

**ATALAYA MINING PLC**

**MANAGEMENT'S REVIEW AND  
CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 SEPTEMBER 2016**

**(UNAUDITED)**

**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of Atalaya have been prepared by and are the responsibility of Atalaya's management. The unaudited, condensed interim consolidated financial statements have not been reviewed by Atalaya's auditors.

## **Introduction**

This report provides an overview and analysis of the financial results of operations of Atalaya Mining plc and its subsidiaries (“Atalaya” and/or the “Group”), to enable the reader to assess material changes in the financial position between 31 December 2015 and 30 September 2016 and results of operations for the three and nine months ended 30 September 2016 and 2015.

This report has been prepared as of 23 November 2016. The analysis, hereby included, is intended to supplement and complement the unaudited, condensed, consolidated financial statements and notes thereto (“Financial Statements”) as at and for the three and nine months ended 30 September 2016. The reader should review the Financial Statements in conjunction with the review of this report and with the audited, consolidated financial statements for the year ended 31 December 2015, and the unaudited, condensed consolidated financial statements for the three and nine months ended 30 September 2015. These documents can be found on the Atalaya website at [www.atalayamining.com](http://www.atalayamining.com).

Atalaya prepares its Financial Statements in accordance with International Financial Reporting Standards (“IFRSs”). The currency referred to in this document is the Euro, unless otherwise specified.

## **Forward-looking statements**

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

## **1. Highlights – three and nine months ended 30 September 2016**

### **Operational performance**

- Production during Q3 2016 was 8,752 metric tons of copper in concentrate (Q2 2016: 4,442 metric tons). This represents a 97% increase quarter on quarter.
- Recoveries increased to 83.60% during Q3 2016 (Q2 2016: 80.46%), with the plant performing very well and achieving a recovery rate of 87.09% during October 2016.
- 8,752 metric tons of copper metal produced during the quarter, with accumulated production of 17,241 metric tons for the nine months period, including January pre-commissioning production.
- 2.0 million metric tons of ore were processed during Q3 2016 (Q2 2016: 1.3 million metric tons).
- Expansion project completed in May 2016 and current ramp-up progressing according to plan, with minimal additional capex required until the end of the year.
- Atalaya maintains its copper production guidance of 23,500 to 27,000 metric tons for 2016, with a bias towards the higher end of the scale.
- Filing of an updated NI 43-101 technical report for Proyecto Riotinto in September 2016, with a 12% increase in open pit reserves and extending the life of mine to 16.5 years.

### **Financial performance**

- Revenues of €27.2 million and €49.9 million for the three and nine month periods, respectively.
- Cash cost reductions during Q3 2016 to \$1.97/lb of copper (Q2 2016: \$2.36/lb), with further reductions expected in coming months as production levels get closer to the nominal plant capacity.
- Positive Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”) of €1.9 million for the three months period and negative EBITDA of €1.6 million for the nine months period. EBITDA has improved significantly in Q3 2016 as compared to H1 2016 (negative €3.6 million) as a result of an increase in volume of copper concentrate sold, lower cash costs and higher realised copper prices.

## 1. Highlights – three and nine months ended 30 September 2016 (continued)

### Financial performance (continued)

- Loss for the period of €1.5 million (or 1.3 cents per share) and €8.0 million (or 6.8 cents per share) for the three and nine months period ended 30 September 2016, respectively.
- Inventories of concentrate at 30 September 2016 amounted to approximately €9.3 million.
- Completion of US\$14 million copper concentrate prepayment funding agreement with Transamine Trading S.A. to improve working capital situation.
- The Group presented positive cash flows from operating activities for the nine months ended 30 September 2016 amounting to €5.5 million. Cash used for investment activities was €19.8 million.

## 2. Overview of operational results

The following table presents a summarised statement of operations for the three and nine months ended 30 September 2016. As commercial production was declared in February 2016, no operational data was available for 2015.

Units expressed in accordance with the international system of units (SI)	Unit	Three months ended 30 September 2016*	Three months ended 30 September 2015***	Nine months ended 30 September 2016**	Nine months ended 30 September 2015***
		2016*	2015***	2016**	2015***
Ore mined	t	2,461,394	n/a	4,935,647	n/a
Ore processed	t	2,033,889	n/a	4,476,617	n/a
Copper ore grade	%	0.52	n/a	0.48	n/a
Copper concentrate grade	%	20.47	n/a	20.85	n/a
Copper recovery rate	%	83.60	n/a	82.87	n/a
Copper concentrate	t	42,993	n/a	82,891	n/a
Copper contained in concentrate	t	8,752	n/a	17,241	n/a
Payable copper contained in concentrate	t	8,445	n/a	16,728	n/a
Cash cost per lb of payable copper	\$/lb	1.97	n/a	2.14	n/a

Note: The numbers in the above table may slightly differ between them due to roundings.

