shareholders holding more than 3% of the share capital of the Company on 31 December 2017 and as at the date of this report, are listed in the Corporate Governance Report.

Auditors

During the year the independent auditors of the Company, Moore Stephens Stylianou & Co and MNP LLP, resigned and Ernst & Young Cyprus Limited was appointed in their place.

The auditors, Ernst & Young Cyprus Ltd., have expressed their willingness to continue in office and a resolution approving their reappointment and giving authority to the board of directors to fix their remuneration will be proposed at the next Annual General Meeting.

By Order of the Board of Directors

Roger Davey
Chairman
Nicosia, 27 March 2018

V. Financial Statements

Independent Auditors' Report

To the Members of Atalaya Mining PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated and parent company financial statements of Atalaya Mining PLC (the "Company" and together with its subsidiaries the "Group"), which comprise the consolidated and parent company statements of financial position as at 31 December 2017, and the consolidated and parent company statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements give a true and fair view of the consolidated and parent company financial position of the Group and the Company as at 31 December 2017, and of the consolidated and parent company financial performance and cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and parent company financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Risk	Our response to the risk
Astor deferred consideration As of 31 December 2017, the deferred consideration liability in respect of Astor amounts to €53m for the Group and €9.1m for the Company (Note 27). The valuation of the Astor contingent consideration has been identified as a key audit matter considering it is a highly judgemental matter with a range of possible outcomes. The liability for the Astor deferred consideration as at 31 December 2016 has been restated in the financial statements as a result of discount rate re-assessment. Refer to Note 2.1(c) for details on the restatement. IAS 37 requires the provision to be made using management's best estimate and discounted, where the impact of doing so is material to the financial statements. In order to determine the best estimate and assess if discounting the liability is needed, management has applied significant judgments and assumptions.	Our approach focused on the following procedures: › We obtained an understanding of the issue through discussions with management and from reading the Master Agreement, Final Court Judgment, explanation from the Group's external lawyers on the definition of excess of cash and the accounting paper prepared by management; › We obtained an update on the status of the legal proceedings through discussions with management and the Group's external lawyers. Furthermore, we have obtained a letter of representation from the lawyers; › We reviewed and assessed management's judgements and assumptions made to determine the best estimate of the liability for the Astor deferred consideration, considering the timing of cash outflows, and management's conclusion not to discount the liability as the effect of discounting, when applying the risk free rate, was not considered significant; › We have assessed the valuation of the liability for the Astor deferred consideration to ascertain that the IAS 37 requirements, specifically for the measurement of provisions, have appropriately been considered. This assessment has additionally been performed for the liability as at 31 December 2016 as restated in the financial statements; and We assessed whether the consolidated and parent company financial statements include complete and adequate disclosures in respect of the Astor deferred consideration and related management judgements (Notes 27, 3.4(j) and 2.1(c).).
Revenue recognition During the year ended 31 December 2017 the Group recognised revenue from operations of €160.5m (2016: €98.8m). Refer to Note 4 and 31.4. The significant number of sales transactions and complex terms under which title, risks and rewards pass to the customer increases the risk of cut-off errors. We have also identified risks in relation to the calculation of the adjustment for provisional pricing. In particular: › Cut-off: the complexity of terms that define when the title, risks and rewards are transferred to the customer, as well as the high value of transactions, give rise to the risk that revenue is not recognised in the correct period. Measurement: at each reporting period there are a number of open invoices that are provisionally priced using the concentrate sold and the forward pricing of those sales. Estimation is used in the valuation of the embedded derivative and the income statement impact of the mark to market movement which is recorded in revenue. This calculation is based on estimations and susceptible to potential manipulation.	Our approach focused on the following procedures: › We obtained an understanding of the key controls around the revenue recognition process in order to assess whether it is designed to prevent, detect or correct material misstatements in the reported revenue figures; › We analysed the terms and conditions of the sales contracts and evaluated whether they have been accounted for in line with the Group's revenue recognition policy; › We performed detailed substantive testing procedures over the revenue transactions. This included: agreeing the main inputs to supporting evidence (such as provisional and final invoices, shipments confirmation, market prices, agreements and bank statements), recalculating the amounts invoiced and recorded as revenue, performing cut off testing over the revenue recognition in the correct period; › For open sales where provisional pricing applied, we compared to external sources the inputs used and recalculated the provisional price adjustment to evaluate whether it was correctly measured; › We considered and analysed the nature of any significant credits raised post year-end to evaluate that revenue transactions were recorded at the correct value in the relevant period; and We assessed whether the consolidated and parent company financial statements include disclosures in respect of revenue and the provisional pricing in accordance with the applicable IFRS (Notes 2.24(a), 4 and 31.4).

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, Strategic report, Performance Review report and the Corporate Governance report but does not include the consolidated and parent company financial statements and our auditor's report thereon.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Parent Company Financial Statements

The Board of Directors is responsible for the preparation of consolidated and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the IASB and as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated and parent company financial statements.

- In our opinion, and in the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matters

(i) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

(ii) Comparative figures

The corresponding consolidated and parent company financial statements of the Group and the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those consolidated and parent company financial statements on 5 April 2017.

The engagement partner on the audit resulting in this independent auditor's report is Stavros Pantzaris.

Stavros Pantzaris
Certified Public Accountant and Registered Auditor for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 27 March 2018

Statements of comprehensive income

Years ended 31 December 2017 and 2016

(Euro 000's)	Note	The Group 2017	The Company 2017	The Group 2016 restated (*)	The Company 2016 restated (*)
Gross sales	4 / 31.2	160,537	1,015	98,273	177
Realised gains on derivative financial instruments held for trading	28	-	-	495	-
Sales		**160,537**	**1,015**	**98,768**	**177**
Operating costs and mine site administrative expenses		(114,687)	-	(77,845)	-
Mine site depreciation and amortization		(16,664)	-	(11,743)	-
Gross income		**29,186**	**1,015**	**9,180**	**177**
Corporate expenses		(4,356)	(4,001)	(4,663)	(3,620)
Corporate depreciation		(7)	(7)	(14)	(14)
Share based benefits		(152)	(34)	(137)	(137)
Exploration expenses		-		(1,022)	-
Impairment charge		-		(903)	97,157
Operating profit		**24,671**	**(3,027)**	**2,441**	**93,563**
Other income	5	5	1	292	47
Net foreign exchange loss	4	(2,212)	264	(665)	(74)
Finance income	8	22	1,635	41	1,523
Finance costs	9	(579)	-	(590)	-
Share of results of associate – net	15	-	-	(10)	-
Profit / (loss) before tax		**21,907**	**(1,127)**	**1,509**	**95,059**
Tax credit/(charge)	10	(3,696)	-	12,187	-
Profit / (loss) for the year		**18,211**	**(1,127)**	**13,696**	**95,059**
Profit / (loss) for the year attributable to:					
› Owners of the parent		18,239	(1,127)	13,696	95,059
› Non-controlling interests		(28)	-	-	-
		18,211	**(1,127)**	**13,696**	**95,059**
Earnings per share from operations attributable to equity holders of the parent during the year:					
› Basic earnings per share (expressed in cents per share)	11	15.5		11.7	
› Fully diluted earnings per share (expressed in cents per share)	11	15.3		11.7	
Profit / (loss) for the year		**18,211**	**(1,127)**	**13,696**	**95,059**
Other comprehensive income:					
› Change in value of available-for-sale investments	20	(132)	(132)	(41)	(41)
› Total comprehensive profit for the year		18,079	(1,259)	13,655	95,018
Total comprehensive profit for the year attributable to:					
› Owners of the parent		18,107	(1,259)	13,655	95,018
› Non-controlling interests		(28)	-	-	-
		18,079	**(1,259)**	**13,655**	**95,018**

(*) Refer to Note 2.1. (c)

The notes on pages 58 to 115 are an integral part of these consolidated and company financial statements.

Statements of financial position

Years ended 31 December 2017 and 2016

	(Euro 000's)	Note	The Group 2017	The Company 2017	The Group 2016 restated (*)	The Company 2016 restated (*)
Assets	**Non-current assets**					
	Property, plant and equipment	12	199,458	-	191,380	16
	Intangible assets	13	73,700	-	70,011	-
	Investment in subsidiaries	14	-	3,693	-	3,572
	Investment in associate	15	-	-	-	4
	Trade and other receivables	19	212	-	206	-
	Deferred tax asset	17	10,130	-	12,196	-
			283,500	**3,693**	**273,793**	**3,592**
	Current assets					
	Inventories	18	13,674	-	6,195	-
	Trade and other receivables	19	34,213	242,824	29,850	240,245
	Available-for-sale investments	20	129	129	261	261
	Cash and cash equivalents	21	42,856	34,410	1,135	320
			90,872	**277,363**	**37,441**	**240,826**
	Total assets		**374,372**	**281,056**	**311,234**	**244,418**
Equity	**Equity attributable to owners of the parent**					
	Share capital	22	13,192	13,192	11,632	11,632
	Share premium	22	309,577	309,577	277,238	277,238
	Other reserves	23	6,137	5,687	5,667	5,667
	Accumulated losses		(86,527)	(62,417)	(104,316)	(61,290)
			242,379	**266,039**	**190,221**	**233,247**
	Non-controlling interests	24	4,474	-	-	-
	Total equity		**246,853**	**266,039**	**190,221**	**233,247**
Liabilities	**Non-current liabilities**					
	Trade and other payables	25	74	-	115	-
	Provisions	26	5,727	-	5,092	-
	Deferred consideration	27	52,983	9,100	52,983	9,100
			58,784	**9,100**	**58,190**	**9,100**
	Current liabilities					
	Trade and other payables	25	67,983	5,917	62,592	2,071
	Current tax liabilities		752	-	16	-
	Derivative instruments	28	-	-	215	-
			68,735	**5,917**	**62,823**	**2,071**
	Total liabilities		**127,519**	**15,017**	**121,013**	**11,171**
Total equity and liabilities			**374,372**	**281,056**	**311,234**	**244,418**

(*) Refer to Note 2.1. (c)

The notes on pages 58 to 115 are an integral part of these consolidated and company financial statements.

The consolidated and company financial statements were authorised for issue by the board of directors on 27 March 2018 and were signed on its behalf.

Roger Davey
Chairman

Alberto Lavandeira
Managing Director

Consolidated statements of changes in equity

Years ended 31 December 2017 and 2016

		Attributable to owners of the parent						
(Euro 000's)	Note	Share capital	Share Premium[2]	Other reserves[1]	Accu-mulated losses	Total	Non-contro-lling interest	Total equity
At 1 January 2016		**11,632**	**277,238**	**5,508**	**(118,012)**	**176,366**	**-**	**176,366**
Profit for the year restated(*)		-	-	-	13,696	13,696	-	13,696
Bonus shares issued in escrow	23	-	-	63	-	63	-	63
Change in value of available-for-sale investments		-	-	(41)	-	(41)	-	(41)
Recognition of share based payments		-	-	137	-	137	-	137
At 31 December 2016/ 1 January 2017 restated(*)		**11,632**	**277,238**	**5,667**	**(104,316)**	**190,221**	**-**	**190,221**
Profit for the year		-	-	-	18,239	18,239	(28)	18,211
Issue of share capital	22	1,560	33,182	-	-	34,742	-	34,742
Share issue costs		-	(843)	-	-	(843)	-	(843)
Depletion factor		-	-	450	(450)	-	-	-
Change in value of available-for-sale investments		-	-	(132)	-	(132)	-	(132)
Recognition of share based payments		-	-	152	-	152	-	152
Non-controlling interests		-	-	-	-	-	4,502	4,502
At 31 December 2017		**13,192**	**309,577**	**6,137**	**(86,527)**	**242,379**	**4,474**	**246,853**

(*) Refer to Note 2.1. (c)

The notes on pages 58 to 115 are an integral part of these consolidated and company financial statements.

(1) Refer to Note 23

(2) The share premium reserve is not available for distribution.

Company statements of changes in equity

Years ended 31 December 2017 and 2016

(Euro 000's)	Note	Share capital	Share Premium[2]	Other reserves[1]	Accumulated losses	Total
At 1 January 2016		**11,632**	**277,238**	**5,508**	**(156,349)**	**138,029**
Profit for the year restated (*)		-	-	-	95,059	95,059
Bonus shares issued in escrow	23	-	-	63	-	63
Change in value of available-for-sale investments				(41)	-	(41)
Recognition of share based payments		-	-	137	-	137
At 31 December 2016/1 January 2017 restated (*)		**11,632**	**277,238**	**5,667**	**(61,290)**	**233,247**
Profit for the year		-	-	-	(1,127)	(1,127)
Issue of share capital	22	1,56	33,182	-	-	34,742
Share issue costs		-	(843)	-	-	(843)
Change in value of available-for-sale investments		-	-	(132)	-	(132)
Recognition of share based payments		-	-	152	-	152
At 31 December 2017		**13,192**	**309,577**	**5,687**	**(62,417)**	**266,039**

(*) Refer to Note 2.1. (c)

The notes on pages 58 to 115 are an integral part of these consolidated and company financial statements.

(1) Refer to Note 23

(2) The share premium reserve is not available for distribution.

