

ANNUAL REPORT

2021



For the year ended 31 December 2021

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Our Purpose

Our Strategy

— Operational Expertise that Delivers

Atalaya Mining continues to build on its success at Proyecto Riotinto, increasing production and capacity, with a view to becoming a multi-asset producer. It maintains a focus on the development of low-cost, low-risk assets in mining-favourable jurisdictions.

Our Mission

— Responsibly Increasing Long Term Value for All Stakeholders

Atalaya Mining implements its strategic objectives to ensure the ongoing stable growth of the Company. Protecting and enhancing the value for all stakeholders is of paramount importance, and the Company continuously looks at opportunities to achieve this.

The Company seeks to provide society with the essential raw materials required for economic growth and the energy transition.

Atalaya Mining is focused on conducting responsible mining that positively impacts local communities, the environment and all our stakeholders.

Our Values

— A Committed Duty to a Safe and Ethical Working Environment

Atalaya Mining is committed to responsible mining and upholds its core principles of honesty and accountability. The Company works with all stakeholders to ensure that its values are completely aligned with the local community and environment.



2021 Performance and Key Highlights

Operational Highlights

	Unit	2022 Guidance	2021	2020
Copper concentrate	t	-	270,713	256,001
Copper contained in concentrate	t	54,000-56,000	56,097	55,890
Payable copper contained in concentrate	t	-	53,390	53,330

Key messages

- ➔ Full year 2021 copper production increased by 5.75%
- ➔ Top end of 2021 increased guidance was achieved
- ➔ Annual ore processed in 2021 was 15.8 million tonnes

Financial Highlights

	Unit	2021	2020
Revenues	€k	405,717	252,784
EBITDA	€k	199,114	67,444
Dividend per share	\$/share	0.395	-
Cash cost	\$/lb payable	2.18	1.95
All-in sustaining cost	\$/lb payable	2.48	2.21
Net cash / (debt) position ⁽¹⁾	€k	60,073	(15,233)
Cash at bank	€k	107,517	37,767

(1) Includes restricted cash and bank borrowings at 31 December 2021 and includes Deferred Consideration at 31 December 2020.

Key messages

- ➔ EBITDA increased 195% year on year to reach €199.1 million in 2021
- ➔ Cash costs of US\$2.18/lb and AISC of US\$2.48/lb
- ➔ Healthy liquidity position with €107.5 million cash at bank at 31 December 2021
- ➔ An inaugural dividend of approximately US\$0.395 per share was declared on 27 October 2021 and paid on 1 December 2021
- ➔ The Company's Board of Directors also approved a future dividend policy which will take effect in financial year 2022 and make an annual pay-out of between 30% and 50% of free cash flow generated during the applicable financial year.

Strategic Focus for Growth

Atalaya's ambition is to become a multi-asset, mid-tier base metals producer.

Organic Growth

Value-added products

- Evaluation of technologies (E-LIX) to maximise value of complex sulphides at Riotinto and in the Iberian Pyrite Belt.

Advance Atalaya's existing higher grade brownfield orebodies, including San Dionisio, San Antonio-Planes and Riotinto Este into production

- Potential uplift of copper production.
- Increases optionality, production and mine life.

Cost reduction / ESG initiatives

- Solar project reduces operating costs and carbon emissions.
- Zero tailings water discharge design is international best practice.

External Growth

Continue to evaluate external opportunities that leverage core capabilities.

- New prospects in the Iberian Pyrite Belt or other safe mining jurisdictions.
- Targeting prospects of material scale, good geology & upside potential via rigorous technical due diligence.

Masa Valverde

Following the acquisition of Masa Valverde in October 2020, work has started on general permitting new geophysical surveys, and exploration drilling at the polymetallic project located in Huelva (Spain), one of the largest undeveloped volcanogenic massive sulphide deposits in the Iberian Pyrite Belt.

Proyecto Ossa Morena

The Ossa-Morena Metallogenic Belt has strong exploration potential for a range of base and precious metals and is north of the Iberian Pyrite Belt where Atalaya operates its flagship Proyecto Riotinto mine.


Proyecto Touro

We continue to be confident that our world class approach to Proyecto Touro will satisfy the most stringent environmental conditions that may be imposed by the authorities prior to the development of the project.


Atalaya 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.

Key qualities of the Company include:

 Assets located in established and **stable mining jurisdictions**

 Pipeline of **potential growth opportunities**

 **Proven** management team

 **Strong** focus on ESG

 **Supportive strategic** shareholders

The Company owns and operates through a wholly owned subsidiary, "Proyecto Riotinto", an open-pit copper mine located in the Pyrite Belt, in the Andalusia region of Spain, approximately 65 km northwest of Seville. A brownfield expansion was completed in 2019. Atalaya also owns 10% of Proyecto Touro, a brownfield copper project in northwest Spain and 100% of Proyecto Masa Valverde, a polymetallic project located in Huelva (Spain) and 28 kms southwest of Proyecto Riotinto.

The Company's and its subsidiaries' business is to explore for and develop metal 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, Europe and Latin America.

➔ For further details on the principal activities of the Group and the Company, please refer to www.atalayamining.com

Cerro Colorado (Proyecto Riotinto)

Ownership	100%
Mine Activity	Open pit mining in operation
Commodity	Cu, Ag
Location	Huelva, Spain
Ore Reserve*	~703 kt Cu (\$3.10/lb)
M, I&I Resources	~750 kt Cu
2022 expected Cu production	54,000-56,000 tonnes
Growth	Potential uplift on Cu production

* Reserve update as at December 2020 and announced in June 2021.

San Dionisio / Planes-San Antonio (Proyecto Riotinto)

Ownership	100%
Mine Activity	OP and UG PEA/FS Stage
Commodity	Cu, Zn
Location	Huelva, Spain
Ore Reserve	-
M, I&I Resources*	~800 kt Cu ~1,180 kt Zn ~56 Moz Ag ~0.75 Moz Au
Growth	Potential uplift on Cu production

* Historical (non 43-101 compliant) resources estimate per Rio Tinto technical report by Behre Dolbear (Feb 2013).

Proyecto Riotinto is operated through Atalaya Riotinto Minera, S.L.U. a fully owned entity established under the laws of Spain.

Proyecto Masa Valverde (Proyecto Riotinto)

Ownership	100%
Mine Activity	Underground mining in permitting stage
Commodity	Cu, Zn, Pb, Ag and Au
Location	Huelva, Spain
Inferred Resources*	66Mt at 2.57% Cu eq.
Growth	Strong exploration upside potential in the immediate surroundings. Recent discovery of the Majadales sulphide body

* Historical data

In 2020, Atalaya entered into a definitive purchase agreement to acquire the Masa Valverde polymetallic project in Huelva. The mining rights are owned by Atalaya Masa Valverde, S.L.U. a fully owned subsidiary of Atalaya.

Proyecto Touro

Ownership	10% with an earn-in agreement up to 80%
Mine Activity	Open pit mining in permitting stage
Commodity	Cu, Ag
Location	A Coruña, Spain
Ore Reserve*	~392 kt Cu (\$2.60/lb)
M, I&I Resources*	~680 kt Cu
Growth	Option to acquire 100% of the adjacent exploration concessions

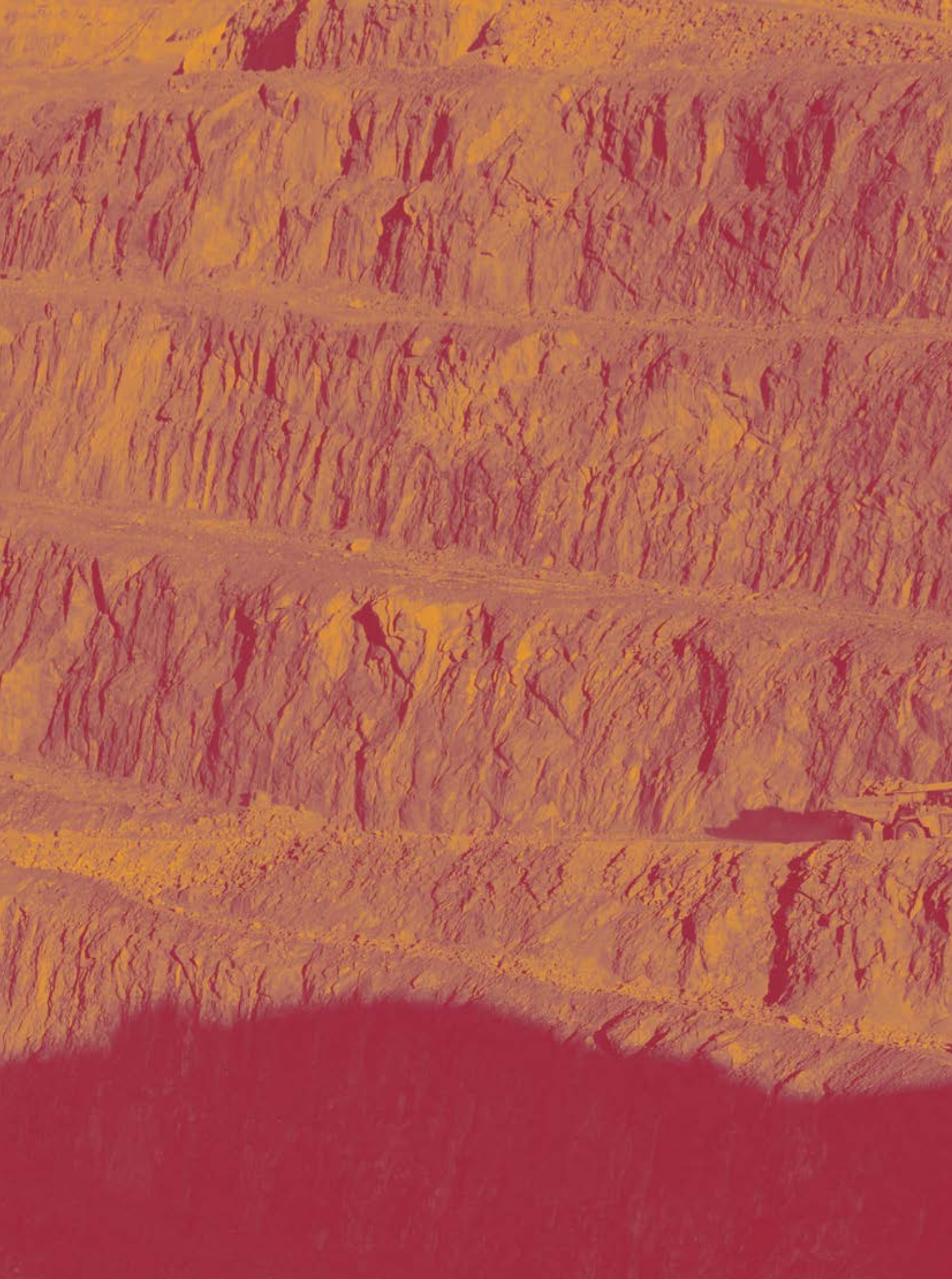
* NI 43-101 dated April 2018

In 2017, Atalaya signed a phased, earn-in agreement for up to 80% ownership of Proyecto Touro, a brownfield copper project in northwest Spain. The mining rights are owned by Cobre San Rafael, S.L.

Proyecto Ossa Morena

Ownership	51%
Mine Activity	Open pit mining in exploration stage
Commodity	Cu, Au and Fe
Location	Huelva, Spain
Resources*	23 Mt at 0.53% Cu, 0.15 g/t Au 11.2% Fe
Growth	Strong exploration upside potential in the immediate surroundings

* Historical data



Management Report

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Basis of Reporting

The Board of Directors of Atalaya Mining Plc (the “Company” or “Atalaya”) presents its Group’s and Company’s Management Report together with the audited consolidated financial statements (hereinafter “financial statements”) of the Company and its subsidiaries (the “Group”) and the separate financial statements of the Company for the year ended 31 December 2021. These documents can be found on the Atalaya website at www.atalayamining.com.

The Company is a Cypriot incorporated public company with a primary listing on AIM of the London Stock Exchange and a secondary listing on the TSX of the Toronto Stock Exchange. The Group’s and Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. For the year ending 31 December 2021, the standards applicable for IFRS’s as adopted by the EU are aligned with the IFRS’s as issued by the IASB. The currency referred to in this document is the Euro (“EUR”), unless otherwise specified.

Introduction

This report provides an overview and analysis of the financial results of operations of the Group, to enable the reader to assess material changes in the financial position between 31 December 2020 and 31 December 2021 and the results of operations for the twelve month periods ended 31 December 2020 and 31 December 2021.

These documents can be found on the Atalaya website at www.atalayamining.com

Forward Looking Statements

This report may include certain “*forward-looking statements*” and “*forward-looking information*” applicable under 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 all required third party regulatory and governmental approvals that 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 be correct. Factors that 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.

Alternative Performance 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 discounts and other features governed by the offtake agreements of the Group and all discounts or premiums 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.

Operational Review

Proyecto Riotinto

The following table presents a summarised statement of operations of Proyecto Riotinto for the twelve month periods ended 31 December 2021 and 2020.

Units expressed in accordance with the international system of units (SI)	Unit	2021	2020
Ore mined	t	13,535,470	13,604,801
Ore processed	t	15,822,610	14,833,916
Copper ore grade	%	0.41	0.45
Copper concentrate grade	%	20.72	21.83
Copper recovery rate	%	85.97	84.53
Copper concentrate	t	270,713	256,001
Copper contained in concentrate	t	56,097	55,890
Payable copper contained in concentrate	t	53,390	53,330
Cash cost	\$/lb payable	2.18	1.95
All-in sustaining cost	\$/lb payable	2.48	2.21

Notes

There may be slight differences between the numbers in the above table and the released quarters Operations Update due to rounding. Available on Atalaya's website at www.atalayamining.com

Mining and Processing

Mining

Despite COVID-19, mining operations have continued normally with enough equipment on site to maintain the higher production levels required for the full operation of the expanded plant. Ore mined in 2021 was in line with the previous year at 13.5 million tonnes compared to 13.6 million tonnes.

Atalaya's operating budget for 2022 was set in early December 2021 based on certain economic assumptions of expected inflation, particularly with respect to energy costs.

Processing

During FY2021, the plant continued to operate above nameplate capacity of 15 Mtpa and processed 15.8 million tonnes of ore with an average copper head grade of 0.41% and a recovery rate of 85.97%. In comparison to FY2020, the increased throughput and metallurgical recoveries more than offset the lower copper grades. In Q4 2021, 3.9 million tonnes of ore were processed, reporting a consistent quarterly throughput.

Copper concentrate grade for 2021 was 20.72%, in line with expectations and slightly below the previous year's (21.83%).

Concentrate production for 2021 was 270,713 tonnes compared to 256,001 tonnes in 2020. Contained copper was 56,097 tonnes compared to 55,890 tonnes in 2020. Copper payable amounted to 53,390 tonnes from 53,330 tonnes in 2020.

On-site concentrate inventories at 31 December 2021 were approximately 5,254 tonnes (12,180 tonnes at 31 December 2020) which has been fully sold in January 2022. All concentrate in stock was delivered to the port at Huelva.

Exploration and Geology

Work is ongoing on the preparation of a NI 43-101 compliant technical report for the Cerro Colorado, San Dionisio and San Antonio deposits. A significant portion of the resources at San Dionisio is potentially mineable by open pit and further polymetallic mineralization could be exploited using underground mining methods at both the San Dionisio and San Antonio deposits.

Current indications show there is good potential for it to be mined with a combination of open pit and underground methods. San Dionisio contains copper as well as polymetallic mineralisation.

→ Proyecto Touro

Proyecto Touro is a high quality past producing copper project located in Galicia, northwest Spain, and is in the permitting process.

In 2021, the Company focused on engaging with local and regional stakeholders on a variety of matters. As part of this engagement, the Company began during the Period, the construction of a new water treatment and monitoring system that will restore the legacy water runoff from the historical mine.

The Company continues to be confident that its development approach to Proyecto Touro is in line with international best practice and is working towards the submission of the Environmental Impact Evaluation for the new enhanced project design.

→ Proyecto Riotinto Este

Investigation permits were granted during 2021 and the Company now has access to two of the three investigation permits at Riotinto Este: Cerro Negro and Los Herreros. The third investigation permit, Peñas Blancas, continues to progress and is expected to be granted in the coming months.

An electromagnetic airborne geophysical survey has started. The survey will be covering the investigation permits area located immediately east of Proyecto Riotinto and along the same structural and stratigraphic setting.

→ Proyecto Masa Valverde

As announced on 6 October 2021, exploration work continues at Proyecto Masa Valverde, which includes the Masa Valverde polymetallic deposit, the Majadales discovery and the Campanario-Descamisada area.

Following positive drilling results, including high grade intercepts within broad intervals of massive and stockwork type polymetallic sulphide mineralization at both Masa Valverde and Majadales, the Company decided to expand its drilling campaign beyond the 8,000 meters originally planned. Updates on the drilling results will be disclosed to the market in due course and as appropriate.

These drilling results will be incorporated into the NI 43-101 compliant report for Proyecto Masa Valverde that is currently being prepared by CSA Global and expected during H1 2022.



E-LIX Update

On 6 June 2021 the Board of Directors approved the construction of the first phase of an industrial-scale plant that utilises the E-LIX System, which will produce high value copper and zinc metals from the complex sulphide concentrates sourced from Proyecto Riotinto.

E-LIX has the potential to unlock significant value from Atalaya's portfolio of polymetallic resources in the Proyecto Riotinto district by materially increasing the recoveries of copper, zinc, lead and precious metals from complex sulphide ores.

The plant has a construction budget of €12 million and will have the capacity to produce between 3,000 and 10,000 tonnes of copper or zinc metal per year. The production of high-purity metals on-site will reduce the transportation costs, treatment charges and penalties associated with producing and delivering conventional concentrates.

The plant is expected to be fully operational, including commissioning, in 2022.

COVID-19 Impact

Management continues to monitor the impact of COVID-19 on the operations and the ongoing cost structure and will update the market with any changes in expectations. Despite of restrictions the Company has not experienced any significant impact during 2021 due to COVID-19 and does not expect have any significant impact in the future.

It is Atalaya's priority to protect its workforce and the local communities surrounding both Proyecto Riotinto and Proyecto Touro. Atalaya has followed and continues following the requirements and recommendations issued by the Government of Spain and the regional and local health authorities at all times to reduce the risk of COVID-19 exposure and avoid the spread of the virus.

Solar Plant

On 24 September 2020 the Company announced that it started the permitting process to develop a 50MW solar plant at its Proyecto Riotinto. The full capacity of the Solar Project will be used for self-consumption.

Permitting of the solar plant for self-consumption has been obtained in March 2022 and the construction has subsequently started.

Corporate Updates 2021

On 15 March 2021, the Company announced the payment of the €53 million (the *"Deferred Consideration"*) to Astor Management, AG (*"Astor"*) following the approval of its Board of Directors. This amount arises from arrangements entered into with Astor in 2008 in relation to Proyecto Riotinto.

As announced on 21 March 2022, the Company received the formal Judgment from the High Court of Justice in relation to the Claim by Astor for residual interest arising out of the payment of €53 million to Astor.

The Judgment which puts an end to the litigation between the parties, clarifies the basis for calculating the interest due and confirms that it is payable by the Company. As a result, Atalaya expects the interest to be paid to be in the range of €10 million to €11.7 million.

On 27 October 2021, Atalaya announced that the Company's Board of Directors approved its inaugural dividend (the *"Inaugural Dividend"*) as well as the adoption of a future dividend policy (*"Dividend Policy"*) that will take effect from 2022.

On 21 December 2021, Atalaya announced that it had entered into a purchase agreement to acquire 51% of Rio Narcea Nickel S.L. and additional investigation permits.

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 Basis of Reporting. The Company is aware that the COVID-19 pandemic and the geopolitical developments in Ukraine and its impact on energy prices may still have further effects or impact how the Company can manage its operations and is accordingly

keeping its guidance under regular review. Should the Company consider the current guidance no longer achievable, then the Company will provide a further update.

Proyecto Riotinto operational guidance for 2022 and 2021 is as follows:

	Unit	Guidance 2022	Actual 2021	Guidance 2021
Ore mined	million tonnes	15.5	13.5	13.2
Waste mined	million tonnes	23.4	30.5	30.0
Ore processed	million tonnes	15.2 - 15.8	15.8	15.5 - 16.0
Copper ore grade	%	0.42	0.41	0.42
Copper recovery rate	%	83 - 86	85.97	84 - 86
Contained copper	tonnes	54,000 - 56,000	56,097	54,000 - 56,000
Cash costs	\$/lb payable	2.25 - 2.80	2.18	2.15 - 2.25
All-in sustaining cost	\$/lb payable	2.50 - 3.05	2.48	2.50 - 2.65

Atalaya's operating budget for 2022 was set in early December 2021 based on certain economic assumptions of expected inflation, particularly with respect to energy costs.

On this basis, full year 2022 copper production is estimated to be in the range of 54,000 to 56,000 tonnes.

Grade mined during 2022 is expected to be slightly higher than in 2021 owing to pit sequencing. In addition, the plant optimisation initiatives mentioned below are expected to further support copper production.

As a result of actual electricity costs in early 2022, the Company is providing cash cost and AISC guidance that reflects a range of outcomes of potential energy costs for the full year. Cash costs for 2022 are expected to be in the range of \$2.25/lb – \$2.80/lb. AISC for 2022 is expected to be in the range of \$2.50/lb – \$3.05/lb copper payable. In addition, the Company expects to spend approximately €12.5 million in 2022 as part of the project to increase the capacity of the tailing dam. AISC are presented net of the one-off project to increase the capacity of the tailing dam.

Financial Review

Income Statement

The following table presents a summarised consolidated income statement for the twelve months period ended 31 December 2021, with comparatives and comparison with the twelve months ended 31 December 2020.

(Euro 000's)	Twelve months ended 31 Dec 2021	Twelve months ended 31 Dec 2020
Revenues from operations	405,717	252,784
Total operating costs	(192,972)	(176,300)
Corporate expenses	(9,715)	(6,854)
Exploration expenses	(1,800)	(1,661)
Care and maintenance expenditure	(2,116)	(525)
EBITDA	199,114	67,444
Depreciation/amortisation and impairment	(32,276)	(31,683)
Impairment loss on other receivables	-	(49)
Net foreign exchange gain/(loss)	6,589	(3,826)
Net finance cost	(13,600)	(144)
Tax charge	(27,601)	(1,352)
Profit for the year	132,226	30,390

Revenues for FY2021 amounted to €405.7 million (FY2020: €252.8 million).

Copper concentrate production during FY2021 was 270,713 tonnes (FY2020: 256,001 tonnes) and 277,792 tonnes of copper concentrate were sold in the same period (FY2020: 258,021 tonnes). The increase was mainly attributed to improved recoveries, higher processing levels and ongoing optimisation.

The realised price for the twelve-months period in 2021 was \$4.14/lb copper compared to \$2.70/lb copper in the same period of 2020. Concentrates were sold under offtake agreements in place. The Company did not enter into any hedging agreements in either 2021 or 2020.

Operating costs for FY2021 amounted to €193.0 million, compared to €176.3 million in FY2020. Higher costs in 2021 were mainly attributable to the increase in production volumes plus more tonnes of waste extracted resulting in higher unit costs.

Cash costs of \$2.18/lb payable copper for FY2021, were higher than \$1.95/lb payable copper in the same period last year. Higher cash costs in 2021 were mainly attributable to higher mining costs that resulted from higher strip ratio compared to 2020, longer distances and, to a lower extent, higher freight rates. AISC excluding investment in tailings dam previously reported as sustaining capex for FY2021 was \$2.48 /lb payable copper compared to \$2.21/lb payable copper in the FY2020. Higher AISC mainly related to higher underlying cash costs as well as additional investments in sustaining capex and higher stripping costs.

Sustaining capex for FY2021, included in capital expenditure, amounted to €5.9 million (FY2020: €5.5 million). Sustaining capex mainly accounted for enhancements in processing systems. In addition, the Company invested €14.1 million (FY2020: €11.0 million) in the project to increase the tailings dam.

Corporate costs for FY2021 were €9.7 million, compared to €6.9 million for FY2020. Increase mainly related to the investment in E-LIX project.

Exploration costs related to the Proyecto Riotinto for FY2021 amounted to €1.8 million, compared to €1.7 million in the same period last year. Main works related to exploration works in Atalaya Masa Valverde.

Care and maintenance costs for FY2021 amounted to €2.1 million, compared to €0.5 million for FY2020. The increase is mainly related to Proyecto Touro.

EBITDA for FY2021 amounted to €199.1 million, compared to EBITDA of €67.4 million for FY2020. The increase is mainly attributed to higher commodity prices and larger volumes of concentrate sold offset by higher cash costs.

Depreciation, amortisation and impairment of assets amounted to €32.3 million for FY2021 (FY2020: €31.7 million). Marginally higher depreciation costs were mainly driven by the increase of plant treated.

Net finance costs for FY2021 amounted to negative €13.6 million (FY2020: negative €144k).



Financial Position

(Euro 000's)	31 Dec 2021	31 Dec 2020
ASSETS		
Non-current assets	402,459	399,611
Other current assets	74,948	66,853
Tax refundable	483	815
Cash and cash equivalents	107,517	37,767
Total Assets	585,407	505,046
Shareholders' Equity	435,898	350,199
LIABILITIES		
Non-current liabilities	68,991	31,508
Current liabilities	80,518	123,339
Total Liabilities	149,509	154,847
Total Equity and Liabilities	585,407	505,046

Assets

Total assets were €585.4 million as at 31 December 2021, compared to €505.0 million as at 31 December 2020, an increase of €80.4 million. The Group's significant assets are its mining rights and mining plant at Proyecto Riotinto. Cash and cash equivalents increased mostly due to higher production and copper prices.

Non-current assets as at 31 December 2021 amounted to €402.0 million (2020: €399.6 million). These comprise €333.1 million of PP&E (2020: €327.2 million), €57.4 million of intangible assets (2020: €59.8 million), €5.3 million of non-current receivables (2020: €2.7 million), €1.1 million of non-current financial assets (2020: €1.1 million) and €5.5 million of deferred tax assets (2020: €8.8 million).

Other current assets as at 31 December 2021 amounted to €75.0 million (2020: €66.9 million), out of which €50.1 million (2020: €43.2 million) related to trade and other receivables and €24.9 million (2020: €23.7 million) related to spare parts and ore in stockpile classified as inventories.

Trade and other receivables comprise €8.9 million of sales of copper concentrate receivables from third parties (2020: €20.3 million), €20.3 million (2020: €4.0 million) related to sales of copper concentrate receivables from related parties, €17.3 million (2020: €15.8 million) related to VAT due from authorities in Spain and Cyprus; €3.3 million (2020: €2.5 million) related to prepayments and other current assets amounted to €0.4 million (2020: €0.6 million).

Liabilities

Non-current liabilities stood at €69.0 million as at 31 December 2021 compared to €31.5 million as at 31 December 2020. Non-current liabilities mainly represent the rehabilitation provision amounting to €26.3 million as at 31 December 2021 (2020: €24.6 million). In addition to the rehabilitation provision, non-current liabilities included the long term portion of borrowings of €34.1 million (2020: €nil million), the long-term portion of leases €4.9 million (2020: €4.8 million), legal provisions €0.3 million (2020: €0.6 million), and trade payables of €3.5 million (2020: €1.4k).

The increase in non-current liabilities is mainly due to the long-term portion of the borrowings taken out during 2021 to finance the repayment of the Deferred Consideration which had been included in current liabilities at the end of 2020.

Current liabilities amounted to €80.5 million at 31 December 2021 (2020: €123.3 million). Current liabilities balance is comprised of the borrowings related to the payment of the Deferred Consideration to Astor €13.4 million (2020: €53.0 million) and trade and other payables amounting to €66.2 million (2020: €68.4 million) of which €49.7 million related to suppliers (2020: €63.9 million); €16.3 million related to accruals (2020: €4.4 million) and €0.2 million (2020: €0.1 million) related to other current payables. Other current liabilities include current tax liabilities.

Results

The Group's and Company's consolidated results are set out on [page 100](#).

Distribution of Profits and Dividend

The Board of Directors declared on 27 October 2021 an Interim Dividend of US\$0.395 cents per share, equivalent to €47.3 million (2020: €nil). The dividend was paid on 1 December 2021.

Liquidity and Capital Resources

Atalaya monitors factors that could impact its liquidity as part of the Company'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 2021 and 2020, and cash flows for the twelve months ended 31 December 2021 and 2020.