\* Quarterly operation data compared to prior quarter. Commercial production started in February 2016.

\*\* For comparison purposes, the nine month figures include pre-commissioning production for January 2016.

\*\*\* There were no operations in 2015.

### Expansion project and production ramp-up

The expansion project was declared mechanically complete in May 2016, ahead of schedule and under budget. During Q3 2016, Atalaya focused on ramping up production to its target of 9.5Mtpa. Plant availability during Q3 2016 improved over previous quarters. The plant annualised rate of production level in September 2016 was 8.3Mtpa, compared to the annualised rate of 6.8Mtpa reported in June 2016. Atalaya is aiming to be operating at nameplate capacity by the end of 2016.

### Mining and Processing

Atalaya mined 2.5 million metric tons of ore during Q3 2016, compared to 1.4 million metric tons mined in Q2 2016. The increase in metric tons mined was in order to maintain ore level in the stockpiles, which during Q3 2016, experienced higher consumption as the plant increased total ore processed. The quarterly average copper grade increased from 0.44% in Q2 2016 to an average grade of 0.52% in Q3 2016.

As the ramp-up production levels progressed as expected, ore treated at the plant increased from 1.3 million metric tons of ore in Q2 2016 to 2.0 million metric tons in Q3 2016. Plant availability during Q3 2016 was as planned, resulting in a progressive increase in the annualised level to 8.3Mtpa. The annualised rate in October 2016 was 8.6Mtpa.

Recovery rates and copper concentrate grade in Q3 2016 were 83.60% and 20.47%, respectively (80.46% and 21.43% in Q2 2016) reaching the design criteria. Similar recoveries and grade in concentrate should be expected for the coming months.

Production of copper in concentrate almost doubled to 8,752 metric tons in Q3 2016, compared with 4,442 metric tons in Q2 2016 as a result of higher ore processed, with better recoveries and grades.

### Infrastructure

A water treatment plant is now fully operational after successful commissioning during Q3 2016. Dewatering of Cerro Colorado open pit is progressing according to plan.

### Exploration and geology

During Q3 2016, Atalaya compiled and reported an updated technical report on its Mineral Resources and Reserves for Proyecto Riotinto. The report was compiled according to the Canadian National Instruments 43-101 and filed on a voluntary basis.

New mineral reserves estimation amounts to 152.8 million metric tons with an average copper grade of 0.45%, using variable, declining cut-off grades. New reserve estimates increased both copper metal contained by 12%, up to 681,000 metric tons and life of mine, up to 16.5 years.

Total open-pit measured and indicated mineral resources were estimated at 192.8 million metric tons, averaging 0.43% copper. Inferred mineral resources were estimated at 22.7 million metric tons, averaging 0.48% copper. These figures do not include any resources from the San Antonio/Planes deposit and from the San Dionisio/Atalaya zones. Although some of these zones could have some limited open pit potential, it is expected that, if economic, they would be mined using underground methods. After concentrating on infill drilling of the Cerro Colorado pit, Atalaya is now focusing exploration in extensions of new mineralisation at the Cerro Colorado and Atalaya pits.

### 3. Outlook

*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 introduction note of this report.*

### Operations guidance

The Riotinto Project operational guidance for 2016 remains as follows:

	<b>Unit</b>	<b>Range 2016</b>
Ore processed	t million	6.7 - 7.1
Concentrate	dmt	115,000 - 130,000
Contained copper	t	23,500 - 27,000

Copper head grade for 2016 is expected to average between 0.48% Cu and 0.50% Cu with a recovery rate of approximately 82%. Cash operating cost for Q4 2016 is expected to be in the range of \$1.9/lb – 2.1/lb.

### 4. Overview of the financial results

The following table presents a summarised consolidated income statements for the three and nine months ended September 2016, with comparatives for the three and nine months ended September 2015.