Consolidated statements of cash flows

Years ended 31 December 2017 and 2016

(Euro 000's)			Note	2017	Restated(*) 2016
Cash flows from operating activities		**Profit before tax**		**21,907**	**1,509**
	Adjustments for:	Depreciation of property, plant and equipment	12	12,540	8,643
		Amortisation of intangible assets	13	4,131	3,114
		Share of result of associate	15	-	10
		Recognition of share-based payments	23	152	137
		Bonus share issued in escrow		-	63
		Hedging income	9	(205)	-
		Interest income	8	(22)	(41)
		Interest expense	9	671	395
		Impairment charge	12	-	903
		Gain on disposal of property, plant and equipment		-	(4)
		Unwinding of discounting	9	113	-
		Legal provisions	26	213	-
		Gain on disposal of associate	20	(49)	-
		Impairment on available-for-sale investment	20	49	-
		Net foreign exchange loss on hedging expense		-	195
		Unrealised foreign exchange loss on financing activities		11	(28)
		Cash inflows from operating activities before working capital changes		**39,511**	**14,896**
	Changes in working capital:	Increase in inventories	18	(7,479)	(6,195)
		Increase in trade and other receivables	19	(2,653)	(13,424)
		Increase in trade and other payables	25	5,350	18,924
		Decrease in derivative instruments	28	(215)	-
		Increase in provisions	26	(733)	-
		Cash flows from operations		**33,781**	**14,201**
		Interest paid		(671)	(395)
		Tax paid		(2,610)	(17)
		Net cash from operating activities		**30,500**	**13,789**
Cash flows from investing activities		Purchases of property, plant and equipment	12	(20,220)	(29,995)
		Purchases of intangible assets	13	(2,694)	(1,334)
		Proceeds from sale of property, plant and equipment		9	16
		Hedging income/(expense)	9	205	-
		Interest received	8	22	41
		Net cash used in investing activities		**(22,678)**	**(31,272)**
Cash flows from financing activities		Proceeds from issue of share capital	22	34,742	
		Listing and issue costs	22	(843)	
		Net cash from financing activities		**33,899**	
		Net increase / (decrease) in cash and cash equivalents		**41,721**	**(17,483)**
		Cash and cash equivalents:			
		At beginning of the year	**21**	**1,135**	**18,618**
		At end of the year	**21**	**42,856**	**1,135**

(*) Refer to Note 2.1. (c)

The notes on pages 58 to 115 are an integral part of these consolidated and company financial statements.

Company statements of cash flows

Years ended 31 December 2017 and 2016

(Euro 000's)			Note	2017	Restated(*) 2016
Cash flows from operating activities		**Profit / (loss) before tax**		**(1,127)**	**95,059**
	Adjustments for:	Depreciation of property, plant and equipment	12	7	14
		Share-based payments	6	34	137
		Bonus share issue		-	63
		Finance income from interest-bearing intercompany loan	8	(1,635)	(1,523)
		Intercompany balances previously impaired		-	(97,243)
		Loss on available-for-sale investment	5	49	-
		Profit on disposal of investment	5	(45)	-
		Profit on disposal of property, plant and equipment		-	(4)
		Unrealised foreign exchange loss on financing activities		(3)	-
		Cash inflows used in operating activities before working capital changes		**(2,720)**	**(3,497)**
	Changes in working capital:	Increase in trade and other receivables	19	(2,579)	(12,921)
		Increase in trade and other payables	25	3,846	1,854
		Deferred consideration		-	9,100
		Cash flows used in operations		**(1,453)**	**(5,464)**
		Interest paid		-	-
		Net cash used in operating activities		**(1,453)**	**(5,464)**
Cash flows from investing activities		Purchases of property, plant and equipment	12	-	(1)
		Proceeds from disposal of property, plant and equipment		9	16
		Finance income from interest-bearing intercompany loan		1,635	1,523
		Net cash from investing activities		**1,644**	**1,538**
Cash flows from financing activities		Proceeds from issue of share capital		34,742	-
		Listing and issue costs	22	(843)	-
		Net cash from financing activities		33,899	-
		Net decrease in cash and cash equivalents		**34,090**	**(3,926)**
		Cash and cash equivalents:			
		At beginning of the year	**21**	**320**	**4,246**
		At end of the year	**21**	**34,410**	**320**

(*) Refer to Note 2.1. (c)

The notes on pages 58 to 115 are an integral part of these consolidated and company financial statements.

Notes to the consolidated and company **financial statements**

Years ended 31 December 2017 and 2016

1. Incorporation and summary of business

Country of incorporation

Atalaya Mining Plc (the "Company") was incorporated in Cyprus on 17 September 2004 as a private company with limited liability under the Companies Law, Cap. 113 and was converted to a public limited liability company on 26 January 2005. Its registered office is at 1 Lampousa Street, Nicosia, Cyprus.

The Company was listed on AIM of the London Stock Exchange in May 2005 under the symbol ATYM and on the TSX on 20 December 2010 under the symbol AYM. The Company continued to be listed on AIM and the TSX as at 31 December 2017.

Additional information about Atalaya Mining Plc is available at **www.atalayamining.com** as per requirement of AIM rule 26.

Changed on name and share consolidation

Following the Company's EGM on 13 October 2015, the change of the name Emed Mining Public Limited to Atalaya Mining Plc became effective on 21 October 2015. On the same day, the consolidation of ordinary shares came into effect, whereby all shareholders received one new ordinary share of nominal value Stg £0.075 for every 30 existing ordinary shares of nominal value of Stg £0.0025.

Summary of business

The Company owns and operates through a wholly-owned subsidiary, Proyecto Riotinto, an open-pit copper mine located in the Pyritic belt, in the Andalusia region of Spain, approximately 65 km northwest of Seville.

In addition, the Company has a phased earn-in agreement to up 80% ownership of Proyecto Touro, a brownfield copper project in northwest Spain, which is currently at the permitting stage.

The Company's and its subsidiaries' business is to explore for and develop metals production operations in Europe, with an initial focus on copper.

The strategy is to evaluate and prioritise metal production opportunities in several jurisdictions throughout the well-known belts of base and precious metal mineralisation in Spain and the Eastern European region.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and company financial statements (hereinafter "financial statements") are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Overview

The financial statements of Atalaya Mining have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRICs") as issued by the IASB.

Additionally, the financial statements have also been prepared in accordance with the IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. For the year ending 31 December 2017, the standards applicable for IFRS's as adopted by the EU are aligned with the IFRS's as issued by the IASB.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting

policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.4.

(b) Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Group and the Company will realise its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Group and the Company will generate sufficient cash and cash equivalents to continue operating for the next twelve months.

c) 2016 restatement

Deferred consideration (Note 27)

In 2017 the discount rate used to value the liability for the deferred consideration was re-assessed to apply a risk free rate as required by IAS 37. The discounted amount, when applying this discount rate, was not considered significant and the Group has measured the liability for the deferred consideration on an undiscounted basis. The value of the liability is in line with the court ruling issued on 6 March 2017.

Years ended 31 December	The Group			The Company		
	2016		2016	2016		2016
(Euro 000's)	As reported	Adjustments	Restated	As reported	Adjustments	Restated
Statement of financial position						
Intangible asset	59,715	10,296(1)	70,011			
Trade and other receivables				238,152	2,093(1)	240,245
Total assets						
Deferred consideration	44,346	8,637(1)	52,983	7,359	1,741(1)	9,100
Total liabilities						
Retained earnings	(105,975)	1,659	(104,316)	(61,642)	352	(61,290)
Equity						

(1) The Astor deferred consideration liability has been restated to remove the impact of discounting and is in line to the High Court ruling issued in March 2017

Years ended 31 December	The Group			The Company		
	2016		2016	2016		2016
(Euro 000's)	As reported	Adjustments	Restated	As reported	Adjustments	Restated
Income statement						
Mine site depreciation and amortization	(11,278)	(465)(1)	(11,743)	-	-	-
Gross margin	9,642		9,180	177	-	177
Finance costs	(2,713)	2,124(1)	(589)	(352)	352(1)	-
Operating profit	2,906		2,441	93,563		93,563
Loss before tax	(150)		1,509	94,707		95,059
Tax credit / (charge)	12,187		12,187	-		-
Earnings per share	10.3		11.7	-	-	-

(1) The discount rate was re-assessed considering a risk free rate for the relevant periods as required by IAS 37. Discounting the provision using the risk free rate would not result in a significant impact to the financial statements and the Group has measured the liability on an undiscounted basis. The amount of the provision is in line with the court ruling. Finance costs have been revised to exclude the unwinding of discount and amortisation charge revised based on the restated carrying amount of Intangible assets

2.2 Changes in accounting policy and disclosures

During the current year the Group and Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017.

Up to the date of approval of the consolidated and company financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group and Company has not early adopted, as follows:

(i) Adoption of new standards and revised IFRSs

» IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combine versus separate assessment. The standard has been endorsed by EU. The Group has assessed that these amendments have no material effect on the Group and Company financial statements.

» IAS 7: Disclosure Initiative (Amendments)

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The standard has been endorsed by EU. The Group and Company is financed from equity and these amendments have no material impact on the current and the comparative period.

» **Annual Improvements Cycle - 2014-2016**

IFRS 12 Disclosure of Interests in Other Entities:

The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity’s interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5. The Group has assessed that these amendments have no affect the Group and Company financial statements.

(ii) Standard issued but not yet effective and not early adopted by the Group and Company

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

» IFRS 15 – Revenue from Contracts with Customers and Clarifications to IFRS 15 – Revenue from Contracts with Customers. New standard for recognising revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). Effective for annual periods beginning on or after 1 January 2018.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

Provisional pricing sales

Some of Atalaya´s sales contain provisional pricing features which are considered to be embedded (commodity) derivatives.

IFRS 15 will not change the assessment of the existence of embedded derivatives. IFRS 15 states that if a contract is partially within scope of the standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore, to the extent that provisional pricing features are considered to be in the scope of another standard, they will be outside the scope of IFRS 15 and entities will be required to account for these in accordance with IFRS 9. Any subsequent changes that arise due to differences between initial and final assay will still be considered within the scope of IFRS 15.

Revenue in respect of the host contract will be recognised when control passes to the customer (which has been determined to be the same point in time) and will be measured at the amount Atalaya expects to be entitled – being the estimate of the price expected to be received at the end of the quotation period, and the estimated forward price (which is consistent with current practice). When considering the initial estimate, Atalaya has considered the requirements of IFRS 15 in relation to the constraint on estimates of variable consideration. It will only include amounts in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final price adjustment is subsequently resolved. The price adjustments are not usually material to Atalaya, hence, no change is expected when compared to the current approach. Consequently, at the time the goods are delivered to the destination agreed with the customer, Atalaya will recognise a receivable because from that time it considers it has an unconditional right to consideration. This receivable will then be accounted for in accordance with IFRS 9.

As explained below in the discussion on the potential impact of IFRS 9, the embedded derivative will no longer be separated from the host contract, i.e., the trade receivable. This is because the existence of the provisional pricing features will mean the trade receivable will fail to meet the requirements to be measured at amortised cost. Instead, the entire receivable will be measured at fair value, with subsequent movements being recognised in the consolidated income statements.

Atalaya expects that changes in the fair value will continue to be classified as sales in the consolidated income statements.

A) Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods, which will coincide with the current moment of the revenue recognition – upon delivery of the product to the destination agreed with the customer.

In order to assess the implications of adopting the new standard for existing contracts Atalaya has performed an analysis of its contracts with customers based on the five-step model of revenue recognition in accordance with IFRS 15.

Based on the analysis performed by Atalaya, there is a single performance obligation identified in the sales contracts. Atalaya does not expect material changes in the timing or measurement of revenue based on the analysis performed, as the performance obligation is satisfied on the delivery of the product to the destination point agreed with the customer, which is when the control is transferred and the revenue is recognised.

B) Significant financing component

Other issues in IFRS 15 include the existence of significant financing components in the contracts signed with customers.

As at 31 December 2016 there was a copper concentrate prepayment funding signed by Atalaya in September 2016 with Transamine Trading, S.A. of €8.7 million (€nil at 31 December 2017). Atalaya´s preliminary assessment indicates that the value of a deferred revenue that may be recognised and an increase in finance costs is not significant.

C) Disclosures

IFRS 15 requires that Atalaya presents different disaggregation of income beyond those presented with the previous standard.

D) Transition

Atalaya plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result Atalaya will not apply the requirements of IFRS 15 to the comparative period presented.

» IFRS 9 – Financial Instruments and subsequent amendments. This standard replaces the classification, measurement, recognition and derecognition in accounts of financial assets and liabilities, hedge accounting, and impairment set out in IAS 39 Financial instruments: Recognition and Measurement. Effective for annual periods beginning on or after 1 January 2018.

Atalaya has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. From the analysis performed, it was concluded that the application of this rule would not have significant effects on the financial statements due to the following:

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised costs, fair value through other comprehensive income ("FVOCI") and fair

value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

Based on the assessment, Atalaya does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, equity investment. Equity investments hold by Atalaya classified as available-for-sale are non-significant (of €129k). Atalaya does not have held to maturity financial assets.

Impairment – Financial assets and contract assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. This will require considerable judgement about how changes in economic factors effect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9 loss allowance will be measured on either of the following basis:

» 12-month ECLs: these are ECLs that result from possible events within the 12 months after the reporting date; applied if the credit risk of a financial asset at the reporting date has not increased significantly since initial recognition.

» Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument; applied if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition.

Based on the analysis of the ECL performed, Atalaya believes that the adoption of the new impairment model will not have a significant impact on the financial statements due to the following reasons:

a) Trade and other receivables: Atalaya does not have significant credit risk and does not maintain a history of non-compliance of fulfilment of payments by customers.

b) Cash and cash equivalents: the cash and cash equivalents are held with banks which have strong credit ratings.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit and loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

» The amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

» The remaining amount of changes in the fair value is presented in profit and loss.

The Group´s assessment does not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

Commodity derivative

As discussed in more detail in this note above and also within the discussion on the potential impact of IFRS 15, some of the Atalaya's sales contain provisional pricing features.

On adoption of IFRS 9, the embedded derivative will no longer be separated from the receivables as the receivables are not expected to give rise to cash flows that represent solely payments of principal and interest. Instead, the receivables will be accounted for as one instrument and measured at fair value through profit or loss with subsequent changes in fair value recognised in the statement of profit or loss and other comprehensive income each period until final settlement and presented as part of 'Other Income/Expense'. This will mean that the quantity of the fair value movements will be different because the current approach only calculates fair value movements based on changes in the relevant commodity price, whereas under IFRS 9, the fair value of the receivable will not only include commodity price changes, but it will also factor in the impact of credit and interest rates. However, based on the analysis performed, Atalaya does not expect these changes will have a significant impact.