(Euro 000's)	31 Dec 2021	31 Dec 2020
Unrestricted cash and cash equivalents at Group level	48,375	24,519
Unrestricted cash and cash equivalents at Operation level	43,722	13,248
Restricted cash and cash equivalents at Operation level	15,420	-
Consolidated cash and cash equivalents	107,517	37,767
Net cash / (debt) position	60,073	(15,233)
Working capital surplus/(deficit)	102,430	(17,904)

Unrestricted cash and cash equivalents as at 31 December 2021 increased to €92.1 million from €37.8 million at 31 December 2020. The increase in cash balances is due to the strong cash flows generated during 2021. Cash balances are unrestricted and include balances at operational and corporate level. Restricted cash of €15.4 million is related to the sum that the Company transferred to a trust account representing the full amount of interest claimed by Astor to 30 June 2022, as detailed in the note on Deferred Consideration.

As of 31 December 2021, Atalaya reported a working capital surplus of €102.4 million, compared with a working capital deficit of €17.9 million at 31 December 2020. The main liability of the working capital is trade payables related to Proyecto Riotinto contractors to a lesser extent, short-term loans

following the drawdown of credit facilities during Q1 2021. The increase in working capital resulted from higher cash balances as well as payment of the Deferred Consideration, which was included in current liabilities at the end of 2020, by utilising long-term credit facilities to fund the early payment of the Deferred Consideration. At 31 December 2021, trade payables have been decreased by 3% compared with the same period last year.

The Directors consider current net cash position as well as the existing levels of the commodity prices and the current liquidity position to mitigate any potential financial risks linked to the liquidity position of the Company.

Overview of the Group's Cash Flows

(Euro 000's)	Twelve months ended 31 Dec 2021	Twelve months ended 31 Dec 2020
Cash flows from operating activities	148,841	62,916
Cash flows used in investing activities	(87,531)	(30,160)
Cash flows from financing activities	1,851	760
Net foreign exchange differences	6,589	(3,826)
Net increase in cash and cash equivalents	69,750	29,690

Cash and cash equivalents increased by €69.8 million in the twelve months period ended 31 December 2021. This increase was due to cash from operating activities amounting to €148.8 million, cash used in investing activities amounting to €87.5 million and cash generated by financing activities totalling €1.9 million, and net foreign exchange of €6.6 million.

Cash generated from operating activities before working capital changes was €200.3 million in line with EBITDA of €199.1 million. Atalaya increased its trade receivables by €8.8 million and its inventory levels by €1.2 million and trade payables decreased in the period by €14.4 million. Corporate tax paid during the period was €25.8 million.

Investing activities in 2021 amounted to €87.5 million, relating mainly to the early payment of the Deferred Consideration to Astor and the capitalised expenditure relating to the tailings dam project and continuous enhancements to the processing systems of the plant.

Financing activities in 2021 amounted to €1.9 million. The Company increased its financing by €49.4 million due to the use of existing unsecured credit facilities to pay the Deferred Consideration. The payment was financed by unsecured credit lines by four major Spanish banks having a three-year tenure and an average annual interest rate of approximately two per cent. This was offset by the payment of dividends of €47.3 million.

Dividends

The Board of Directors declared an Interim Dividend of US\$0.395 cents per share, equivalent to €47.3 million. The Inaugural Dividend is for the nine months ended 30 September 2021. In addition, the Board of Directors approved a dividend policy to pay between 30% to 50% of the free cash flow of Proyecto Riotinto to be applied from January 2022.

Creditors' Payment Terms

The Group does not have a specific policy towards its 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.

Treasury shares

As at 31 December 2021 and at the date of this report, the Company held nil (2020: nil) ordinary shares as treasury shares.

Foreign Exchange

In FY2021, Atalaya recognised a foreign exchange gain of €6.6 million (FY2020 loss: €3.8 million). The foreign exchange gain 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 2021	Twelve months ended 31 Dec 2020
Average rates for the periods		
GBP – EUR	0.8596	0.8897
USD – EUR	1.1827	1.1422
Spot rates as at		
GBP – EUR	0.8403	0.8990
USD – EUR	1.1326	1.2271

During 2021 and 2020, Atalaya did not have any currency hedging agreements.

Critical accounting policies, estimates, judgements, assumptions and accounting changes

The preparation of Atalaya's Financial Statements in accordance with IFRS required management to make estimates and assumptions that affected 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 2021 ([Note 3.3](#)).

Going Concern

The Directors, after reviewing different scenarios with current commodities prices, the current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities, sensitivity analyses and considering the associated uncertainties to the Group's operations have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the consolidated financial statements continue to be prepared on a going concern basis ([see Note 2.1\(b\)](#)).

During 2021, the Company has recurrently updated the market with analysis and action as a result of the COVID-19 pandemic and its impact to the Company. As of 31 December 2021, the COVID-19 pandemic continues to have an impact in the economy. However, the Directors consider the existing levels of the commodities prices and the current liquidity position of the Group mitigate any potential financial risks linked to the COVID-19 pandemic.

Management is assessing the impact of geopolitical developments as described in [Note 35](#) (Events after the reporting period). Currently no significant impact is expected in the operations of the Group although this continues to be kept under review.

Other Matters

Ruling on the Astor Litigation and Deferred Consideration

In September 2008, the Group moved to 100% ownership of Atalaya Riotinto Mineral S.L. (“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*”) with Astor Management AG (“Astor”) which included a deferred consideration of €43.9 million (the “*Deferred Consideration*”) payable as consideration in respect of the acquisition among other items. The Company also entered into a credit assignment agreement at the same time with a related company of Astor, Shorthorn AG, pursuant to which the benefit of outstanding loans was assigned to the Company in consideration for the payment of €9.1 million to Shorthorn (the “*Loan Assignment*”).

The Master Agreement has been the subject of litigation in the High Court and the Court of Appeal that concluded in November 2018. As a consequence, ARM was obliged to apply any excess cash (after payment of operating expenses, sustaining capital expenditure, any senior debt service requirements and up to US\$10 million per annum (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). “*Excess cash*” is not defined in the Master Agreement leaving ambiguity as to how it was to be calculated.

On 2 March 2020, the Company filed an application in the High Court to seek clarity on the definition of “*Excess Cash*”. The Company and Astor exchanged statements of case to set out their formal position. The trial was listed to be heard from 21 February 2022 (the “*Trial*”). Following the filing of the statements of case for the Trial, Astor applied to Court seeking an early determination (without the need for a full trial) of the dispute in relation to the “*Excess Cash*” (the “*Summary Judgment application*”). The Summary Judgment application was heard on 14-15 June 2021. The Court dismissed Astor’s application meaning the proceedings would continue to Trial.

As previously announced, during December 2020 the Board had discussions and considered an early payment of the Deferred Consideration and the Loan Assignment provided certain conditions could be met. Conditions included among others the execution of credit facilities agreements to fund the payment.

In March 2021, the Company fulfilled all conditions required by the Board and made the early payment of €53 million to Astor. The payment was fully funded by unsecured credit facilities.

The payment of the Deferred Consideration did not end the ongoing litigation as the issue as to whether any residual interest may or may not be payable remained unresolved. On 15 July 2021, the Company transferred €15.4 million to the Company’s solicitors representing the full amount of interest claimed by Astor (as at that date) covering the period up to 30 June 2022. The Company’s solicitors provided an undertaking to Astor’s solicitors to hold the full amount until settlement of the claim to interest or judgment following the Trial. The Company understands the monies held on client account by the Company’s solicitors safeguard the maximum outstanding liability to Astor in relation to the Master Agreement. On that basis, and because the Consideration has been paid in full in accordance with the Master Agreement, the Company treats itself as free of the obligations set out at clauses 6(g)(iv)(A) and 6(g)(iv)(B) in the Master Agreement.

On 21 March 2022, further to the Trial which took place between 21 February and 1 March 2022, Judgment was handed down. The Judgment deals with matters of principle. The points that the Judge has decided will dictate the amount of interest that is payable.

On the basis of the principles set out in the Judgment, the parties are in the process of determining the correct interest calculation. It is clear that an amount will be payable in respect of interest. A consequential hearing is due to be listed on the earliest convenient date after 28 March 2022. The Company has agreed to pay Astor’s costs of the proceedings.

As at 31 December 2021, the Group had accrued interest amounting to €11.7 million, representing the interest calculation proposed by Astor. Atalaya is currently working to calculate the correct interest figure with a view to agreeing the amount with Astor in accordance with the Judgment. Atalaya expects the interest due to Astor following the Judgment to be in the range of approximately €10 million to €11.7 million.

Both parties have a right to appeal the Judgment if granted leave to do so.

Share Capital Structure

During 2021, the Company had the following weighted average number of shares outstanding and commitments to issue shares:

	Weighted No. of Ordinary Shares
Ordinary shares	138,235,959
Options	3,841,750
Diluted	142,077,709

In June 2021, the Company granted 1,150,000 share options (2020: 1,050,000 share options) to the key management and employees.

In 2021, Atalaya increased its share capital by 95,250 shares (2020: 801,583) as result of share option executions.

Details on authorised and issued share capital are disclosed in [Note 22](#) of the financial statements.

Significant shareholders

The shareholders holding more than 5% (directly or indirectly) of the issued share capital as of 31 December 2021 are:

	Ordinary Shares 000's	%
Urion Holdings (Malta) Ltd (subsidiary of Trafigura)	30,821	22.30
Yanggu Xiangguang Copper Co. Ltd	30,706	22.21
Cobas Asset Management, SGIIC, S.A.	6,959	5.03

Between 31 December 2021 and the date of approval of the consolidated and Company financial statements there have been changes on the share capital holding as result of certain issuances of share capital in January 2022 due to share option executions.

	Ordinary Shares 000's	%
Urion Holdings (Malta) Ltd (subsidiary of Trafigura)	30,821	22.04
Yanggu Xiangguang Copper Co. Ltd	30,706	21.96
Cobas Asset Management, SGIIC, S.A.	6,959	4.98

Related parties

The Group has transactions with related parties in sales and other nature associated with its business, as disclosed in [Note 31](#).

Environmental

The Group is committed to conducting its business in accordance with the spirit and letter of all applicable environmental laws and regulations. The Group has the obligation to restore the operating locations. 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 ([Note 26](#)).

Articles of association

The Company's Articles of Association may only be amended by Special Resolution at the Annual General Meeting or at an Extraordinary General Meeting.

Political and Charitable Donations

The Group made no political donations during the year ended 31 December 2021 (2020: €nil). During 2021 the Group made charitable donations amounted to €nil (2020: €18k). In addition, Atalaya contributes through its Foundation to financing projects that benefit local communities in cooperation with local municipalities based on our Corporate Social Responsibility.

Research and Development Activities

Atalaya carries out research and development activities that are necessary to support and expand the operations.

Existence of Branches

The Group does not operate any branches.

Internal Controls

The Audit and Financial Risk Committee, established by the Board of Directors, is responsible for reviewing and assessing the adequacy of the overall internal control systems and accounting procedures of the Company including reviewing the Company's procedures for internal control.

Statement of Corporate Governance

The Group and the Company give 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.

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

Corporate Governance Code

The QCA code is inherent to the Company's foundation and Atalaya's medium and long-term success depends on its compliance with the QCA code and with its forward looking and long-term objectives.

The Company has adopted a code of standards since its inception for Directors' dealings which is appropriate for a TSX and AIM listed company. The Directors do 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.

The Board reviews and is in frequent contact with the CEO and with other representatives of the Company to see if the Company and its employees are in a healthy working environment and to check if the state of the culture represents its values.

The Company is incorporated in Cyprus, so it is subject to Cypriot laws and regulations, and is subject to the regulations of AIM and TSX, its trading platforms. There is no conflict there and in fact makes it easier to be more transparent and straightforward with its shareholders.

Quoted Company Alliance (QCA)

The QCA is an independent membership that “*champions the interests of small to mid-size listed companies*”. The QCA represents companies employing around 1.4 million workers and they set out the guidelines of independence and transparency for said businesses.

In 2018, the QCA issued an updated version of its Corporate Governance Code. This version of the Code includes 10 corporate governance principles that companies should follow, and step-by-step guidance on how to effectively apply these principles.

Please refer to the [Corporate Governance Report](#) for further details.

Directors’ Responsibilities for the Financial Statements

Cyprus company law states that the Directors are responsible for the preparation of 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 judgements 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.

Composition, Responsibilities and Remuneration of the Board of Directors

The members of the Board of Directors as at 31 December 2021 and on the date of this report are presented in the Corporate Governance report. There were no significant changes in the assignment of responsibilities of the members of the Board of Directors.

For further details on the composition, responsibilities and remuneration of the Board of Directors, please refer to the [Corporate Governance Report](#).

Members of the Board of Directors

The Board of Directors, during the year 2021 comprised:

- **Roger Davey**
Independent Non-executive Chairman
- **Hussein Barma**
Independent Non-executive Director
- **Stephen Scott**
Independent Non-executive Director
- **José Sierra**
Independent Non-executive Director (***)
- **Neil Gregson**
Independent Non-executive Director (*)
- **Damon Barber**
Non-executive Director (**)
- **Jesús Fernández**
Non-executive Director
- **Harry Liu**
Non-executive Director
- **Alberto Lavandeira**
Non-Independent Chief Executive Officer

(*) On 10 February 2021, the Board of Directors appointed Neil Gregson as an independent Non-executive Director of the Company.

(**) On 12 April 2021, the Company announced that Mr. Damon Barber stepped down as a Non-Executive Director of the Company with immediate effect.

(***) On 25 March 2021, the Company announced that Dr. José Nicolas Sierra retired as Independent Non-Executive Director and as Chair of the Physical Risk Committee of Atalaya, with an effective date of 31 March 2021.



By Order of the Board of Directors,

Roger Davey
Chairman
Nicosia, 23 March 2022

Auditors

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 set their remuneration will be proposed at the next Annual General Meeting.

Company secretary

Inter Jura CY (Services) Limited serve as the Company Secretary. The Company Secretary is appointed and dismissed by the Board of Directors and all directors have a right of access to the Company Secretary. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board.

Events after the Reporting Period

Any significant events that occurred after the end of the reporting period are described in [Note 35](#) to the financial statements.



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.

- Strategic risks;
- Commercial and financial risks;
- External risks; and
- Operational risks

Atalaya’s principal risks have continued to fall within four categories:

Strategic Risks	Nature of the Risk	Mitigation of Risk
Single asset, single commodity and single country risk	The Company’s current production relates to Proyecto Riotinto, which is its single producing asset. Atalaya produces and sells copper concentrate with silver by-product. Any interruption in the producing asset may impact the Group’s results.	The operation has been producing since restart in 2016, with cash costs below the market price for copper even taking into account recent cyclical lows. Atalaya is constantly evaluating acquisitions in the mining sector, to increase the number of operations under management. The Group’s Business Development Committee reviews potential growth opportunities and transactions and approves or recommends them within authority levels set by the Board.
Lack of replacement of reserves	Atalaya must continually replace and expand its mineral resources. The depletion of its mineral reserves may not be offset by future discoveries or acquisitions.	On-going exploration campaigns currently in areas close to Proyecto Riotinto. During 2021, Atalaya incurred a total of EUR €1.8 million in exploration activities. During 2021, Atalaya has acquired surrounding deposits, including Proyecto Ossa Morena. Atalaya has also increased its exploration budget for 2022 to €10 million.
Underestimation of capex, finance and licence to operate	Atalaya’s capital expenditure at future projects may require more capital than anticipated and/or Atalaya may have difficulties in obtaining required permitting and financing, which could delay project developments.	Expansion of Proyecto Riotinto was completed in 2020. Atalaya monitors project controls to ensure that we deliver approved projects on time, on budget and in line with the defined specifications.



Commercial and Financial Risks	Nature of the Risk	Mitigation of Risk
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 Atalaya's business, operating results and prospects.	The mine's cash costs are below the market price for copper, even at recent cyclical lows. Atalaya is constantly monitoring commodity prices and revisiting hedging strategies and policies.
Inflation and cost pressure to supply chain	Recent geopolitical conflicts have result in significant increases on prices for certain product, with a particular impact on electricity prices.	Monitoring trend on prices and closing, where available long term agreement to reduce the exposure to volatility prices.
Limited number of customers	A significant portion of Atalaya's concentrate production is sold to three offtakers. Offtakers' business can significantly impact the Company's operations.	Close contact with offtakers to ensure we understand how they run their business.
Lack of control over certain key inputs	Atalaya may be unable to control the availability of key inputs such as fuel, cement and explosives, which are beyond management's influence.	The purchase department of the operating company is continually expanding their network influence to ensure our supply chain is secure.
Foreign exchange risk	Volatility in the EUR:US\$ exchange rate affects the Group's profitability.	Atalaya is continually monitoring exchange rate and revisiting hedging strategies policies.
Liquidity risk	Atalaya's operations and business model are subject to a variety of financial risks of third parties.	Manage the liquidity and financing structure in accordance with the business model. Maintain a diverse portfolio of banks and funds.

In addition to the above commercial and finance risks, please refer to [Note 3](#) of the financial statements for further details on the financial risk management policy adopted by the Group and the Company.

Operational Risks	Nature of the Risk	Mitigation of Risk
Tailing dam permitting	Mining operations depend on the permit that need to be renovated during the Life of Mine of the operation. Recent failures in mining projects worldwide and increase in regulation and standards may impact the business	Atalaya maintain communications with communities and stakeholders, including the Public Administration, and proactively invest to improve safety of the operation beyond legal standards.
Water, electricity and other key supply shortages	Atalaya's mining operations depend on the availability of water, electricity and other key inputs.	Atalaya monitors water consumption and water levels frequently. As the Company expands, Atalaya will need more water and electricity. Atalaya has undertaken a water use enlargement project in which the Company will be increasing their water resources by up to 50%.
Complexity of environmental laws	Atalaya's operations are subject to complex and evolving environmental laws and regulations and changes may increase its running costs.	Atalaya has a dedicated team that reviews any new laws and changes regularly. Atalaya has not been made aware of any imminent changes.
Cyber security	A cyber-attack could affect our systems, data bases and regular activities.	Atalaya's IT department is regularly reviewing the internal process to identify any potential attack and to minimise any potential impact. Additionally, the structure of the systems was reviewed in 2019.

External Risks	Nature of the Risk	Mitigation of Risk
<p>Political, legal and regulatory developments</p>	<p>Atalaya is 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.</p> <p>Atalaya is also subject to laws and regulations relating to taxation, customs and royalties that could have an adverse effect on its business, financial conditions and results of operations.</p>	<p>Monitoring all legal and political decisions that might impact the mining sector, by participating among peer miners in the area in professional agencies and meetings. Partner with government and local municipalities. AAU (Environmental Declaration) and mining permit have been monitored by the Company to achieve a successful result. Permit re-validated and fully resolved. Atalaya is monitoring the current situation of the environmental permit at Proyecto Touro. The Group has no operations or material exposure to the UK. Brexit has not had any appreciable impact on the Group. This position is maintained following completion of the transaction period. Recurrent meetings and analysis performed by local advisors to ensure that Atalaya monitored and anticipated taxation for significant business decisions.</p>
<p>Geopolitical conflicts</p>	<p>Recent conflicts between countries have impacted general economic conditions worldwide, including migration flows, volatility in regulated markets and inflation pressure.</p>	<p>Monitoring commodities prices and international economic variations.</p>
<p>Economic conditions</p>	<p>General economic conditions or changes in consumption patterns may adversely affect Atalaya's growth and profitability. In particular, the Chinese market, which has significant impact on the world's copper demand.</p>	<p>Monitoring commodities prices and international economic variations.</p>
<p>Public health threats</p>	<p>Public health threats such as coronavirus (COVID-19) or other epidemics or pandemics could affect the operations of the Group, the operations of the Group's customers and suppliers.</p>	<p>The Group is continuously monitoring public health threats and takes necessary steps to protect the health and safety of its staff and minimise any disruption to its operations. The Group's main measures are as follows: reduce all non-critical site visits and meetings with contractors, require employees to work remotely whenever possible and communicate any potential exposure to any health threat, follow any mandatory health and safety instructions and restrictions imposed or recommended by the Authorities to reduce exposure. It is also adhering to all measures implemented by the central and regional governments.</p>
<p>Dependence on key infrastructure</p>	<p>Atalaya is dependent on transportation facilities, infrastructure and certain suppliers, a lack of which could impact its production and development projects.</p>	<p>Atalaya's contractors are very reliable. Atalaya maintains contingency plans to ensure operations would not be affected.</p>
<p>Operational risks and hazards</p>	<p>Operational risks and hazards may adversely impact Atalaya's business, financial condition and result of operations, particularly: floods, natural disasters, industrial accidents, labour disputes, structural collapses, transportation delays and earthquakes.</p>	<p>Atalaya constantly invests in health and safety and regularly analyses ways in which to make its mine safer.</p>
<p>Labour disruptions</p>	<p>Atalaya may be adversely affected by labour disruptions.</p>	<p>Atalaya has periodic meetings with its trade unions to discuss and agree on any changes to labour conditions and concerns. Ongoing training programmes.</p>



Directors' and Officers' Statement

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Directors' and Officers' Statement

Statement by the members of the Board of Directors and the Company officers responsible for the drafting of the consolidated and Company financial statements in accordance with the provisions of the Cyprus Law 190(I)/2007 on transparency requirements.

We, the Members of the Board of Directors and the Company officers responsible for the drafting of the consolidated and Company financial statements of Atalaya Mining plc for the year ended 31 December 2021, confirm that, to the best of our knowledge:

- 1) The consolidated financial statements and the Company financial statements on pages 100 to 105:
 - a. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. For the year ending 31 December 2021, the standards applicable for IFRS's as adopted by the EU are aligned with the IFRS's as issued by the IASB, and,
 - b. give a true and fair view of the assets, liabilities, financial position and profit or loss of Atalaya Mining Plc and the undertakings included in the consolidated and Company financial statement taken as a whole; and
- 2) The Management Report includes a fair review of the development and performance of the business and the position of Atalaya Mining Plc and the undertakings included in the consolidated and Company financial statements as a whole, together with a description of the principal risks and uncertainties that they face, and
- 3) The adoption of a going concern basis for the preparation of the consolidated and Company financial statements continues to be appropriately based on the foregoing and having reviewed the forecast financial position of the Group and Company.

The Officers and the Directors of the Company as at the dated of this statement are set out below:



Alberto Lavandeira
Chief Executive Officer



César Sánchez
Chief Financial Officer

By Order of the Board of Directors



Roger Davey
Chairman

Nicosia, 23 March 2022





Strategic Report

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Letter from the Chairman



Dear Shareholder,

2021 was another year dominated by the Covid 19 pandemic with the Company maintaining, as its primary focus, the continued safety, protection, and well-being not only of our staff and contractors but also the community and our suppliers. Despite these external challenges, the operational and financial health of the Company was not overlooked and the Company continued to build on its 2020 operational track record, culminating in a record annual production for 2021 of just over 56,100 tonnes of contained copper.

The average process plant feed grade of 0.41% copper and the process recovery rate of 86% were consistent with reserve estimates and budgeted figures. Cash Costs and All-in Sustaining Costs for 2021 of \$2.18/lb and \$2.48/lb respectively, were below the lower end of the revised 2021 cost guidance, mainly due to the combination of the U.S. dollar strengthening against the Euro and higher copper tonnes produced. The open pit mining schedule is supporting a slightly higher mined grade for 2022 and with process plant optimisation initiatives expected to further support copper production, output guidance has been set at 54,000 to 56,000 tonnes of contained copper for 2022.

The executive team was able to capitalise not only on the continued high level of operational performance but also the higher copper price scenario during 2021 with revenue increasing to €405.7 million from €253.8 million in 2020, and EBITDA for 2021 of €199.1 million, compared to €67.4 million in 2020. The resulting free cash flow generated enabled the Company to reward investors with an inaugural dividend pay-out of €47.3 million, equivalent to \$0.395 per share, in December. Despite the previously announced payment of the deferred consideration to Astor, the Company finished the year with net cash of €60.1 million and in a robust position, based on consensus copper pricing, to maintain a future meaningful and sustainable dividend policy of 30% to 50% of Free Cash Flow.

The completion and implementation of flotation circuit improvements and the installation of additional tailings thickening capacity to reduce freshwater consumption, with consequent reduction in lime consumption, have combined to reduce overall power consumption and carbon footprint. As well as being economically advantageous, the completion of the permitting and the integration of the planned 50 MW solar plant on site will be a significantly factor, and major contributor to the attainment of corporate sustainability objectives.

Mine site exploration and infill drilling continued with successful replacement of mineable reserves and maintenance of mine life despite the increased rate of mining depletion.

For additional growth prospects the Company is currently focusing on four main projects. In the north of Spain, at Proyecto Touro, the Company is engaging with local and regional stakeholders whilst progressing, according to internationally recognised best practice, with the preparation and submission of the Environmental Impact Evaluation for the revised project. In the south, at Proyecto Masa Valverde, exploration work is ongoing, with encouraging drilling results. An electromagnetic airborne geophysical survey which started at the end of 2021 has now been completed, covering investigation permits located immediately east of Proyecto Riotinto. Several anomalies have been identified by the survey for follow-up exploration drilling. In December, the Company announced the acquisition of a 51% interest in Rio Narcea Nickel S.L., establishing a presence in the Ossa Morena Metallogenic Belt in the southwest of Spain, an area that includes the Alconchel copper-gold project.

In January of this year, the Company announced the start of construction of an industrial-scale E-LIX plant at Proyecto Riotinto. The plant will utilise the E-LIX System, an extraction process developed, patented and owned by Lain Technologies Ltd, to produce copper and zinc metals from sulphide concentrates. E-LIX has the potential to unlock significant value from the Company's portfolio of polymetallic resources in the Proyecto Riotinto district by materially increasing the recoveries of copper, zinc, lead and precious metals from

complex sulphide ores. The plant has a construction budget of €12 million and will have the capacity to produce up to 10,000 tonnes of metal annually, depending on the copper/zinc mix, thus reducing the transportation costs and treatment charges and penalties associated with producing and delivering conventional concentrates.

I would like to take this opportunity to express our appreciation for the continued dedication and commitment of the management and staff who have been responsible for such excellent results in this difficult year. At the same time, I would like to thank not only the board members for their continued support, guidance and close involvement with the Company activities, but also our valued shareholders for their continued and appreciated support. Dr. José Sierra López retired from the board during the year. In addition, Mr. Damon Barber stepped down in April 2021. On behalf of the Board I would like to take this opportunity to thank both for their efforts and assistance over the many years with the Company and wish Dr. José Sierra well in his retirement, and at the same time to welcome Neil Gregson to the Board.

To date, 2022 is seeing considerable inflationary pressures, with increased volatility in both costs and commodity markets as a result of the recent geopolitical events in Ukraine. Nevertheless, commodity prices remain strong and strengthened by the experience and improvements achieved over these last two difficult years, we look forward with confidence to continuing investment in our portfolio of projects to continue the growth path, and increase the value, of your Company.



Roger Davey

Chairman of Atalaya Mining Plc
23 March 2022

Market Overview

Copper Definition (as defined by ICSG)

Copper is a malleable and ductile metallic element that is an excellent conductor of heat and electricity as well as being corrosion resistant and antimicrobial. Copper occurs naturally in the Earth’s crust in a variety of forms. It can be found in sulphide deposits (as chalcopyrite, bornite, chalcocite, covellite), in carbonate deposits (as azurite and malachite), in silicate deposits (as chrysocolla and diopside) and as pure “native” copper.

Copper and copper-based alloys are used in a variety of applications that are necessary for a reasonable standard of living. Its continued production and use is essential for society’s development. How society exploits and uses its resources, while ensuring that tomorrow’s needs are not compromised, is an important factor in ensuring society’s sustainable development.

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Cu

Copper

Atomic weight
63.54

Density
8,960 kg/m³

Melting point
1,356 K

Copper market (source ICSG)

Historical mine production in thousand Metric Tonnes Copper.

Year	Copper (kt)
2002	13,487 kt
2003	13,699 kt
2004	14,594 kt
2005	14,927 kt
2006	14,983 kt
2007	15,508 kt
2008	15,532 kt
2009	15,941 kt
2010	15,987 kt
2011	15,960 kt
2012	16,687 kt
2013	18,185 kt
2014	18,422 kt
2015	19,153 kt
2016	20,393 kt
2017	20,058 kt
2018	20,565 kt
2019	20,528 kt
2020	20,634 kt
2021	21,000 kt*

* According to the preliminary data released by the U.S. Geological Survey (USGS), estimated global mine production of copper was 21 million tonnes in 2021, or 2% higher than in 2020 (20.6 million tonnes).

Top five copper mine production countries (2021)



Major international trader flows of copper ores and concentrates (source ICSG)

Major Exporters of Copper Ores and Concentrates, 2020



Major Importers of Copper Ores and Concentrates (2020)



The uses of Copper

source ICSG

→ Electrical

Copper is the best nonprecious metal conductor of electricity as it encounters much less resistance compared with other commonly used metals. It sets the standard to which other conductors are compared.