	<b>Three months ended 30 September 2016</b>	Three months ended 30 September 2015	<b>Nine months ended 30 September 2016</b>	Nine months ended 30 September 2015
<b>Sales</b>	<b>27,235</b>	-	<b>49,854</b>	-
Total operating costs	<b>(20,639)</b>	-	<b>(40,978)</b>	-
Administrative expenses	<b>(4,465)</b>	(1,192)	<b>(9,730)</b>	(2,785)
Care and maintenance expenses	-	(5,141)	-	(10,012)
Exploration expenses	<b>(246)</b>	(33)	<b>(926)</b>	(123)
Other income	<b>44</b>	858	<b>203</b>	960
<b>EBITDA</b>	<b>1,929</b>	(5,508)	<b>(1,577)</b>	(11,960)
Depreciation/amortisation	<b>(2,475)</b>	(30)	<b>(4,996)</b>	(219)
Impairment of land options not exercised	<b>(900)</b>	-	<b>(900)</b>	-
Net foreign exchange (loss)/gain	<b>(19)</b>	269	<b>(296)</b>	(4,653)
Net finance cost	<b>(52)</b>	(66)	<b>(207)</b>	(4,338)
Tax credit/(charge)	<b>4</b>	(5)	<b>(8)</b>	(5)
<b>Loss for the period attributable to owners of the parent</b>	<b>(1,513)</b>	(5,340)	<b>(7,984)</b>	(21,175)

### Three months financial review

Revenues for the three-month period ended 30 September 2016 amounted to €27.2 million. Production levels during Q3 2016 increased as compared to production levels during Q2 2016 (no comparative data for 2015). Ore mined increased by 83.6% to reach 2,461,000 metric tons during Q3 2016. Ore processed in the plant also increased by 55.4% to 2,034,000 metric tons as Proyecto Riotinto gets closer to nameplate capacity. As of September 2016, the plant annualised rate of production level was 8.3Mtpa and management is confident that the 9.5Mtpa nameplate capacity will be reached by the year end. Average head grades during Q3 2016 also increased to 0.52% combined with better average recovery levels of 83.6%, compared to 0.44% and 80.46% respectively in Q2 2016.

The overall improvement in production ratios resulted in the operation almost doubling copper production from 4,442 metric tons of copper in Q2 2016 to 8,752 metric tons of copper during Q3 2016. Higher production of copper led to an increase in both sales of concentrate and inventories held as at 30 September 2016.

Sales of copper concentrate increased compared to Q2 2016 by 63.2% to 37,049 metric tons of concentrate and the realised copper prices were slightly higher at \$2.18 per pound of copper compared to previous quarters of \$2.11/lb of copper.

Operating costs (excluding depreciation and amortisation) for Q3 2016 amounted to €20.6 million compared to €15.9 million in Q2 2016. The increase was mainly due to higher mining and processing variable costs directly attributable to the increase of ore processed in the plant. In relation to the administrative expenses, the cost for Q3 2016 was €4.5 million, compared to €2.4 million in Q2 2016. However, in terms of cost for actual production levels, the cost decreased from \$2.36/lb of payable copper in Q2 2016 to \$1.97/lb of payable copper in Q3 2016. The decrease in cash costs was mainly due to onsite cost reductions in terms of \$/lb of copper produced, as offsite costs, offtaker deductions and by-products credits were largely unchanged during Q3 2016.

Administrative expenses include both corporate costs not included in the cash cost calculations and administration costs of the project, which are included in the cost calculations. The costs excluded for cash cost calculation include directors' emoluments, corporate legal costs and other corporate costs.

Exploration costs for the period amounted to €246,000 compared to €517,000 in Q2 2016.

EBITDA for the three months ended 30 September 2016 amounted to a profit of €1.9 million as a result of increase in volume of copper concentrate sold and higher realised copper prices, as compared to Q2 2016 (EBITDA for the three months ended 30 June 2016 – loss €1.1 million). The main item below the EBITDA line is depreciation and amortisation of €2.5 million and the impairment of land options not exercised of €0.9 million.

### Nine months financial review

Revenues for the nine-month period ended 30 September 2016 amounted to €49.9 million. Revenues relate to sales of copper concentrate to off takers since commercial production was declared in February 2016. Ore mined for the period was 4,936,000 metric tons. Ore processed in the plant increased significantly over the nine months of 2016 (392,000 metric tons of ore processed in January 2016 compared to 694,000 metric tons processed in September 2016). 72,276 metric tons of copper concentrate were sold during the nine-month period (including January sales which were pre-commission sales) or 67,291 metric tons of concentrate from February 2016 to September 2016.

Total operating costs and administration expenses (both excluding depreciation and amortisation costs) for the period amounted to €41 million and €9.7 million respectively. Administration expenses include general costs for Proyecto Riotinto and Group corporate costs amounting to €2 million for the nine-month period to September 2016.