Hedge accounting

The changes in IFRS 9 relating to hedge accounting will have no impact, as Atalaya does not currently apply hedge accounting.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. Atalaya´s assessment included an analysis to identify data gaps against current processes and Atalaya is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Transition

Changes in accounting policies from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- Atalaya will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

- The assessment have to be made based on the facts and circumstances that exist at the date of initial application in respect of the determination of the business model within which a financial assets is held.

- IFRS 16 – Leases. The new standard on leases that replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. Effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing it right to use the underlying asset and a lease liability representing its obligation to make lease payment. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessor continue to classify leases as finance or operating leases.

Atalaya has completed an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group´s borrowing rate at 1 January 2019, the composition of Atalaya´s borrowing rate at 1 January 2019 the composition of Atalaya´s portfolio at that date, its latest assessment of whether it will exercise any lease renewal options and the extent to which Atalaya chooses to use practical expedients and recognition exemptions.

As at 31 December 2017, Atalaya does not possess lease payments under non-cancellable operating.

Considering the insignificant volume of commitments for leases held by Atalaya, it is expected that the implementation of IFRS 16 will not have a significant impact on the financial statements.

- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

- IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

- IAS 40: Transfers to Investment Property (Amendments).

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. No investments properties are held by the Group and Company and this amendment has no effect on the financial statements.

- IFRS 9: Prepayment features with negative compensation (Amendment)

  The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

- IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

  The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

- IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration

  The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

- The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs.

  The amendments are effective for annual periods beginning on or after 1 January for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

» IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

» The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

(i) IFRS 3 Business Combinations and IFRS 11 Joint Arrangements The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(ii) IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

(iii) IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

2.3 Consolidation

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Atalaya Mining Plc and its subsidiaries.

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group and Company has control. Control exists when the Group is exposed, or has rights, to variable returns for its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The only operating subsidiary of Atalaya Mining Plc is the 100% owned Atalaya Riotinto Minera, S.L.U. which operates Proyecto Minero Riotinto, in the historical site of Huelva, Spain.

The name and shareholding of the entities include in the Group in these financial statements are:

Entity name	Business	%[2]	Country
Atalaya Mining, Plc	Holding	n.a.	Cyprus
Eastern Mediterranean Resources (Caucasus) Ltd	Dormant	100%	Georgia
Georgian Minerals Development Company Ltd.	Dormant	100%	Georgia
EMED Marketing Ltd.	Marketing	100%	Cyprus
EMED Mining Spain, S.L.	Dormant	100%	Spain
Atalaya Riotinto Minera, S.L.U.	Operating	100%	Spain
Recursos Cuenca Minera, S.L.	Operating	50%	Spain
Atalaya Minasderiotinto Project (UK), Ltd.	Holding	100%	United Kingdom
Eastern Mediterranean Exploration & Development, S.L.U.	Operating	100%	Spain
Atalaya Touro (UK), Ltd.	Holding	100%	United Kingdom
Fundación Emed Tartessus	Trust	100%	Spain
Cobre San Rafael, S.L. [1]	Operating	10%	Spain

Notes

(1) Cobre San Rafael, S.L. is the entity which holds the mining rights of Proyecto Touro. The Group has a significant influence in the management of the Cobre San Rafael, S.L., including one of the two directors, management of the financial books and the capacity to appoint the key personnel. Refer to Note 29 for details on the acquisition of Cobre San Rafael, S.L..

(2) The effective proportion of shares held as at 31 December 2017 and 31 December 2016 remained unchanged other than Atalaya Touro Project (UK) Ltd which was incorporated in the year 2017 and Cobre San Rafael, S.L. which was acquired during 2017.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

(c) Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(e) Disposal of subsidiaries.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(f) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

(g) Functional currency

Functional and presentation currency items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro which is the Group and Company functional and presentation currency.

Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end spot exchange rates.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Gains or losses of monetary and non-monetary items are recognised in the income statement.

Balance sheet items are translated at period-end exchange rates. Exchange differences on translation of the net assets of such entities are taken to equity and recorded in a separate currency translation reserve.

2.4 Investments in subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

2.5 Interest in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic, financial and operating policy decisions relating to the activities the joint arrangement require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint arrangement expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group undertakes joint arrangements that involve the establishment of a separate entity in which each acquiree has an interest (jointly controlled entity). The Group reports its interests in jointly controlled entities using the equity method of accounting.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint arrangement.

2.6 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 segments, has been identified as the CEO who makes strategic decisions.

The Group has only one distinct business segment, being that of mining operations, mineral exploration and development.

2.7 Inventory

Inventory consists in copper concentrates, ore stockpiles and metal in circuit and spare parts. Inventory is physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Cost is determined by using the FIFO method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each metal are specifically allocated.

Materials and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

2.8 Assets under construction

All subsequent expenditure on the construction, installation or completion of infrastructure facilities including mine plants and other necessary works for mining, are capitalised in "Assets under construction". Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in "Assets under construction" are then transferred to the relevant asset categories.

Once a project has been established as commercially viable, related development expenditure is capitalised. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs. Capitalization of costs incurred and proceeds received during the development phase ceases when the property is capable of operating at levels intended by management.

Capitalisation ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

Pre-commissioning sales are offset against the cost of constructing the asset. No depreciation is recorded until the assets are substantially complete and ready for productive use.

2.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of the associated mine ("LOM"), field or lease. Depreciation commences when the asset is available for use.

The major categories of property, plant and equipment are depreciated/amortised on a Unit of Production ("UOP") and/or straight-line basis as follows:

Buildings	UOP
Mineral rights	UOP
Deferred mining costs	UOP
Plant and machinery	UOP
Motor vehicles	5 years
Furniture/fixtures/office equipment	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains – net" in the income statement.

(a) Mineral rights

Mineral reserves and resources which can be reasonably valued are recognised in the assessment of fair values on acquisition. Mineral rights for which values cannot be reasonably determined are not recognised. Exploitable mineral rights are amortised using the UOP basis over the commercially recoverable reserves and, in certain circumstances, other mineral resources. Mineral resources are included in amortisation calculations where there is a high degree of confidence that they will be extracted in an economic manner.

(b) Deferred mining costs – stripping costs

Mainly comprises of certain capitalised costs related to pre-production and in-production stripping activities as outlined below.

Stripping costs incurred in the development phase of a mine (or pit) before production commences are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a UOP basis.

In-production stripping costs related to accessing an identifiable component of the ore body to realise benefits in the form of improved access to ore to be mined in the future (stripping activity asset), are capitalised within deferred mining costs provided all the following conditions are met:

i. it is probable that the future economic benefit associated with the stripping activity will be realised;

ii. the component of the ore body for which access has been improved can be identified; and

iii. the costs relating to the stripping activity associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of income as they are incurred.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs.

(c) Exploration costs

Under the Group's accounting policy, exploration expenditure is not capitalised until the management determines a property will be developed and point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the Group. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

(d) Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred.

(f) Restoration, rehabilitation and decommissioning

Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted using a risk adjusted discount rate to their net present value, are provided for and capitalised at the time such an obligation arises.

The costs are charged to the consolidated statement of income over the life of the operation through depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site disturbance, which are created on an ongoing basis during production, are provided for at their net present values and charged to the consolidated statement of income as extraction progresses.

Changes in the estimated timing of the rehabilitation or changes to the estimated future costs are accounted for prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, provided the reduction in the provision is not greater than the depreciated capitalised cost of the related asset, in which case the capitalised cost is reduced to nil and the remaining adjustment recognised in the consolidated statement of income. In the case of closed sites, changes to estimated costs are recognised immediately in the consolidated statement of income.

2.10 Intangible assets

(a) Business combination and goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the acquired interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

The results of businesses acquired during the year are brought into the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of a business which can be measured reliably are recorded at their provisional fair values at the date of acquisition. Provisional fair values are finalised within 12 months of the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Permits

Permits are capitalised as intangible assets which relate to projects that are at the pre-development stage. No amortisation charge is recognised in respect of these intangible assets. Once the Group receives those permits, the intangible assets relating to permits will be depreciated on a UOP basis.

Other intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's financial assets include cash and short-term deposits, trade and other receivables and derivative financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Notes 2.18).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-cu-rrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recog-nised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effec-tive interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "other (losses)/gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities". Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.13 Financial liabilities

The Group classifies its financial liabilities in the following categories: trade and other payables, provisions, Interest-bearing loans and borrowings, deferred consideration and derivatives. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Trade and other payables

Trade and other payables are obligations to pay for goods, assets or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(b) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(c) Interest-bearing loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

(d) Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of an agreement is deferred. It is stated at fair value at the date of recognition, which is determined by discounting the amount due to present value at that date. Interest is imputed on the fair value of non-interest bearing deferred consideration at the discount rate and expensed within interest pay able and similar charges. At each balance sheet date deferred consideration comprises the remaining deferred consideration valued at acquisition plus interest imputed on such amounts from recognition to the balance sheet date.

(e) Derivatives

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value

is calculated using the Black Scholes valuation method. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value through profit or loss are transferred to profit or loss.

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and in bank net of outstanding bank overdrafts and short-term deposits with an original maturity of three months or less.

Sales of the Group's copper are sold on a provisional basis whereby sales are recognised at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date. The Group uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements.

The Group does not use such derivative instruments for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income. Realised gains and losses on commodity derivatives recognised in profit or loss are recorded within revenue.

2.14 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

(a) An asset is current when it is either:

» Expected to be realised or intended to be sold or consumed in normal operating cycle;

» Held primarily for the purpose of trading;

» Expected to be realised within 12 months after the reporting period.

Or

» Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period;

» All other assets are classified as non-current.

(b) A liability is current when either:

» It is expected to be settled in the normal operating cycle;

» It is held primarily for the purpose of trading;

» It is due to be settled within 12 months after the reporting period.

Or

» There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.16 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future

cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not subsequently reversed. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. At Company level, other receivables include intercompany balances.

2.18 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand and in bank including deposits held at call with banks.

2.19 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds in the share premium account.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability

is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Share-based payments

The Group operates a share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The fair value is measured using the Black Scholes pricing model. The inputs used in the model are based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

Vesting conditions are: (i) the personnel should be an employee that provides services to the Group; and (ii) should be in continuous employment for the whole vesting period of 3 years. Specific arrangements may exist with senior managers and board members, whereby their options stay in use until the end.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (*Note 23*).

2.22 Rehabilitation provisions

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognised immediately in the consolidated income statement.

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the consolidated statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group

has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.24 Revenue recognition

(a) Sales of goods

Revenue is recognised when Atalaya has transferred to the buyer all significant risks and rewards of ownership of the goods sold. Revenue excludes any applicable sales taxes and is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to Atalaya and the revenues and costs can be reliably measured. In most instances sales revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises.

For certain commodities, the sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 90 days after initial booking. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue.

Pre-commissioning sales are offset against the cost of constructing the asset.

(b) Sales of services

The Group sells services in relation to maintenance of accounting records, management, technical, administrative support and other services to other companies. Revenue is recognised in the accounting period in which the services are rendered.

2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.26 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.27 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. No dividend has been paid by the Company since its incorporation.

2.28 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

2.29 Reclassification from prior year presentation

Certain prior year amounts have been reclassified for consistency with the financial statements for the year ended 31 December 2016.These reclassifications had no effect on the reported results of the operation.

2.30 Amendment of financial statements after issue

The board of directors has the power to amend the consolidated financial statements after issue.

3. Financial Risk Management

3.1 Financial risk factors

Risk management is overseen by the AFRC under the board of directors. The AFRC oversees the risk management policies employed by the Group to identify, evaluate and hedge financial risks, in close co-operation with the Group's operating units. The Group is exposed to liquidity risk, currency risk, commodity price risk, credit risk, interest rate risk, operational risk, compliance risk and litigation risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

(a) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash to meet liabilities when due. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows.

(Euro 000's)	Carrying amounts	Contractual cash flows	Less than 3 months	Between 3-12 months	Between 1 -2 years	Between 2 –5 years	Over 5 years
31 December 2017							
Land options and mortgages	74	74	10	32	32	-	-
Provisions	5,727	5,727	-	228	373	165	4,961
Deferred consideration	52,983	52,983	-	-	35,220	17,763	-
Trade and other payables	67,983	67,983	67,983	-	-	-	-
	126,767	**126,767**	**67,993**	**260**	**35,625**	**17,928**	**4,961**
31 December 2016							
Social security	1,741	1,741	578	1,163	-	-	-
Land options and mortgages	905	905	760	30	83	32	-
Provisions	5,092	6,577	-	54	170	209	6,144
Deferred consideration	52,983	52,983	-	-		52,983	
Derivative instrument	215	215	215	-	-	-	-
Trade and other payables	60,061	60,061	60,061	-	-	-	
	120,997	**120,997**	**61,614**	**1,247**	**253**	**53,224**	**6,144**

(b) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the British Pound. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

(Euro 000's)	Liabilities		Assets	
	2017	2016	2017	2016
United States dollar	1,554	8,684	21,660	2,143
Great Britain pound	139	172	34,346	233
Australian dollar	416	-	-	-
South African rand	5	-	-	-

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on profit or loss and other equity.

(Euro 000's)	Equity		(Profit) or loss	
	2017	2016	2017	2016
United States dollar	2,011	654	2,011	654
Great Britain pound	3,421	6	3,421	6
Australian dollar	42	-	42	-
South African rand	1	-	1	-

(c) Commodity price risk

Commodity price is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities, primarily copper. Management is aware of this impact on its primary revenue stream but knows that there is little it can do to influence the price earned apart from a hedging scheme.

Commodity price hedging is governed by the Group´s policy which allows to limit the exposure to prices. The Group may decide to hedged part of its production during the year (*Note 28*).

(d) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. The Group has policies to limit the amount of credit exposure to any financial institution.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the maximum credit exposure without taking account of the value of any collateral obtained:

(Euro 000's)	2017	2016
Unrestricted cash and cash equivalent at Group	39,179	460
Unrestricted cash and cash equivalent at operating entity	3,427	425
Restricted cash at the operating entity	250	250
Cash and cash equivalents	42,856	1,135

Restricted cash held as of 31 December 2017 is a collateral of a bank guarantee provided to a contractor.