→ Construction

Copper and brass are the materials of choice for plumbing, taps, valves and fittings. Thanks in part to its aesthetic appeal, copper and its alloys, such as architectural bronze, is used in a variety of settings to build facades, canopies, doors and window frames.

→ Consumer and General Products

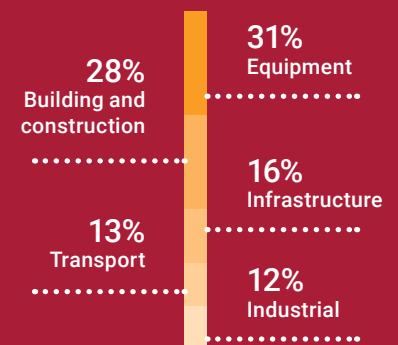
Copper and copper-based products are used in offices, households and workplaces. Computers, electrical appliances, cookware, brassware, and locks and keys are just some of the products exploiting copper's advantages.

→ Electronics and Communications

Copper plays a key role in worldwide information and communications technologies. HDSL (High Digital Subscriber Line) and ADSL (Asymmetrical Digital Subscriber Line) technology allows for high-speed data transmission, including internet service, through the existing copper infrastructure of ordinary telephone wire.

→ Industrial Machinery and Equipment

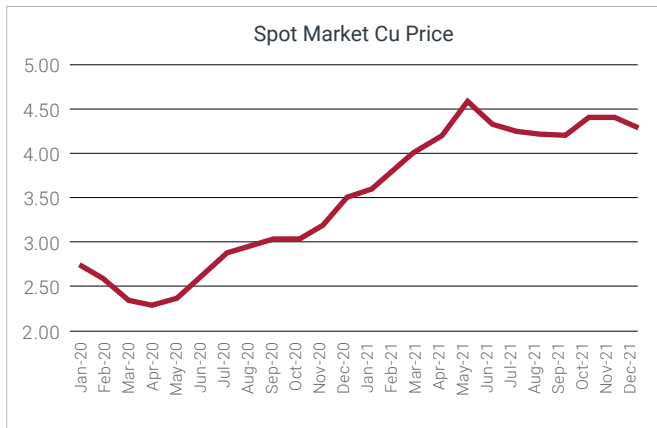
Wherever industrial machinery and equipment is found, it is a safe bet that copper and its alloys are present. Due to their durability, machinability and ability to be cast with high precision and tolerances, copper alloys are ideal for making products such as gears, bearings and turbine blades.



→ Transportation

All major forms of transportation depend on copper to perform critical functions. Copper-nickel alloys are used on the hulls of boats and ships to reduce marine fouling, thereby reducing drag and improving fuel consumption. Automobiles and trucks rely on copper motors, wiring, radiators, connectors, brakes and bearings.

Market Price



In 2021, copper traded between \$3.62 and \$4.62 per pound of copper. The spot price for copper was \$3.62 as in January 2021 and \$4.62 as in May 2021, reflecting an increase of 27.8% for the period. The average market price for 2021 of \$4.23/lb, 51.0% higher than the average for 2020.

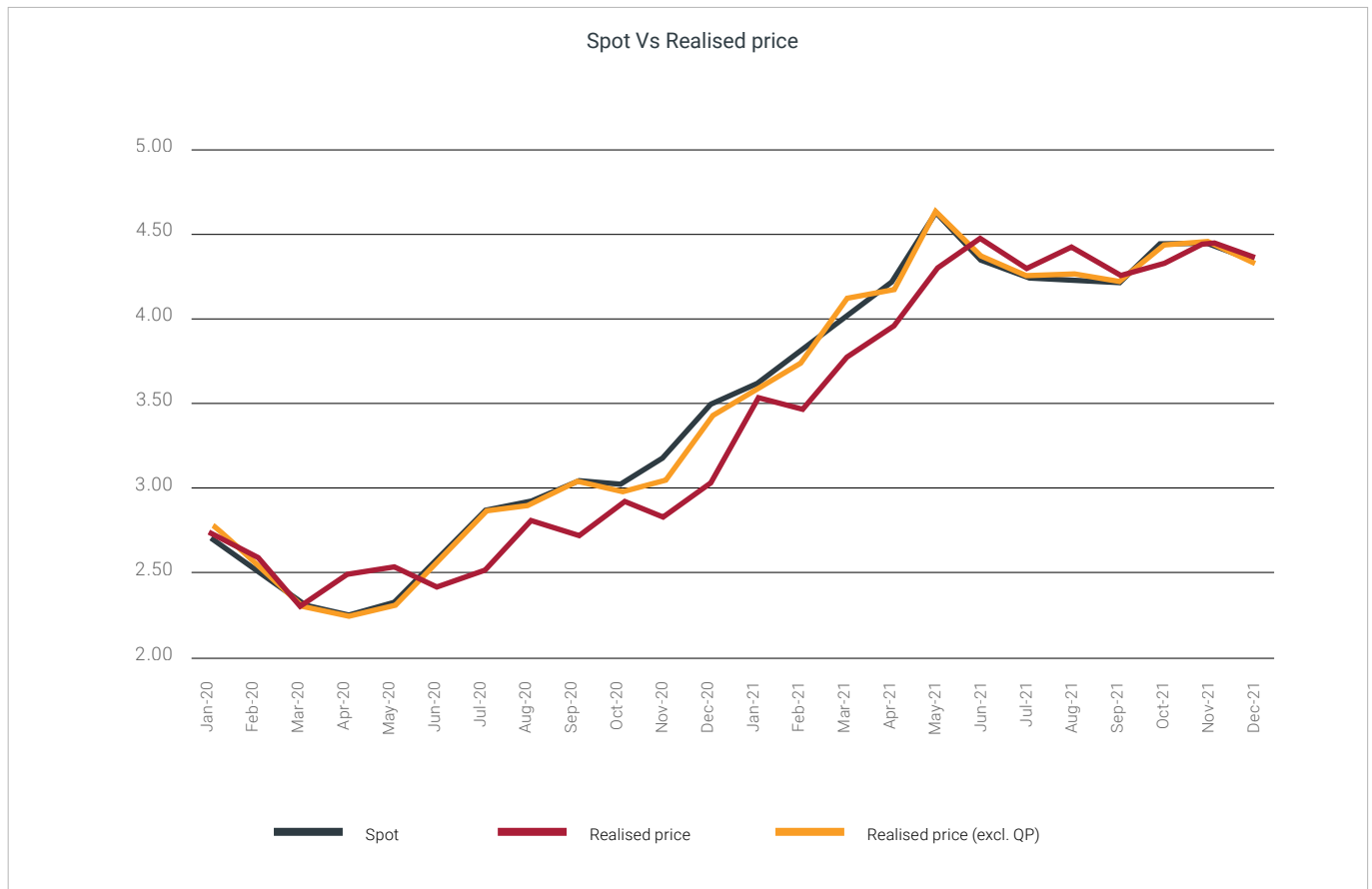
The market copper price has a significant impact on Atalaya's ability to generate positive operating cash flows.

Realised Copper Prices

The average prices of copper for 2021 and 2020 were:

(USD)	2021	2020
Realised copper price per lb	4.14	2.70
Market copper price per lb (period average)	4.23	2.80

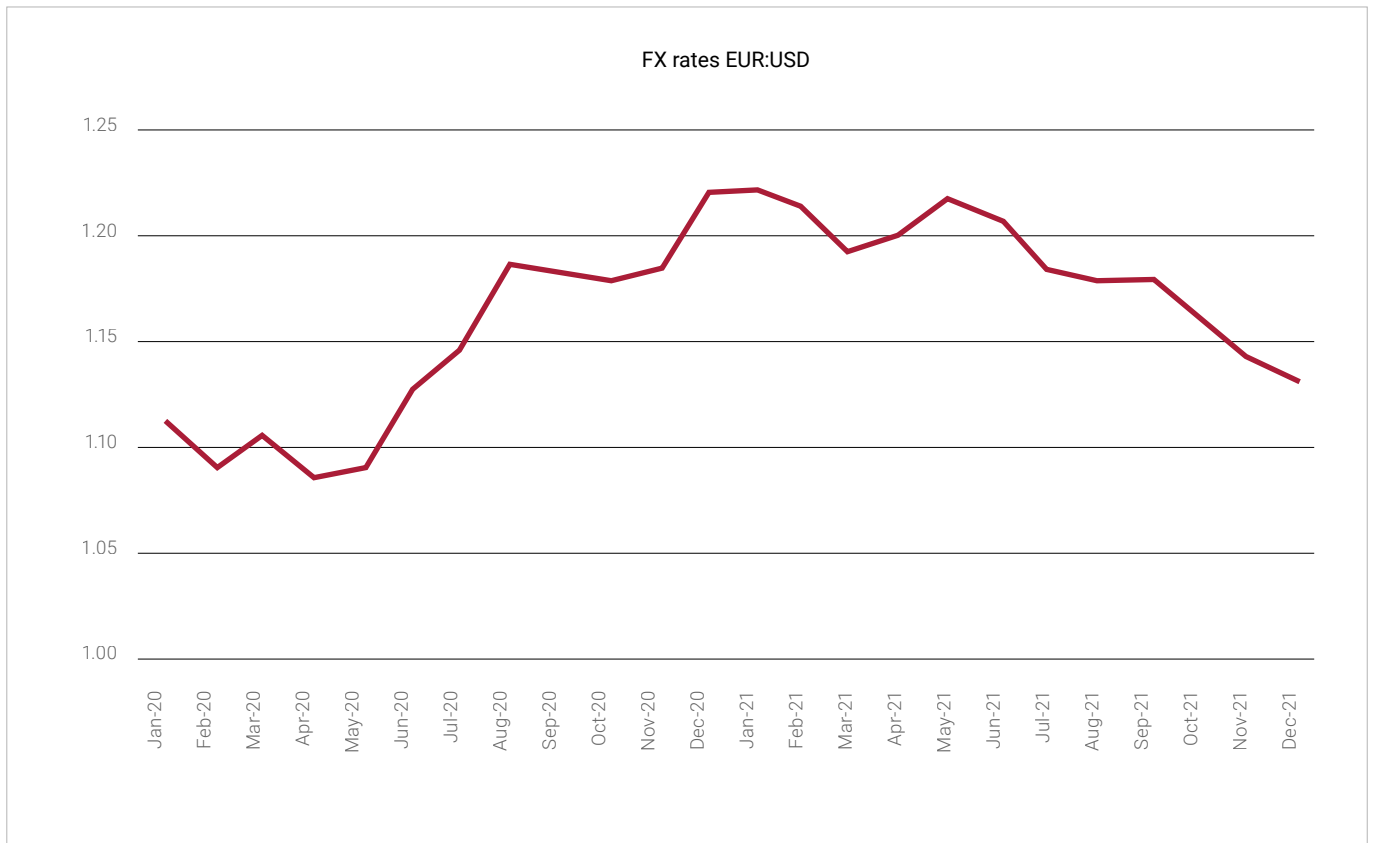
Realised copper prices for the reporting period noted above have been calculated using payable copper and including both provisional invoices and final settlements of quotation periods ("QPs") together. Lower realised prices than market copper prices are mainly due to the final settlement of invoices 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 \$4.22/lb.



Atalaya’s Response

The Group had no hedges on commodities prices during 2021. At the date of this report, the Group is fully exposed to copper prices with no commodities hedging agreements 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

In 2021, the Group was positively impacted by favourable rate against USD, the currency in which all sales of the Group are denominated. Management is continuously monitoring currency rates and evaluating possible currency hedging to minimise risk.

Strategic Framework

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

Our values

Strategic pillars

Importance of people

- ➔ Importance of Safety, Health, Environment & Security
- ➔ Strong workforce with longstanding employees

Operational excellence

- ➔ Importance of cost management
- ➔ Establishing high performance
- ➔ Operating to a world-class standard
- ➔ Maximising production capacity

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

Social projects and environmental

- ➔ Working closely with communities
- ➔ Contributing to community development

..... *Our people*

..... *Our business*

..... *Our future*

..... *Support local communities and protect the environment*

Our people	Key Driver	Achievements	Principal Risks
<ul style="list-style-type: none"> → 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 a safe world-class operation. → Experienced mining team to ensure proper safety, health and security policies. → Focused on creating a high-performance culture where its people are its core asset. → Atalaya has a flat management structure with accessible people. → Atalaya's personnel are primarily based at sites. → Focused on improving its relationships with local government and communities. → Limited presence in the media, with efforts focused on direct contact with people. 	<p>Cut expenditures to reduce environmental impact</p> <p>Average 500 employees</p> <p>99.5% based at mine sites</p> <p>Socially responsible through Fundación Atalaya Riotinto</p>	<p>2021 Achievements</p> <ul style="list-style-type: none"> → Increased the number of employees at Proyecto Riotinto. → Better monitoring process of safety records. → Prompt responses to COVID-19. → Little impact of COVID-19. <p>2022 Priorities</p> <ul style="list-style-type: none"> → Further improve health and safety statistics. → Continue support to local and regional governments to control COVID-19 incidence. → Reduce LTI compared with 2021. 	<p>Operational Risks</p> <p>External Risks</p>
Our business	Key Driver	Achievements	Principal Risks
<ul style="list-style-type: none"> → World-class processing plant in Europe to maximise value of the Group, thereby increasing free cash flows from operations. → Ensure the ongoing stable growth of the Company. → Protecting and enhancing the value for all stakeholders. 	<p>15.8m tonnes of ore processed</p> <p>56k tonnes of Cu produced</p> <p>€199.1m EBITDA</p> <p>€148.8m cash flows from operations</p> <p>€107.5m cash balance as at 31 December 2021</p>	<p>2021 Achievements</p> <ul style="list-style-type: none"> → Production at Proyecto Riotinto in excess of guidance. → Consolidation our internal growth with production levels of 15Mtpa. → Contained All-in sustaining cost. → Acquisition of 51% Rio Narcea Nickel S.L. → Operational continuity despite COVID-19. → Acquisition of new mining projects. <p>2022 Priorities</p> <ul style="list-style-type: none"> → Further growth via project development or acquisitions. → Continue with strong operational results. 	<p>Financial Risks</p> <p>Operational Risks</p>

Our future	Key Driver	Achievements	Principal Risks
<ul style="list-style-type: none"> → Evaluation of existing capacity of each project and investment in exploration to replace reserves deployed. → With a view to becoming a multi-asset producer focussed in copper. → Focus on the development of low-cost assets in mining-favourable jurisdictions. → Searching and evaluating projects around the world. 	<p>Increase in reserves and resources by exploration or acquisition of other deposits</p>	<p>2021 Achievements</p> <ul style="list-style-type: none"> → Investment of €5.9 million (2020: €5.6 million) in sustaining Capex in Proyecto Riotinto. → Investment of €14.1 million in tailing dams improvements. <p>2022 Priorities</p> <ul style="list-style-type: none"> → Continuing exploration works to expand the reserves and resources of Proyecto Riotinto. → Exploration in Proyecto Masa Valverde and Rio Narcea Nickel. → Monitoring new opportunities related with metals. → Working to understand and resolve environmental permitting decision on Proyecto Touro. → Construction E-LIX Plant. 	<p>Strategic Risks</p> <p>External Risks</p>



Support local communities	Key Driver	Achievements	Principal Risks
<ul style="list-style-type: none"> → Atalaya Mining is committed to responsible mining and upholds its core principles of honesty and accountability. → The Company works with all stakeholders to ensure that its values are completely aligned with the local community and environment. 	<p>68 actions programmes through Fundación Atalaya</p>	<p>2021 Achievements</p> <ul style="list-style-type: none"> → Investment of €0.7 million in local communities at Proyecto Riotinto. → €25.8 million taxes paid globally. → Support for local community events at Proyecto Riotinto and Proyecto Touro. → Support and assistance in the COVID-19 sanitary emergency. <p>2022 Priorities</p> <ul style="list-style-type: none"> → Increase support and presence in local community projects around Proyecto Riotinto and Touro. → Increase community engagement in Touro. 	<p>Operational Risks</p> <p>External Risks</p>

Key Performance Indicators

		2016	2017	2018	2019	2020	2021
Ore mined	t	7,754,499	9,340,028	10,753,598	10,366,903	13,604,801	13,535,470
Ore processed	t	6,505,762	8,796,715	9,819,839	10,453,116	14,833,916	15,822,610
Copper contained in concentrate	t	26,179	37,164	42,114	44,950	55,890	56,097
Cash cost	\$/lb	1.95	1.91	1.94	1.80	1.95	2.18
AISC	\$/lb		2.30	2.26	2.14	2.21	2.48
Market copper price	\$/lb	2.21	2.80	2.93	2.72	2.80	4.23
EBITDA	€`000	15,393	41,347	53,542	61,333	67,444	199,114
WC surplus / (deficit)	€`000	(25,382)	22,137	8,435	3,598	(17,904)	102,430
Cash at bank	€`000	1,135	42,856	33,070	8,077	37,767	107,517



Sustainability Report

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Our Commitment to Sustainability

Atalaya Mining Plc is committed to sustainability and to conducting its activities in accordance with the highest Environmental, Social and Governance standards.

Mining, due to its characteristics, is an activity that can generate significant impacts in the areas where it is carried out. However, if properly managed, negative impacts can be mitigated and mining can become an engine for generating wealth, developing the human capital of the local community and promoting environmental projects that ensure the conservation of the environment for future generations to enjoy. At the same time, mining commodities such as copper play a key role in helping society to achieve an environmentally friendly future.

Atalaya has developed its operation in accordance with these principles since the beginning of its activity in 2015, offering the Riotinto Mining Basin a mining project that has been a source of prosperity and sustainable development for the region, having achieved outstanding results since mine restart.

Beyond our Proyecto Riotinto, the Company sees sustainability as a key element in its future growth.

To this end, the Company has developed a specific sustainability strategy to ensure that the management of its operations and

the proposal of new projects are aligned with these principles. This strategy also aims to ensure that the sustainable exploitation of its projects provides society with essential raw materials required for the achievement of the goals established by the main national and international sustainability policies such as climate change mitigation and energy transition. Mining activity, and copper mining in particular, is essential for the development of renewable energies, construction, digitalization and the electrification of numerous other processes such as transportation.

The approval of this new sustainability strategy coincides with an important change in the Company's internal culture, which has also resulted in the creation of a specific department in charge of the global management of ESG aspects and improving coordination of the efforts developed by different areas, and the incorporation of sustainability in our dialogue with investors and other stakeholders.

Also, transparent communication of our impacts and achievements is a very important step in the consolidation of this new sustainability culture.



Atalaya Mining Plc has prepared its first Sustainability Report for 2021 in accordance with the Global Reporting Initiative (GRI) and has been approved on 23 March 2022.

To make this objective possible, the Company has completed a materiality assessment to define which aspects are key in terms of sustainability and will be the focus of its management and reporting efforts in the coming years.

Finally, in the context of its commitment to sustainability, Atalaya has also joined various prestigious corporate frameworks and initiatives, thus joining forces with other companies and organizations to advance in the achievement of major sustainability goals.

“Beyond our Proyecto Riotinto, the Company sees sustainability as a key element in its future growth.”

Good Governance and Responsible Management

Atalaya largely attributes its success to good governance within its organization and recognises the importance of responsible management to deliver a good performance and meet its environmental, social and governance commitments and desires. The good governance in Atalaya rules the relations between shareholders, Board of Directors and management of the Company, generating transparency, trust, credibility and security.

Ethics

The Company relies on a number of corporate policies and procedures to achieve responsible management.

One of the most important is the Code of Business Conduct and Ethics, a set of rules and procedures to reinforce ethical behaviour within the Company and provide guidance on appropriate working methods. The code is reviewed at least annually by the Board and the Corporate Governance Nominating Compensation (CGNCC) Committee is responsible for oversight compliance.

To ensure compliance with the provisions of the code, Atalaya has established a system for the receipt of complaints and reports of possible breaches. This scheme is formalised in the Whistle-blower Policy adopted by the Company. This policy will be communicated to all employees and states that any of them may make a complaint, which will be treated anonymously and confidentially.

Beyond the Code of Business Conduct and Ethics, Atalaya Mining plc has other internal policies and procedures to ensure integrity in its operations.

These include a conflicts of interest policy, which states that Directors must disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between its own interests and the ones of the Company. On appointment, Directors will have an opportunity to declare any such interests and they will be entered into the Company's Register of Ongoing Conflicts of Interest.

Compliance management system

Atalaya has initiated the implementation of a compliance system to reinforce the controls in place in the Group's Spanish operating entity (Atalaya Riotinto Minera, SL) and to reduce the risk of the Company, as a legal entity, and its employees committing criminal offences that could imply future criminal liability.

The Compliance system of Proyecto Riotinto is part of the Company's Integrated Management System and is made up of various elements such as: a risk map assessing the criminal risks in which the Company could incur and the Criminal Liability Prevention Manual, which sets out the principles of prevention and management within the Company, among others. Additionally, Atalaya has made progress in defining the criminal compliance body that will oversee these issues in the Company, as well as the procedure it will follow after identifying non-compliance or practices that could be subject to criminal offences. To ensure a good understanding and implementation of the system, a programme has been launched to provide the necessary training to employees in this area.

Risk prevention

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.

Proper management of these risks has a positive impact on stakeholders as it reduces the potential impact on shareholder return on investment, the maintenance of employment and the local environment where the Group's mining operations are located.

Therefore, Atalaya Mining plc has a Risk Management Policy whose objective is to assist the Company in establishing an effective system of risk control and internal control.

Also, the Group has adopted a financial risk management policy which establishes key principles in managing its exposure to key financial risks. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The Group's senior management oversees the management of financial risks with the support of the AFRC (Audit and Financial Risk Committee).



People

The Group employs 506 people in 2021. A significant proportion of them work at Proyecto Riotinto and, although the majority are men, the Company has a much higher proportion of female employees than the industry average in Spain. Our workforce also enjoys a high degree of stability.

The Company has relied heavily on people from the Riotinto surrounding communities to create this workforce. In doing so, the Company demonstrates its commitment to the local community and to making the exploitation of mining resources a source of wealth and prosperity to contribute to the sustainable development of the area. The Company will issue its sustainability report for the year ended 31 December 2021 on 24 March 2022.

People management policy

The consolidation of a trained and effective workforce capable of sustaining the growth of operations has been a priority for Atalaya since the start of its operations. In 2012, the Company had 50 employees, a figure that has risen to 506 by the end of 2021. Integrating this workforce, the majority of whom come from an economically depressed local environment, has been a challenge that has been the focus of most of our people management efforts.

Having overcome this situation, the Company has progressively advanced in the development of new management policies governing all activities in the life cycle of our people, such as selection, recruitment, training, assessment and development, remuneration, improvement of the working environment and termination of the employment relationship.

Equal opportunities and non-discrimination

Atalaya operates within a favourable framework for labour relations based on a non-discriminatory, equal opportunities system that respects diversity at all levels. This principle is shrouded into the corporate Code of Conduct and the rest of the policies of the Company.

In 2021, Atalaya created a Diversity Committee with the mission of promoting different projects to raise awareness in society and the Company in this area and to encourage the necessary programs to correct existing imbalances. Likewise, during the year the Company has initiated the development of a specific Equality Plan which seeks to ensure equal opportunities for men and women within the Company.

For the moment, Atalaya has completed a diagnosis, conceived as an initial negotiation phase, within the framework of a negotiating committee with representatives of the Company and the employees, about the equality data to be considered, a collection of qualitative and quantitative information and an analysis of the evolution in the latest years. After this initial diagnosis, the final plan will be completed in 2022 including key goals to be reached and specific actions to make it possible.

Equally, the Company will present in 2022 the result of other actions, currently under development, aimed to prevent potential situation of exclusion such as an anti-bullying protocol, an equal opportunity plan and an intervention plan to be presented by the Diversity Committee.

Freedom of association

Atalaya complies with the rights of association, with full freedom in trade union elections and has a Collective Bargaining Agreement, thus avoiding labour disputes. A new agreement will be negotiated in 2022.

Relations between the Company and the workers are articulated in the tools established by Spanish law, one of the most important is the Works Council, which consist of 13 members elected by the workers. The highlights of 2021 included: holding of elections for Workers' Representatives; negotiations for the development of an Equality Plan and participation of the Works Committee in the implementation of measures to manage COVID-19 crisis.

Training and professional development

Within the Integrated Management System of Proyecto Riotinto, training and awareness needs are identified, as well as the implementation and evaluation of actions carried out by staff.

Atalaya has an Annual Training Plan aimed at the entire staff of the Company and it includes legal requirements (e.g. Basic mining safety standards, guidelines for mobile mining machinery, etc.), as well as geological mining management software training (QGIS), occupational health and safety training, and environmental awareness training.

In addition to the activities aimed at the training and development of its own staff, Atalaya has promoted various projects with other academic and business organizations to promote the training of students who may eventually develop their careers in the Company or in other companies, and to improve the employability of other people in the Riotinto Mining Basin.

Fair compensation

In accordance with the Company's Code of Ethics, Atalaya's salary policy promotes equal opportunities among staff members.

The remuneration of our people is established in accordance with the Collective Bargaining Agreement, although for the most trained personnel, specific conditions have been established that depend on the fulfilment of key Company objectives in terms of safety, production or compliance with the budget.

The Collective Bargaining Agreement also includes some other benefits such as study grants, reduced summer working hours, shift bonuses, etc., which are offered on equal terms to all our employees.

Flexibility and transparent communication

In addition to the policies outlined above, flexibility and transparent communication are two other elements in the value proposition that Atalaya offers its employees. In the area of flexibility and family reconciliation, the Company has implemented various measures included in its collective bargaining agreement, such as daily flexible working hours.

Likewise, and aware of the benefits that transparent communication can bring in improving the Company's internal climate, employee motivation and identification with the business project, Atalaya has created various internal communication mechanisms through which it shares with its employees the most important events in the activity or the

priorities to be addressed for the future. These include the existence of a specific platform for internal communication, the publication of a periodic newsletter, the holding of face-to-face meetings and the broadcasting of the most important messages and news through television screens located in different parts of the facility.



Safety Operation

Since the beginning of its activities, Atalaya has been committed to guaranteeing safety and preventing any accidents in the mining operation. To achieve this, it has formalized a Major Accident Prevention Policy that establishes the principles to achieve the highest level of protection and serves as the basis for the Safety Management System implemented by the Company.

The practices and procedures established by this system complement the safety project developed by the Company for its mining operation at Riotinto, which from the beginning has been designed considering the most stringent standards.

Throughout 2021, the Company has continued to strengthen its safety systems and management practices in day-to-day operations. Some of the most important actions have been the reinforcement of geotechnical control of the tailings deposit and dumps with quarterly audits by an authorised control body, the implementation of new monitoring techniques to improve geodetic and geotechnical monitoring, and the provision of specialised training for employees in mining waste management.

The Company's good safety performance has been recognized by the external audits received by the Proyecto Riotinto throughout the year. It has also served as the basis for an active knowledge-sharing effort, through which Atalaya collaborates with other public bodies and companies in the sector to jointly improve the safety of mining activities. Likewise, Touro and Masa Valverde projects have been aligned perfectly with the Group's safety policies.

Self-protection plan

For Atalaya it is of utmost importance to have a self-protection plan that takes into account all risk scenarios. The plan aims to foresee all possible emergency situations and to establish actions, provide adequate responses and serve the authorities. Current self-protection plan for Proyecto Riotinto was updated by the Company in December 2020 and submitted to the competent authorities. It undergoes an annual external audit and, also, internal audits of the integrated management system. Emergency drills are one of the main actions established by the self-protection plan. In 2021, Atalaya conducted two drills at its Proyecto Riotinto, exceeding the frequency required by

the current legislation. In addition, the Company developed a specific programme to improve the training of its own self-protection brigade.

Occupational Health and Safety

In addition to project safety, Atalaya is committed to ensuring the occupational health and safety of all people working on the project, regardless of whether they are Company employees or external contractors involved in the operations.

To achieve this, the Company has implemented an Occupational Health and Safety Management System which has been externally certified in accordance with ISO 45.001:2018. This management system extends to all personnel at Proyecto Riotinto including subcontractors.

In order to be able to deploy this system and achieve the established security objectives Atalaya has set up its own Prevention Service which includes the three specialities in prevention (industrial hygiene, safety at work, ergonomics and applied psychosociology) and has arranged health surveillance with an external prevention service. Each department has one or more technicians appointed to monitor working conditions. The Company has also set up an occupational health and safety committee made up of representatives of the workers and the Company, which meets periodically to analyse developments in the most relevant aspects related to occupational health and safety.

COVID-19 prevention strategy

Atalaya has maintained a strategy at its facilities to prevent the spread of COVID-19. This strategy has ensured that the good results achieved in 2020, which allowed the activity to be carried out safely, have also been achieved in 2021.

From the outset, the implementation and monitoring of this strategy has been the responsibility of an emergency decision-making committee and a monitoring committee with the trade unions.