Weighted cash costs for the nine months to September 2016 were \$2.14/lb of payable copper, compared to \$1.97/lb of payable copper in Q3 2016. As ramp-up progresses and reaches nameplate plant capacity, the cash cost per pound of copper reduces as fixed costs remain constant but with higher production levels.

Exploration costs amounted to €0.9 million, incurred mainly on work done on historical sites. As at 30 September 2016, 6,630 metres of Diamond Drill Hole drilling were done mainly in the lateral extension of Cerro Colorado. The current drilling campaign is focused on San Antonio – Planes, San Dionisio, Alfredo and Filon Sur.

EBITDA amounted to a loss of €1.6 million for the nine months to September 2016. This was impacted by the initial low levels of production and the high ramp-up costs. The main items below the EBITDA line are depreciation and amortisation of €5.0 million, the impairment of land options not exercised of €0.9 million, a net foreign exchange loss of €0.3 million and a net finance charge of €0.2 million.

## Realised copper prices

The average prices of copper for the three and nine months ended 30 September 2016 are as summarised below. As commercial production was declared in February 2016, no operational data was available for 2015.

	<b>Three months ended 30 September 2016</b>	Three months ended 30 September 2015	<b>Nine months ended 30 September 2016</b>	Nine months ended 30 September 2015
<b>USD</b>				
Realised copper price per lb	<b>2.18</b>	n/a	<b>2.16</b>	n/a
Market copper price per lb (period average)	<b>2.17</b>	n/a	<b>2.14</b>	n/a

## 5. Non-GAAP Measures

Atalaya has included certain non-IFRS measures including “EBITDA”, “Cash Operating Cost per pound of payable copper” and “realisable 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 all operating costs in the operation, excluding finance, tax, depreciation and amortisation expenses. The realised price for copper concentrate is the average price of copper per tonne sold over the period under analysis.

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

## 6. Liquidity and capital resources

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

The following is a summary of Atalaya’s cash position and cash flows as at 30 September 2016 and 31 December 2015 and for the nine months ended 30 September 2016 and year ended 31 December 2015:

### Liquidity information

<b>Euro 000’s</b>	<b>30 September 2016</b>	31 December 2015
Unrestricted cash and cash equivalents	<b>4,067</b>	18,578
Restricted cash	<b>250</b>	40
Working capital deficit	<b>(24,382)</b>	(6,359)
	<b>Nine months ended 30 September 2016</b>	Nine months ended 30 September 2015
Cash flows from/(used in) operating activities	<b>5,466</b>	(13,500)
Cash flows from financing activities	-	93,178
Cash flows used in investing activities	<b>(19,767)</b>	(62,848)
Net (decrease)/increase in cash and cash equivalents	<b>(14,301)</b>	16,830

Unrestricted cash and cash equivalents as at 30 September 2016 decreased to €4.1 million from €18.6 million at 31 December 2015. The decrease in the cash balances is the result of capital expenditures incurred in the period related to the finalisation of the expansion project, certain ramp-up inefficiencies and slow revenue cash inflows. Atalaya reported a working capital deficiency of €24.4 million at 30 September 2016, but reduced from the €28.6 million deficiency at 30 June 2016, compared with a €6.4 million deficit at 31 December 2015.

During Q3 2016, Atalaya announced the agreement entered with Transamine Trading, S.A., a privately owned commodity trading company, to prepay \$14 million of copper concentrate, with a 15-month repayment period starting in October 2016.

### Three months cash flow review

Atalaya used cash amounting to €6.1 million during the three months ended 30 September 2016. This was due to both operating activities and investing activities, which amounted to €3.5 million and €2.7 million, respectively.

Cash generated from operating activities before working capital changes was €2.0 million, however working capital variances resulted in negative cash flows from operations. Atalaya reduced its trade payables in the period by €5.0 million and increased its inventory levels and its trade balances by €4.1 million and €6.2 million, respectively.

Investing activities during the quarter consumed €2.7 million, relating mainly from final payments for equipment for the expansion project.

### Nine months cash flow review

Atalaya used cash amounting to €14.3 million during the nine months ended 30 September 2016. The cash was used mainly for its investing activities, as plant construction was finalised in early 2016 with commercial production being declared in February 2016. Ramping up of the increased plant capacity to 9.5Mpta is expected by the end of 2016, only six months after it was mechanically completed in May 2016. Total cash consumed for investing activities for the reported period amounted to €19.8 million. Atalaya funded the investments mainly via an equity placement in 2015 and through ongoing negotiations with some of the key suppliers.

### 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 potentially impact the results of operations and carrying value of assets and liabilities on the balance sheet.