Other than the above, there are no collaterals held in respect of these financial instruments and there are no financial assets that are past due or impaired as at 31 December 2017.

(e) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest bearing financial instruments was:

(Euro 000's)	2017	2016
Variable rate instruments		
Financial assets	42,856	1,135

An increase of 100 basis points in interest rates at 31 December 2017 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

(Euro 000's)	Equity		Profit or loss	
	2017	2016	2017	2016
Variable rate instruments	429	11	429	11

(f) Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

(g) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non compliance with laws and regulations. The Group has systems in place to mitigate this risk, including seeking advice from external legal and regulatory advisors in each jurisdiction.

(h) Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

3.2 Capital risk management

The Group considers its capital structure to consist of share capital, share premium and share options reserve. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group issues new shares. The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The AFRC reviews the capital structure on a continuing basis.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as provisions plus deferred consideration plus trade and other payables less cash and cash equivalents.

(Euro 000's)	2017	2016
Net debt	84,663	119,878
Total equity	246,853	190,221
Total capital	**331,516**	**310,099**
Gearing ratio	**25.5%**	**38.7%**

The decrease in the gearing ratio during 2017 was mainly due to the capital increase executed in December 2017.

Net debt includes non-current and current all liabilities net of cash and cash equivalent.

3.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

The fair value of financial instruments traded in active markets, such as publicly traded and available for sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting date.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Euro 000's)	Level 1	Level 2	Level 3	Total
31 December 2017				
Financial assets				
Available for sale financial assets	129	-	-	129
Total	**129**	**-**	**-**	**129**
31 December 2016				
Financial assets				
Available for sale financial assets	261	-	-	261
Total	**261**	**-**	**-**	**261**

3.4 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required.

(a) Capitalisation of exploration and evaluation costs

Under the Group's accounting policy, exploration and evaluation expenditure is not capitalised until the point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the Group. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

(b) Production start date

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from "Mines under construction" to "Property, plant and equipment". Some of the criteria used to identify the production start date include, but are not limited to:

» Level of capital expenditure incurred compared with the original construction cost estimate;

» Completion of a reasonable period of testing of the mine plant and equipment;

» Ability to produce metal in saleable form (within specifications); and

» Ability to sustain ongoing production of metal.

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation/amortisation commences.

(c) Stripping costs

The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the orebodies to be mined, the latter being referred to as a stripping activity asset. Judgement is required to distinguish between the development and production activities at surface mining operations.

The Group is required to identify the separately identifiable components or phases of the orebodies for each of its surface mining operations. Judgement is required to identify and define these components, and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments may vary between mines because the assessments are undertaken for each individual mine and are based on a combination of information available in the mine plans, specific characteristics of the orebody, the milestones relating to major capital investment decisions and the type and grade of minerals being mined.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The Group considers the ratio of expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the orebody, compared to the current period ratio of actual volume of waste to the volume of ore to be the most suitable measure of production.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

(d) Ore reserve and mineral resource estimates

The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates.

Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Group uses qualified persons (as defined by the Canadian Securities Administrators' National Instrument 43-101) to compile this data. Changes in the judgments surrounding proven and probable reserves may impact as follows:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change;
- Capitalised stripping costs recognised in the statement of financial position as either part of mine properties or inventory or charged to profit or loss may change due to changes in stripping ratios;
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

(e) Impairment of assets

Events or changes in circumstances can give rise to significant impairment charges or impairment reversals in a particular year. The Group assesses each Cash Generating Unit ("CGU") annually to determine whether any indications of impairment exist. If it was necessary management could contract independent expert to value the assets. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of the fair value less cost to sell and value-in-use. An impairment loss is recognised immediately in net earnings. The Group has determined that each mine location is a CGU.

These assessments require the use of estimates and assumptions such as commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted at an appropriate discount rate to determine the net present value. For the purpose of calculating the impairment of any asset, management regards an individual mine or works site as a CGU.

Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

(f) Provisions for decommissioning and site restoration costs

Accounting for restoration provisions requires management to make estimates of the future costs the Group will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place at each mining operation and any environmental and social principles the Group is in compliance with. The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates and assumptions relating to probabilities of alternative estimates of future cash outflows.

Management uses its judgement and experience to provide for and (in the case of capitalised decommissioning costs) amortise these estimated costs over the life of the mine. The ultimate cost of decommissioning and timing is uncertain and cost estimates can vary in response to many factors including changes to relevant environmental laws and regulations requirements, the emergence of new

restoration techniques or experience at other mine sites. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

(g) Income tax

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and Company recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Judgement is also required to determine whether deferred tax assets are recognised in the consolidated statements of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the Group to assess the probability that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(h) Inventory

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

(i) Contingent liabilities

A contingent liability arises where a past event has taken place for which the outcome will be confirmed only by the

occurrence or non-occurrence of one or more uncertain events outside of the control of the Group, or a present obligation exists but is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A provision is made when a loss to the Group is likely to crystallise. The assessment of the existence of a contingency and its likely outcome, particularly if it is considered that a provision might be necessary, involves significant judgment taking all relevant factors into account.

(j) Deferred consideration

As disclosed in Note 27, the Group has recorded a deferred consideration liability in relation to the obligation to pay Astor up to €53.0 million out of excess cash from operations at Proyecto Riontinto.

The actual timing of any payments to Astor of the consideration involves significant judgment as it depends on certain factors which are out of control of management.

(k) Share-based compensation benefits

Share based compensation benefits are accounted for in accordance with the fair value recognition provisions of IFRS 2 "Share-based Payment". As such, share-based compensation expense for equity-settled share-based payments is measured at the grant date based on the fair value of the award and is recognised as an expense over the vesting period. The fair value of such share-based awards at the grant date is measured using the Black Scholes pricing model. The inputs used in the model are based on management's best estimates for the effects of non-transferability, exercise restrictions, behavioural considerations and expected volatility.

4. Business and geographical segments

Business segments

The Group has only one distinct business segment, being that of mining operations, which include mineral exploration and development.

Copper concentrates produced by the Group are sold to three offtakers as per the relevant offtake agreement (*Note 31.2*)

Geographical segments

The Group's mining activities are located in Spain. The commercialisation of the copper concentrates produced in Spain is carried out in Cyprus. Corporate costs and administration costs are based in Cyprus. Intercompany transactions within the Group are on arm's length basis in a manner similar to transaction with third parties. Accounting policies used by the Group in different locations are the same as those contained in Note 2.

2017 (Euro 000's)	Cyprus	Spain	Other	Total
Sales	**160,537**	**-**	**-**	**160,537**
Earnings/(loss)before Interest,Tax,Depreciation and Amortisation	151,331	(109,957)	(27)	41,347
Depreciation/amortisation charge	(7)	(16,664)	-	(16,671)
Net foreign exchange loss	(1,510)	(701)	(1)	(2,212)
Finance income	-	22	-	22
Finance cost	(366)	(213)	-	(579)
(Loss)/profit before tax before share of loss of associate	**149,448**	**(127,513)**	**(28)**	**21,907**
Tax				(3,696)
Profit for the year				**18,211**
Total assets	**53,034**	**321,136**	**202**	**374,372**
Total liabilities	**(11,836)**	**(115,624)**	**(59)**	**(127,519)**
Depreciation of property, plant and equipment	**7**	**12,533**	**-**	**12,540**
Amortisation of intangible assets	**-**	**4,131**	**-**	**4,131**
Total additions of non-current assets	**-**	**26,079**	**-**	**26,079**

2016 (Euro 000's)	Cyprus	Spain	Other	Total
Sales	**98,768**	**-**	**-**	**98,768**
Earnings/(loss)before Interest,Tax,Depreciation and Amortisation	94,318	(78,917)	(9)	15,393
Depreciation/amortisation charge restated (*)	(14)	(11,743)	-	(11,757)
Impairment of land options not exercised	-	(903)	-	(903)
Net foreign exchange gain/(loss)	377	(1,041)	(1)	(665)
Finance income	-	41	-	41
Finance costs restated (*)	(142)	(448)	-	(590)
(Loss)/profit before tax and share of loss of associate	**94,540**	**(93,011)**	**(10)**	**1,519**
Share of loss of associate				(10)
Tax				12,187
Profit for the year restated (*)				**13,696**
Total assets	**18,687**	**292,850**	**4**	**311,541**
Total liabilities	**(19,484)**	**(101,501)**	**(28)**	**(121,013)**
Depreciation of property, plant and equipment	**14**	**8,629**	**-**	**8,643**
Amortisation of intangible assets restated (*)	**-**	**3,114**	**-**	**3,114**
Total additions of non-current assets	**2**	**87,402**	**-**	**87,404**

(*) Refer to Note 2.1. (c)

5. Other income

THE GROUP		
(Euro 000's)	2017	2016
Other income	-	235
Gain on disposal of associate	49	-
Loss on available-for-sale investments	(49)	-
Gain on sale of property, plant and equipment	-	4
Sales of services	5	53
	5	**292**

THE COMPANY		
(Euro 000's)	2017	2016
Loss on available-for-sale investments	(49)	-
Gain on disposal of associate	45	-
Gain on sale of property, plant and equipment	-	4
Sales of services	5	43
	1	**47**

6. Expenses by nature

THE GROUP		
(Euro 000's)	2017	2016 restated (*)
Operating costs	97,786	64,223
Impairment charge on land options not exercised	-	903
Employee benefit expense (Note 7)	15,420	13,542
Compensation of key management personnel (Note 31.1)	2,804	2,375
Auditors' remuneration – audit	180	204
› prior year audit	27	17
› other	-	38
Other accountants' remuneration	13	8
Consultants' remuneration	157	698
Depreciation of property, plant and equipment (Note 12)	12,540	8,643
Amortisation of intangible assets (Note 13)	4,131	3,114
Travel costs	298	101
Share option-based employee benefits	87	56
Shareholders' communication expense	288	264
On-going listing costs	157	163
Legal costs	413	981
Royalties	500	-
Provision for impairment	283	-
Other expenses	782	997
Total cost of operation, corporate, share based benefits, exploration and impairment	**135,866**	**96,327**

THE COMPANY		
(Euro 000's)	2017	2016
Employee benefit expense (Note 7)	180	289
Key management remuneration (Note 31.1)	1,854	1,309
Auditors' remuneration – audit	104	145
› prior year audit	8	58
Other accountants' remuneration	12	8
Consultants' remuneration	95	11
Depreciation of property, plant and equipment (Note 12)	7	14
Travel costs	67	94
Share option-based employee benefits	9	103
Shareholders' communication expense	288	264
On-going listing costs	157	164
Legal costs	410	965
Provision for impairment	583	-
Other expenses	268	347
Total cost of corporate, share based benefits and impairment	**4,042**	**3,771**

7. Employee benefit expense

THE GROUP		
(Euro 000's)	2017	2016
Wages and salaries	11,101	10,154
Social security and social contributions	3,250	2,890
Employees' other allowances	31	22
Bonus to employees	1,038	476
	15,420	**13,542**

The average number of employees and the number of employees at year end by office are:

	Average		At year end	
Number of employees	2017	2016	2017	2016
Spain – Full time	339	307	363	325
Spain – Part time	6	7	7	-
Cyprus – Full time	3	4	3	4
Total	**348**	**318**	**373**	**329**

THE COMPANY		
(Euro 000's)	2017	2016
Wages and salaries	164	264
Social security and social contributions	16	25
	180	**289**

The average number of employees and the number of employees at year end by office are:

	Average		At year end	
Number of employees	2017	2016	2017	2016
Cyprus – Full time	3	4	3	4
Total	**3**	**4**	**3**	**4**

8. Finance income

THE GROUP		
(Euro 000's)	2017	2016
Interest income	22	41
	22	**41**

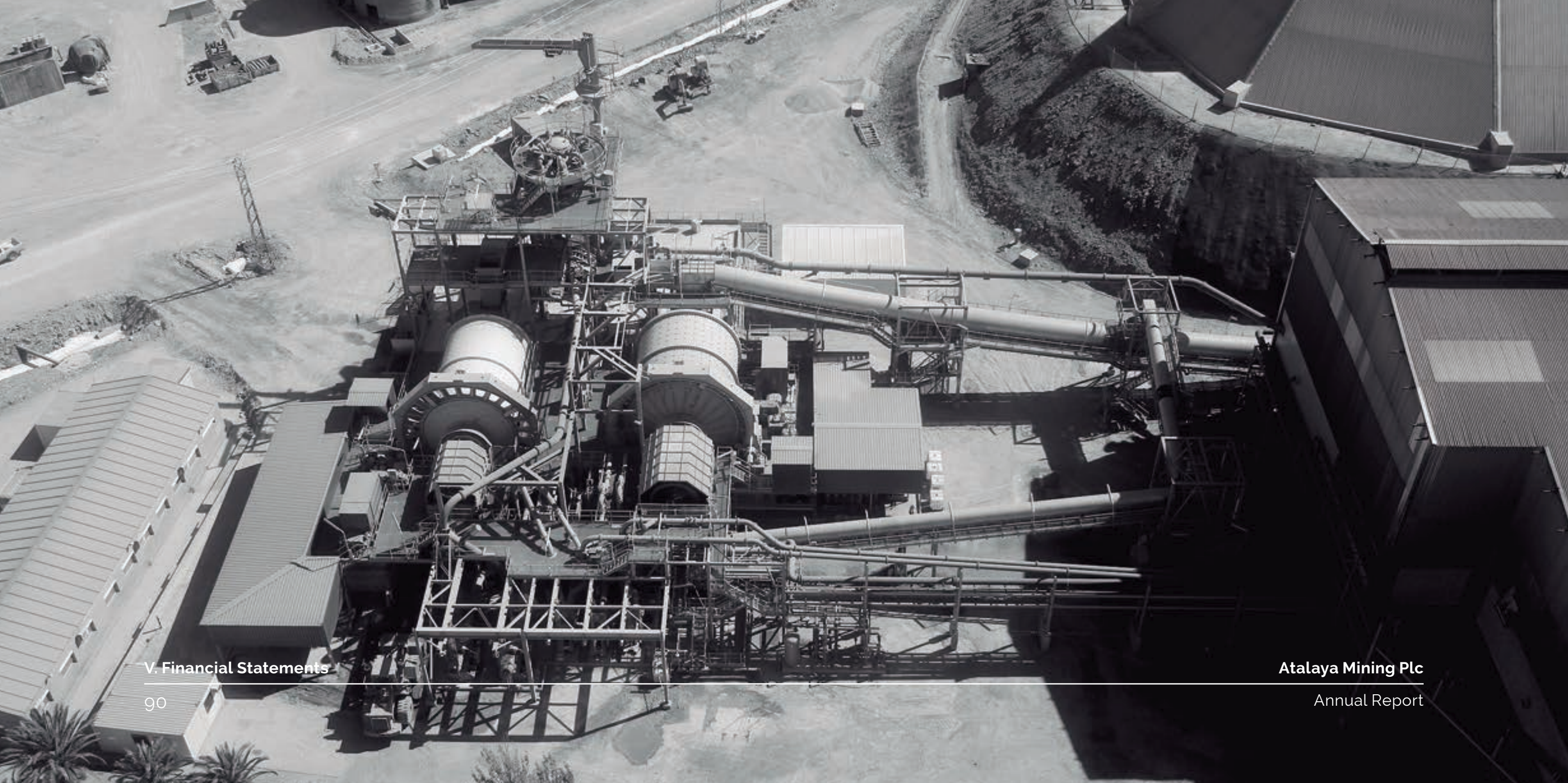
THE COMPANY		
(Euro 000's)	2017	2016
Finance income from interest-bearing intercompany loan	1,635	1,523
	1,635	**1,523**

Interest income relates to interest received on bank balances.