Specifically, the main actions carried out by the Company that have been part of this strategy included conducting PCRs, antigen tests and antibody tests on the entire workforce and monitoring contractors; the construction of new changing rooms at the entrance to the facilities and the disinfections three times a day in the changing rooms.

Environment and Climate Change

Atalaya Mining Plc is committed to conduct its mining operation on a sustainable basis, with maximum prevention of any negative environmental, social, or cultural impact on the environment, which is reflected in its Environmental Policy.

Proyecto Riotinto has an environmental management system certified to the ISO 14001 standard. This system, which is periodically audited, serves to ensure environmental compliance with the environmental policy and aims to comply with applicable environmental regulations, respect other commitments that the Company subscribes to and promote continuous improvement in operations.

The system is based on the Environmental Monitoring Plan authorised by the competent administration and, although its scope is currently limited to the operations of the Proyecto Riotinto, the Company is working to extend it to the rest of its projects in the operation and permitting phase.

Mitigation of our environmental impacts

Within the framework of its environmental management system, Atalaya adopts the most appropriate measures to monitor and mitigate its main environmental impacts:

Air Quality (particulate matter)

Our operations give rise to two types of atmospheric emissions, those that are channelled (four sources in the case of Proyecto Riotinto) and those generated diffusely and inherent to the mining activity.

Proyecto Riotinto has implemented an exhaustive programme of specific control for diffusive emissions, as well as preventive and corrective measures.

In 2021, the Company has continued to strengthen its management in this area by implementing various actions such as the elimination of vehicle traffic on the mining track, the installation of a bag filter in the screening plant and covering the stock of coarse materials. Atalaya has also developed a

dispersions study for the emissions generated at stockpile and improvements in the weather and air quality forecasting service.

Circular economy

The generation of waste and its correct management is one of the most significant aspects in our activity. Mining waste constitute the main part of our impact. Besides, other smaller quantities of other hazardous and non-hazardous waste are produced (i.e. used oils, solvents, contaminated soils, laboratory reagents, aerosols, contaminated packaging, paper & cardboard and plastics, among others).

Therefore, a constant effort is made to minimise and reuse waste. In this line, the project counts on an annually reviewed waste minimization plan with reduction targets (more than 85% of the waste generated is destined for recovery). Particularly noteworthy is the management of mining waste, much of which is used for restoration and dam reinforcement activities, thus promoting the principles of the circular economy.

Other initiatives in 2021 include improvements in the internal waste storage area (i.e. installation of electricity, water supply, digitalisation of processes, etc.) and raising awareness in staff and contractors through specific training, among others.

Water management

Water consumption occurs mainly during the grinding and flotation process. Our water management focuses on reuse and recirculation of the resource and by relying on supply from an external source only when necessary. In order to get a clearer understanding of its impacts, Atalaya has completed in 2021 the calculation and verification of its water footprint.

Proyecto Riotinto has a zero-discharge policy (ZLD) and, although it has had a discharge permit since the beginning of the activity, it has never made use of it.

Energy transition and climate change

Electricity consumption accounts for more than 60% of CO₂ emissions. In addition to this, there are other consumptions of energy (mainly diesel, propane and fuels in heavy machinery) that accounts for the rest. Therefore, Atalaya monitors these consumption continuously and regularly, as one of the most significant environmental aspects.

Atalaya has completed in 2021 the calculation of its carbon footprint with an associated mitigation plan to reduce it 15% by 2025 (reference year: 2019). This carbon footprint has been voluntarily registered in the Official Register for carbon footprints of the Spanish Ministry of Energy Transition.

Some of the actions conducted to reduce energy consumption and greenhouse gas emissions have focused in the improvement of the production process and equipment to optimise energy consumption (i.e. installation of new flotation cells, replacement of old equipment, etc.) and the harness of renewable energy.

Biodiversity protection

Proyecto Riotinto has implemented specific management plans for avoiding impacts over biodiversity and prevent potential forest fires. Some of the actions included in these plans focuses on the conservation of protected species.

Update of the Environmental Restoration Plan

The approval of a new mining plan by Atalaya has prompted an update of the Proyecto Riotinto's Restoration Plan. The new Plan, like the previous one, aims to meet objectives such as landscape and environmental integration, preserving the values a culturally protected mining landscape, as well as guaranteeing water clarity, safety and stabilisation conditions, and a final use of the land.

As part of this Plan, the sealing layer over the facilities will be reinforced and conditions for the colonisation of native flora and wildlife species on the restored site will be favoured. The geomineral resource will be integrated into the restored area, due to the cataloguing of the Riotinto-Nerva mine basin as an Asset of Cultural Interest (BIC, for its Spanish acronym).

The Restoration Plan also includes a number of actions to also restore tailings from the historical mining, which existed before Atalaya started its activity in this area.



Society

Proyecto Riotinto has been a driving force for the socio-economic revitalisation of the Riotinto Mining Basin in the province of Huelva. The Company is strongly committed to the creation of local employment, extending the socio-economic footprint to contractors and business and activities providing services to the mine.

Atalaya envisages Proyecto Riotinto as a long-term mine that will contribute in a stable manner to the sustainable exploitation of the mining resources in the area and contribute to the socio-economic development of the local community.

Throughout 2021, the Company has promoted various programmes devoted to this end, such as signing of local agreements to promote direct and indirect employment, development of training and qualification actions to promote the employability of unemployed people in the region and different actions to support economic diversification in the region (e.g. boosting tourism activity).

Fluid relationship with local stakeholders

Atalaya maintains an open-door policy and a fluid relationship with its stakeholders. The high expectations of these groups in terms of environmental, social and safety impact, among others, drive the organisation to continuously improve the performance of its activities, resulting in a better level of competitiveness and adaptability.

Likewise, the careful management of stakeholders favours an improved understanding of the territory and provides Atalaya with the opportunity to bring the mining operation closer to the local population, increasing the feeling of belonging.

The Company follows these principles of transparency and deeper engagement with stakeholders, not only in its current operation but also in the development of new projects.

Atalaya Riotinto Foundation

Since its beginnings, the Atalaya Foundation has been aware of the importance of working alongside the local community. The foundation has its sphere of action in the Riotinto Mining Basin, where it maintains three lines of action: collaboration with non-profit organisations; agreements with the local councils; and work on its own initiatives.

For its own projects, Atalaya provides the foundation with more than €0.5m per year for activities that positively benefit 33 entities and more than 40,000 stakeholders.

In addition, the Company has created the Terras Programme within the framework of Proyecto Touro. This programme aims to contribute value to society over and above its business objectives, keeping these aligned with social expectations and needs.

Sustainable and local supply chain

Atalaya is committed to prioritising sourcing and subcontracting from local suppliers. Local procurements provide advantages in terms of flexibility, risk mitigation and a quick response to Company requests. It also improves the local economy and brings value to the area. Only in cases where the local supplier market cannot meet the demand, other national, European or global suppliers are used.

Atalaya has a procedure to regulate the procurement process for all goods and services, ensuring effective management. Suppliers can be either input goods (equipment, machinery, etc.) or services (consultants, contractors, etc.) mainly related to mining and industrial process activity.

Suppliers are addressed with safety, environmental and good practice requirements (e.g. quality and environmental certifications, etc.). Audits are carried out to detect incidents, which are followed up until resolved. In some cases, these incidents can result in a financial penalty, requirements to invest in auxiliary means, improve the safety of contractors, etc. The importance of monitoring is based on correcting and closing all incidents that may arise. In this way, it is possible to prevent preferential purchases or malpractice, bring greater security to the industrial process, improve reputation and reduce costs.

Protection of local heritage

Proyecto Riotinto is committed to the protection, conservation and enhancement of present heritage, especially archaeological heritage, as the project area is part of the Riotinto-Nerva heritage area of Cultural Interest.

As a result of this commitment, the Company has a global project for the management of the Historical and Archaeological Heritage of the Proyecto Riotinto, authorised by the Competent Administration, which establishes a series of actions for the management of the affected historical heritage.

Among the main actions that guarantee the correct management of the heritage are the control of earthworks, archaeological excavations and monitoring, as well as documentary and graphic studies for a better interpretation. Historical and archaeological management actions are part of the Company's Integrated Management System and are subject to internal and external audits.

Some of the initiatives carried out are the restoration and enhancement of unique elements of great interest, the creation of two heritage tourism routes and an interpretation centre that will contribute to the development of tourism and economic diversification in the area once mining activity has ceased.

Quality and customer satisfaction

In addition to the society, customers are another important stakeholder group for Atalaya. The customer approach is part of the ISO 9001:2015 System, which allows us to assess satisfaction with regard to meeting requirements and expectations, implement systems to manage complaints, incidents and claims and ensure that they are resolved. Atalaya prepares an annual customer satisfaction report.



Innovation and technology

Innovation and the development of new technologies provide an opportunity for Atalaya to maintain and improve its competitiveness and adopt the best practices in the copper market.

To efficiently manage these efforts, the Company has created a specific working group composed of representatives from different departments. This group meets monthly to discuss potential developments, national and European projects and consortia for our membership, among other initiatives to deploy the Company's innovation strategy.

Throughout 2021, the Company worked on various innovation projects along the priority areas indicated above. In these projects, the Company has cooperated with external partners from the university and industrial sectors, which has made it possible to share capabilities and promote the exchange of knowledge.

Digitalisation and New Technologies

Atalaya has promoted during the latest years several projects aimed at fostering the digitalisation of different processes and improving data generation and management. Some of these initiatives have consisted in the establishment of a new network system (corporate and local system with segmented networks), the implementation of an enterprise resource planning (ERP) and other projects developed in the context of the situation created by COVID-19 (i.e. communications for remote access were strengthened and new procedures for end-user support were created). All these projects have brought important benefits to the operations.

More specifically, the Company has focused its efforts in 2021 on two initiatives thanks to which it has improved efficiency or solved challenges of different nature that affected operations.

Cybersecurity

For Atalaya Mining's business, it is essential to use Information and Technology (IT) resources as a means of providing information at all levels. Likewise, in order to the organisation to achieve its objectives, it is necessary to guarantee minimum downtime, both in its IT resources and in communications; in this way it is possible to maintain an efficient contingency in all operational areas. Consequently, Atalaya has implemented a Contingency and Cybersecurity Plan to protect the Company from these risks.





Corporate Governance Report

72 Board of Directors
86 Board Committees



Board of Directors

The Group and the Company give 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 governs the relationship between the shareholders, the Board of Directors and the management team of the Company.



Directors

The names and particulars of the qualifications and experience of each director are set out below. During 2021 one Non-independent Director and one independent Director stepped down and they were replaced by one independent Director. In accordance with the Company's Articles of Association, one-third of the Board of Directors must resign each year. All the Directors will resign at the next AGM and offer themselves for re-election.

Roger Davey

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 Highfield Resources Ltd., 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.

Role

Chairman Independent

Years of service

Since May 2010

Executive

Non-executive director

Time commitment

At least 75% of meetings scheduled

Skills

Mining experience, operations, processing, exploration, Capital markets, UK Market, International business, leadership, strategic, fund raising, M&A, governance, project management.

Alberto Lavandeira

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 and 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.

Role

Non-Independent - Chief Executive Officer

Years of service

Since May 2014

Executive

Executive

Time commitment

100%

Skills

Mining experience, operations, processing, exploration, commercial, capital market, international business, leadership, strategic, fund raising, M&A, governance, project management, permitting, government relations, CEO, sustainability.

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 was a member of the Corporate Governance Nominating Compensation Committee.

On 12 April 2021, the Company announced that Mr. Damon Barber stepped down as a Non-Executive Director of the Company with immediate effect.

Role

Non-Independent

Years of service

Since Sep 2015 to April 2021

Executive

Non-executive Director

Time commitment

At least 75% of meetings scheduled

Skills

Mining experience, operations, processing, Capital market, international business, leadership, strategic, fund raising, M&A, governance, project management.

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 until May 2018 he was a steering group

member of the UK Financial Reporting Council's Financial Reporting Lab. He is a non-executive Director of Chaarat Gold Holdings Limited and an independent Governor of the University of the Arts London.

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

Role

*Chair of the AFRC
Independent*

Years of service

Since Sep 2015

Executive

Non-executive director

Time commitment

At least 75% of meetings scheduled

Skills

Mining experience, Corporate finance, finance and accounting, legal, UK Market, capital market, international business, leadership, strategic, fund raising, M&A communications, sustainability.

Neil Gregson

Non-executive Director

Mr. Gregson has over 30 years' experience of investing in mining and oil and gas companies. From 2010 to 2020 he was a Managing Director at J.P. Morgan Asset Management where, as a member of the equity team, he was a portfolio manager investing in mining and energy companies globally. Prior to that, from 1990 to 2009 he was Head of Emerging Markets and Related Sector Funds (including natural resource funds) at Credit Suisse Asset Management. Mr. Gregson previously held various positions at mining companies, including a role as a mining investment analyst at Gold Fields of South Africa.

Mr. Gregson has a BSc (Hons) Mining Engineering from Nottingham University. He became an associate of the Institute of Investment Management and Research of London in 1994. He holds a Diploma in Business Management from Damelin College, Johannesburg (1988) and a Mine Managers Certificate of Competency, South Africa (1985).

Mr. Gregson is the Chair of the Physical Risk Committee.

Role

Independent

Years of service

Since Feb 2021

Executive

Non-executive director

Time commitment

At least 75% of meetings scheduled

Skills

Mining experience, Corporate finance, finance, legal, UK Market, capital market, international business, leadership, strategic, fund raising, M&A communications, sustainability.

Jesús Fernández

Non-executive Director

Mr. Fernández 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. Previously, he was a director of Nyrstar,

Tiger Resources Limited, Cadillac Ventures, Anvil Mining Limited and Iberian Minerals Corp. plc.

Role

Non-Independent

Years of service

Since Jun 2015

Executive

Non-executive director

Time commitment

At least 75% of meetings scheduled

Skills

Mining experience, Capital market, UK Markets, International business, corporate finance, finance and accounting, legal, leadership, strategic, fund raising, M&A, governance.

Harry Liu, BSc. Economics

Non-executive Director

Mr. Liu is the advisor of the board of Shandong Xiangguang Copper Group at in Shandong of China, one of the largest Chinese copper smelting, refining and fabricating companies.

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.

Role

Non-Independent

Years of service

Since Oct 2010

Executive

Non-executive director

Time commitment

At least 75% of meetings scheduled

Skills

Commodity trading and financing, capital market, international business, leadership, strategic, fund raising, M&A, governance, project management, permitting.

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 also a member of the Single Electricity Market of the Republic of Ireland and Northern Ireland. He was a member of the Board of Transport et Infrastructures Gaz France.

Dr. Sierra holds a Ph.D. in Mining 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 was the Chair of the Physical Risk Committee.

On 25 March 2021, the Company announced that Dr. Sierra was retired as an Independent Non-Executive Director and the Chair of the Physical Risk Committee, with an effective date of 31 March 2021.

Role

*Chair of the PRC
Independent*

Years of service

Since Oct 2011 to March 2021

Executive

Non-executive director

Time commitment

At least 75% of meetings scheduled

Skills

Mining experience, operations, processing, exploration, capital market, UK Market, international business, leadership, strategic, governance, project management, permitting.

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).

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

Role

*Chair of the CGNCC
Independent*

Years of service

Since Sep 2015

Executive

Non-executive director

Time commitment

At least 75% of meetings scheduled

Skills

Mining experience, operations, processing, exploration, capital market, international business, leadership, strategic, fund raising, M&A, governance, project management, permitting, CEO.

Management

Alberto Lavandeira

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 and 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.

Role

Chief Executive Officer

Years of service

Since May 2014

Executive

Executive

Time commitment

100%

Skills

Mining experience, operations, processing, exploration, commercial, capital market, international business, leadership, strategic, fund raising, M&A, governance, project management, permitting, government relations, CEO, sustainability.

César Sánchez

Chief Financial Officer

Former CFO of companies in mining and financial sectors; including CFO of Iberian Minerals Corp. with copper assets in Spain and Peru performing equity and debt raisings. Worked for Ernst & Young as financial advisor and auditor. Qualified accountant, holds a business administration degree.

He is a graduate of the University of Sevilla, Spain with courses in Dublin City University and ESIC.

Role

Chief Financial Officer

Years of service

Since June 2016

Executive

Executive

Time commitment

100%

Skills

Mining experience, Capital markets, Canada and UK Markets, International business, Corporate finance, finance and accounting, legal, leadership, strategic, fund raising, M&A, governance.

Enrique Delgado

General Manager Proyecto Riotinto

Former CEO of Tharsis Mining has also performed as director of Metallurgy and Environment at Cobre Las Cruces Mine (First Quantum) both in Spain. With First Quantum also participated in the start-up of Kansanshi Mine smelter in Zambia. Started his career as metallurgist in Riotinto Mine and later with Freeport McMoRan, at Atlantic Copper smelter in Huelva, Spain.

He is a graduate of the University of Sevilla, Spain and Master of Senior Management of Leading Companies of the San Telmo International Institute of Sevilla, Spain.

Role

Operation General Manager Proyecto Riotinto

Years of service

Since May 2019

Executive

Executive

Time commitment

100%

Skills

Mining experience, operations, processing, exploration, international business, leadership, strategic, governance, project management and permitting.

Board Appointments

The Board is appointed by the shareholders and Directors are chosen based on their skill, experience and expertise. Directors are always expected to be ambassadors for the Company and reflect their values and work ethic. They are also expected to devote substantial time to research and preparation before each meeting to ensure that the Company is going in the right direction.

Director Induction

When appointed, new Directors are provided with an induction programme including meetings with other Directors, members of the senior management team and the Company's professional advisors. They are also briefed on their responsibilities under AIM and TSX. New Directors are also provided with an opportunity to visit the Company's operations in Spain to understand how Atalaya works on-site.

The Company requires its Directors to keep themselves professionally up-to-date and familiar with its articles and charters.

Director Independence

The Board will be composed of at least the same number of independent Directors (in accordance with applicable securities laws and stock exchange rules) as non-independent, non-executive Directors. The CGNC Committee will determine whether a member of the Board, or nominee to the Board, is an independent Director. If at any time less than half of the non-executive Directors are independent, the Board shall take steps to rectify this and ensure that the composition of the Board returns to having at least half independent Directors. If at any time the Chairman of the Board is not independent, the Board shall consider possible steps and processes to ensure that leadership is provided for the Board's independent Directors.

This ensures that all Board discussions or decisions have the benefit of outside views and experience, and that at least half of the non-executive Directors are free of any interests or influences that could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

At least annually, the Board shall, with the assistance of the CGNC Committee, determine the independence of each director and the independence of each AFRC member.

In the opinion of the Board, all Directors should bring specific skills and experience that add value to the Company. The balance of skills and experience of the Board is to be regularly reviewed by the CGNC Committee.

When considering the potential reappointment of an existing Director, the Board will consider the individual's performance as well as the skills and experience mix required by the Board in the future.

When considering vacancies, the Board will consider a candidate's capacity to enhance the mix of skills and experience of the Board.

Role of the Board

The Board has a duty to supervise the management of the business and affairs of the Company. The Board directly and with the Chair provide direction to senior management, generally through the CEO, to pursue the best interests of the Company.

The Board has the final responsibility for the successful operations of the Company. The Board must ensure that management has in place appropriate processes for strategic planning and risk assessment, management and internal control and monitor performance against benchmarks. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

The Board is responsible for guiding and monitoring the business and the affairs of the Company. The Company recognises the importance of the Board in providing a sound base for good corporate governance in the operations of the Company. The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to the Company. Furthermore, the Board will at all times act in accordance with all Company policies in force.

Each of the Directors, when representing the Company, must act in the best interests of shareholders of the Company and in the best interests of the Company as a whole.

Highlights of the Board for this Year

Atalaya has had twenty Board meetings in which a wide array of subjects was dealt with. When needed, its professional advisors are invited to attend meetings to provide input into legal and financial matters.

Atalaya has also three Physical Risk Committee meetings, five Audit and Financial Risk Committee meetings and two Corporate Governance, Nominating and Compensation Committee meetings.

These committee meetings were held to deal with specifics and then a summary of those meetings was reported to the Board of Directors. A summary of the topics discussed at Board and Committee meetings included:

- Health and safety, reporting of accidents and reviewing policy to look for improvements including giving the go ahead on a restructuring of the safety department.
- Operational, discussed all the operational information and data.
- Financial, reviewed figures such as cost, capital investment, budgets, etc.
- Quarterly reports, annual report and other deliverables to the Market.
- Re-election of Directors.
- Board and committees' performance.
- Monitoring of expansion, review of growth opportunities/acquisitions.
- Dividends policy.

The Board would like to thank the committees that have helped the Board reach its conclusions.

The Role of Individual Directors

As members of the Board, Directors have ultimate responsibility for the Company's overall success. Therefore, Directors have an individual responsibility to ensure that the Board is undertaking its responsibilities as set out in the Board charters. Directors need to ensure the following:

- Leadership of the Company, particularly in the areas of ethics and culture including a clear and appropriate strategic direction.
- Accountability to key stakeholders, particularly shareholders.
- Oversight of all control and accountability systems including all financial operations and solvency, risk management and compliance.

- An effective senior management team and appropriate personnel policies; and
- timely and effective decisions on matters relating to it.

It is also expected that the Directors comply with the following:

- Behaving in a manner consistent with the words and spirit of the Code of Conduct.
- Making reasonable efforts to attend all meetings of the Board, the annual general meeting of shareholders of the Company and of all the Board committees upon which they serve. Subject to extenuating circumstances, Directors are expected to attend at least 75% of regularly scheduled Board and committee meetings. The CGNC Committee will review the circumstances that prevent any director from achieving the minimum level and report its findings to the Board.
- Addressing issues in a confident, firm and friendly manner but also ensure that others are given a reasonable opportunity to put forward their views.
- Preparing thoroughly for each Board or Committee event.
- Using judgement, common sense and tact when discussing issues.

Lastly Directors will keep confidential all Board discussions and deliberations. Similarly, all confidential information received by a Director in the course of the exercise of the Director's duties remains the property of the Company and is not to be discussed outside the boardroom. It is improper to disclose it, or allow it to be disclosed, without appropriate authorisation.

Chairman's Role

The Chairman is considered the "lead" Director and utilises his/her experience, skills and leadership abilities to facilitate the governance processes. The Chairman will be selected on the basis of relevant experience, skill and leadership abilities.

The responsibilities of the Chair include but is not restricted to:

- Chair Board, annual and extraordinary meetings;
- Set Board agendas and ensure that the meetings are effective and follow the agenda;
- Ensure that the decisions are implemented promptly;
- Ensure that the Board behaves in accordance with the Company's code of conduct
- The primary spokesperson and channel of communication for the Company in the annual general meeting and in all public relation activities;
- To be kept informed by the CEO and other senior management which may be relevant to Directors in their capacity as Directors;
- Ensures Directors devote sufficient time to their tasks

The Board monitors and promotes corporate culture with frequent contact via senior management and the CEO. Management and CEO report the state of the culture to the Board and include any recommendations they have.

The Role of the CEO

The CEO is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programmes and performance requirements approved by the Board. The position reports directly to the Board.

The CEO's primary objective is to ensure the ongoing success of the Company through being responsible for all aspects of the management and development of the Company. The CEO is of critical importance to the Company in guiding the Company to develop new and imaginative ways of winning and conducting business. The CEO must have the industry knowledge and credibility to fulfil the requirements of the role.

The CEO will manage a team of executives responsible for all functions contributing to the success of the Company.

The tasks of the CEO shall include but not restricted to:

- Develop with the Board, implement and monitor the short-medium- and long-term strategic and financial plans for the Company to achieve the Company's vision and overall business objectives;
- Develop all financial reports, and all other material reporting and external communications by the Company, including material announcements and disclosure, in accordance with the Company's Shareholder Communication Policy;
- Manage the appointment of the Chief Operating Officer ("COO"), CFO, Company Secretary and other specific senior management positions;
- Develop, implement and monitor the Company's risk management practices and policies;
- Consult with the Chairman and the Company Secretary in relation to establishing the agenda for Board meetings;
- Agree with the Chairman their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- Be the primary channel of communication and point of contact between members of senior management and the Board (and the Directors);
- Keep the Chairman fully informed of all material matters which may be relevant to the Board and its members, in their capacity as Directors;
- Provide strong leadership to, and effective management of, the Company in order to:
- Encourage co-operation and teamwork, build and maintain staff morale at a high level and build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;

- Advise the Board on the most effective organisational structure and overseeing its implementation;
- Establishing and maintaining effective and positive relationships with Board members, shareholders, customers, suppliers and other government and business liaisons;
- Carry out the day-to-day management of the Company.

The Role of Company Secretary

The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have a right of access to the Company Secretary.

The tasks of the Company Secretary shall include but not restricted to:

- Notifying the Directors in writing in advance of a meeting of the Board as specified in the Constitution and the Board Charter;
- Recording, maintaining and distributing the minutes of all Board and Board Committee meetings as required;
- Preparing for and attending all annual and extraordinary general meetings of the Company;
- Overseeing the Company's compliance programme and ensuring all Company legislative obligations are met;
- Ensuring all requirements of regulatory bodies are fully met; and providing counsel on corporate governance principles and Director liability.

Board Diversity and Balance

Atalaya recognises the need to have a diverse board so that varying points of view can be brought to the board table. It ensures its Directors are well qualified and have a range of different skills and experience, with a good international mix to meet the requirements of operating in a global industry.

	Executive	Gender	Nationality	Years of service
R. Davey	Independent Non-executive Chairman	Male	British	Since May 2010
A. Lavandeira	Chief Executive Officer	Male	Spanish	Since May 2014
H. Barma	Independent Non-executive Director	Male	British	Since Sep 2015
J. Fernández	Non-executive Director	Male	Spanish	Since Jun 2015
H. Liu	Non-executive Director	Male	Chinese	Since Oct 2010
S. Scott	Independent Non-executive Director	Male	Canadian	Since Sep 2015
Neil Gregson	Independent Non-executive Director	Male	Australian	Since Feb 2021
J. Sierra López	Independent Non-executive Director	Male	Spanish	Since Oct 2011 to March 2021
D. Barber	Non-executive Director	Male	American	Since Sep 2015 to April 2021

Board Meetings and Attendance

The Board and Directors do not have fixed time requirements. They are expected to attend all meetings and be sufficiently prepared with all issues that arise.

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.

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 20 times in 2021. Meetings occurred in person and by teleconference.

	BoD		AFRC		CGNCC		PRMC	
	Total	Attended	Total	Attended	Total	Attended	Total	Attended
R. Davey	20	20	5	5	2	2	3	3
A. Lavandeira	20	20	-	-	-	-	-	-
D. Barber	5	5	-	-	-	-	-	-
H. Barma	20	20	5	5	2	2	-	-
J. Fernández	20	17	-	-	-	-	-	-
H. Liu	20	20	-	-	-	-	-	-
J. Sierra López	5	5	-	-	-	-	1	1
Neil Gregson	19	18	-	-	-	-	2	2
S. Scott	20	19	5	5	2	2	3	3

Board evaluation

The Corporate Governance, Nominating and Compensation Committee determines the compensation of the directors of Atalaya, reviews the compensation of the CEO and approves the compensation of the other officers of Atalaya as recommended by the CEO. The CGNCC approves the Company's compensation policy as regards base, short-term

and long-term incentivisation, identifies potential candidates to become members of the Board and fulfils the Board's statutory and fiduciary responsibilities with respect to corporate governance and integrity. Meetings of the Committee are held not less than twice a year to enable the Committee to undertake its role effectively.

Conflict of interest

Where an individual's private interests are at variance in any way with the interests of the Company as a whole, a conflict of interest exists. Further, a conflict of interest can be seen to exist where a staff member or family member of staff, has a direct or indirect financial interest in, or receives any compensation/ other benefit from, any individual or firm. Directors of the Company shall disclose in writing conflicts of interest to the Board or request to have entered in the minutes of meetings of the Board the nature and extent of such interest.

Share dealing and insider trading

Pursuant to Rule 21 of the AIM Rules for Companies, the Company must have in place a reasonable and effective dealing policy setting out the requirements and procedures for dealings in the Company's securities. AIM Rule 21 sets out the minimum provisions which the dealing policy must contain. A Person Discharging Managerial Responsibilities ("PDMR") (any person who is member of the administrative, management or supervisory body of the Company or an Officer of the Company) may not deal in any securities, on his or her own account or for the account of a third party, directly or indirectly, during: a close Period; or at any time when he or she is in possession of Inside Information; or otherwise, where clearance to deal is not given under the Clearance to Deal policy.