9. Finance costs

THE GROUP		
(Euro 000's)	2017	2016
Interest expense:		
› Debt to department of social security (Note 25) and other interest	306	252
› Interest on copper concentrate prepayment [(1)]	109	143
› Unwinding of discount on mine rehabilitation provision (Note 26)	113	-
› Interest paid on early payment on receivable from trading	256	-
Hedging income (Note 28.1)	(205)	-
Net foreign exchange hedging expense (Note 28.1)	-	195
	579	**590**

(1) Interest rate US$ 3 months LIBOR + 2.75%



10. Tax

THE GROUP		
(Euro 000's)	2017	2016
Income tax	1,622	16
(Over)/under provision previous years	8	(7)
Deferred tax asset due to losses available against future taxable income (Note 17)	-	(8,276)
Deferred tax asset due to losses available against future taxable income overprovision previous years (Note 17)	1,459	-
Deferred tax related to utilization of losses for the year (Note 17)	345	475
Deferred tax income relating to the origination of temporary differences (Note 17)	-	(4,593)
Deferred tax expense relating to reversal of temporary differences (Note 17)	262	198
	3,696	**(12,187)**

The tax on the Group's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

(Euro 000's)	2017	2016
Profit before tax	21,907	1,509
Tax calculated at the applicable tax rates	4,739	(18)
Tax effect of expenses not deductible for tax purposes	1,449	31
Tax effect of tax loss for the year	9	318
Tax effect of allowances and income not subject to tax	(4,212)	(191)
Over provision for prior year taxes	8	(7)
Tax effect of tax losses brought forward	(363)	(124)
Deferred tax (Note 17)	2,066	(12,196)
Tax (credit)/charge	3,696	(12,187)

THE COMPANY		
(Euro 000's)	2017	2016
Income tax	-	-
(Over)/under provision previous years	-	-
	-	**-**

The tax on the Group's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

(Euro 000's)	2017	2016
Loss before tax	(1,127)	95,059
Tax calculated at the applicable tax rates	(141)	11,882
Tax effect of expenses not deductible for tax purposes	140	65
Tax effect of tax loss for the year	-	199
Tax effect of allowances and income not subject to tax	(39)	(12,146)
Tax effect of group tax relief	40	-
Tax (credit)/charge	-	-

TAX LOSSES CARRIED FORWARD	(Euro 000's)		
Tax year	**Cyprus**	**Spain**	**Total**
2007	-	-	-
2008	-	3,794	3,794
2009	-	3,498	3,498
2010	-	5,642	5,642
2011	-	6,576	6,576
2012	-	1,967	1,967
2013	5,167	2,381	7,548
2014	4,100	3,509	7,609
2015	4,051	640	4,691
2016	1,584	-	1,584
2017	-	-	-
	14,902	**28,007**	**42,909**

Cyprus

The corporation tax rate is 12.5%. Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% for 2014 and thereafter. Due to tax losses sustained in the year and previous years, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Spain

The corporation tax rate for 2017 and 2016 is 25%. The recent Spanish tax reform approved in 2014 reduces the general corporation tax rate from 30% to 28% in 2015 and to 25% in 2016, and introduces, among other changes, a 10% reduction in the tax base subject to equity increase and other requirements. Due to tax losses sustained in the current and previous years, no tax liability arises in the subsidiaries in Spain. Under current legislation, tax losses may be carried forward and be set off against taxable income with no limitation.

11. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

(Euro 000's)	2017	2016 restated (*)
Parent company	**(3,477)**	**(3,798)**
Subsidiaries	21,716	17,494
Profit attributable to equity holders of the parent	18,239	13,696
Weighted number of ordinary shares for the purposes of basic earnings per share ('000)	**117,904**	**116,680**
Basic profit per share (cents)	15.5	11.7
Weighted number of ordinary shares for the purposes of fully diluted earnings per share ('000)	**119,485**	**117,545**
Fully diluted profit per share (cents)	15.3	11.7

(*) Refer to Note 2.1. (c)

There are 262,569 warrants (Note 22) and 1,400,000 options (Note 23) (2016: 365,354 warrants and 500,000 options) which have been included when calculating the weighted average number of shares for 2017.

12. Property, plant and equipment

THE GROUP							
(Euro 000's)	Land and buildings	Plant and equipment	Mineral rights	Assets under construction[4]	Deferred mining costs[3]	Other assets[2]	Total
2017							
Cost							
At 1 January 2017	**40,188**	**144,930**	**-**	**566**	**13,848**	**838**	**200,370**
Additions	407[1]	-	-	11,751	8,469	-	20,627
Reclassifications	400	472	-	(872)	-	-	-
Disposals	-	-	-	-	-	(53)	(53)
At 31 December 2017	**40,995**	**145,402**	**-**	**11,445**	**22,317**	**785**	**220,944**
Depreciation							
At 1 January 2017	**1,736**	**5,073**	**-**	**-**	**1,758**	**423**	**8,990**
Charge for the year	2,340	8,392	-	-	1,711	97	12,540
Disposals	-	-	-	-	-	(44)	(44)
At 31 December 2017	**4,076**	**13,465**	**-**	**-**	**3,469**	**476**	**21,486**
Net book value at 31 December 2017	**36,919**	**131,937**	**-**	**11,445**	**18,848**	**309**	**199,458**
2016							
Cost							
At 1 January 2016	**39,061**	**23,046**	**950**	**94,525**	**10,334**	**1,026**	**168,942**
Additions	1,121[1]	15,983	-	-	13,848	164	31,116
Reclassifications	6	104,287	-	(93,959)	(10,334)	-	-
Reclassifications - intangibles	-	1,614	(50)	-	-	(247)	1,317
Disposals	-	-	-	-		(37)	(37)
Written off	-	-	(900)	-		(68)	(968)
At 31 December 2016	**40,188**	**144,930**	**-**	**566**	**13,848**	**838**	**200,370**
Depreciation							
At 1 January 2016	**-**	**-**	**-**	**-**	**-**	**518**	**518**
Charge for the year	1,736	4,932	-	-	1,758	217	8,643
Reclassifications	-	141	-	-	-	(141)	-
Reclassifications - intangibles	-	-	-	-	-	(81)	(81)
Disposals	-	-	-	-	-	(25)	(25)
Impairment	-	-	900	-	-	3	903
Written off	-	-	(900)	-	-	(68)	(968)
At 31 December 2016	**1,736**	**5,073**	**-**	**-**	**1,758**	**423**	**8,990**
Net book value at 31 December 2016	**38,452**	**139,857**	**-**	**566**	**12,090**	**415**	**191,380**

(1) Mine rehabilitation asset (Note 26).

(2) Includes motor vehicles, furniture, fixtures and office equipment which are depreciated over 5-10 years.

(3) Stripping costs

(4) Net of pre-commissioning sales

The above fixed assets are located mainly in Spain.

THE COMPANY		
(Euro 000's)	Other assets[1]	Total
2017		
Cost		
At 1 January 2017	**68**	**68**
Disposals	(53)	(53)
At 31 December 2017	**15**	**15**
Depreciation		
At 1 January 2017	**52**	**52**
Charge for the year	7	7
Disposals	(44)	(44)
At 31 December 2017	**15**	**15**
Net book value at 31 December 2017	**-**	**-**
2016		
Cost		
At 1 January 2016	**109**	**109**
Additions	1	1
Disposals	(37)	(37)
Written off	(5)	(5)
At 31 December 2016	**68**	**68**
Depreciation		
At 1 January 2016	**68**	**68**
Charge for the year	14	14
Disposals	(25)	(25)
Written off	(5)	(5)
At 31 December 2016	**52**	**52**
Net book value at 31 December 2016	**16**	**16**

(1) Includes motor vehicles, furniture, fixtures and office equipment which are depreciated over 5-10 years.

The Group

Certain land plots required for Proyecto Riotinto (the "Project Lands") are affected by pre-existing liens and embargos derived from unpaid obligations of former Project operators or owners (the "Pre-Existing Debt").

a). In May 2010 the Group signed an agreement with the Department of Social Security in which it undertook to repay, over a period of 5 years, the €16.9 million Pre-Existing Debt to the Department of Social Security in exchange for a stay of execution proceedings for recovery of this debt against these Project Lands (the "Social Security Agreement"). The Group granted a mortgage to guarantee the payment of a total debt of €6,436,661 and two embargos to guarantee the two payments of a total debt of €6,742,039 and €10,472,612 respectively in favour of Social Security's General Treasury. Originally payable over 5 years, the repayment schedule was subsequently extended until June 2017. The Group repaid the Department of Social Security on 30 June 2017.

b). The Project Lands are also subject to a lien in the amount of €5.0 million created in 1979 to secure the repayment of certain government grants that were in all likelihood paid at the relevant time by former operators. Relevant court proceedings have been followed to strike this lien from title, given that in the opinion of the Group the right of the government to reclaim this Pre-Existing Debt has expired due to the relevant statute of limitations.

c). The Project Lands are also affected by the following Pre-Existing Debt liens: A €400k mortgage to Oxiana Limited (that will be paid in due course) and a mortgage

of €222k pre¬-existing on lands acquired by the Group in August 2012 which has been paid in full.

d). Other land plots owned by the Group, but not required for Proyecto Riotinto (the “Non-Project Lands”), are affected by a Pre-Existing Debt lien of €10.5 million registered by the Junta de Andalucía. In the event execution proceedings were commenced against the Non-Project Lands, the Group would either negotiate a settlement or allow the execution to proceed in total satisfaction of the Pre-Existing Debt in question.

e). During 2016, an option expired which was previously granted to Inland Trading 2006, S.L. and Construcciones Zeitung, S.L. for the acquisition of certain mining rights and recorded €900k as an impairment charge in the profit and loss account.

During 2017, the Group capitalised personnel costs amounting to €259k (2016: €916k). No borrowing costs were capitalised in the same period.

13. Intangible assets

THE GROUP				
(Euro 000's)	Permits of Projects	Licences, R&D and Software	Goodwill	Total
2017				
Cost				
On 1 January 2017	**71,521**	**1,685**	**9,333**	**82,539**
Additions from acquisition of subsidiary	5,000	126		5,126
Additions	-	2,694	-	2,694
At 31 December 2017	**76,521**	**4,505**	**9,333**	**90,359**
Amortisation				
On 1 January 2017	**3,072**	**123**	**9,333**	**12,528**
Charge for the year	4,073	58	-	4,131
At 31 December 2017	**7,145**	**181**	**9,333**	**16,659**
Net book value at 31 December 2017	**69,376**	**4,324**	**-**	**73,700**
2016				
Cost				
On 1 January 2016	**20,158**	**-**	**9,333**	**29,491**
Additions restated (*)	53,005[1]	1,334	-	54,339
Reclassifications – Property, plant and equipment	(1,614)	297	-	(1,317)
Other reclassifications	(28)	54	-	26
At 31 December 2016	**71,521**	**1,685**	**9,333**	**82,539**
Amortisation				
On 1 January 2016	**-**	**-**	**9,333**	**9,333**
Charge for the year restated (*)	3,072	42	-	3,114
Reclassifications – Property, plant and equipment	-	81	-	81
At 31 December 2016	**3,072**	**123**	**9,333**	**12,528**
Net book value at 31 December 2016 restated (*)	**68,449**	**1,562**	**-**	**70,011**

(1) These additions relate to the deferred consideration as at 1.2.2016 (Note 27)

(*) Refer to Note 2.1. (c)

The useful life of the intangible assets is estimated to be not less than fourteen years from the start of production (the revised Reserves and Resources statement which was announced in July 2016 has increased the life of mine to 16 ½ years).

The ultimate recovery of balances carried forward in relation to areas of interest or all such assets including intangibles is dependent on successful development, and commercial exploitation, or alternatively sale of the respective areas.

The Group conducts impairment testing on an annual basis unless indicators of impairment are not present at the reporting date. In considering the carrying value of the assets at Proyecto Riotinto, including the intangible assets and any impairment thereof, the Group assessed that no indicators were present as at 31 December 2017 and thus no impairment has been recognised.

Goodwill of €9,333,000 arose on the acquisition of the remaining 49% of the issued share capital of Atalaya Riotinto Minera S.L.U. ("ARM") back in September 2008. This amount was fully impaired on acquisition, in the absence of the mining licence back in 2008.

Permits include additions in 2017 amounting to €5,000,000 related to the Touro Project mining rights.

14. Investment in subsidiaries

THE COMPANY		
(Euro 000's)	2017	2016
Opening amount at cost less provision for impairment	3,572	3,572
Incorporation [1]	3	-
Increase of investment [2]	118	-
Closing amount at cost less provision for impairment	3,693	3,572

Subsidiary companies	Date of incorporation/ acquisition	Principal activity	Country of incorporation	Effective proportion of shares held[5]
Atalaya Touro Project (UK) Ltd[1]	10 March 2017	Holding	United Kingdom	100%
Atalaya Minasderiotinto Project (UK) Ltd[2]	10 Sep 2008	Holding	United Kingdom	100%
EMED Marketing Ltd	08 Sep 2008	Trading	Cyprus	100%
EMED Mining Spain SLU[3]	12 April 2007	Exploration	Spain	100%
Eastern Mediterranean Resources (Caucasus) Ltd[4]	11 Nov 2005	Exploration	Georgia	100%

As security for the obligation on ARM to pay consideration to Astor under the Master Agreement and the Loan Assignment Agreement, Atalaya Minasderiotinto Project (UK) Ltd has granted pledges to Astor Resources AG over the issued capital of ARM and granted a pledge to Astor over the issued share capital of Eastern Mediterranean Exploration and Development S.L.U. and the Company has provided a parent company guarantee (Note 27).

(1) On 10 March 2017, Atalaya Touro Project (UK) Limited was incorporated. Atalaya Mining Plc is its sole shareholder.

(2) On 16 February 2017, Emed Holdings (UK) Ltd changed its name to Atalaya Riotinto Project (UK) Ltd and changed again to Atalaya Minasderiotinto Project (UK) Limited on 30 June 2017. During the year there was an increase amounting to €118k in the investment of ARM related to employee benefit expenses.

(3) In December 2017, EMED Mining Spain SLU increased its capital by €300k from its sole shareholder. This investment increase was fully impaired in the year.

(4) The Group started the liquidation process of this subsidiary in 2017. In 2018, the Group has reached an agreement with a third party to dispose Eastern Mediterranean Resources (Caucasus) Ltd by transferring all issued shares. The liquidation process was halted in 2018 and the Group is expecting to transfer the shares during 2018.

(5) The effective proportion of shares held as at 31 December 2017 and 31 December 2016 remained unchanged other than Atalaya Touro Project (UK) Ltd which was incorporated in the year.

15. Investment in associate

(Euro 000's)	2017	2016
THE GROUP		
At 1 January	**-**	**10**
Profit on disposals from subsidiary/associate	-	303
Share of results of associate before tax	-	(313)
At 31 December	**-**	**-**
THE COMPANY		
At 1 January	**4**	**4**
Disposal	(4)	-
At 31 December	**-**	**4**

In December 2014, the Company entered into a conditional Earn-in Agreement with Prospech Ltd ("Prospech"), a private Australian exploration company, in relation with two exploration licences held by Atalaya's 100% owned Slovak subsidiary, Slovenske Kovy s.r.o. ("SLOK"). The agreement became effective in March 2015.

On 10 October 2017, the Company entered into a share and rights sale and purchase agreement with Prospech Limited. According to this agreement the Company agreed to sell its 19% of the share capital of Slovenske Kovy,s.r.o. to Prospech Limited. The sale consideration was 937,500 fully paid ordinary Prospech shares at A$0.16 per share, and 468,750 options, each with a right to convert to one fully paid ordinary Prospech share at any time up to 30 September 2019 for A$0.25. The sale consideration was €99,010 resulting in a consolidated profit of €99,010.

Further to the Sales and Purchase agreement with Prospech Limited, the Company agreed to transfer 50% of its Prospech shares and rights to the advisor for his services provided for this agreement. Thus, the Group owned 468,500 fully paid Prospech shares and 234,375 options at a cost of €49,505.

16. Investment in joint venture

Company name	**Recursos Cuenca Minera S.L.**
Principal activities	Exploitation of tailing dams and waste areas resources
Country of incorporation	Spain
Effective proportion of shares held at 31 December 2015	50%

ARM entered into a 50/50 joint venture with Rumbo to evaluate and exploit the potential of the class B resources in the tailings dam and waste areas at Proyecto Riotinto. Under the joint venture agreement, ARM will be the operator of the joint venture, will reimburse Rumbo for the costs associated with the application for classification of the Class B resources and will fund the initial expenditure of a feasibility study up to a maximum of €2.0 million. Costs are then borne by the joint venture partners in accordance with their respective ownership interests. Half of the costs paid by ARM in connection with the feasibility study can be deducted from any royalty which may fall due to be paid.

The Group's significant aggregate amounts in respect of the joint venture are as follows:

(Euro 000's)	2017	2016
Intangible assets	94	94
Trade and other receivables	2	1
Cash and cash equivalents	22	20
Trade and other payables	(115)	(114)
Net assets	**3**	**1**
Revenue	-	-
Expenses	-	(1)
Net loss after tax	**-**	**(1)**

17. Deferred tax

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilised.

During 2016, the Group recognised €12.2 million in net deferred tax assets as it was determined that it is probable that sufficient future taxable profits will be available to the Group to benefit from the losses carried forward.

In addition to recognised deferred income tax asset, the Group has unrecognised tax losses in Cyprus of €14.9million (2016: €17.9) that are available to carry forward for 5 years against future taxable income of the group companies in which the losses arose, and in Spain €28million (2016: €30.6million) which are available to carry forward indefinitely against future losses.

Deferred tax assets have not been recognised in respect of losses in Cyprus as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in companies that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future to support (either partially or in full) the recognition of the losses as deferred income tax assets.

	Consolidated statement of financial position		Consolidated income statement	
(Euro 000's)	2017	2016 Restated	2017	2016 Restated
Deferred tax asset				
At 1 January	**12,196**	**-**		
Deferred tax asset due to losses available against future taxable income (Note 10)	-	8,276	-	(8,276)
Deferred tax related to utilization of losses for the year (Note 10)	(345)	(475)	345	475
Deferred tax asset due to losses available against future taxable income overprovision previous years (Note 10)	(1,459)	-	1,459	
Deferred tax income relating to the origination of temporary differences (Note 10)	-	4,593	-	(4,593)
Deferred tax expense relating to reversal of temporary differences (Note 10)	(262)	(198)	262	198
At 31 December	**10,130**	**12,196**		
Deferred tax income (Note 10)				
			2,066	(12,196)

18. Inventories

THE GROUP		
(Euro 000's)	2017	2016
Finished products	4,797	-
Materials and supplies	8,003	5,647
Work in progress	874	548
	13,674	**6,195**

Materials and supplies relate mainly to machinery spare parts. Work in progress represents ore stockpiles, which is ore that has been extracted and is available for further processing.

As of 31 December 2017, copper concentrate produced and not sold amounted to 7,274 tonnes. Accordingly, the inventory for copper concentrate was €4.8 million (2016:€ nil). During the year the Group recorded cost of sales amounting to €130.7 million (2016: €88.8 million).

19. Trade and other receivables

THE GROUP		
(Euro 000's)	2017	2016
Non-current trade and other receivables		
Deposits	212	206
	212	**206**
Current trade and other receivables		
Trade receivables	12,113	15,082
Receivables from related parties (Note 31.3 and 31.4)	1,612	2,092
Deposits and prepayments	221	522
VAT receivable	17,804	11,187
Tax advances	1,716	-
Other receivables	747	967
	34,213	**29,850**

THE COMPANY		
(Euro 000's)	2017	Restated 2016
Receivables from own subsidiaries (Note 31.3)	242,416	239,335
Deposits and prepayments	6	506
VAT receivable	389	352
Other receivables	13	52
	242,824	**240,245**

Trade receivables are shown net of any interest applied to prepayments. Payment terms are aligned with offtake agreements and market standards and generally are 7 days on 90% of the invoice and the remaining 10% at the settlement date which can vary between 1 to 5 months.

The fair values of trade and other receivables approximate to their carrying amounts as presented above.

20. Available-for-sale investments

THE GROUP & THE COMPANY		
(Euro 000's)	2017	2016
At 1 January	**261**	**302**
Addition	49	-
Impairment	(49)	
Loss transferred to reserves (Note 23)	(132)	(41)
At 31 December	**129**	**261**

Company name	**Eastern Mediterranean Minerals Ltd**	**KEFI Minerals Plc**	**Prospech Limited**
Principal activities	Holder of exploration licences in Cyprus	Exploration and development mining company listed on AIM	Exploration company
Country of incorporation	Cyprus	UK	Australia
Effective proportion of shares held at 31 December 2017	10%	1.8%	0.65%

On 10 October 2017, the Company entered into a share and rights sale and purchase agreement with Prospech Limited. According to this agreement the Company agreed to sell its 19% of the share capital of Slovenske Kovy,s.r.o. to Prospech Limited. The sale consideration is 937,500 fully paid ordinary Prospech shares at A$0.16 per share, and 468,750 options, each with a right to convert to one fully paid ordinary Prospech share at any time up to 30 September 2019 for A$0.25. The sale consideration was €99,010 resulting in a consolidated profit of €99,010 (*Note 15*).

Further to the Sales and Purchase agreement with Prospech Limited, the Company agrees to transfer 50% of its Prospech shares and rights to the advisor for his services provided for this agreement. Thus, the Group has 468,500 fully paid Prospech shares and 234,375 options at a cost of €49,505 (*Note 15*).

21. Cash and cash equivalents

(Euro 000's)	2017	2016
THE GROUP		
Cash at bank and in hand	**42,856**	**1,135**
As of 31 December 2017, the Group's operating subsidiary held €250k (2016: €250k) as a collateral for bank guarantees, which has been classified as restricted cash.		
Cash and cash equivalents denominated in the following currencies:		
Euro – functional and presentation currency	517	783
Great Britain Pound	34,346	233
United States Dollar	7,993	119
	42,856	**1,135**
THE COMPANY		
Cash at bank and in hand	**34,410**	**320**
Cash and cash equivalents denominated in the following currencies:		
Euro – functional and presentation currency	64	86
Great Britain Pound	34,345	229
United States Dollar	1	5
	34,410	**320**

22. Share capital

Authorised			No. of Shares*	Share capital	Share Premium	Total
			'000's	Stg£ 000's	Stg£ 000's	Stg£ 000's
Ordinary shares of Stg £0.075 each			200,000	15,000	-	**15,000**

Issued and fully paid			000's	Euro 000's	Euro 000's	Euro 000's
1 January 2016			**116,679**	**11,632**	**277,238**	**288,870**
Issue Date	**Price (Stg£)**	**Details**				
7 Dec 2017	1.67	Share placement	18,575	1,560	33,182	34,742
		Share issue costs	-	-	(843)	(843)
31 December 2017			**135,254**	**13,192**	**309,577**	**322,769**

Authorised capital

The Company's authorised share capital is 200,000,000 ordinary shares of Stg £0.075 each.

Issued capital

2017

On 7 December 2017, 18,574,555 ordinary shares at Stg £0.075 were issued at a price of £1.67. Upon the issue an amount of €32,338,512 was credited to the Company's share premium reserve.

2016

There was no share capital issue during 2016.

Warrants

No warrants were issued in 2017 and in 2016.

Details of share warrants outstanding as at 31 December 2017:

Grant date	Expiry date	Exercise price – Stg £	Number of warrants
24 June 2015	24 June 2018	1.425	262,569
			262,569

	Weig hted average exercise price Stg £	Number of warrants
At 1 January 2017	**1.80**	**365,354**
Less warrants expired during the year	2.75	(102,785)
Outstanding warrants at 31 December 2017	1.425	262,569

The estimated fair values of the warrants were calculated using the Black Scholes option pricing model. The inputs into the model and the results are as follows:

Grant date	Weighted average share price Stg£	Weighted average exercise price Stg£	Expected volatility	Expected life (years)	Risk free rate	Expected dividend yield	Estimated fair value Stg£
24 June 2015	1.425	1.425	64.40%	3	2.0%	Nil	0.330

The volatility has been estimated based on the underlying volatility of the price of the Company's shares in the preceding twelve months.

On 20 February 2018, the Company received the notification from one of the warrants holders to exercise 233,184 warrants at an exercise price of 142.5 pence per share. As of the date of this Report, the shares are yet to be allotted, as the holder did not transfer the exercise price to the Group. The expiration date of the warrants is 24 June 2018.

23. Other reserves

THE GROUP					
(Euro 000's)	Share option	Bonus share	Depletion factor	Available-for-sale investments	Total
At 1 January 2016	**6,247**	**145**	**-**	**(884)**	**5,508**
Bonus shares issued in escrow	-	63	-	-	63
Recognition of share based payments	137	-	-	-	137
Change in value of available-for-sale investments (Note 20)	-	-	-	(41)	(41)
At 31 December 2016	**6,384**	**208**	**-**	**(925)**	**5,667**
Recognition of depletion factor	-	-	450	-	450
Recognition of share based payments	152	-	-	-	152
Change in value of available-for-sale investments (Note 20)	-	-	-	(132)	(132)
At 31 December 2017	**6,536**	**208**	**450**	**(1,057)**	**6,137**

THE COMPANY				
(Euro 000's)	Share option	Bonus share	Available-for-sale investments	Total
At 1 January 2016	**6,247**	**145**	**(884)**	**5,508**
Bonus shares issued in escrow	-	63	-	63
Recognition of share based payments	137	-	-	137
Change in value of available-for-sale investments (Note20)	-	-	(41)	(41)
At 31 December 2016	**6,384**	**208**	**(925)**	**5,667**
Recognition of share based payments	152	-	-	152
Change in value of available-for-sale investments (Note20)	-	-	(132)	(132)
At 31 December 2017	**6,536**	**208**	**(1,057)**	**5,687**

Details of share options outstanding as at 31 December 2017:

Grant date	Expiry date	Exercise price – Stg £	Share options
20 Mar 2014	19 Mar 2019	3.60	400,000
1 June 2014	31 May 2019	2.70	100,000
23 Feb 2017	22 Feb 2022	1.44	900,000
Total			**1,400,000**

	Weighted average exercise price Stg £	Share options
At 1 January 2017	**3.42**	**500,000**
Add options granted during the year	1.44	900,000
31 December 2017	**2.15**	**1,400,000**

On 23 February 2017, the Group announced that 900,000 share options were granted to Persons Discharging Managerial Responsibilities and management, of which 800,000 were in accordance with the incentive share option plan and 100,000 were under a contractual entitlement. These included 150,000 share options granted to a Director, as disclosed in the Corporate Governance Report.