Summary of the provisions of the Criminal Justice Act 1993 and the Market Abuse Regulation (596/2014/EU): In addition to the rules set out in this Policy, there are two principal pieces of legislation that PDMRs must be aware of when dealing in both the securities of the Company and securities in general. The Criminal Justice Act contains a criminal offence of insider dealing and Market Abuse Regulation covers market abuse. In broad terms, there are three insider dealing offences: dealing when in possession of inside information, encouraging another person to deal when in possession of inside information; and disclosing inside information otherwise than in the proper performance of the functions of the job. Inside information is information, which is not public, relates to the securities in a company, and if it were publicly known would have a significant effect on the price of the shares/securities of that company. This may include information about the Company, but it may also include confidential information regarding the intentions or prospects of someone the Company deals with or a competitor of the Company.

Compliance

The Audit and Financial Risk Committee is responsible for assisting the Board in overseeing the independence of the external auditors and fulfilling the Boards' statutory and fiduciary responsibilities relating to the compliance of financial reporting, reviewing and assessing the Company's business and financial risk management process, including the adequacy of the overall internal control environment and controls in selected areas representing significant risk; and external Audit. During the year 2021 there have not been identified any material instances of non-compliance by the Company.

Information technology governance

The Board assumes the responsibility for risks related to the information technology ("IT") systems and cyber security. The IT department implements procedures to avoid or solve any potential IT business impact.

Internal control system

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 to eliminate all risks completely 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 Audit and Financial Risk Committee and the senior 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.

Code of business ethic and conduct

The Company is dedicated to delivering outstanding performance for investors, customers, consumers and its Staff. The Company aspires to be the leader in its field while operating openly, with honesty, integrity and responsibility and maintaining a strong sense of corporate social responsibility. In maintaining its corporate social responsibility, the Company will conduct its business ethically and according to its values, encourage community initiatives, consider the environment and ensure a safe, equal and supportive workplace.

Atalaya is committed to delivering value to its shareholders and to representing the Company's growth and progress truthfully and accurately. The Company also complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights.

The Company is committed to safeguarding the integrity of financial reporting and as such will openly promote and instigate a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position. The Company will prepare and maintain its accounts fairly and accurately in accordance with the accounting and financial reporting standards that represent the generally accepted guidelines, principles, standards, laws and regulations of the countries in which the Company conducts its business.

Modern slavery and human trafficking

The Group is committed in respect of working conditions and to removing potential modern slavery risks relating to the business. Atalaya ensures that there is no slavery or human trafficking further along its supply chain and/or in any part of its business.

Anti-bribery and corruption policy

It is Atalaya's policy to conduct all of its business in an honest and ethical manner and it takes a zero-tolerance approach to bribery and corruption. As Atalaya is a UK and Canadian listed company, it ensures compliance with the UK Bribery Act 2010 (the "Bribery Act") and the Corruption of Foreign Public Officials Act (Canada).

The Anti-bribery and corruption policy applies to all directors, officers, consultants, temporary workers and employees of the Group and any other person performing services for the Group or on its behalf, e.g., due to a contractual relationship, including but not limited to distributors, contractors, agents, joint venture and business partners, and other intermediaries.

Investor relations

The senior management of Atalaya is committed to having regular interaction with investors on the performance of the Group through presentations and meetings. A broad range of documentation and information for investors is available on the Company's website www.atalayamining.com and it is updated on a regular basis.

2022 Annual General Meeting

Atalaya's AGM will be held on 22 June 2022 at 11:00h in London (United Kingdom). 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.



CGNCC

Corporate, Governance, Nominating and Compensation Committee

Members	Attendance
Stephen Scott (Chair)	2/2
Hussein Barma	2/2
Roger Davey	2/2

The role of the CGNCC

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.

Remuneration arrangements are aligned to support the implementation of the Company strategy and effective risk management for the medium to long-term. The remuneration committee ensures that this is done and considers the views of shareholders.

The Committee makes recommendations for Board review. The Committee shall have such powers and duties as may be conferred on it from time to time by resolution of the Board. In addition, the Committee shall have the following specific functions and responsibilities:

- The Committee shall periodically review and, if advisable, approve and recommend for Board approval the compensation paid to Directors.
- At least annually, and prior to the nomination or appointment of potential candidates, the Committee shall review the competencies, skills, experience and areas of expertise of the Board on an individual and collective basis. Based on this review, the Committee shall identify areas where additional competency, skill, experience or expertise would be of benefit to Atalaya Mining.
- As required, the Committee shall identify and, if advisable, recommend to the Board for approval, potential candidates for nomination or appointment to the Board having regard to the results of the review referred to above. The Board should consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Committee member.
- The Committee shall periodically assess the contribution and effectiveness of the Board, the Directors, each Board Committee and the Chairman of the Board against their respective mandate, charters or other criteria the Committee considers appropriate. The Committee shall report its findings to the Board and, based on those findings, recommend any action plans that the Committee considers appropriate.
- The Committee shall oversee the development of any orientation programmes for new Directors. The Committee shall periodically review any such programme and approve changes it considers appropriate.
- The Committee shall periodically review Atalaya Mining's corporate governance practices and policies. As part of its review, the Committee shall take regulatory requirements and best practices, including the UK Corporate Governance Code and QCA guidelines, into account. The Committee shall report the results of its review, including any recommended changes to existing practices, to the Board in a timely manner.
- The Committee will also establish and maintain a complaints programme to facilitate (1) the receipt, retention and treatment of complaints received by the Company regarding its Accounting Standards, violations of the Code of Business Conduct and Ethics and the Anti-Bribery and Corruption Policy, breaches in compliance with applicable laws including relating to health and safety or the environment and (2) the confidential, anonymous submission by employees of the Company of any complaints made in these areas.
- At least annually, the Committee shall evaluate each Director and each Audit and Financial Risk Committee member against the independence criteria established by the UK Corporate Governance Code and report the results to the Board.
- The Committee shall review, in conjunction with management, the corporate governance disclosure for Atalaya Mining's annual report, notice of shareholders meetings and other regulatory and shareholder reports.
- The Committee shall periodically review and, if advisable, approve and recommend for Board approval performance goals for the CEO in light of the Company's corporate goals and objectives.
- The Committee shall periodically evaluate the performance of the Chief Executive Officer in relation to his or her performance goals. The Chief Executive Officer evaluation shall be conducted in conjunction with the Chairman of the Board and shall be presented to the Board for its review.
- The Committee shall periodically review, and, if advisable, approve and recommend for Board approval the Chief Executive Officer's compensation package. The compensation package recommendation shall be based on the CEO's evaluation, as well as other factors and criteria as may be determined by the Committee from time to time.
- The Committee shall, as required, review and, if advisable, approve and recommend for Board approval, the appointment, compensation and other terms of employment of all senior management reporting directly to the CEO.

- ➔ The Committee shall periodically review and, if advisable, approve and recommend for Board approval, a succession and emergency preparedness plan for all senior management reporting directly to the CEO. Upon the vacancy of such senior management personnel, the Committee may make a replacement recommendation for Board approval based on the succession plan.
- ➔ The Committee shall periodically review the Company's existing share option plan and make any recommendations to the Board regarding the plan as it considers advisable. The Committee shall also review any proposed equity compensation grants (other than pursuant to the existing plan), programmes or plans.

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

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 balance sheet date are as follows:

Grant Date	Expiration Date	Exercise Price	A. Lavandeira
23 Feb 2017	22 Feb 2022	144.0p	150,000
29 May 2019	28 May 2024	201.5p	600,000
30 June 2020	29 June 2030	147.5p	400,000
24 June 2021	23 June 2031	309.0p	400,000
			1,550,000

There were no further option grants between the balance sheet date and the date of this report.

Options expire five/ten years after grant date and are exercisable at the exercise price in whole or in part up to either (i) half on grant and half on the first anniversary of the grant, or (ii) one third on grant, one third on the first anniversary of grant and one third on the second anniversary of grant.



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.

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 2021 is set out below:

(Euro 000's)	Short term benefits			
31 Dec 2021	Salary & Fees	Bonus	Incentive options*	Total
Executive Directors				
A. Lavandeira	472	438**	321	1,231
Non-executive Directors				
R. Davey	134	-	-	134
D. Barber	18	-	-	18
H. Barma	91	-	-	91
J. Fernández	65	-	-	65
H. Liu	65	-	-	65
J. Sierra López	18	-	-	18
S. Scott	97***	-	-	97***
N. Gregson	59	-	-	59
	1,019	438	321	1,778

(*) The amount relates to the non-cash expense recognised in accordance with IFRS 2 Share-based payments. On 24 June 2021, the Company granted 400,000 share options to the Executive Director Alberto Lavandeira (see Note 22 to the financial statements). (**) These amounts in 2021 related to the performance bonus for 2020 approved by the CGNC Committee of the Company during H1 2021. Director's bonus relates to the amount approved for the CEO as an executive director. (***) Includes €7k paid to the Canadian Pension Plan.

(Euro 000's)	Short term benefits			
31 Dec 2020	Salary & Fees	Bonus	Incentive options*	Total
Executive Directors				
A. Lavandeira	472	305**	291	1,068
Non-executive Directors				
R. Davey	115	-	-	115
D. Barber	60	-	-	60
H. Barma	80	-	-	80
J. Fernández	55	-	-	55
J. Lamb ⁽¹⁾	53	-	-	53
H. Liu	55	-	-	55
J. Sierra López	69	-	-	69
S. Scott	86***	-	-	86
	1,045	305	291	1,641

⁽¹⁾ Mr. Jon Lamb resigned as director of the Company on 15 December 2020. (*) The amount relates to the non-cash expense recognised in accordance with IFRS 2 Share-based payments. On 30 June 2020 the Company granted 400,000 share options to the Executive Director Alberto Lavandeira (see Note 22). (**) The amount relates to the approval of the performance bonus for 2019 by the BoD following the proposal of the CGNC Committee. During 2020, the Group has expensed the same amount for the performance bonus of 2019 which is not included in the table. The amount is yet to be approved by the BoD. There is no certain or guarantee that the BoD will approve a similar amount for 2020 performance. (***) Includes €6.7k paid to the Canadian Pension Plan.

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 2021 and 2020, are as follows:

The interest percentage represents the percentage of voting rights. Between 31 December 2021 and the date of approval of the consolidated and Company financial statements, the change in the Board of Directors' interests in the share capital of the Company was the disposal of 19,578,947 shares by Liberty and 43,376 shares by Mr. Liu.

Name	2021		2020	
	No. of existing Ordinary Shares	% of issued Share Capital	No. of existing Ordinary Shares	% of issued Share Capital
A. Lavandeira	280,000	0.20%	240,000	0.17%
D. Barber ⁽¹⁾	-*	-%	19,578,947*	14.17%
J. Fernández ⁽²⁾	30,821,213*	22.30%	30,821,213*	22.31%
H. Liu ⁽³⁾	31,075,251**	22.48%	31,118,627**	22.53%

⁽¹⁾ Liberty Metals & Mining Holdings LLC ⁽²⁾ Urion Holdings (Malta) Ltd ⁽³⁾ Yanggu Xiangguang Copper Co. Ltd (*) Shares held by the companies the Directors represent (**) includes 369,019 shares held personally by Mr. Liu (FY2020: 412,395 shares).

2021 Review

The Committee met two times during 2021, covering a number of issues.

Atalaya keeps the balance and membership of its Board under review and no new appointments were made during the year. All Directors were re-elected at the last Annual General Meeting during 2021.

Atalaya always bases their remuneration packages in comparison with their peers in the mining sector and in companies of similar size and similar financials.



Stephen Scott

Chairman of Corporate Governance, Nominating and Compensation Committee
23 March 2022



PRC

Physical Risks Committee

Members	Attendance
Dr. José Sierra López (Chair resigned March 2021)	1/1
Neil Gregson (Chair)	2/2
Roger Davey	3/3
Stephen Scott	3/3

The role of the PRC

The function of the PRC is oversight. It is recognised that members of the PRC who are Non-Executive Directors are not full-time employees of the Company and generally do not represent themselves as experts in the fields of safety, health, environment, security or risk management. As such, it is not the responsibility of the PRC personally to conduct safety, health, environment, security or risk reviews.

Committee members are entitled to rely on Atalaya Mining Management with respect to matters within their responsibility and on external professionals on matters within their areas of expertise.

Committee members may assume the accuracy of information provided by such persons, so long as the members are not aware of any reasonable grounds upon which such reliance or assumption may not be appropriate.

Management is responsible for implementing, managing and maintaining appropriate enterprise-wide safety, health, environment, security and risk management systems, policies and procedures, reporting protocols and internal controls that are designed to ensure compliance with applicable laws and regulations. Management is also responsible for the preparation, presentation and integrity of the information provided to the Committee.

The PRC comprises three members all of whom are non-executive and Independent. The current membership of the committee is Dr. N. Gregson (Chairman), Mr. R. Davey and Mr. S. Scott. Dr. José Nicolas Sierra retired as an Independent Non-Executive Director and the Chair of the Physical Risk Committee of Atalaya, with an effective date of 31 March 2021.

2021 Review

The PRC had three meetings in the year which covered a number of issues. These included meetings on site which covered health and safety issues and risk areas. Health and safety are a key priority to ensure a safe working environment for both employees and contractors and the Company is focused on ensuring it meets all regulations and assesses risk factors on a regular basis.

I would like to thank the safety department personnel, in particular, for their contributions and suggestions to continually make our operations safer.



Neil Gregson

Chairman of Physical Risks Committee
23 March 2022

AFRC

Audit and Financial Risk Committee

Indemnification of Directors and Officers

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

Attendance

Members	Attendance
Hussein Barma (Chair)	5/5
Stephen Scott	5/5
Roger Davey	5/5

The Role of the AFRC

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 is responsible for assisting the Board in overseeing the independence of the external auditors and fulfilling the Boards' statutory and fiduciary responsibilities relating to:

- Financial reporting;
- Reviewing and assessing the Company's business and financial risk management process, including the adequacy of the overall internal control environment and controls in selected areas representing significant risk; and
- External Audit.

To fulfil these functions the AFRC shall have the following duties and responsibilities:

- To review the quality and integrity of all published financial statements and reports including the annual Management Discussion and Analysis report (if applicable) and quarterly earnings press releases issued by the Company, prior to the Company publicly disclosing the information, as well as all other material continuous disclosure documents and analysis with a view to making a recommendation to the Board.
- To review estimates and judgements that are material to reported financial information and consider the quality and acceptability of the Company's accounting policies and procedures and the clarity of disclosure in financial statements.
- To ensure compliance by the Company with legal and regulatory requirements related to financial reporting.
- To review and to recommend to the Board the nomination and appointment of the external auditor for the purposes of preparing or issuing an auditors' report or performing other audit, review or attest services and to recommend to the Board the compensation of the external auditor.
- To review the qualifications, performance and independence of the external auditor, to consider the auditor's recommendations and manage the relationship with the auditor, which includes meeting with the external auditor as required in connection with the audit services provided and to review the engagement letter of the external auditor.
- To oversee the work of the external auditor engaged for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- To meet with the external auditor to discuss the annual financial report and any transaction referred to in the Board Charter.
- To provide the external auditor with the opportunity to meet with the AFRC without management present at least once per year for the purpose of discussing any issues.
- To review the quality and integrity of the internal controls and accounting procedures of the Company including reviewing the Company's procedures for internal control.
- To identify risks inherent in the business of the Company and to review the Company's risk management procedures.
- To review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

- To review any significant, including any pending, transactions outside the Company's ordinary course of business and any pending litigation involving the Company.
- To review and monitor management's responsiveness to external audit findings or any regulatory authority.
- To report to the Board of Directors, who in turn may refer the matter to the Corporate Governance, Nominating and Compensation Committee, any improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting or the integrity of the business.

In addition, the AFRC shall establish procedures for the receipt, retention and treatment of complaints (including "whistleblowing" complaints) received by Atalaya Mining regarding risk management, legal/regulatory compliance, accounting, internal accounting controls or auditing. This is to include a process for confidential anonymous complaints by employees or other stakeholders.

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. The secretary, CEO and CFO and external auditors also attend in when requested by the Committee.

2021 Review

The AFRC met five times during 2021. Four meetings were timed to coincide with approval of financial results for publication with one meeting held as planning meetings for the year-end.

During the year, the AFRC maintained regular dialogue with management as well as the external auditors, both within and outside of formal committee meetings. The principal matters considered by the AFRC during the year and in its discussions with management and the external auditors included:

- Review and approval of the quarterly, half yearly and full year financial results.
- The going concern statement in the Management Report above and in [Note 2.1\(b\)](#) to the Financial Statements, including the possible impact of the COVID-19 outbreak.
- Key accounting and audit matters for 2021 including the Astor Deferred Consideration and Revenue Recognition.
- An internal evaluation of the AFRC's performance with feedback from board members, senior management and the external auditors.
- A review of the AFRC's Charter to ensure that it remained fit for purpose and that the AFRC complied with its responsibilities.



Hussein Barma

Chairman of Audit and Financial Risk Committee
23 March 2022





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Independent Auditor's 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 its subsidiaries (the "Group"), which comprise the consolidated and parent company statements of financial position as at 31 December 2021, 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 as at 31 December 2021, 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 also 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 and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Key Audit Matters	Our response to the Key Audit Matters
<p>Astor deferred consideration</p> <p>Following the payment of the amount of €53m to Astor during March 2021, the remaining balance of the deferred consideration liability as of 31 December 2021 was Nil. The accrued interest due as at 31 December 2021 amounted to €11.7m (Notes 2.17 and 29).</p> <p>The valuation of the Astor deferred consideration has been identified as a key audit matter considering it is a highly judgmental matter and the amounts involved are significant. The litigation in the High Court and the Court of Appeal has been concluded and in accordance with the ruling, any "excess cash" generated by the subsidiary Atalaya Riotinto Minera, S.L.U ("ARM") must be used to repay the deferred consideration.</p> <p>In March 2021, the Company fulfilled all conditions required by the Board of Directors and proceeded with the payment of the amount of €53m to Astor. The payment of the deferred consideration, however, did not end the ongoing litigation as the issue as to whether any residual interest may or may not be payable remained unresolved.</p> <p>On 21 March 2022, following the Trial which took place during the period from 21 February 2022 to 1 March 2022, the final judgment was handed down. The judgment deals with matters of principle and the points that the Judge has decided will dictate the amount of interest to be paid.</p> <p>On the basis of the principles set out in the Judgment, the parties are currently in the process of determining the correct interest calculation.</p> <p>As at 31 December 2021, the Group has accrued interest amounting to €11.7m representing the interest calculation proposed by Astor. Group management is currently in the process of calculating the correct amount of interest due in accordance with the principles set out in the judgment with a view to agreeing the amount with Astor. Group management expects the interest due to Astor to be in the range of approximately €10m to €11.7m.</p> <p>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.</p> <p>In order to determine the interest due on the Astor deferred consideration, Group management has applied significant judgments and assumptions which are disclosed in Note 29.</p>	<p>Our approach in this area focused on the following procedures:</p> <ul style="list-style-type: none"> ▶ We obtained an understanding of the issue through discussions with management and from reading the Master Agreement, Final Court Judgement, explanation from the Group's external lawyers on the definition and implication of "excess cash" and the accounting papers prepared by management; ▶ We obtained an update on the status of the legal proceedings through discussions with management and the Group's external lawyers and advisors. Furthermore, we obtained letters of representation from these experts. We have also obtained the final judgment of the High Court issued on 21 March 2022; ▶ We obtained and reviewed management's calculation of the interest due as at 31 December 2021; ▶ We obtained and reviewed the bank credit facility agreements and the bank transfer slips for the execution of the full payment of the deferred consideration; 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 2.17 and 29);

Key Audit Matters	Our response to the Key Audit Matters
<p>Revenue recognition</p> <p>During the year ended 31 December 2021 the Group recognised revenue from operations of €405.7m (Notes 2.23, 4 and 5).</p> <p>The significant value of revenue transactions and complex terms under which title and control 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:</p> <ul style="list-style-type: none"> ▶ Cut-off: the complexity of terms that define when control is transferred to the customer, as well as the high value of transactions, give rise to the risk that revenue is not recognized 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 these transactions and the income statement impact of the mark to market movement is recorded as a fair value gain/loss relating to provisional pricing, disclosed separately in revenue included in the statement of comprehensive income. <p>Due to the significance of revenue for the Group financial statements, and since the calculations are based on estimations and susceptible to potential manipulation, we consider this to be a key audit matter.</p>	<p>Our approach focused on the following procedures:</p> <ul style="list-style-type: none"> ▶ 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 have reviewed revenue recognition policies for compliance with the requirements of IFRS 15 Revenue from contracts with customers ("IFRS 15"); ▶ 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; ▶ We assessed the methodology adopted by management to identify the provisional pricing terms and the determination of estimates of metal in concentrate sold to customers; ▶ 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 financial statements include disclosures in respect of revenue and the provisional pricing in accordance with the applicable IFRS (Notes 2.23, 4 and 5).

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management report, the Company Overview, the Director's and Officers' statement, the Strategic report, the Sustainability 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 also 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 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 scepticism 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 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, actions taken to eliminate threats or safeguards applied.

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 light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Other Matter

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.

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
23 March 2022

Consolidated and Company Statements of the Comprehensive Income

for the year ended 31 December 2021

(Euro 000's)	Note	The Group 2021	The Company 2021	The Group 2020	The Company 2020
Revenue	5	405,717	65,849	252,784	1,442
Operating costs and mine site administrative expenses		(192,073)	-	(175,484)	-
Mine site depreciation, amortisation and impairment	13,14	(32,276)	-	(31,683)	-
Gross profit		181,368	65,849	45,617	1,442
Administration and other expenses		(9,715)	(2,422)	(6,854)	(1,935)
Share based benefits	22	(899)	-	(816)	-
Exploration expenses		(1,800)	-	(1,661)	-
Impairment loss on other receivables		-	-	(49)	(45)
Care and maintenance expenditure		(2,116)	-	(525)	-
Operating profit/(loss)	6	166,838	63,427	35,712	(538)
Net foreign exchange gain/(loss)	4	6,589	1,450	(3,826)	16
Interest income from financial assets at fair value through profit and loss	8	-	12,854	-	13,607
Interest income from financial assets at amortised cost	8	57	2,398	197	2,516
Finance costs	9	(13,657)	-	(341)	-
Profit before tax		159,827	80,129	31,742	15,601
Tax	10	(27,601)	(862)	(1,352)	(928)
Profit for the year		132,226	79,267	30,390	14,673
Profit for the year attributable to:					
- Owners of the parent		133,644	79,267	31,479	14,673
- Non-controlling interests		(1,418)	-	(1,089)	-
		132,226	79,267	30,390	14,673
Earnings per share from operations attributable to equity holders of the parent during the year:					
Basic earnings per share (EUR cents per share)	11	96.7	-	22.9	-
Diluted earnings per share (EUR cents per share)	11	94.4	-	22.4	-
Profit for the year		132,226	79,267	30,390	14,673
Other comprehensive income:		-	-	-	-
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Change in fair value of financial assets through other comprehensive income 'OCI'	20	(47)	(47)	44	44
Total comprehensive income for the year		132,179	79,220	30,434	14,717
Total comprehensive income for the year attributable to:					
- Owners of the parent		133,597	79,220	31,523	14,717
- Non-controlling interests		(1,418)	-	(1,089)	-
		132,179	79,220	30,434	14,717

The notes on pages 106 to 173 are an integral part of these consolidated and Company financial statements.

Consolidated and Company Statements of Financial Position

As at 31 December 2021

(Euro 000's)	Note	As at 31 December		As at 31 December	
		The Group 2021	The Company 2021	The Group 2020	The Company 2020
Assets					
Non-current assets					
Property, plant and equipment	13	333,096	-	327,174	-
Intangible assets	14	57,368	-	59,816	-
Investment in subsidiaries	15	-	64,171	-	5,448
Trade and other receivables	19	5,330	245,744	2,715	318,857
Non-current financial asset	20	1,101	-	1,101	-
Deferred tax asset	17	5,564	-	8,805	-
		402,459	309,915	399,611	324,305
Current assets					
Inventories	18	24,781	-	23,576	-
Trade and other receivables	19	50,128	4,433	43,191	10,737
Tax refundable		483	-	815	-
Other financial assets	20	39	39	86	86
Cash and cash equivalents	21	107,517	37,270	37,767	2,049
		182,948	41,742	105,435	12,872
Total assets		585,407	351,657	505,046	337,177
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	22	13,447	13,447	13,439	13,439
Share premium	22	315,916	315,916	315,714	315,714
Other reserves	23	52,690	8,146	40,049	7,295
Accumulated profit/(losses)		58,754	10,116	(15,512)	(21,863)
		440,807	347,625	353,690	314,585
Non-controlling interests	24	(4,909)	-	(3,491)	-
Total equity		435,898	347,625	350,199	314,585
Liabilities					
Non-current liabilities					
Trade and other payables	25	3,450	-	1,448	-
Provisions	26	26,578	-	25,264	-
Lease liability	27	4,913	-	4,796	-
Borrowings	28	34,050	-	-	-
		68,991	-	31,508	-
Current liabilities					
Trade and other payables	25	66,191	4,032	68,437	13,002
Lease liability	27	597	-	592	-
Current tax liabilities	10	336	-	1,310	473
Deferred consideration	29	-	-	53,000	9,117
Borrowings	28	13,394	-	-	-
		80,518	4,032	123,339	22,592
Total liabilities		149,509	4,032	154,847	22,592
Total equity and liabilities		585,407	351,657	505,046	337,177

The notes on pages 106 to 173 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 23 March 2022 and were signed on its behalf.



Roger Davey
Chairman



Alberto Lavandeira
Chief Executive Officer

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

(Euro 000's)	Note	Attributable to owners of the parent				Total	Non-controlling interest	Total equity
		Share capital	Share Premium ⁽²⁾	Other reserves ⁽¹⁾	Accumulated Profit/(losses)			
At 1 January 2020		13,372	314,319	22,836	(30,669)	319,858	(2,402)	317,456
Profit / (loss) for the year		-	-	-	31,479	31,479	(1,089)	30,390
Change in fair value of financial assets through OCI	20	-	-	44	-	44	-	44
Total comprehensive income		-	-	44	31,479	31,523	(1,089)	30,434
Transactions with owners								
Issuance of share capital	22	67	1,395	-	-	1,462	-	1,462
Depletion factor	23	-	-	14,155	(14,155)	-	-	-
Recognition of share-based payments	23	-	-	816	-	816	-	816
Recognition of non-distributable reserve	23	-	-	2,198	(2,198)	-	-	-
Other changes in equity	23	-	-	-	31	31	-	31
At 31 December 2020/ 1 January 2021		13,439	315,714	40,049	(15,512)	353,690	(3,491)	350,199
Profit / (loss) for the year		-	-	-	133,644	133,644	(1,418)	132,226
Change in fair value of financial assets through OCI	20	-	-	(47)	-	(47)	-	(47)
Total comprehensive income / (loss) for the year		-	-	(47)	133,644	133,597	(1,418)	132,179
Transactions with owners								
Issuance of share capital	22	8	202	-	-	210	-	210
Depletion factor	23	-	-	6,100	(6,100)	-	-	-
Recognition of share-based payments	23	-	-	899	-	899	-	899
Recognition of non-distributable reserve	23	-	-	2,372	(2,372)	-	-	-
Recognition of distributable reserve		-	-	3,317	(3,317)	-	-	-
Other changes in equity	23	-	-	-	(299)	(299)	-	(299)
Interim dividends paid		-	-	-	(47,290)	(47,290)	-	(47,290)
At 31 December 2021		13,447	315,916	52,690	58,754	440,807	(4,909)	435,898

⁽¹⁾ Refer to [Note 23](#)

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

The notes on [pages 106 to 173](#) are an integral part of these consolidated and Company financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2021

(Euro 000's)	Note	Share capital	Share premium ⁽²⁾	Other reserves ⁽¹⁾	Accumulated losses	Total
At 1 January 2020		13,372	314,319	6,435	(36,535)	297,591
Profit for the year		-	-	-	14,673	14,673
Change in fair value of financial assets through OCI	20	-	-	44	-	44
Total comprehensive income		-	-	44	14,673	14,717
Issuance of share capital	22	67	1,395	-	-	1,462
Recognition of share-based payments	23	-	-	816	-	816
At 31 December 2020/1 January 2021		13,439	315,714	7,294	(21,861)	314,586
Profit for the year		-	-	-	79,267	79,267
Change in fair value of financial assets through OCI	20	-	-	(47)	-	(47)
Total comprehensive income		-	-	(47)	79,267	79,220
Issuance of share capital	22	8	202	-	-	210
Recognition of share-based payments	23	-	-	899	-	899
Interim dividends paid					(47,290)	(47,290)
At 31 December 2021		13,447	315,916	8,146	10,116	347,625

⁽¹⁾ Refer to [Note 23](#)

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

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 of December of the second year for the year the profits relate.