In general, option agreements contain provisions adjusting the exercise price in certain circumstances including the allotment of fully paid ordinary shares by way of a capitalisation of the Company's reserves, a sub division or consolidation of the ordinary shares, a reduction of share capital and offers or invitations (whether by way of rights issue or otherwise) to the holders of ordinary shares.

The estimated fair values of the options were calculated using the Black Scholes option pricing model. The inputs into the model and the results are as follows:

Grant date	Weighted average share price Stg£	Weighted average exercise price Stg£	Expected volatility	Expected life (years)	Risk free rate	Expected dividend yield	Estimated fair value Stg£
23 Feb 2017	1.440	1.440	51.8%	5	0.6%	Nil	0.666
1 June 2014	2.700	2.700	62.9%	5	2.0%	Nil	0.597
20 Mar 2014	3.600	3.600	64.2%	5	2.0%	Nil	0.705

The volatility has been estimated based on the underlying volatility of the price of the Company's shares in the preceding twelve months.

24. Non-controlling interest

(Euro 000's)	2017	2016
Opening balance	-	-
On acquisition of a subsidiary	4,502	-
Share of results for the year	(28)	-
Closing balance	**4,474**	**-**

The Group has a 10% interest in Cobre San Rafael, S.L., while the remaining 90% is held by a non-controlling interest (Note 2.3.). The significant financial information in respect of the subsidiary before intercompany eliminations as at and for the year ended 31 December 2017 is as follows:

(Euro 000's)	2017(*)	2016(1)
Non-current assets	5,127	-
Current assets	1,087	3
Non-current liabilities	-	-
Current liabilities	1,242	-
Equity	4,972	3
Revenue	-	-
Loss for the year and total comprehensive income	(31)	-

Loss for the year and total comprehensive income (31) -

(1) Cobre San Rafael, S.L. was established on 13 June 2016.

(*) 10% interest in Cobre San Rafael, S.L. was acquired by the Group in July 2017.

25. Trade and other payables

THE GROUP		
(Euro 000's)	2017	2016
Non-current trade and other payables		
Land options	74	115
	74	**115**
Current trade and other payables		
Trade payables	64,234	49,309
Payable to related parties (Note 31.3)	-	12
Social security payable (1)	-	1,741
Copper concentrate advance payment by customer (2)	-	8,684
Land options and mortgage	791	790
Accruals	2,660	1,826
VAT payable	7	-
Other	291	230
	67,983	**62,592**

THE COMPANY		
(Euro 000's)	2017	2016
Current trade and other payables		
Accruals	1,287	649
Payable to own subsidiaries (Note 31.3)	4,614	1,193
Other	16	229
	5,917	**2,071**

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

(1) On 25 May 2010 ARM recognised a debt with the Social Security's General Treasury in Spain amounting to €16.9 million that was incurred by a previous owner in order to stop the execution process by Public Auction of the land over which Social Security had a lien. This debt was repaid in June 2017.

(2) In September 2016, the Group signed a $14.0 million prepayment funding with Transamine Trading, S.A. ("Transamine"). The funding will be settled by 31 December 2018 via deductions from payments received from sales. Terms of the funding are market conditions bearing an interest of LIBOR 3 month + 2.75% interest.

26. Provisions

THE GROUP			
(Euro 000's)	Legal	Rehabilitation	Total
1 January 2016	**-**	**3,971**	**3,971**
Revision of discount rate	-	732	732
Revision of estimates	-	296	296
Accretion expense	-	93	93
31 December 2016/1 January 2017	**-**	**5,092**	**5,092**
Additions	213	407	620
Revision of discount rate	-	(98)	(98)
Finance cost (Note 9)	-	113	113
31 December 2017	**213**	**5,514**	**5,727**

(Euro 000's)	2017	2016
Non-Current	5,727	5,092
Current	-	-
Total	**5,727**	**5,092**

Rehabilitation provision

Rehabilitation provision represents the accrued cost required to provide adequate restoration and rehabilitation upon the completion of production activities. These amounts will be settled when rehabilitation is undertaken, generally over the project's life.

The discount rate used in the calculation of the net present value of the provision as at 31 December 2017 was1.87%, which is the 15-year Spain Government Bond rate (2016: 1.87%, which is the 15-year Spain Government Bond rate). An inflation rate of 1.5% is applied on annual basis.

The expected payments for the rehabilitation work are as follows:

(Euro 000's)	Expected payments for rehabilitation of the mining site
Between 1 – 5 Years	553
Between 6 – 10 Years	1,579
Between 10 – 15 Years	2,692
More than 15 Years	690

The Group has been named a defendant in several legal actions in Spain, the outcome of which is not determinable as at 31 December 2017. Management has reviewed individually each case and made a provision of €213 thousand for these claims, which has been reflected in these consolidated financial statements.

27. Deferred consideration

In September 2008, the Group moved to 100% ownership of ARM (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. At the time of the acquisition, the Group signed a Master Agreement (the “Master Agreement”) which included deferred consideration of €43.8 million (the “Deferred Consideration”) and potential up-tick payments of up to €15.9 million depending on the price of copper (the “Up-tick Payment”), in consideration of (a) all parties accepting the legal structure of ARM (formerly Emed Tartessus); (b) the validity of various agreements entered into prior to the Master Agreement; and (c) the provision of indemnities by Astor and its agreement not to pursue litigation.

The obligation to pay the Deferred Consideration and the Up-tick Payments is subject to the satisfaction of the following conditions (the “Conditions”): (a) all authorisations to restart mining activities in Proyecto Riotinto having been granted by the Junta de Andalucía (“Permit Approval”); and (b) the Group securing a senior debt finance facility for a sum sufficient to restart mining operations at Proyecto Riotinto (“Senior Debt Facility”) and being able to draw down funds under the Senior Debt Facility. At the time of acquisition, the possible outcome for the obligation to pay the deferred consideration could not be determined.

Subject to satisfaction of the Conditions, the Deferred Consideration and the Up-tick Payments are payable over a period of six or seven years (the “Payment Period”). In addition to satisfaction of the Conditions, the Up-tick Payments are only be payable if, during the relevant period, the average price of copper per tonne is US$6,614 or more (US$3.00/lb).

The Company also entered into a credit assignment agreement with a related company of Astor, Shorthorn AG, pursuant to which the benefit of outstanding loans were assigned to the Company in consideration for the payment of €9.1 million to Shorthorn (the “Loan Assignment”). Payment under the Loan Assignment is also subject to satisfaction of the Conditions and is payable in instalments over the Payment Period.

As security, inter alia, for the obligation to pay the Deferred Consideration, the Up-tick Payments and the Loan Assignment to Astor, Atalaya Minasderiotinto Project (UK) Limited has granted pledges over the issued capital of ARM and the Company has provided a parent company guarantee.

As at the date of this report, the Permit Approval condition has been satisfied. However, the Group has not entered into arrangements in connection with a Senior Debt Facility and, in the absence of drawdown of funds by the Group pursuant

to a Senior Debt Facility, the Conditions have not been satisfied.

On 6 March 2017, judgment in the case brought by ("Astor Case") was handed down in the High Court of Justice in London (the "Judgment"). On 31 March 2017, declarations were made by the High Court which give effect to the Judgment.

In summary, the High Court found that the Deferred Consideration did not start to become payable when Permit Approval was granted. In addition, the intra-group loans by which funding for the restart of mining operations was made available to ARM did not constitute a Senior Debt Facility so as to trigger payment of the Deferred Consideration. Accordingly, the first instalment of the Deferred Consideration has not fallen due.

Astor failed to show that there had been a breach of the all reasonable endeavours obligation contained in the Master Agreement to obtain a Senior Debt Facility or that the Group had acted in bad faith in not obtaining a Senior Debt Facility. While the Court confirmed that the Group was not in breach of any of its obligations, the Master Agreement and its provisions remain in place. Accordingly, other than up to US$10.0 million a year which may be required for non-Proyecto Riotinto related expenses, ARM cannot make any dividend, distribution or any repayment of the money lent to it by companies in the Group until the consideration under the Master Agreement (including the Deferred Consideration) has been paid in full.

As a consequence, the Judgment requires that, in accordance with the Master Agreement, ARM must apply any excess cash (after payment of operating expenses, sustaining capital expenditure, any senior debt service requirements and up to US$10.0 million (for non-Proyecto Riotinto related expenses)) to pay the consideration due to Astor (including the Deferred Consideration and the amount of €9.1 million payable under the Loan Assignment) early. The Court confirmed that the obligation to pay consideration early out of excess cash does not apply to the Up-tick Payments and the Judgment notes that the only situation in which the Up-tick Payments could ever become payable is in the unlikely event that mining operations cease at Proyecto Riotinto and a Senior Debt Facility is then secured for a sum sufficient to restart mining operations.

While the Judgment confirms that the cash sweep provisions of the Master Agreement require ARM to repay the Loan Assignment early, it does not extend to the credit assignment agreement which is governed by Spanish law. The Judgment therefore does not provide any clarity on whether the Conditions have been met in respect of payment of the Loan Assignment and there remains significant doubts concerning the legal obligation to pay the Loan Assignment pursuant to the terms of the credit assignment agreement.

Previously, the Group had not recognised the Deferred Consideration in the initial purchase price allocation on the basis that the payment of the amounts was not considered probable. The High Court judgment of 6 March 2017 required the Group to revisit its estimates and assumption to book the liability.

As at 31 December 2017, the Group has not generated any excess cash and, consequently, no consideration has been paid.

As at the reporting date, the Group has presented the deferred consideration in the consolidated and standalone financial statements to reflect the Company's best estimate of the liability and the excess cash flows in the future years in the view of the High Court ruling of March 2017 and in line with IAS 37.

The nominal amount of the liability recognised is €53 million. In 2017 the discount rate used to measure the liability for the deferred consideration was re-assessed to apply a risk free rate for the relevant periods, as required by IAS 37. The effect of discounting, when applying this risk free rate, was considered insignificant and the Group has measured the liability for the deferred consideration on an undiscounted basis. The value of the liability for the Group and Company is in line with the court ruling issued on 6 March 2017 amounting to €53 million and €9.1 million respectively. For details on the restatement of the deferred consideration liability as at 31 December 2016, refer to Note 2.1(c).

On 25 April 2017, Atalaya and Astor applied for permission to appeal to the Court of Appeal. On 11 August 2017 the Court of Appeal granted permission to both parties to appeal (although it rejected three of Astor's seven grounds). The Appeal will take place in May 2018.

28. Derivative instruments

28.1. Foreign exchange contract

As at 31 December 2017, Atalaya has no foreign exchange contracts (Atalaya had certain short term foreign exchange contracts as at 31 December 2016). The contracts were in an unrealised loss position which was recorded as a finance cost in the income statements (2016: €0.2 million), the corresponding receivable amount recorded in other receivables. The relevant information of the contracts was as follows:

Foreign exchange contracts – Euro/USD		
Period	June 2016 - March 2017	
Contract type	FX Forward - Put	FX Forward – Call
Amount in USD	5,000,000	10,000,000
Contract rate	1.0955	1.0955
Strike	n/a	1.0450

The counter parties of the foreign exchange agreements are third parties.

28.2. Commodity contract

In 2016, Atalaya signed the following short term commodity contracts, for copper, with a third party:

Period	August 2016	September 2016
Commodity	Copper	Copper
Contract type	Forward	Forward
FMT (Fine metric tonnes)	2,113	1,090
Strike price US$/FMT	4,960	4,845

In the twelve months ended 31 December 2016 the agreements were closed at the maturity date with a gain of €0.5 million, which was recorded as revenue during the year.

The Group did not recognise any gain or loss for the twelve months ended 31 December 2017. As at 31 December 2016 and 2017, the Group had no open positions.

29. Acquisition, incorporation and disposals of subsidiaries

Incorporation of Atalaya Touro (UK) Limited

On 10 March 2017, Atalaya Touro (UK) Limited was incorporated. Atalaya Mining Plc is its sole shareholder. In July 2017, Atalaya Touro (UK) Limited executed the option and acquired 10% of Cobre San Rafael, S.L. a company which owns the mining rights of Proyecto Touro.

Acquisition of Cobre San Rafael, S.L. - Proyecto Touro

In July 2017, the Group announced that it had executed the option to acquire 10% of the share capital of Cobre San Rafael S.L., ("CSR"), a wholly owned subsidiary of Explotaciones Gallegas S.L. ("EG"), part of the F. GOMEZ company. This is part of an earn-in agreement (the "Agreement"), which will enable the Group to acquire up to 80% of CSR.

Following the acquisition of the initial 10% of CSR's share capital, the agreement included the following four phases:

» **Phase 1 –** The Group paid €0.5 million to secure the exclusivity agreement and will continue to fund up to a maximum of €5.0 million to get the project through the permitting and financing stages.

» **Phase 2 –** When permits are granted, the Group will pay €2.0 million to earn-in an additional 30% interest in the project (cumulative 40%).

» **Phase 3 –** Once development capital is in place and construction is under way, the Group will pay €5.0 million to earn-in an additional 30% interest in the project (cumulative 70%).

» **Phase 4 –** Once commercial production is declared, the Group will purchase an additional 10% interest in the project (cumulative 80%) in return for a 0.75% Net Smelter Return (NSR) royalty, with a buyback option.

The Agreement has been structured so that the various phases and payments will only occur once the project is de-risked, permitted and in operation.

In July 2017, the Group executed the acquisition of 10% of CSR, which has been accounted for as a subsidiary with a corresponding non-controlling interest of 90% as the Company has control over the entity (*Note 2.3 (b)*).

The amount of €500.000 paid during the year for the acquisition of the initial 10% of CSR share capital, represents the fair value of the net assets of CSR on the date of acquisition giving rise to no goodwill. The non-controlling interest is set out in Note 24.

Disposals of subsidiaries

There were no disposals of subsidiaries during the twelve month period ended 31 December 2017.

30. Wind-up of subsidiaries

There were no operations wound-up during 2017 and 2016.

31. Group information and related party disclosures

31.0 Information about subsidiaries

These audited consolidated financial statements include:

Subsidiary companies	Parent	Principal activity	Country of incorporation	Effective proportion of shares held
Atalaya Touro Project (UK) Ltd	**Atalaya Mining Plc**	Holding	United Kingdom	100%
Atalaya Minasderiotinto Project (UK) Ltd	**Atalaya Mining Plc**	Holding	United Kingdom	100%
EMED Marketing Ltd	**Atalaya Mining Plc**	Trading	Cyprus	100%
EMED Mining Spain S.L.U.	**Atalaya Mining Plc**	Exploration	Spain	100%
Eastern Mediterranean Resources (Caucasus) Ltd	**Atalaya Mining Plc**	Exploration	Georgia	100%
Atalaya Riotinto Minera S.L.U.	**Atalaya Minasderiotinto Project (UK) Limited**	Production	Spain	100%
Eastern Mediterranean Exploration and Development S.L.U.	**Atalaya Minasderiotinto Project (UK) Limited**	Exploration	Spain	100%
Cobre San Rafael, S.L. (1)	**Atalaya Touro (UK) Limited**	Exploration	Spain	10%
Recursos Cuena Minera S.L.U.	**Atalaya Riotinto Minera SLU**	Exploration	Spain	J-V
Fundacion Emed Tartessus	**Atalaya Riotinto Minera SLU**	Trust	Spain	100%
Georgian Mineral Development Company Limited	**Eastern Mediterranean Resources (Caucasus) Ltd**	Exploration	Georgia	100%

(1) Cobre San Rafael, S.L. is the entity which hold the mining rights of Proyecto Touro. The Group has a significant influence in the management of the Cobre San Rafael, S.L., including one of the two directors, management of the financial books and the capacity of appointment the key personnel.

31.1 Compensation of key management personnel

The total remuneration and fees of Directors (including executive Directors) and other key management personnel was as follows:

Share-based benefits

In February 2017, the directors and key management personnel have been granted 345,000 options (2016: nil) (*Note 23*).

During 2017 the directors and key management personnel have not been granted any bonus shares (2016: nil).

(Euro 000's)	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
Directors' remuneration and fees	742	696	357	346
Director's bonus	245	500	-	-
Directors' bonus shares	-	63	-	-
Contractual entitlements upon resignation	-	83	-	83
Share option-based benefits to directors	23	56	-	-
Key management personnel fees	467	444	232	347
Key management bonus	1,270	500	1,232	500
Share option-based and other benefits to key management personnel	57	33	34	33
	2,804	**2,375**	**1,854**	**1,309**

31.2 Transactions with shareholders and related parties

THE GROUP		
(Euro 000's)	2017	2016
Sales of goods		
Trafigura PTE LTD ("Trafigura") – Sales of goods (pre-commissioning sales offset against the cost of constructing assets)	-	2,452
Trafigura– Sales of goods	28,119	26,351
Orion Mine Finance (Master) Fund I LP ("Orion") – Sales of goods	(4)	3,526
	28,115	**32,329**

XGC was granted an offtake over 49.12% of life of mine reserves as per the NI 43-101 report issued in September 2016. Similarly, Orion was granted an offtake over 31.54% and Trafigura 19.34% respectively of life of mine reserves as per the same NI 43-101 report. In November 2016, the Group was notified and consented the novation of the Orion offtake agreement as Orion reached an agreement with a third party to transfer the rights over the concentrates.

THE COMPANY		
(Euro 000's)	2017	2016
Sales of services:		
› EMED Marketing Limited	565	-
› Atalaya Riotinto Minera SLU	450	-
› Atalaya Minasderiotinto Project (UK)Limited	-	177
	1,015	**177**
Finance income:		
› Atalaya Minasderiotinto Project (UK)Limited – Finance income from interest-bearing loan (zero coupon note)	1,635	1,523
	1,635	**1,523**

31.3 Year-end balances with related parties

THE GROUP		
(Euro 000's)	2017	2016
Receivable from related party (*Note 19*):		
› Fundacion Atalaya Riotinto	-	12
› Recursos Cuenca Minera S.L.	56	56
	56	**68**

The above balances bear no interest and are repayable on demand.

THE COMPANY		
(Euro 000's)	2017	2016
Receivable from related party (*Note 20*):		
› Atalaya Minasderiotinto Project (UK)Limited	209,293	208,794
› Atalaya Minasderiotinto Project (UK)Limited – Zero coupon Note	23,038	21,403
› Atalaya Riotinto Minera SLU	9,350	9,100
› Atalaya Touro (UK) Limited	697	-
› EMED Mining Spain SL	38	38
	242,416	**239,335**

The above balances bear no interest and are repayable on demand, other than the zero coupon note bearing interest between 7.5% and 8% (2016: 7.5%-8%.

THE COMPANY		
(Euro 000's)	2017	2016
Payable to related party (*Note 25*):		
› EMED Marketing Limited	4,614	1,193
	4,614	**1,193**

The above balances bear no interest and are repayable on demand.

31.4 Year-end balances with shareholders

(Euro 000's)	2017	2016
Trafigura – Debtor balance (Note 19)	1,556	2,024
Orion – Creditor balance (Note 25)	-	(12)

32. Contingent liabilities

Judicial and administrative cases

In the normal course of business, the Group may be involved in legal proceedings, claims and assessments. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and the Group accrues for adverse outcomes as they become probable and estimable.

The Junta de Andalucía notified the Group of another disciplinary proceeding for unauthorised discharge in 2014. The Group submitted the relevant defence arguments on 10 March 2015 but has had no response or feedback from the Junta de Andalucía since the submissions. Based on the time that has lapsed without a response, it is expected that the outcome of this proceedings will also be favourable for the Group. Once the necessary time has lapsed, the Group will ask for the Administrative File to be dismissed.

33. Commitments

There are no minimum exploration requirements at Proyecto Riotinto. However, the Group is obliged to pay municipal land taxes which currently are approximately €235,000 per year in Spain and the Group is required to maintain the Riotinto site in compliance with all applicable regulatory requirements.

As part of the consideration for the purchase of land from Rumbo, the Group has agreed to pay a royalty to Rumbo subject to commencement of production of $250,000 in each quarter where the average price of LME copper or the average copper sale price achieved by the Group is at least $2.60/lb. No royalty is payable in respect of any quarter where the average copper price for that quarter is below this amount and in certain circumstances any quarterly royalty payment can be deferred until the following quarter. The royalty obligation terminates 10 years after commencement of production. Commencement of production is defined as being the first to occur of processing of ore at a rate of nine million metric tonnes per annum for a continuous period of six months or the date that is 18 months after the first product sales from Proyecto Riotinto. The commencement of the Rumbo royalty was in July 2017.

As average copper prices for Q3 2017 and Q4 2017 were above the threshold identified in the agreement, the Group has recognised the cost of US$500,000. The payment of the royalty was settled during Q1 2018 by the issue of shares of the Group (Note 34).

ARM has entered into a 50/50 joint venture with Rumbo to evaluate and exploit the potential of the class B resources in the tailings dam and waste areas at Proyecto Riotinto (mainly residual gold and silver in the old gossan tailings). Under the joint venture agreement, ARM will be the operator of the joint venture, will reimburse Rumbo for the costs associated with the application for classification of the Class B resources and will fund the initial expenditure of a feasibility study up to a maximum of €2.0 million. Costs are then borne by the joint venture partners in accordance with their respective ownership interests. Half of the costs paid by ARM in connection with the feasibility study can be deducted from any royalty which may fall due.

34. Events after the reporting period

Equity issuance January 2018

In accordance with the royalty agreement signed in July 2012 between the Company and Rumbo, Rumbo is entitled to receive a royalty payment of up to US$250,000 per quarter if the average copper sales price or LME price for the period is equal to or above $2.60/lb. As of 31 December 2017, the Group recognised a $500,000 debt to Rumbo, given the fact that the average copper price for the third and fourth quarter of 2017 was above $2.60/lb.

After discussions with Rumbo, both parties agreed to satisfy the payment through the issuance of 192,540 new ordinary shares of 7.5p in the Company.

The Rumbo Shares were issued at the volume weighted average price for the period between 5 February 2018 and

9 February 2018 of 186.7p per share and using the average US$ to GBP exchange rate of 1.3909.

In addition, the Company issued 29,000 ordinary shares of 7.5 pence in the Company as certain employees exercised their options at a price of 144 pence per share.

Exercise of warrants

On 20 February 2018, the Company received notification from one of the warrants holders to exercise 233,184 warrants at an exercise price of 142.5 pence per share.

As of the date of this Report, the shares are yet to be allotted, as the holder did not transfer the exercise price to the Group. The expiration date of the warrants is 24 June 2018.

Incorporation of Atalaya Servicios Mineros, S.L.

On 14 February 2018, the Group incorporated a fully owned subsidiary named Atalaya Servicios Mineros, S.L.U.

VI. Shareholder Information

Glossary of terms

Term	Definition
Atalaya or the Company	*Atalaya Mining Plc, a company incorporated in Cyprus under the Companies law, cap. 113*
Atalaya Group or Group	*Atalaya Mining Plc and its subsidiaries*
AGM	*Annual General Meeting*
AIM	*Alternative Investment Market of the London Stock Exchange*
AISC	*All In Sustaining Cost*
Articles	*The articles of association of Atalaya Mining Plc.*
Average head grade	*Average ore grade fed into the mill, expressed in % of weight*
BoD or Board of Directors	*The Board of Directors of the Company*
Code of Conduct	*Atalaya's Code of Business Conduct and Ethics*
Concentrate	*Fine, powdery product of the milling process containing a high percentage of valuable metal*
Contained copper	*Represents total copper in a mineral reserve before reduction to account for tonnes not able to be recovered by the applicable metallurgical process*
CSR	*Corporate Social Responsibility*
Cu	*Copper*
Directors	*The Directors of Atalaya for the reporting period*
Dollar or US$ or $	*United States dollars*
EBITDA	*Earnings Before interest Tax Depreciation and Amortistion*
Financial statements	*Consolidated and company financial statements of Atalaya Mining Plc.*
Grade	*The amount of metal in each tonne of ore, expressed as a percentage of copper metal*
IAS	*International Accounting Standards*
IFR S	*International Financial Reporting Standards*
IPO	*Initial public offering*
KPI s	*Key performance indicators*
LIBOR	*The British Bankers' Association Interest Settlement Rate for the relevant currency and period displayed on the appropriate page of the Reuters' screen*
London Stock Exchange or LSE	*London Stock Exchange plc*
NI 43-101	*Canadian National Instrument 43-101*
Open pit	*A mine where the minerals are mined entirely from the surface. Also referred to as open-cut or open-cast mine*
Ordinary Shares	*Ordinary Shares of 10 pence each in the capital of the Company*
Ore body	*A sufficiently large amount of ore that can be mined economically*
Shareholders	*Holders of Ordinary Shares*
Stripping	*Removal of overburden or waste rock overlying an ore body in preparation for mining by open pit methods*
TSX	*Toronto Stock Exchange*
United Kingdom or UK	*the United Kingdom of Great Britain and Northern Ireland*
United States or US	*the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia*

Shareholder enquires

Board of directors:

Roger Davey Chairman.
Non-executive chairman

Alberto Lavandeira
Managing director and CEO

Hui (Harry) Liu
Non-executive director

Dr. Jose Sierra Lopez
Non-executive director

Jesus Fernandez
Non-executive director

Damon Barber
Non-executive director

Dr. Hussein Barma
Non-executive director

Jonathan Lamb
Non-executive director

Stephen Scott
Non-executive director

Corporate brokers

BMO Capital Markets
95 Queen Victoria Street
London, EC4V 4HG

Canaccord Genuity Limited
41 Lothbury
London EC2R 7AE

Investor Relations

Carina Corbett
4C Communications Ltd.
Hudson House
8 Tavistock Street
London WC2E 7PP
+44 (0) 203 170 7973

Public Relations

Charles Chichester
Newgate Communications
Sky Light City Tower
50 Basinghall Street
London EC2V 5DE
+44 (0) 207 680 6550

Registrars

Cymain registrars Ltd.
26 Vyronos Avenue
1096 Nicosia, Cyprus

Depositary / transfer agent

United Kingdom
Computershare Investor Services Plc.
The Pavilions
Bridgwater
Bristol BS13 8AE

Canada
Computershare Investor Services Inc.
100 Universtity Avenue
8th Floor, North Tower
Toronto, Ontario M5J 2Y1

Company secretary:

Inter Jura CY (Services) Limited
1 Lampousa Street,
1095 Nicosia, Cyprus

Group Auditor:

Ernst & Young Cyprus Ltd
Jean Nouvel Tower,
6 Stasinos Avenue,
P.O.Box 21656,
1511, Nicosia,
Cyprus

Registered office:

1 Lampousa Street,
1095 Nicosia, Cyprus

Forward looking statements

This report may include certain “forward-looking statements” and “forward-looking information” under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterised by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Assumptions upon which such forward-looking statements are based include that all required third party regulatory and governmental approvals will be obtained. Many of these assumptions are based on factors and events that are not within the control of Atalaya and there is no assurance they will prove to be correct. Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include changes in market conditions and other risk factors discussed or referred to in this report and other documents filed with the applicable securities regulatory authorities. Although Atalaya has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Atalaya undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

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