The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, from 2019 (deemed dividend distribution of year 2017 profits), the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2.65% (31 December 2020: 2.65%), when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on [pages 106 to 173](#) are an integral part of these consolidated and Company financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

(Euro 000's)	Note	2021	2020
Cash flows from operating activities			
Profit before tax		159,827	31,742
Adjustments for:			
Depreciation of property, plant and equipment	13	27,680	25,766
Amortisation of intangible assets	14	4,596	4,941
Impairment of intangibles	14	-	985
Recognition of share-based payments	23	899	816
Interest income	8	(57)	(197)
Interest expense	9	846	180
Unwinding of discounting	9	1,063	144
Finance provisions	9	11,737	-
Other provisions		417	-
Legal provisions	26	(61)	238
Impairment loss on other receivables	19	-	49
Net foreign exchange differences		(6,692)	3,779
Cash inflows from operating activities before working capital changes		200,255	68,443
Changes in working capital:			
Inventories	18	(1,205)	(2,246)
Trade and other receivables	19	(8,807)	(10,356)
Trade and other payables	25	(14,400)	11,747
Provisions	26	(343)	-
Cash flows from operations		175,500	67,588
Interest expense on lease liabilities	27	(11)	(17)
Interest paid		(846)	(180)
Tax paid		(25,802)	(4,475)
Net cash from operating activities		148,841	62,916
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(32,440)	(27,046)
Purchases of intangible assets	14	(2,148)	(3,311)
Payment of deferred consideration		(53,000)	-
Interest received	8	57	197
Net cash used in from investing activities		(87,531)	(30,160)
Cash flows from financing activities			
Lease payment	27	(463)	(618)
Net proceeds from borrowings		49,446	-
Proceeds from issue of share capital		158	1,378
Dividends paid		(47,290)	-
Net cash from financing activities		1,851	760
Net increase in cash and cash equivalents		63,161	33,516
Net foreign exchange difference		6,589	(3,826)
Cash and cash equivalents:			
At beginning of the year	21	37,767	8,077
At end of the year	21	107,517	37,767

The notes on [pages 106 to 173](#) are an integral part of these consolidated and Company financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2021

(Euro 000's)	Note	2021	2020
Cash flows from operating activities			
Profit before tax		80,129	15,601
Adjustments for:			
Interest income	8	-	(16)
Interest income from interest-bearing intercompany loans	8	(15,252)	(16,123)
Impairment loss on other receivables		-	(45)
Unrealised foreign exchange loss on financing activities		-	20
Cash used in operating activities before working capital changes		64,877	(563)
Changes in working capital:			
Trade and other receivables	19	81,713	(15,549)
Trade and other payables	25	(20,103)	2,728
Cash flows from / (used in) operations		126,487	(13,384)
Tax paid		(1,614)	(2,194)
Net cash from / (used in) operating activities		124,873	(15,578)
Cash flows from investing activities			
Investment in subsidiaries	15	(57,824)	(2)
Interest income from interest-bearing intercompany loans	8	15,252	16,123
Net cash (used in) / from investing activities		(42,572)	16,121
Cash flows from financing activities			
Proceeds from issue of share capital	22	210	1,378
Dividends paid	12	(47,290)	-
Net cash (used in) / from financing activities		(47,080)	1,378
Net increase/(decrease) in cash and cash equivalents		35,221	1,921
Cash and cash equivalents:			
At beginning of the year	21	2,049	W128
At end of the year	21	37,270	2,049

The notes on [pages 106 to 173](#) are an integral part of these consolidated and Company financial statements.



Notes to the Consolidated and Company Financial Statements

Year ended 31 December 2021

1. Incorporation and summary of business

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 2021.

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

Change of name and share consolidation

Following the Company’s Extraordinary General Meeting (“EGM”) on 13 October 2015, the change of name from 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 Stg £0.0025.

Principal activities

Atalaya is a European mining and development company. 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, elsewhere in European and Latin America.

The Group currently owns four mining projects: Proyecto Riotinto, Proyecto Touro, Proyecto Masa Valverde and Proyecto Ossa Morena. In addition, the Company has an earn-in agreement to acquire three investigation permits at Proyecto Riotinto Este.



Proyecto Riotinto

The Company owns and operates through a wholly owned subsidiary, “Proyecto Riotinto”, an open-pit copper mine located in the Iberian Pyrite Belt, in the Andalusia region of Spain, approximately 65 km northwest of Seville. A brownfield expansion of this mine was completed in 2019 and successfully commissioned by Q1 2020.

Proyecto Touro

The Group has an initial 10% stake in Cobre San Rafael, S.L., the owner of Proyecto Touro, as part of an earn-in agreement which will enable the Group to acquire up to 80% of the copper project. Proyecto Touro is located in Galicia, north-west Spain. Proyecto Touro is currently in the permitting process.

In November 2019, Atalaya executed the option to acquire 12.5% of Explotaciones Gallegas del Cobre, S.L. the exploration property around Touro, with known additional reserves, which will provide high potential to the Proyecto Touro.

Proyecto Masa Valverde

On 21 October 2020, the Company announced that it entered into a definitive purchase agreement to acquire 100% of the shares of Cambridge Minería España, S.L. (since renamed Atalaya Masa Valverde, S.L.U.), a Spanish company which fully owns the Masa Valverde polymetallic project located in Huelva (Spain). Under the terms of the agreement Atalaya will make an aggregate €1.4 million cash payment in two instalments of approximately the same amount. The first payment is to be executed once the project is permitted and second and final payment when first production is achieved from the concession. Proyecto Masa Valverde is currently in the permitting process.

Proyecto Riotinto Este

In December 2020, Atalaya entered into a Memorandum of Understanding with a local private Spanish company to acquire a 100% beneficial interest in three investigation permits (known as Peñas Blancas, Cerro Negro and Herreros investigation permits), which cover approximately 12,368 hectares and are located immediately east of Proyecto Riotinto.

Proyecto Ossa Morena

In December 2021, Atalaya announced the acquisition of a 51% interest in Rio Narcea Nickel, S.L., which owns 17 investigation permits. The acquisition also provided a 100% interest in three investigation permits that are also located along the Ossa-Morena Metallogenic Belt.

2. Summary of significant accounting policies

Atalaya will pay a total of €2.5 million in cash in three instalments and grant a 1% net smelter return (“NSR”) royalty over all acquired permits. The first payment of €0.5 million will be made following execution of the purchase agreement. The second and third instalments of €1 million each will be made once the environmental impact statement (“EIS”) and the final mining permits for any project within any of the investigation permits acquired under the Transaction are secured.

The principal accounting policies applied in the preparation of these consolidated and company 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 Plc have been prepared in accordance with International Financial Reporting Standards (“IFRS”). IFRS comprise the standards issued by the International Accounting Standards Board (“IASB”).

The financial statements are presented in € and all values are rounded to the nearest thousand (€’000), except where otherwise indicated.

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 2021, the standards applicable for IFRS’s as adopted by the EU are aligned with the IFRS’s as issued by the IASB.

The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period, as explained below and in [note 3](#).

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 3.3](#).

(b) Going concern

The Directors have considered and debated different possible scenarios on the Company’s operations, financial position and forecast for a period of at least 12 months since the approval of these financial statements. Possible scenarios range from (i) disruption in Proyecto Riotinto including any potential future impact of the COVID-19 pandemic; (ii) market volatility in commodity prices; and (iii) availability of existing credit facilities.

The Directors, after reviewing these scenarios, the current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities, sensitivity analyses and considering the associated uncertainties to the Group’s operations have a reasonable expectation that the Company has adequate resources to continue operating in the foreseeable future.

Accordingly, these financial statements have been prepared based on 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 since the approval of these consolidated financial statements.

Management is assessing the impact of geopolitical developments as described in [note 35](#) (Events after the reporting period). Currently no significant impact is expected in the operations of the Group.

2.2 Changes in accounting policy and disclosures

The Group has adopted all the new and revised IFRSs and International Accounting Standards (IASs) which are relevant to its operations and are effective for accounting periods commencing on 1 January 2021.

Several other amendments and interpretations apply for the first time in 2021, but do not have a significant impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU. The amendment is not expected to have a material impact on the Group.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

Temporary relief provided to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. Some of them were adopted by the European Union and others not yet. The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation. The amendment is not expected to have a material impact on the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendment is not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “*directly related cost approach*”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendment is not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment is not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘*significant*’ accounting policies with a requirement to disclose their ‘*material*’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

The Amendments have not yet been endorsed by the EU. The amendment is not expected to have a material impact on the Group.

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 the 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.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value'.

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

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

Entity name	Business	% ⁽³⁾	Country
Atalaya Mining, Plc	Holding	n/a	Cyprus
EMED Marketing Ltd.	Marketing	100%	Cyprus
EMED Mining Spain, S.L. ⁽⁵⁾	Dormant	100%	Spain
Atalaya Riotinto Minera, S.L.U.	Operating	100%	Spain
Recursos Cuenca Minera, S.L. ⁽⁴⁾	Operating	50%	Spain
Atalaya Minasderiotinto Project (UK), Ltd.	Holding	100%	UK
Eastern Mediterranean Exploration & Development, S.L.U.	Operating	100%	Spain
Atalaya Touro (UK), Ltd.	Holding	100%	UK
Fundación Atalaya Riotinto	Trust	100%	Spain
Cobre San Rafael, S.L. ⁽¹⁾	Development	10%	Spain
Atalaya Servicios Mineros, S.L.U.	Dormant	100%	Spain
Atalaya Masa Valverde, S.L.U.	Development	100%	Spain
Atalaya Financing Ltd.	Financing	100%	Cyprus
Rio Narcea Nickel S.L. ⁽²⁾	Development	51%	Spain

Notes

⁽¹⁾ Cobre San Rafael, S.L. is the entity which holds the mining rights of the Proyecto Touro. The Group has control in the management of 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 30](#) for details on the acquisition of Cobre San Rafael, S.L.

⁽²⁾ Rio Narcea Nickel S.L. is the entity which holds 17 investigation permits. This group of 17 permits will be known collectively as Proyecto Ossa Morena ("POM") and are strategically distributed along prospective zones of the Ossa Morena Metallogenic Belt, and in particular, along the southern flank of the major Olivenza-Monesterio Antiform ("OMA"). Refer to [Note 30](#) for details on the acquisition of Atalaya Ossa Morena, S.L.

⁽³⁾ The effective proportion of shares held as at 31 December 2021 and 2020 remained unchanged.

⁽⁴⁾ Recursos Cuenca Minera is a joint venture with Atalaya Riotinto Minera SLU, see [note 16](#).

⁽⁵⁾ EMED Mining Spain, S.L. was disposed on 4 January 2022.

The Group applied the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the transferred assets, liabilities incurred by 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, liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The Group recognised any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionated 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 IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Gains 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 and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (generally accompanying a shareholding of between 20% and 50% of the voting rights) but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates or joint ventures 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 or joint ventures includes goodwill identified on acquisition.

If the ownership interest in an associate or joint venture 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 or a joint venture equals or exceeds its interest in the associate or joint venture, 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 or the joint venture.

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associates or the joint ventures. 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 or joint ventures 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 Company's 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 updated 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 whose functional currency are not the Euro are taken to equity and recorded in a separate currency translation reserve.

2.4 Investments in subsidiary companies in the Company's financial statements

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 enters 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 of 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. Capitalisation 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, except for development costs which give rise to a future benefit.

Pre-commissioning sales are offset against the cost of assets under construction. No depreciation is recognised 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. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are 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 zero 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. 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.

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not 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 and commence production, 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 provided they meet recognition criteria as per IFRS 3. 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 consolidated and company statements of 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 for 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 and liabilities

2.12.1 Classification

From 1 January 2019, the Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost.
- those to be measured subsequently at fair value through OCI, and.
- those to be measured subsequently at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

2.12.2 Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Impairment losses are presented as separate line item in the statement of profit or loss.

The Company's financial assets at amortised cost include current and non-current receivables (other than trade receivables which are measured at fair value through profit and loss) and cash and cash equivalents.

2.12.3 Fair value through other comprehensive income

Financial assets which are debt instruments, that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in net foreign exchange gain/(loss) before tax and impairment expenses are presented as a separate line item in the statement of profit or loss.

At transition to IFRS 9, the Group had certain financial asset that were accounted for as debt instruments at fair value through other comprehensive income.

2.12.4 Equity instruments designated as fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated and company statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

2.12.5 Assets at fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised as profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated and company statements of comprehensive income as applicable. The Company's and Group's financial assets at fair value through profit and loss include current and non-current receivables (other than trade receivables which are measured amortised cost).

2.12.6 De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.12.7 Impairment of financial assets

From 1 January 2019, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables (other than trade receivables which are measured at FVPL), the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

2.12.8. Financial liabilities and trade payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated and company statements of comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking any discount or premium on acquisition and fees or costs that are an integral part of the EIR, into account. The EIR amortisation is included as finance costs in the consolidated and company statements of comprehensive income

2.13 Current versus Non-current Classification

The Group presents assets and liabilities in the consolidated and company statements 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.

2.14 Cash and cash equivalents

In the consolidated and company statements of cash flows, cash and cash equivalents includes cash in hand and in bank including deposits held at call with banks, with a maturity of less than 3 months.

2.15 Provisions

Provisions 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.

2.16 Interest-bearing loans and borrowings

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.

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.

2.17 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 payable 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.

2.18 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.

2.19 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.

2.20 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).

2.21 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.

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised, or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d) There is a substantial change to the asset.

Group as a lessee

The Group has lease contracts for various items of laboratory equipment, motor vehicle, lands and buildings used in its operations. Leases of laboratory equipment and motor vehicles generally have lease terms for four years, while lands and buildings generally have lease terms for the life of mine, currently after 13 years of operation. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Accounting policy - leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

After initial measurement, the right-of-use assets are depreciated from the commencement date using the straight-line method over the shorter of the estimated useful lives of the right-of-use assets or the end of lease term. These are as follows:

Right-of-use asset	Depreciation terms in years
Lands and buildings	Based on Units of Production (UOP)
Motor vehicles	Based on straight line depreciation
Laboratory equipment	Based on straight line depreciation

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option
- Payments of penalties for early terminating the lease, unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The result of this re-measurement is disclosed in a line of the right-of-use assets note as modifications.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded as profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

2.23 Revenue recognition

(a) Revenue from contracts with customers

Atalaya is principally engaged in the business of producing copper concentrate and in some instances, provides freight/shipping services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which Atalaya expects to be entitled in exchange for those goods or services. Atalaya has concluded that it is the principal in its revenue contracts because it controls the goods or services before transferring them to the customer.

(b) Copper in concentrate (metal in concentrate) sales

For most copper in concentrate (metal in concentrate) sales, the enforceable contract is each purchase order, which is an individual, short-term contract. For the Group's metal in concentrate sales not sold under CIF Incoterms, the performance obligations are the delivery of the concentrate. A proportion of the Group's metal in concentrate sales are sold under CIF Incoterms, whereby the Group is also responsible for providing freight services. In these situations, the freight services also represent separate performance obligation (see paragraph (c) below).

The majority of the Group's sales of metal in concentrate allow for price adjustments based on the market price at the end of the relevant QP stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months.

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognised. For those arrangements subject to CIF shipping terms, a portion of the transaction price is allocated to the separate freight services provided (See paragraph (c) below).

For these provisional pricing arrangements, any future changes that occur over the QP are included within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognised as part of revenue in the statement of profit or loss and other comprehensive income each period and disclosed separately from revenue from contracts with customers as part of 'Fair value gains/losses on provisionally priced trade receivables. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for copper as well as taking other relevant fair value considerations as set out in IFRS 13, into account, including interest rate and credit risk adjustments.

Final settlement is based on quantities adjusted as required following the inspection of the product by the customer as well as applicable commodity prices. IFRS 15 requires that variable consideration should only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As the adjustments relating to the final assay results for the quantity and quality of concentrate sold are not significant, they do not constrain the recognition of revenue.

(c) Freight services

As noted above, a proportion of the Group's metal in concentrate sales are sold under CIF Incoterms, whereby the Group is responsible for providing freight services (as principal) after the date that the Group transfers control of the metal in concentrate to its customers. The Group, therefore, has separate performance obligation for freight services which are provided solely to facilitate sale of the commodities it produces.

The revenue from freight services is a separate performance obligation under IFRS 15 and therefore is recognised as the service is provided, hence at year end a portion of revenue must be deferred as well as the insurance costs associated.

Other Incoterms commonly used by the Group are FOB, where the Group has no responsibility for freight or insurance once control of the products has passed at the loading port, Ex works where control of the goods passes when the product is picked up at seller's premises, and CIP where control of the goods passes when the product is delivered to the agreed destination. For arrangements which have these Incoterms, the only performance obligations are the provision of the product at the point where control passes.

(d) 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.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

From time to time, the Group recognises contract liabilities in relation to some metal in concentrate sales which are sold under CIF Incoterms, whereby a portion of the cash may be received from the customer before the freight services are provided.

2.24 Interest income

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

2.25 Dividend income

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

2.26 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.

2.27 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.

2.28 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2.29 Amendment of financial statements after issue

The consolidated and company financial statements were authorised for issue by the Board of Directors on 23 March 2022. The Board of Directors and shareholders has no right to amend the Financial Statements after they are authorised.

2.30 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 and company 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).

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(Euro 000's)	Level 1	Level 2	Level 3	Total
31 December 2021				
Other current financial assets				
Financial assets at FV through OCI	39	-	1,101	1,140
Trade and other receivables				
Receivables (subject to provisional pricing)	-	29,148	-	29,148
Total	39	29,148	1,101	30,288
31 December 2020				
Other current financial assets				
Financial assets at FV through OCI	86	-	1,101	1,187
Trade and other receivables				
Receivables (subject to provisional pricing)	-	24,250	-	24,250
Total	86	24,250	1,101	25,437

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(Euro 000's)	Level 1	Level 2	Level 3	Total
31 December 2021				
Non-current receivables				
Financial assets at FV through profit and loss (note 31.4)	-	-	176,292	176,292
Other current financial assets				
Financial assets at FV through OCI	39	-	-	39
Total	39	-	176,292	176,331
31 December 2020				
Non-current receivables				
Financial assets at FV through profit and loss (note 31.4)	-	-	243,557	243,557
Other current financial assets				
Financial assets at FV through OCI	86	-	-	86
Total	86	-	243,557	243,643

3. Financial Risk Management and Critical accounting estimates and judgements

3.1 Financial risk factors

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risks comprising: commodity price risk, interest rate risk and foreign currency risk; liquidity risk and credit risk; operational risk, compliance risk and litigation risk. Management reviews and agrees policies for managing each of these risks that are summarised below.

The Group's senior management oversees the management of financial risks. The Group's senior management is supported by the AFRC that advises on financial risks and the appropriate financial risk governance framework for the Group. The AFRC provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. Currently, the Group does not apply any form of hedge accounting.

(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.

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(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 2021							
Tax liability	336	336	-	336	-	-	-
Other financial liabilities	47,444	47,444	-	13,394	28,425	5,625	-
Trade and other payables	69,641	53,977	32,593	33,613	-	-	3,435
Lease liability	5,510	5,510	-	597	-	2,014	2,899
	122,931	107,267	32,593	47,940	28,425	7,639	6,334
31 December 2020							
Tax liability	1,310	1,310	-	1,310	-	-	-
Deferred consideration	53,000	53,000	53,000	-	-	-	-
Trade and other payables	69,885	69,885	27,077	41,360	13	1,435	-
Lease liability	6,046	6,046	154	463	619	1,623	3,187
	130,241	130,241	80,231	43,133	632	3,058	3,187

THE COMPANY

(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 2021							
Trade and other payables	2,013	493	-	2,013	-	-	-
	2,013	493	-	2,013	-	-	-
31 December 2020							
Tax liability	473	473	-	473	-	-	-
Deferred consideration	9,117	9,117	-	9,117	-	-	-
Trade and other payables	12,485	12,485	-	12,485	-	-	-
	22,075	22,075	-	22,075	-	-	-

(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.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at reporting date:

(Euro 000's)	Effect on profit before tax for the year ended 31 Dec 2021 increase/(decrease)	Effect on profit before tax for the year ended 31 Dec 2020 increase/(decrease)
+5%	15,045	12,867
-5%	(15,045)	(12,867)

(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 hedge part of its production during the year.

Commodity price sensitivity

The table below summarises the impact on profit before tax for changes in commodity prices on the fair value of derivative financial instruments and trade receivables (subject to provisional pricing). The impact on equity is the same as the impact on profit before income tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading and are therefore fair valued through profit or loss.

The analysis is based on the assumption that the copper prices move \$0.05/lb with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the last two years' historical prices.

	Effect on profit before tax for the year ended 31 Dec 2021 increase/(decrease)	Effect on profit before tax for the year ended 31 Dec 2020 increase/(decrease)
	Eur 000's	Eur 000's
Increase/(decrease) in copper prices		
Increase \$0.05/lb (2021: \$0.05)	4,920	4,629
Decrease \$0.05/lb (2021: \$0.05)	(4,920)	(4,629)

(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)	2021	2020
Unrestricted cash and cash equivalent at Group	48,375	24,519
Unrestricted cash and cash equivalent at operating entity	43,722	13,248
Restricted cash and cash equivalents at operating entity	15,420	-
Consolidates cash and cash equivalents	107,517	37,767
Net cash / (debt) position ⁽¹⁾	60,073	(15,233)
Working capital surplus / (deficit)	102,430	(17,904)

⁽¹⁾ Includes bank borrowings and Deferred Consideration at 31 December 2020.

Besides of 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 2021.

(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)	2021	2020
Variable rate instruments		
Financial assets	107,517	37,767

An increase of 100 basis points in interest rates at 31 December 2021 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	
	2021	2020	2021	2020
Variable rate instruments	1,075	378	1,075	378

(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 maximising 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)	2021	2020
Total liabilities less cash	41,992	117,080
Total equity	440,807	353,690
Total capital	482,799	470,770
Gearing ratio	8.7%	24.9%

⁽¹⁾ Net debt includes non-current and current liabilities net of cash and cash equivalent.

3.3 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 proves to be unviable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

(b) 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).

(c) 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 consolidated and company statements of 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.

(d) 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.

(e) 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. Refer to [Note 26](#) for further details.

(f) 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.

(g) 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.

(h) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(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) 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. Please refer to [Note 23](#).

(k) Consolidation of Cobre San Rafael

Cobre San Rafael, S.L. is the entity which holds the mining rights of Proyecto Touro. The Group controls Cobre San Rafael, S.L. as it is exposed to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The control is proven as: one of the two Directors belongs to the Group and management of the financial books and the capacity to appoint the key personnel is controlled by Atalaya.

(l) Consolidation of Rio Narcea Nickel

Rio Narcea Nickel S.L. is the entity which holds 17 investigation permits. This group of 17 permits will be known collectively as Proyecto Ossa Morena ("POM") and are strategically distributed along prospective zones of the Ossa Morena Metallogenic Belt, and in particular, along the southern flank of the major Olivenza-Monesterio Antiform ("OMA").

(m) Classification of financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The Group and Company exercises judgement upon determining the classification of its financial assets upon considering whether contractual features including interest rate could significantly affect future cash flows. Furthermore, judgment is required when assessing whether compensation paid or received on early termination of lending arrangements results in cash flows that are not 'solely payments of principal and interest (SPPI).

4. Business and geographical segments

Business segments

The Group has only one distinct business segment, that being 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 31.3](#))

Geographical segments

The Group's mining activities are located in Spain. The commercialisation of the copper concentrates produced in Spain is carried out through Cyprus. Sales transactions to related parties are on arm's length basis in a similar manner to transaction with third parties. Accounting policies used by the Group in different locations are the same as those contained in [Note 2](#).

2021				
(Euro 000's)	Cyprus	Spain	Other	Total
Revenue	40,827	364,890	-	405,717
Earnings/(loss)before Interest, Tax, Depreciation and Amortisation	30,284	168,880	(50)	199,114
Depreciation/amortisation charge	-	(32,276)	-	(32,276)
Net foreign exchange gain/(loss)	2,301	4,285	3	6,589
Finance income	-	57	-	57
Finance cost	-	(13,657)	-	(13,657)
Profit/(loss) before tax	32,585	127,289	(47)	159,827
Tax	(3,776)	(23,825)	-	(27,601)
Profit for the year				132,226

Total assets	77,750	506,523	1,134	585,407
Total liabilities	(1,934)	(147,567)	(8)	(149,509)
Depreciation of property, plant and equipment	-	27,680	-	27,680
Amortisation of intangible assets	-	4,596	-	4,596
Total additions of non-current assets	-	41,040	-	41,040

2020				
(Euro 000's)	Cyprus	Spain	Other	Total
Revenue	30,848	221,936	-	252,784
Earnings/(loss)before Interest, Tax, Depreciation and Amortisation	22,324	45,277	(157)	67,444
Depreciation/amortisation charge	(2)	(31,681)	-	(31,683)
Net foreign exchange gain/(loss)	(960)	(2,870)	4	(3,826)
Impairment of other receivables	(49)	-	-	(49)
Finance income	-	197	-	197
Finance cost	(1)	(340)	-	(341)
Profit/(loss) before tax	21,312	10,583	(153)	31,742
Tax	(2,036)	684	-	(1,352)
Profit for the year				30,390

Total assets	37,284	466,605	1,157	505,046
Total liabilities	(12,271)	(142,545)	(31)	(154,847)
Depreciation of property, plant and equipment	2	25,741	-	25,743
Amortisation of intangible assets	-	4,941	-	4,941
Total additions of non-current assets	2	58,650	-	58,652

Revenue represents the sales value of goods supplied to customers; net of value added tax. The following table summarises sales to customers with whom transactions have individually exceeded 10.0% of the Group's revenues.

(Euro 000's)	2021		2020	
	Segment	€'000	Segment	€'000
Offtaker 1	Copper	130,642	Copper	50,611
Offtaker 2	Copper	91,651	Copper	67,012
Offtaker 3	Copper	173,904	Copper	119,491

5. Revenue

THE GROUP

(Euro 000's)	2021	2020
Revenue from contracts with customers ⁽¹⁾	399,966	249,438
Fair value gain relating to provisional pricing within sales ⁽²⁾	5,751	3,346
Total revenue	405,717	252,784

All revenue from copper concentrate is recognised at a point in time when the control is transferred. Revenue from freight services is recognised over time as the services are provided.

⁽¹⁾ Included within 2021 revenue there is a transaction price of €2.8 million (€3.0 million in 2020) related to the freight services provided by the Group to the customers arising from the sales of copper concentrate under CIF incoterm.

⁽²⁾ Provisional pricing impact represented the change in fair value of the embedded derivative arising on sales of concentrate.

THE COMPANY

(Euro 000's)	2021	2020
Sales of services to related companies (Note 31.3)	1,849	1,442
Dividends	64,000	-
	65,849	1,442

6. Expenses by nature

THE GROUP

(Euro 000's)	2021	2020
Operating costs	150,954	150,253
Rents (Note 27)	5,752	4,509
Care and maintenance expenditure	13,720	369
Exploration expenses	1,800	1,661
Employee benefit expense (Note 7)	23,793	21,194
Compensation of key management personnel	2,335	2,100
Auditors' remuneration – audit	283	229
Other auditors' services	-	19
Other accountants' remuneration	86	111
Consultants' remuneration	921	1,174
Depreciation of property, plant and equipment (Note 13)	27,680	25,744
Amortisation of intangible assets (Note 14)	4,596	4,941
Travel costs	105	140
Share option-based employee benefits	899	816
Shareholders' communication expense	251	178
On-going listing costs	352	235
Legal costs	1,086	689
Public relations and communication development	650	492
Insurances	90	112
Impairment of intangible assets (Note 14)	-	985
Impairment loss on other receivables	-	49
Other expenses and provisions	3,526	1,069
Total cost of operation, corporate, share based benefits, care and maintenance, and exploration expenses	238,879	217,069

THE COMPANY

(Euro 000's)	2021	2020
Key management remuneration	547	656
Auditors' remuneration – audit	146	118
Other auditors' services	-	17
Other accountants' remuneration	42	80
Consultants' remuneration	222	60
Management fees (Note 31.3)	61	55
Travel costs	3	4
Shareholders' communication expense	251	178
On-going listing costs	352	235
Legal costs	667	661
Insurances	91	113
Impairment loss on other receivables	-	45
Other expenses and provisions	40	(242)
Total cost of corporate, share based benefits and impairment	2,422	1,980

7. Employee benefit expense

THE GROUP

(Euro 000's)	2021	2020
Wages and salaries	17,652	15,675
Social security and social contributions	5,583	5,054
Employees' other allowances	17	20
Bonus to employees	541	445
	23,793	21,194

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

Number of employees	Average		At year end	
	2021	2020	2021	2020
Spain – Full time	406	482	422	482
Spain – Part time	91	6	81	6
Cyprus – Full time	1	1	1	1
Cyprus – Part time	2	1	2	1
Total	500	490	506	490

THE COMPANY

(Euro 000's)	2021	2020
Wages and salaries	-	-
Social security and social contributions	-	-
	-	-

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

Number of employees	Average		At year end	
	2021	2020	2021	2020
Cyprus – Full time	-	-	-	-
Total	-	-	-	-

8. Finance income

THE GROUP

(Euro 000's)	2021	2020
Interest income	57	197
	57	197

THE COMPANY

(Euro 000's)	2021	2020
Interest income from interest-bearing intercompany loans at fair value through profit and loss (Note 31.3)	12,854	3,607
Interest income from interest-bearing intercompany loans at amortised cost (Note 31.3)	2,398	2,516
Interest income	-	16
	17,271	16,139

Interest income relates to interest received on bank balances.

9. Finance costs

THE GROUP

(Euro 000's)	2021	2020
Interest expense:		
Other interest	846	180
Interest expense on lease liabilities	11	17
Other finance expenses (Note 29)	11,737	-
Unwinding of discount on mine rehabilitation provision (Note 26)	1,063	144
	13,657	341

Other finance expense is related to the interest calculation proposed by Astor (Note 29).

10. Tax

THE GROUP

(Euro 000's)	2021	2020
Current income tax charge	24,359	3,582
Deferred tax related to utilization of losses for the year (Note 17)	3,856	777
Deferred tax income relating to the origination of temporary differences (Note 17)	(2,986)	(3,320)
Deferred tax expense relating to reversal of temporary differences (Note 17)	2,372	313
	27,601	1,352

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)	2021	2020
Accounting profit before tax	159,827	31,742
Tax calculated at the applicable tax rates of the Company – 12.5%	19,978	3,968
Tax effect of expenses not deductible for tax purposes	2,743	2,334
Tax effect of tax loss for the year	359	662
Tax effect of allowances and income not subject to tax	(2,629)	(3,502)
Effect of higher tax rates in other jurisdictions of the group	7,764	897
Tax effect of tax losses brought forward	(3,856)	(777)
Deferred tax (Note 17)	3,242	(2,230)
Tax charge	27,601	1,352

THE COMPANY

(Euro 000's)	2021	2020
Current income tax charge	862	928
	862	928

Tax losses carried forward

As at 31 December 2021, the Group had tax losses carried forward amounting to €0.3 million from the Spanish subsidiary for the period 2008 to 2015.

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. 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 and Cyprus domiciled. 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 2021 and 2020 is 25%. The recent Spanish tax reform approved in 2014 reduced the general corporation tax rate from 30% to 28% in 2015 and to 25% in 2016, and introduced, among other changes, a 10% reduction in the tax base subject to equity increase and other requirements. 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)	2021	2020
Parent company	(1,773)	(2,842)
Subsidiaries	135,417	34,321
Profit attributable to equity holders of the parent	133,644	31,479
Weighted number of ordinary shares for the purposes of basic earnings per share ('000)	138,196	137,359
Basic profit per share (EUR cents/share)	96.7	22.9
Weighted number of ordinary shares for the purposes of diluted earnings per share ('000)	141,526	140,511
Diluted profit per share (EUR cents/share)	94.4	22.4

At 31 December 2021, there are 3,841,750 options (Note 23) and nil warrants (Note 22) (At 31 December 2020: 2,787,000 options and nil warrants) which have been included when calculating the weighted average number of shares for FY2021.

12. Dividends paid

Cash dividends declared and paid during the year:

(Euro 000's)	31 Dec 2021	31 Dec 2020
Interim dividend for 2021:	47,290	-
Total cash dividends paid in the year to ordinary shareholders	47,290	-

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Dividend Policy

Following the expansion of Proyecto Riotinto's processing capacity to 15 Mtpa, Atalaya has been generating robust cash flow as a result of the plant consistently operating above nameplate capacity, coupled with the strong copper price environment.

Accordingly, on 27 October 2021, Atalaya initiated a sustainable dividend policy that will allow for continued investments in its portfolio of low capital intensity growth projects, such as the San Dionisio deposit, Proyecto Masa Valverde and Proyecto Touro.

Consistent with its strategy to create and deliver shareholder value, the Company approved a Dividend Policy that will make an annual pay-out of between 30% and 50% of free cash flow generated during the applicable financial year.

The Dividend Policy will take effect in financial year 2022. The annual Ordinary Dividend will be paid in two half-yearly instalments and announced in conjunction with future interim and full year results.

The declaration and payment of all future dividends under the new policy will remain subject to approval by the Board of Directors.

Inaugural Dividend

Also on 27 October 2021, the Board of Directors elected to declare an Inaugural Dividend of US\$0.395 per ordinary share, which was equivalent to £0.294 per share or €0.345 per share.

The record date for the Inaugural Dividend was 5 November 2021 and the shares became ex-dividend on 4 November 2021.

The Inaugural Dividend was paid on 1 December 2021 in US Dollars, with an option for shareholders to elect to receive the dividend in Sterling or Euros. Shareholders were required to communicate their currency election to the Company by no later than 11 November 2021. The exchange rates for payments in Sterling and Euros were fixed by Atalaya on 15 November 2021 and subsequently announced.

13. Property, plant and equipment

(Euro 000's)	Land and buildings	Right of use assets ⁽⁵⁾	Plant and equipment	Assets under construction ⁽³⁾	Deferred mining costs ⁽²⁾	Other assets ⁽¹⁾	Total
2021							
Cost							
At 1 January 2021	64,034	6,569	268,051	15,828	41,868	801	397,151
Additions	270	507	1,941	20,386	9,799	-	32,903
Increase in rehab. provision	655	-	-	-	-	-	655
Reclassifications	-	-	13,354 ⁽⁴⁾	(13,354)	-	-	-
Advances	44	-	-	-	-	-	44
At 31 December 2021	65,003	7,076	283,346	22,860	51,667	801	430,753
Depreciation							
At 1 January 2021	11,671	956	48,134	-	8,528	688	69,977
Charge for the year	4,355	590	19,857	-	2,852	26	27,680
At 31 December 2021	16,026	1,546	67,991	-	11,380	714	97,657
Net book value at 31 December 2021	48,977	5,530	215,355	22,860	40,287	87	333,096
2020							
Cost							
At 1 January 2020	46,063	6,421	248,221	16,517	34,013	781	352,016
Additions	-	148	2,278	16,863	7,855	20	27,164
Increase in rehab. provision	17,954	-	-	-	-	-	17,954
Reclassifications	-	-	17,552	(17,552)	-	-	-
Advances	17	-	-	-	-	-	17
At 31 December 2020	64,034	6,569	268,051	15,828	41,868	801	397,151
Depreciation							
At 1 January 2020	8,257	402	28,876	-	6,061	627	44,201
Charge for the year	3,414	554 ⁽⁶⁾	19,257	-	2,467	63	25,744
Disposals	-	-	5	-	-	5	10
At 31 December 2020	11,671	956	48,134	-	8,528	688	69,977
Net book value at 31 December 2020	52,363	5,613	219,917	15,828	33,340	113	327,174

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

⁽²⁾ Stripping costs

⁽³⁾ Assets under construction at 31 December 2021 amounted to €22.9 million (2020: €15.8 million). It includes the capitalisation of costs related sustaining capital expenses (€5.9 million) and tailing dams (€14.1 million).

⁽⁴⁾ Transfers related to sustaining Capex (€4.0 million) and the Tailing Dam Project (€9.4 million).

⁽⁵⁾ See leases in [Note 27](#).

⁽⁶⁾ Depreciation includes an adjustment of previous year amounted to €11k.

The Group

The above fixed assets are mainly located in Spain.

THE COMPANY

(Euro 000's)	Other assets ⁽¹⁾	Total
2021		
Cost		
At 1 January 2021	15	15
At 31 December 2021	15	15
Depreciation		
At 1 January 2021	15	15
Charge for the year	-	-
At 31 December 2021	15	15
Net book value at 31 December 2021	-	-
2020		
Cost		
At 1 January 2020	15	15
At 31 December 2020	15	15
Depreciation		
At 1 January 2020	15	15
Charge for the year	-	-
At 31 December 2020	15	15
Net book value at 31 December 2020	-	-

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

14. Intangible assets

THE GROUP

(Euro 000's)	Permits ⁽¹⁾	Licences, R&D and Software	Total
2021			
Cost			
On 1 January 2021	78,210	8,595	86,805
Additions	2,148 ⁽³⁾	-	2,148
At 31 December 2021	80,358	8,595	88,953
Amortisation			
On 1 January 2021	18,683	8,306	26,989
Charge for the year	4,531	65	4,596
At 31 December 2021	23,214	8,371	31,585
Net book value at 31 December 2021	57,144	224	57,368
2020			
Cost			
On 1 January 2020	76,538	7,610	84,148
Additions	1,672 ⁽²⁾	1,312	2,984
Disposals	-	(327)	(327)
At 31 December 2020	78,210	8,595	86,805
Amortisation			
On 1 January 2020	13,808	7,255	21,063
Charge for the year	4,875	66	4,941
Impairment charge (Note 7)	-	985	985
At 31 December 2020	18,683	8,306	26,989
Net book value at 31 December 2020	59,527	289	59,816

⁽¹⁾ Permits include an amount of €5.0 million that relate to the Proyecto Touro mining rights.

⁽²⁾ Addition resulting from the acquisition of Atalaya Masa Valverde SLU.

⁽³⁾ Addition resulting from the acquisition of 51% of Rio Narcea Nickel SL

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 increased the life of mine to 16 ½ years). In July 2018, the Company announced an updated technical report on the mineral resources and reserves of the Proyecto Riotinto. The Report increased the open pit mineral reserves by 29% and stated the life of mine as 13.8 years, considering the on-going expansion of the processing plant.

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 the 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. Atalaya assessed its assets concluding that there are no indicators of impairment for either Proyecto Riotinto or any other as of 31 December 2021.

15. Investment in subsidiaries

(Euro 000's)	2021	2020
Opening amount at cost minus provision for impairment	5,448	4,630
Increase of investment ⁽²⁾	58,723	818
Closing amount at cost less provision for impairment	64,171	5,448

The directly owned subsidiaries of the Group, the percentage of equity owned and the main country of operation are set out below. These interests are consolidated within these financial statements.

Subsidiary companies	Date of incorporation/ acquisition	Principal activity	Country of incorporation	Effective proportion of shares held in 2021 ⁽⁵⁾	Effective proportion of shares held in 2020 ⁽⁵⁾
Atalaya Touro (UK) Ltd ⁽¹⁾	10 March 2017	Holding	United Kingdom	100%	100%
Atalaya Minasderiotinto Project (UK) Ltd ⁽²⁾	10 Sep 2008	Holding	United Kingdom	100%	100%
EMED Marketing Ltd	08 Sep 2008	Trading	Cyprus	100%	100%
EMED Mining Spain SLU ⁽³⁾	12 April 2007	Exploration	Spain	100%	100%
Atalaya Financing Ltd ⁽⁴⁾	16 Sep 2020	Financing	Cyprus	100%	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 28).

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

⁽²⁾ The increase of €58.7 million related to a share capital increase of Atalaya Minasderiotinto Project (UK) Ltd. amounting to €57.8 million and share-based payment expense of €0.9 million (2020: €0.8 million).

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

⁽⁴⁾ On 16 September 2020 the Group established a new company in Cyprus under the name of Atalaya Financing, Limited. The activity of the new company is financing. The audited consolidated financial statements include the results of the entity since its establishment date.

⁽⁵⁾ The effective proportion of shares held as at 31 December 2021 and 2020 remained unchanged.

16. Investment in joint venture

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

In 2012 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 The Proyecto Riotinto. Under the joint venture agreement, ARM will be the operator of the joint venture and will reimburse Rumbo for the costs associated with the application for classification of the Class B resources. ARM 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.

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

(Euro 000's)	2021	2020
Intangible assets	94	94
Trade and other receivables	2	2
Cash and cash equivalents	21	21
Trade and other payables	(115)	(115)
Net assets	2	2
Revenue	-	-
Expenses	-	-
Net profit/(loss) after tax	-	-

17. Deferred tax

THE GROUP

(Euro 000's)	Consolidated statement of financial position		Consolidated income statement	
	2021	2020	2021	2020
Deferred tax asset				
At 1 January	8,805	6,576	-	-
Deferred tax related to utilization of losses for the year (Note 10)	(3,856)	(777)	3,856	777
Deferred tax income relating to the origination of temporary differences (Note 10)	2,986	3,320	(2,986)	(3,320)
Deferred tax expense relating to reversal of temporary differences (Note 10)	(2,371)	(313)	2,371	313
At 31 December	5,564	8,805		
Deferred tax income/(expense) (Note 10)			3,241	(2,230)

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. The Company held tax losses amounted to €0.3 million in Spain.

18. Inventories

THE GROUP

(Euro 000's)	2021	2020
Finished products	5,185	8,642
Materials and supplies	18,216	13,764
Work in progress	1,380	1,170
	24,781	23,576

As at 31 December 2021, copper concentrate produced and not sold amounted to 5,254 tonnes (FY2020: 12,180 tonnes). Accordingly, the inventory for copper concentrate was €5.2 million (FY2020: €8.6 million). During the year 2021 the Group recorded cost of sales amounting to €192.1 million (FY2020: €175.5 million).

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.

19. Trade and other receivables

THE GROUP

(Euro 000's)	2021	2020
Non-current trade and other receivables		
Deposits	303	48
Loans	2,332	2,667
Other non-current receivables	2,695	-
	5,330	2,715
Current trade and other receivables		
Trade receivables at fair value – subject to provisional pricing	8,865	20,304
Trade receivables from shareholders at fair value – subject to provisional pricing (Note 31.5)	20,283	3,946
Other receivables from related parties at amortised cost (Note 31.3)	56	56
Deposits	21	21
VAT receivable	17,300	15,826
Tax advances	-	9
Prepayments	3,303	2,507
Other current assets	300	522
	50,128	43,191
Allowance for expected credit losses	-	-
Total trade and other receivables	55,458	45,906

THE COMPANY

(Euro 000's)	2021	2020
Non-current trade and other receivables		
Receivables from own subsidiaries at amortised cost (Note 31.4)	69,452	75,300
Receivables from own subsidiaries at fair value through profit and loss (Note 31.4)	176,292	243,557
	245,744	318,857
Current trade and other receivables		
Tax advances CIT	279	-
Receivables from own subsidiaries at amortised cost (Note 31.4)	2,084	10,737
Other receivables	52	-
Total current trade and other receivables	2,415	10,737

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 value of trade and other receivables approximate their book values.

Non-current deposits included €250k (YTD 2020: €250k) as a collateral for bank guarantees, which was recorded as restricted cash (or deposit). Restricted cash related to the collateral was reclassified to non-current trade and other receivables since the deposit is considered to be long term.

Loans are related to an agreement entered by the Group and Lain Technologies Ltd in relation to the construction of the pilot plant to develop the E-LIX System. The Loan is secured with the pilot plant, has a grace period of up to four years and repayment terms depending on future investments on the system. Amounts drawn down bear interest at 2%.

20. Other Financial assets

THE GROUP

(Euro 000's)	2021	2020
Financial asset at fair value through OCI (see (a)) below	1,140	1,187
Total current	39	86
Total non-current	1,101	1,101

THE COMPANY

(Euro 000's)	2021	2020
Financial asset at fair value through OCI (see (a)) below	39	86
Total current	39	86

a) Financial assets at fair value through OCI

THE GROUP

(Euro 000's)	2021	2020
At 1 January ⁽¹⁾	1,187	1,143
Fair value change recorded in equity (Note 23)	(47)	44
At 31 December	1,140	1,187

THE COMPANY

(Euro 000's)	2021	2020
At 1 January ⁽¹⁾	86	42
Fair value change recorded in equity (Note 23)	(47)	44
At 31 December	39	86

Company name	Principal activities	Country of incorporation	Effective proportion of shares held at 31 December 2021
Explotaciones Gallegas del Cobre SL	Exploration company	Spain	12.5%
KEFI Minerals Plc	Exploration and development mining company listed on AIM	UK	0.19%
Prospech Limited	Exploration company	Australia	0.53%

⁽¹⁾ The Group decided to recognise changes in the fair value of available-for-sale investments in Other Comprehensive Income ("OCI"), as explained in Note 2.12.

21. Cash and cash equivalents

THE GROUP

(Euro 000's)	31 December 2021	31 December 2020
Unrestricted cash and cash equivalents at Group level	48,375	24,519
Unrestricted cash and cash equivalents at Operation level	43,722	13,248
Restricted cash and cash equivalents at Operation level	15,420	-
Consolidated cash and cash equivalents	107,517	37,767

As at 31 December 2021, the Group's operating subsidiary held restricted cash of €15.4 million related to the amount that the Company transferred to a trust account representing the full amount of interest claimed by Astor to 30 June 2022, as detailed in the note on Deferred Consideration.

Cash and cash equivalents denominated in the following currencies:

(Euro 000's)	2021	2020
Euro – functional and presentation currency	30,145	2,431
Great Britain Pound	36	2,019
United States Dollar	77,336	33,317
	107,517	37,767

THE COMPANY

(Euro 000's)	2021	2020
Cash at bank and on hand	37,270	2,049

Cash and cash equivalents denominated in the following currencies:

Euro – functional and presentation currency	22	62
Great Britain Pound	36	1,985
United States Dollar	37,212	2
	37,270	2,049

22. Share capital

Authorised			Nr. of Shares '000's	Share capital £ 000's	Share Premium £ 000's	Total £ 000's
Ordinary shares of £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 2020			137,340	13,372	314,319	327,691
Issue Date	Price (£)	Details				
22 Dec 2020	2.015	Exercised share options ^(a)	228	19	491	510
22 Dec 2020	1.475	Exercised share options ^(a)	41	3	65	68
22 Dec 2020	1.440	Exercised share options ^(a)	499	42	758	800
22 Dec 2020	2.302	Bonus share to former Key management	33	3	81	84
31 December 2020/1 January 2021			138,141	13,439	315,714	329,153
12 Feb 2021	2.015	Exercised share options ^(a)	41	4	91	95
18 May 2021	2.015	Exercised share options ^(b)	20	1	45	46
18 May 2021	1.475	Exercised share options ^(b)	10	1	15	16
15 Dec 2021	1.475	Exercised share options ^(c)	9	2	43	45
15 Dec 2021	2.015	Exercised share options ^(c)	15	-	8	8
31 December 2021			138,236	13,447	315,916	329,363

Authorised capital

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

Issued capital

FY2021

^(a) On 12 February 2021, the Company was notified that certain employees exercised options over 40,750 ordinary shares of £0.075 at a price of £2.015, thus creating a share premium of €91k.

^(b) On 18 May 2021, the Company was notified that certain employees exercised options over 30,000 ordinary shares of £0.075 at a price between £1.475 and £2.015, thus creating a share premium of €61k.

^(c) On 15 December 2021, the Company was notified that certain employees exercised options over 24,500 ordinary shares of £0.075 at a price between £1.475 and £2.015, thus creating a share premium of €50k.

FY2020

^(a) On 22 December 2020, the Company was notified that certain employees exercised options over 768,250 ordinary shares of £0.075 at a price between £1.44 to £2.015, thus creating a share premium of €1,314k.

^(b) On 22 December 2020, the Company granted a bonus share to a former Key management of 33,333 ordinary shares of £0.075 at a price £2.302.

23. Other reserves

THE GROUP

(Euro 000's)	Share option	Bonus share	Depletion factor ⁽¹⁾	Fair value reserve of financial assets at FVOCI ⁽²⁾	Non-distributable reserve ⁽³⁾	Distributable reserve ⁽⁴⁾	Total
At 1 January 2020	7,371	208	10,878	(1,144)	3,430	2,093	22,836
Recognition of depletion factor	-	-	14,155	-	-	-	14,155
Recognition of non-distributable reserve	-	-	-	-	2,198	-	2,198
Recognition of distributable reserve	-	-	-	-	-	-	-
Recognition of share based payments	816	-	-	-	-	-	816
Change in fair value of financial assets at fair value through OCI (Note 20)	-	-	-	44	-	-	44
Other changes in reserves	-	-	-	-	-	-	-
At 31 December 2020	8,187	208	25,033	(1,100)	5,628	2,093	40,049
Recognition of depletion factor	-	-	(55)	-	-	6,155	6,100
Recognition of non-distributable reserve	-	-	-	-	2,372	-	2,372
Recognition of distributable reserve	-	-	-	-	-	3,317	3,317
Recognition of share based payments	899	-	-	-	-	-	899
Change in fair value of financial assets at fair value through OCI (Note 20)	-	-	-	(47)	-	-	(47)
Other changes in reserves	-	-	-	-	-	-	-
At 31 December 2021	9,086	208	24,978	(1,147)	8,000	11,565	52,690

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(Euro 000's)	Share option	Bonus share	Fair value reserve of financial assets at FVOCI (2)	Total
At 1 January 2020	7,371	208	(1,144)	6,435
Adjustment for initial application of IFRS 9	-	-	-	-
Recognition of share based payments	816	-	-	816
Change in fair value of financial assets at fair value through OCI (Note 20)	-	-	44	44
At 31 December 2020	8,187	208	(1,100)	7,295
Recognition of share based payments	899	-	-	899
Change in fair value of financial assets at fair value through OCI (Note 20)	-	-	(47)	(47)
At 31 December 2021	9,086	208	(1,147)	8,147

⁽¹⁾ Depletion factor reserve

During the twelve month period ended 31 December 2021, the Group has disposed €6.1 million (FY2020: €14.2 million) as a depletion factor reserve as per the Spanish Corporate Tax Act.

⁽²⁾ Fair value reserve of financial assets at FVOCI

The Group decided to recognise changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve under equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

⁽³⁾ Non-distributable reserve

As required by the Spanish Corporate Tax Act, the Group classified a non-distributable reserve of 10% of the profits generated by the Spanish subsidiaries until the reserve is 20% of share capital of the subsidiary.

⁽⁴⁾ Distributable reserve

As result of the 2018 profit generated in ARM, the Group decided to record a distributable reserve in order to comply with the Spanish Corporate Tax Act.

Details of share options outstanding as at 31 December 2021:

Grant date	Expiry date	Exercise price £	Share options
23 Feb 2017	22 Feb 2022	1.440	314,000
29 May 2019	28-May-2024	2.015	988,250
8 July 2019	7 July 2024	2.045	400,000
30 June 2020	29 June 2030	1.475	989,500
24 June 2021	23 June 2031	3.090	1,150,000
Total			3,841,750

	Weighted average exercise price £	Share options
At 1 January 2021	1.759	2,787,000
Granted options during the year	3.090	1,150,000
Options executed during the year	1.907	(95,250)
31 December 2021	2.154	3,841,750

On 12 February 2021, the Company was notified that certain employees exercised options over 40,750 ordinary shares of £0.075 at a price of £2.015, thus creating a share premium of €91k.

On 18 May 2021, the Company was notified that certain employees exercised options over 30,000 ordinary shares of £0.075 at a price between £1.475 and £2.015, thus creating a share premium of €61k.

On 25 June 2021, the Company announced a grant of 1,150,000 share options (the "Options") to Person Discharging Managerial Responsibilities ("PDMRs") and key management in accordance to the Company's approved Share Option Plan 2020 (the "Option Plan"). The Options expire ten years from the date of grant (23 June 2031), have an exercise price of 309.0 pence per ordinary share, based on the minimum share price in the five days preceding the grant date, and vest in two equal tranches, half on grant and half on the first anniversary of the granting date.

On 15 December 2021, the Company was notified that certain employees exercised options over 24,500 ordinary shares of £0.075 at a price between £1.475 and £2.015, thus creating a share premium of €50k.

On 30 June 2020, the Company announced a grant of 1,050,000 share options (the "Options") to Person Discharging Managerial Responsibilities ("PDMRs") and key management in accordance to the Company's approved Share Option Plan 2020 (the "Option Plan"). The Options expire ten years from the date of grant (30 June 2031), have an exercise price of 147.5 pence per ordinary share, based on the minimum share price in the five days preceding the grant date, and vest in two equal tranches, half on grant and half on the first anniversary of the granting date.

On 22 December 2020, the Company was notified that certain employees exercised options over 768,250 ordinary shares of £0.075 at a price between £1.44 to £2.015 (Note 21 (b)).

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 subdivision 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 £	Weighted average exercise price £	Expected volatility	Expected life (years)	Risk Free rate	Expected dividend yield	Estimated Fair Value £
23 Feb 2017	1.440	1.440	51.8%	5	0.6%	Nil	0.666
29 May 2019	2.015	2.015	46.9%	5	0.8%	Nil	0.66
8 July 2019	2.045	2.045	46.9%	5	0.8%	Nil	0.66
30 June 2020	1.475	1.475	50.32%	10	0.3%	Nil	0.60
23 June 2021	3.090	3.090	50.91%	10	0.7%	Nil	0.81

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)	2021	2020
Opening balance	(3,491)	(2,402)
Share of total comprehensive income for the year	(1,418)	(1,089)
Closing balance	(4,909)	(3,491)

The Group has a 10% interest in Cobre San Rafael, S.L. acquired in July 2017 while the remaining 90% is held by a non-controlling interest (Note 2.3 (b) (1)). The significant financial information with respect to the subsidiary before intercompany eliminations as at and for the twelve month period ended 31 December 2021 is as follows:

(Euro 000's)	2021	2020
Non-current assets	5,155	5,111
Current assets	315	706
Non-current liabilities	-	-
Current liabilities	9,481	9,697
Equity	(5,299)	(3,879)
Revenue	-	-
Loss for the year and total comprehensive income	(1,420)	(1,210)

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.

The Group has a 51% interest in Río Narcea Nickel, S.L. acquired in December 2021 while the remaining 49% is held by a non-controlling interest (Note 2.3 (b) (1)). The significant financial information with respect to the subsidiary before intercompany eliminations as at and for the twelve month period ended 31 December 2021 is as follows:

(Euro 000's)	2021	2020
Non-current assets	1	-
Current assets	78	-
Non-current liabilities	-	-
Current liabilities	16	-
Equity	64	-
Revenue	-	-
Loss for the year and total comprehensive income	(287)	-

25. Trade and other payables

THE GROUP

(Euro 000's)	2021	2020
Non-current trade and other payables		
Other non-current payables	3,435	1,435
Government grant	15	13
	3,450	1,448
Current trade and other payables		
Trade payables	49,712	63,946
Accruals	16,267	4,355
VAT payable	74	60
Other	138	76
	66,191	68,437

THE COMPANY

(Euro 000's)	2021	2020
Current trade and other payables		
Suppliers	47	753
Accruals	1,257	809
Payable to own subsidiaries (Note 31.4)	634	11,380
VAT payable	74	60
	2,012	13,002

Other non-current payables are related with the acquisition of Atalaya Masa Valverde formerly Cambridge Minería España, SL and Rio Narcea Nickel, SL (see Note 31).

Trade payables are mainly for the acquisition of materials, supplies and other services. These payables do not accrue interest and no guarantees have been granted. The fair value of trade and other payables approximate their book values.

Accruals included an interest payable amounted to €11.7 million for the Group representing the interest calculation proposed by Astor (Note 29).

The Group's exposure to currency and liquidity risk related to liabilities is disclosed in Note 3.

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

26. Provisions

THE GROUP

(Euro 000's)	Legal	Rehabilitation	Total
1 January 2020	388	6,553	6,941
Additions	311	-	311
(Reduction) / addition of provision	(73)	17,941	17,868
Finance cost (Note 9)	-	144	144
31 December 2020/1 January 2021	626	24,638	25,264
Additions	26	655	741
Used of provision	(286)	(57)	(403)
Reversal of provision	(87)	-	(87)
Finance cost (Note 9)	-	1,063	1,063
31 December 2021	279	26,299	26,578

(Euro 000's)	2021	2020
Non-Current	26,578	25,264
Current	-	-
Total	26,578	25,264

Rehabilitation provision

Rehabilitation provision represents the estimated cost required for 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.

During 2020, Management engaged an independent consultant to review and update the rehabilitation liability. The updated estimation includes the expanded capacity of the plant and its impact on the mining project.

The discount rate used in the calculation of the net present value of the liability as at 31 December 2021 was 1.12% (2020: 1.36%), which is the average of the 15-year Spain Government Bond rate from 2017 to 2021. An inflation rate of 1%-1.96% is applied on annual basis.

In July 2018, the Company announced an updated technical report on the mineral resources and reserves of the Proyecto Riotinto. The Report increased the open pit mineral reserves by 29% and stated the life of mine as 13.8 years, considering the on-going expansion of the processing plant.

The expected payments for the rehabilitation work are as follows:

(Euro 000's)	Between 1 – 5 Years	Between 6 – 10 Years	Between 10 – 20 Years
Expected payments for rehabilitation of the mining site, discounted	5,128	3,637	17,534

Legal provision

The Group has been named as defendant in several legal actions in Spain, the outcome of which is not determinable as at 31 December 2021. Management has reviewed individually each case and made a provision of €279k (€626k in 2020) for these claims, which has been reflected in these consolidated financial statements. (Note 31)

27. Leases

(Euro 000's)	31 Dec 2021	31 Dec 2020
Non-current		
Leases	4,913	4,796
	4,913	4,796
Current		
Leases	597	592
	597	592

The Group entered into lease arrangements for the renting of land, laboratory equipment, a building and vehicles which are subject to the adoption of all requirements of IFRS 16 Leases (Note 2.2). The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Amounts recognised in the statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

Right-of-use assets					
(Euro 000's)	Lands and buildings	Vehicles	Laboratory equipment	Total	Lease liabilities
As at 1 January 2021	5,416	29	168	5,613	5,388
Additions	507	-	-	507	729
Depreciation expense	(506)	(15)	(69)	(590)	-
Interest expense	-	-	-	-	11
Payments	-	-	-	-	(618)
As at 31 December 2021	5,417	14	99	5,530	5,510

The amounts recognised in profit or loss, are set out below:

(Euro 000's)	Twelve month ended 31 Dec 2021	Twelve month ended 31 Dec 2020
As at 31 December		
Depreciation expense of right-of-use assets	(590)	(553)
Interest expense on lease liabilities	(11)	(17)
Total amounts recognised in profit or loss	(601)	(570)

The Group recognised rent expense from short-term leases (Note 6).

Depreciation expense regarding leases amounts to €0.6 million (2020: €0.5) for the twelve month period ended 31 December 2021.

The duration of the land and building lease is for a period of twelve years. Payments are due at the beginning of the month escalating annually on average by 1.5%. At 31 December 2021, the remaining term of this lease is twelve years. (Note 2).

The duration of the motor vehicle and laboratory equipment lease is for a period of four years, payments are due at the beginning of the month escalating annually on average by 1.5%. At 31 December 2021, the remaining term of this motor vehicle and laboratory equipment lease is two years and two and half years respectively.

(Euro 000's)	31 Dec 2021	31 Dec 2020
Minimum lease payments due:		
Within one year	597	592
Two to five years	2,014	2,068
Over five years	2,899	2,728
Less future finance charges	-	-
Present value of minimum lease payments due	5,510	5,388
Present value of minimum lease payments due:		
Within one year	597	592
Two to five years	2,014	2,068
Over five years	2,899	2,728
	5,510	5,388

(Euro 000's)	Lease liability
Balance 1 January 2021	5,388
Additions	729
Interest expense	11
Lease payments	(618)
Balance at 31 Dec 2021	5,510
Balance at 31 Dec 2021	
Non-current liabilities	4,913
Current liabilities	597
	5,510

28. Borrowings

(Euro 000's)	31 Dec 2021	31 Dec 2020
Non-current borrowings		
Credit facilities	34,050	-
	34,050	
Current borrowings		
Credit facilities	13,394	-
	13,394	

The Group had uncommitted credit facilities totalling €111.0 million. During Q1 2021, Atalaya drew down some of its existing credit facilities to pay the Deferred Consideration (Note 29). Interest rates of existing credit facilities, including facilities used to pay the Deferred Consideration, range from 1.60% to 2.45% and the average interest rate on all facilities used and unused is 1.75%. The maximum term of the facilities is three years. As of 31 December 2021, the Company had used €47.4m in existing credit facilities. As at 31 December 2021 the Group had undrawn credit facilities of €63.6m.

29. Deferred Consideration

In September 2008, the Group moved to 100% ownership of Atalaya Riotinto Mineral S.L. ("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") with Astor Management AG ("Astor") which included a deferred consideration of €43.9 million (the "Deferred Consideration") payable as consideration in respect of the acquisition among other items. The Company also entered into a credit assignment agreement at the same time with a related company of Astor, Shorthorn AG, pursuant to which the benefit of outstanding loans was assigned to the Company in consideration for the payment of €9.1 million to Shorthorn (the "Loan Assignment").

The Master Agreement has been the subject of litigation in the High Court and the Court of Appeal that concluded in November 2018. As a consequence, ARM was obliged to apply any excess cash (after payment of operating expenses, sustaining capital expenditure, any senior debt service requirements and up to US\$10 million per annum (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). "Excess cash" is not defined in the Master Agreement leaving ambiguity as to how it was to be calculated.

On 2 March 2020, the Company filed an application in the High Court to seek clarity on the definition of "Excess Cash". The Company and Astor exchanged statements of case to set out their formal position. The trial was listed to be heard from 21 February 2022 (the "Trial"). Following the filing of the statements of case for the Trial, Astor applied to Court seeking an early determination (without the need for a full trial) of the dispute in relation to the "Excess Cash" (the "Summary Judgment application"). The Summary Judgment application was heard on 14-15 June 2021. The Court dismissed Astor's application meaning the proceedings would continue to Trial.

As previously announced, during December 2020 the Board had discussions and considered an early payment of the Deferred Consideration and the Loan Assignment provided certain conditions could be met. Conditions included among others the execution of credit facilities agreements to fund the payment.

In March 2021, the Company fulfilled all conditions required by the Board and made the early payment of €53 million to Astor. The payment was fully funded by unsecured credit facilities.

The payment of the Deferred Consideration did not end the ongoing litigation as the issue as to whether any residual interest may or may not be payable remained unresolved. On 15 July 2021, the Company transferred €15.4 million to the Company's solicitors representing the full amount of interest claimed by Astor (as at that date) covering the period up to 30 June 2022. The Company's solicitors provided an undertaking to Astor's solicitors to hold the full amount until settlement of the claim to interest or judgment following the Trial. The Company understands the monies held on client account by the Company's solicitors safeguard the maximum outstanding liability to Astor in relation to the Master Agreement. On that basis, and because the Consideration has been paid in full in accordance with the Master Agreement, the Company treats itself as free of the obligations set out at clauses 6(g)(iv)(A) and 6(g)(iv)(B) in the Master Agreement.

On 21 March 2022, further to the Trial which took place between 21 February and 1 March 2022, Judgment was handed down. The Judgment deals with matters of principle. The points that the Judge has decided will dictate the amount of interest that is payable. On the basis of the principles set out in the Judgment, the parties are in the process of determining the correct interest calculation. It is clear that an amount will be payable in respect of interest. A consequential hearing is due to be listed on the earliest convenient date after 28 March 2022. The Company has agreed to pay Astor's costs of the proceedings.

As at 31 December 2021, the Group had accrued interest amounting to €11.7 million, representing the interest calculation proposed by Astor (Note 25). Atalaya is currently working to calculate the correct interest figure with a view to agreeing the amount with Astor in accordance with the Judgment. Atalaya expects the interest due to Astor following the Judgment to be in the range of approximately €10 million to €11.7 million.

Both parties have a right to appeal the Judgment if granted leave to do so.

30. Acquisition, incorporation and disposals of subsidiaries

2021

Acquisition and incorporation of subsidiaries

On 21 December 2021 Atalaya announced the acquisition of a 51% interest in Río Narcea Nickel, S.L., which owns 17 investigation permits.

Disposals of subsidiaries

There were no disposals of subsidiaries during the year.

2020

Acquisition and incorporation of subsidiaries

On 16 September 2020 the Group established a new company in Cyprus under the name of Atalaya Financing, Limited. The activity of the new company is financing.

On 15 October 2020, the Company acquired 100% of the voting shares of Cambridge Minería España, SL, a company located in Huelva (Spain) that holds exploration permits for Masa Valverde polymetallic project located in Huelva (Spain) for €1.4 million payable in two instalments.

Disposals of subsidiaries

There were no disposals of subsidiaries during the year.

Wind-up of subsidiaries

There were no operations wound-up during FY2021 and FY2020.

31. Group information and related party disclosures

31.1 Information about subsidiaries

These audited consolidated financial statements include:

Subsidiary companies	Parent	Principal activity	Country of incorporation	Effective proportion of shares held
Atalaya Touro (UK) Ltd	Atalaya Mining Plc	Holding	United Kingdom	100%
Atalaya Financing Limited	Atalaya Mining Plc	Financing	Cyprus	100%
Atalaya MinasdeRiotinto Project (UK) Limited	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%
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 Cuenca Minera S.L.U.	Atalaya Riotinto Minera SLU	Exploration	Spain	J-V
Fundacion Atalaya Riotinto	Atalaya Riotinto Minera SLU	Trust	Spain	100%
Atalaya Servicios Mineros, S.L.U.	Atalaya MinasdeRiotinto Project (UK) Limited	Dormant	Spain	100%
Atalaya Masa Valverde S.L.U. ⁽²⁾	Atalaya Servicios Mineros, S.L.U.	Exploration	Spain	100%
Rio Narcea Nickel, S.L.	Atalaya Servicios Mineros, S.L.U.	Exploration	Spain	51%

⁽¹⁾ Cobre San Rafael, S.L. is the entity which holds the mining rights of Proyecto Touro. The Group has control in the management of Cobre San Rafael, S.L., including one of the two Directors, management of the financial books and the capacity of appointment the key personnel (Note 2.3 (b) (1)).

⁽²⁾ Cambridge Minería España, S.L.U. changed its name to Atalaya Masa Valverde, S.L.U on 28 November 2020.

The following transactions were carried out with related parties:

31.2 Compensation of key management personnel

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

(Euro 000's)	The Group		The Company	
	2021	2020	2021	2020
Directors' remuneration and fees	1,019	1,044	547	572
Director's bonus ⁽¹⁾	438	305	-	-
Share option-based benefits to Directors	321	291	-	-
Key management personnel remuneration ⁽²⁾	522	522	-	-
Key management bonus ⁽¹⁾	265	182	-	-
Key management share bonus ⁽³⁾	-	84	-	-
Share option-based and other benefits to key management personnel ⁽⁴⁾	327	374	-	-
	2,892	2,802	547	572

⁽¹⁾ These amounts related to the approved performance bonus for 2020 by the Board of Directors following the proposal of the CGNC Committee. The 2021 estimates recorded are not included in the table above as this is yet to be approved by the Board of Directors. There is no certainty or guarantee that the Board of Directors will approve a similar amount for 2021 performance.

⁽²⁾ Includes wages and salaries of key management personnel of €505k (2020: €506k) and other benefits of €17k (2020: €16k).

⁽³⁾ In December 2020, a former key management employee was granted with 33,333 shares.

⁽⁴⁾ In 2020 includes share option of a former key management employee.

At 31 December 2021 amounts due to Directors, as from the Group, are €nil (€nil at 31 December 2020) and €nil (€nil at 31 December 2020) to key management.

At 31 December 2021 amounts due to Directors, as from the Company, are €nil (€nil at 31 December 2020) and €nil (€nil at 31 December 2020) to key management.

Share-based benefits

In 2021, 1,150,000 options were granted at a price of 309.0 pence, of which 800,000 were granted to Directors and key management personnel (2020: 1,050,000 options) (see note 23).

During 2021 the Directors and key management personnel have not been granted any bonus shares (2020: nil).

31.3 Transactions with shareholders and related parties

THE GROUP

(Euro 000's)	2021	2020
Trafigura – Revenue from contracts	125,912	49,775
Freight services	-	-
	125,912	49,775
Gains relating provisional pricing within sales	4,730	837
Trafigura – Total revenue from contracts	130,642	50,612
	130,642	50,612

THE COMPANY

(Euro 000's)	2021	2020
Sales of services (Note 5):		
EMED Marketing Limited	978	749
Atalaya MinasdeRiotinto Project (UK) Limited	871	693
	1,849	1,442
Purchase of services (Note 6):		
Atalaya Riotinto Minera SLU	(61)	(55)
Other services (Note 6)		
Atalaya Riotinto Minera SLU	208	-
EMED Marketing Limited	208	-
Finance income (Note 8):		
Atalaya Minasderiotinto Project (UK) Limited – Finance income from interest-bearing loan:		
Credit agreement – at amortised cost	941	970
Participative loan – at fair value through profit and loss	12,854	13,607
Credit facility – at amortised cost	1,457	1,546
	15,252	16,123

THE GROUP

(Euro 000's)	2021	2020
Current assets - Receivable from related parties (Note 19):		
Recursos Cuenca Minera S.L.	56	56
	56	56

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

⁽¹⁾ This balance representing the interest calculation for the Company proposed by Astor (Note 29).

31.4 Year-end balances with related parties

THE COMPANY

(Euro 000's)	2021	2020
Non-current assets – Loan from related parties at FV through profit and loss (Note 19):		
Atalaya MinasdeRiotinto Project (UK) Limited – Participative Loan ⁽¹⁾	173,930	243,545
Atalaya MinasdeRiotinto Project (UK) Limited – Eastern Loan ⁽⁵⁾	12	12
Atalaya Masa Valverde SL – Participative Loan ⁽⁶⁾	1,850	-
Río Narcea Nickel SL – Participative Loan ⁽⁶⁾	500	-
	176,292	243,557
Non-current assets – Loans and receivables from related parties at amortised cost (Note 19):		
Atalaya MinasdeRiotinto Project (UK) Limited – Credit Expansion Loan ⁽²⁾	41,535	45,138
Atalaya MinasdeRiotinto Project (UK) Limited – Credit Agreement ⁽³⁾	26,354	27,412
EMED Marketing Limited ⁽⁴⁾	1,164	892
Atalaya MinasdeRiotinto Project (UK) Limited ⁽⁴⁾	399	1,858
Total	69,452	75,300
Current assets – Loans and receivables from related parties at amortised cost (Note 19):		
Atalaya Riotinto Minera SLU ⁽⁴⁾	208	9,117
EMED Marketing Limited ⁽⁴⁾	208	-
Atalaya Touro (UK) Limited ⁽⁴⁾	1,634	1,618
Atalaya Financing Ltd	34	2
Total	2,084	10,737

⁽¹⁾ This balance bears interest of 6.75% (2020: 6.75%).

⁽²⁾ This balance bears interest of EURIBOR 6month plus 4% (2020: LIBOR 6month + 4.00%).

⁽³⁾ This balance bears interest of EURIBOR 12month plus 4% (2020: 12month plus 4%). The Note Facility Agreement expired on 29 September 2019. The Group signed on 30 September 2019 a new Credit Agreement for the amount due of the Note Facility Agreement bearing a EURIBOR 12month plus 4% interest and maturing on 30 September 2024

⁽⁴⁾ These receivables bear no interest. These balances are repayable on demand. However, management will not claim any repayment in the following twelve months period after the release of the current consolidated financial statements.

⁽⁵⁾ This balance bears interest of 3.00% (2020: 3.00%).

⁽⁶⁾ This balance bears no interest.

THE COMPANY

(Euro 000's)	2021	2020
Payable to related party (Note 25):		
EMED Marketing Limited	-	10,808
EMED Mining Spain S.L.	262	262
Atalaya Riotinto Minera S.L.U.	372	310
	634	11,380

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

31.5 Year-end balances with shareholders

(Euro 000's)	2021	2020
Receivable from shareholders (Note 19):		
Trafigura – Debtor balance –subject to provisional pricing	20,283	3,946
	20,283	3,946

The above debtor balance arising from the pre-commissioning sales of goods bear no interest and is repayable on demand.

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.

33. Commitments

There are no minimum exploration requirements at Proyecto Riotinto. However, the Group is obliged to pay local 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.

In 2012, 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 (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.

34. Significant events

On 10 February 2021, the Company announced that its Board of Directors had appointed Mr. Neil Gregson as an independent Non-Executive Director of the Company.

On 12 February 2021, the Company was notified that certain employees exercised options over 40,750 ordinary shares of £0.075. On 1 March 2021, Atalaya received the formal communication from Xunta de Galicia of the negative Environmental Impact Declaration on Proyecto Touro.

On 15 March 2021, Atalaya announced that it has made the payment of the €53 million (the "Deferred Consideration") to Astor Management following the approval of its Board of Directors. This amount arises from arrangements entered with Astor in 2008 in relation to Proyecto Riotinto. The payment was financed with unsecured credit lines by four major Spanish banks having a three-year tenure and an average annual interest rate of approximately two per cent.

On 25 March 2021, the Company announced that Dr. José Nicolas Sierra retired as Independent Non-Executive Director and as Chair of the Physical Risk Committee of Atalaya, with an effective date of 31 March 2021. From this date Mr. Neil Gregson is the Chair of the Physical Risk Committee of Atalaya.

On 12 April 2021, the Company announced that Mr. Damon Barber stepped down as a Non-Executive Director of the Company with immediate effect.

On 17 May 2021, the Company was notified that Harry Liu, Director of the Company, sold 5,000 ordinary shares in Atalaya at an average price of 356.0 pence per share.

On 18 May 2021, the Company was notified that Harry Liu, Director of the Company, sold 3,698 ordinary shares in Atalaya at an average price of 358.0 pence per share.

On 26 May 2021, Liberty Metals & Mining Holdings, LLC, shareholder of the Company, reduced its share of voting rights from 14.17% to 12.97%.

On 25 June 2021, the Company announced that in accordance with the Company's Long Term Incentive Plan 2020, which was approved by shareholders at the Annual General Meeting on 25 June 2020, it had granted 1,150,000 share options to Persons Discharging Managerial Responsibilities and other management.

The Options expire ten years from the deemed date of grant (24 June 2021), have an exercise price of 309.0 pence per ordinary share, based on the average of the mid-market closing prices for the five dealing days immediately preceding the grant date, and vest in two equal tranches, half on grant and half on the first anniversary of the granting date.

On 29 June 2021, the Company was notified that Harry Liu, Director of the Company, sold 5,000 ordinary shares in Atalaya at an average price of 310.0 pence per share. On 1 July 2021 the Company announced that it was notified that Harry Liu, Director of the Company, sold 192 ordinary shares in Atalaya at an average price of 308.0 pence per share.

On 5 July 2021, the Company announced that it was notified, that Alberto Lavandeira, Chief Executive Officer and Managing Director of the Company, purchased 40,000 ordinary shares at an average price of 310.0 pence per share. The Company was also notified on 3 July 2021, that Harry Liu, Director of the Company, sold, on 1 July 2021, 170 ordinary shares in Atalaya at an average price of 309.0 pence per share.

Following the above transactions Mr. Lavandeira and Mr. Liu are interested in an aggregate of 280,000 and 386,019 ordinary shares of the Company representing 0.20% and 0.28% of the current issued share capital, respectively.

On 13 August 2021, the Company was notified that Harry Liu, Director of the Company, sold 11,000 ordinary shares in Atalaya at an average price of 324.0 pence per share.

On 4 August 2021, Liberty Metals & Mining Holdings, LLC, shareholder of the Company, reduced its share of voting rights from 11.79% to 10.94%. On 18 August 2021, Liberty Metals & Mining Holdings, LLC, shareholder of the Company, reduced its share of voting rights to nil.

On 20 August 2021, Polar Capital LLP notified the Company that it held 5.08% of voting rights.

On 6 October 2021, the Company announced that the recent drilling campaign has intersected broad intervals of massive and stockwork type polymetallic sulphide mineralization including significant high-grade intercepts at both Masa Valverde and Majadales.

Dividends

The Board of Directors declared an Inaugural Dividend of US\$0.395 per ordinary share, which was equivalent to approximately 29 pence per share, and amounted to €47.3 million.

The interim dividend was paid on 1 December 2021

Further details are given in [Note 12](#).

35. Events after the reporting period

Depending on the duration of the COVID-19 pandemic and any related negative impact on economic activity, the Group may experience negative results, liquidity restraints or incur impairments on its assets in 2022. The exact impact on the Group's activities in 2022 thereafter cannot be predicted. In the period since 31 December 2021 the Group has not incurred losses due to impairments. Refer to [note 19](#).

The recent events in Ukraine from 24 February 2022 may have consequences for the Global Economy, which cannot yet be predicted, but the main concern at the moment is the rising prices for energy, fuel and other raw materials and rising inflation, which may affect household incomes and business operating costs. The financial effect of the current crisis on the Global Economy and overall business activities cannot be estimated with reasonable certainty at this stage. The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021.

On 4 January 2022, the subsidiary EMED Mining Spain, S.L. was disposed.

On 6 January 2022, the Company announced the approval of the construction of the first phase of an industrial-scale plant ("Phase I") that utilises the E-LIX System ("E-LIX"), which will produce high value copper and zinc metals from the complex sulphide concentrates sourced from Proyecto Riotinto.

On 26 January 2022, the Company announced that it was notified that PDMRs executed options as follow:

- Alberto Lavandeira, Chief Executive Officer and Managing Director of the Company executed 150,000 options. Following the above transactions Mr. Lavandeira is interested in an aggregate of 430,000 ordinary shares of the Company representing 0.30% of the current issued share capital.
- Enrique Delgado, General Manager of Proyecto Riotinto, executed 550,000 options. Following the above transactions Mr. Delgado is interested in an aggregate of 550,000 ordinary shares of the Company representing 0.39% of the current issued share capital.
- César Sánchez, Chief Financial Officer, executed 650,000 options. Following the above transactions Mr. Sánchez is interested in an aggregate of 650,000 ordinary shares of the Company representing 0.46% of the current issued share capital.

On 22 February, the Company was notified that César Sánchez and Enrique Delgado, both persons discharging managerial responsibilities ("PDMR"), had sold 300,000 and 250,000 ordinary shares in Atalaya, respectively, at a price of 440.0 pence per share. Following the sale of these shares Mr. Sanchez is interested in an aggregate of 350,000 ordinary shares of the Company representing 0.250% of the current issued share capital. Mr. Delgado is interested in an aggregate of 300,000 ordinary shares of Atalaya representing 0.215% of the current issued share capital.

On 27 January 2022, the Company announced that in accordance with the Company's Long Term Incentive Plan 2020, which was approved by shareholders at the Annual General Meeting on 25 June 2020, it had granted 120,000 share options to an employee.

On 3 February 2022, Atalaya announced the results of five additional drill holes from its ongoing resource definition drilling programme at Proyecto Masa Valverde ("PMV").

On 21 March 2022, further to the Trial which took place between 21 February and 1 March 2022, the Judgment was handed down. The Judgment deals with matters of principle. The points that the Judge has decided will dictate the amount of interest that is payable.

On the basis of the principles set out in the Judgment, the parties are in the process of determining the correct interest calculation. It is clear that an amount will be payable in respect of interest. A consequential hearing is due to be listed on the earliest convenient date after 28 March 2022. The Company has agreed to pay Astor's costs of the proceedings.

As at 31 December 2021, the Group had accrued interest amounting to €11.7 million, representing the interest calculation proposed by Astor. Atalaya is currently working to calculate the correct interest figure with a view to agreeing the amount with Astor in accordance with the Judgment. Atalaya expects the interest due to Astor following the Judgment to be in the range of approximately €10 million to €11.7 million.

Both parties have a right to appeal the Judgment if granted leave to do so.



Shareholder Information

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Glossary of Terms

The following definitions and terms are used throughout this Annual Report.

Currency abbreviations

US\$ / USD or \$	US Dollars
\$000	Thousand US dollars
\$m	Million US Dollars
£	Sterling Pound
£000	Thousand Sterling Pounds
£m	Million Sterling Pounds
€ / EUR	Euro
€000 / €k	Thousand Euros
€m	Million Euros
€nil	Zero Euros
FY2021	Twelve month period ended 31 December 2021
FY2020	Twelve month period ended 31 December 2020

Definitions and conversion table

lb	Pound
Oz	Troy ounce
'000 m ³	Thousand cubic metres
t	Tonne
DMT	Dry Metric Tonne
'000 tonnes	Thousand metric tonnes
1 Kilogramme/ (kg)	2.2046 pounds
1000 Kilogrammes/ ('000 kg)	2,204.6 pounds
1 Kilometre (km)	0.6214 miles
1 troy ounce	31.1 grams
Ha	Hectare
ft	Foot

Chemical Symbols

Cu	Copper
Ag	Silver
Au	Gold
Fe	Iron

Business, Finance and Accounting

AAU	Autorización Ambiental Unificada (Unified Environmental Declaration)
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
AFRC	Audit and Financial Risk Committee
AGM	Annual General Meeting
AIM	Alternative Investment Market of the London Stock Exchange
AISC	All In Sustaining Cost
AMV	Atalaya Masa Valverde, S.L.
AR	Annual Report
ARM	Atalaya Riotinto Minera, S.L.U.
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
CAPEX	Capital Expenditure
Cash Cost	The cost to produce one pound of copper
CEO	Chief Executive Officer
C. Eng	Chartered Engineer
CFO	Chief Financial Officer
COO	Chief Operational Officer
COF	Cost of Freight
CIF	Cost Insurance and Freight
CIT	Corporate Income Tax
CIP	Carriage and Insurance paid to
CGU	Cash Generating Unit
CGNCC	Corporate Governance, Numeration and Compensation Committee

Business, Finance and Accounting

Code of Conduct	Atalaya's Code of Business Conduct and Ethics
Cont.	Continued
CSR	Cobre San Rafael S.L.
Directors	The Directors of Atalaya for the reporting period
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
ECL	Expected Credit Loss
EeA	Ecologistas en Accion
EIR	Effective Interest Rate Method
E-LIX	E-LIX System
EMED TARTESSUS	Eastern Mediterranean Exploration & Development TARTESSUS S.L.
Etc.	Et cetera
EU	European Union
FIFO	First In First Out
Financial statements	Consolidated and company financial statements of Atalaya Mining Plc.
FOB	Free on Board
FV	Fair Value
FVOCI	Fair Value Through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
GAAP	Generally Accepted Accounting Policies
Group	Atalaya Mining plc and its subsidiaries
H1, H2	Six month periods ending 30th June and 31st December
IAS	International Accounting Standards
ie.	Id est (explanatory information)
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
JdA	Junta de Andalucía
KPI's	Key Performance Indicators
LDC	Louis Dreyfus Company
LIBOR	The British Bankers' Association Interest Settlement Rate for the relevant currency

Business, Finance and Accounting

LITFR	Lost Injury Time Frequency Rate
Ltd.	Limited
LLC	Limited Liability Company
LP	Limited partnership
London Stock Exchange / LSE	London Stock Exchange plc
MBA	Master's in Business Administration
NED's	Non-Executive Directors
NPV	Net Present Value
Nr	Number
OCI	Other Comprehensive Income
Ordinary Shares	Ordinary Shares of 10 pence each in the capital of the Company
Phase I	The first phase of an industrial-scale plant that utilises the E-LIX System
Ph.D.	Doctor of Philosophy
PRC	Physical Risk Committee
PFS	Pre-Feasibility Study
Plc.	Public limited company
PP&E	Plant, property and equipment
P&L	Profit and Loss
P&P reserves	Proven and Probable reserves
Q1, Q2, Q3, Q4	Three month periods ending 31st March, 30th June, 30th September and 31st December
QCA	Quoted Companies Alliance
QP	Quotation Period
RNN	Rio Narcea Nickel, S.L.
SIC	Standard Interpretations Committee which was endorsed by the IAS
Shareholders	Holder of Ordinary Shares
SL	Sociedad Limitada (private limited company)
SLU	Sociedad Limitada Unipersonal (limited partnership)
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

Business, Finance and Accounting

UOP	Unit of Production
VAT	Value Added Tax
WC	Working Capital
XGC	Yanggu Xiangguang Copper Co. Ltd

Mining terms

Average head grade	Average ore grade fed into the mill, expressed in % of weight
Concentrate	A 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
Grade	The amount of metal in each tonne of ore, expressed as a percentage of valuable metal
Mtpa	Million tonnes per annum
NI 43-101	National Instrument 43-101, standard of disclosure for mineral projects according to Canadian guidelines
Open pit	A mine where the minerals are mined entirely from the surface. Also referred to as open-cut or open-cast mine
Ore body	A sufficiently large amount of ore that can be mined economically
P&P Reserves	Proven and Probable reserves
Stripping	Removal of overburden or waste rock overlying an ore body in preparation for mining by open pit methods
Tailings	Materials left over after the process of separating the valuable fraction from the uneconomic fraction of an ore
TC/RC	Treatment Charge and Refinement Charge
VTEM	Versatile Time Electromagnetic Mapping
3D	Three Dimensional



Shareholder Enquiries

Board of Directors

Roger Davey	Chairman. Independent non-executive chairman
Alberto Lavandeira	Managing director and CEO
Hui (Harry) Liu	Non-executive director
Dr. José Sierra López	Independent Non-executive director (resigned March 2021)
Jesús Fernández	Non-executive director
Damon Barber	Non-executive director (resigned April 2021)
Dr. Hussein Barma	Independent Non-executive director
Neil Gregson	Independent Non-executive director
Stephen Scott	Independent Non-executive director

Corporate brokers

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

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

Peel Hunt LLP
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NOMAD

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Bristol BS13 8AE

Canada

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Group Auditor

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Cyprus

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Atalaya Mining

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