During the three months ended 30 September 2016, Atalaya recognised a foreign exchange loss of €19,000 whilst for the nine months ended 30 September 2016, Atalaya recognised a foreign exchange loss of €296,000.

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

	<b>Three months ended 30 September 2016</b>	Three months ended 30 September 2015	<b>Nine months ended 30 September 2016</b>	Nine months ended 30 September 2015
<b>Average rates for the periods ended</b>				
GBP – EUR	<b>0.84973</b>	n/a	<b>0.80304</b>	n/a
USD – EUR	<b>1.1166</b>	n/a	<b>1.1162</b>	n/a
<b>Spot rates as at</b>				
GBP – EUR	<b>0.86103</b>	n/a	<b>0.86103</b>	n/a
USD – EUR	<b>1.1161</b>	n/a	<b>1.1161</b>	n/a

During Q3 2016, Atalaya signed certain short term currency hedging agreements to ensure a competitive rate to USD. Further information on the hedging agreements is disclosed in the Financial Statements (Note 14).

## 7. Contingencies

### Astor

There has been no update in the Astor case since the release of the Q2 2016 financials. Atalaya continues to work closely with its legal advisors in preparing for trial at the High Court of Justice in London on 30 January 2017. Atalaya remains confident of a positive outcome of the upcoming trial and will update shareholders following the trial, or if there are any material developments in the meantime.

More details on contingencies are included in Note 17 of the Financial Statements that follow.

**8. Risk factors**

Due to the nature of Atalaya's business in the mining industry it is subject to various risks that could materially impact the future operating results of Atalaya and could cause actual events to differ materially from those described in forward-looking statements relating to Atalaya. Readers are encouraged to read and consider the risk factors detailed in Atalaya's audited, consolidated financial statements for the year ended 31 December 2015.

**9. Critical accounting policies, estimates and accounting changes**

The preparation of Atalaya's Financial Statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the Financial Statements and accompanying notes. There is a full discussion and description of Atalaya's critical accounting policies in the audited consolidated financial statements for the year ended 31 December 2015.

**10. Other information**

Additional information about Atalaya Mining Plc is available at [www.atalayamining.com](http://www.atalayamining.com)



# ATALAYA MINING PLC

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2016 (UNAUDITED)

<b>Contents</b>	<b>Page</b>
Condensed interim consolidated income statements	10
Condensed interim consolidated statements of financial position	11
Condensed interim consolidated statements of changes in equity	12
Condensed interim consolidated statements of cash flows	13
Notes to the condensed Interim consolidated financial statements	14-27

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Condensed interim consolidated income statements (unaudited)

	Three months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2016	Nine months ended 30 September 2015
<b>Notes</b>				
<b>Sales</b>	<b>27,235</b>	-	<b>49,854</b>	-
Total operating costs	<u>(23,110)</u>	-	<u>(45,962)</u>	-
<b>Gross income</b>	<b>4,125</b>	-	<b>3,892</b>	-
Administrative expenses	<b>(5,369)</b>	(1,197)	<b>(10,642)</b>	(2,922)
Care and maintenance expenses	-	(5,166)	-	(10,094)
Exploration expenses	<u>(246)</u>	(33)	<u>(926)</u>	(123)
<b>Operating loss</b>	<b>(1,490)</b>	(6,396)	<b>(7,676)</b>	(13,139)
Other income	<b>44</b>	858	<b>203</b>	960
Net foreign exchange (loss)/gain	<b>(19)</b>	269	<b>(296)</b>	(4,653)
Net finance cost	4	(66)	<b>(207)</b>	(4,338)
<b>Loss before tax</b>	<b>(1,517)</b>	(5,335)	<b>(7,976)</b>	(21,170)
Tax credit/(charge)	<u>4</u>	(5)	<u>(8)</u>	(5)
<b>Loss for the period attributable to owners of the parent</b>	<b><u>(1,513)</u></b>	<b><u>(5,340)</u></b>	<b><u>(7,984)</u></b>	<b><u>(21,175)</u></b>
<b>Loss per share from operations attributable to equity holders of the parent during the period:</b>				
Basic and fully diluted loss per share (expressed in cents per share)	5	<u>(1.3)</u>	<u>(4.6)</u>	<u>(6.8)</u>
		<u>(29.2)</u>		
<b>Loss for the period</b>	<b>(1,513)</b>	(5,340)	<b>(7,984)</b>	(21,175)
<b>Other comprehensive profit:</b>				
Change in value of available-for-sale investment	<u>108</u>	(342)	<u>85</u>	(514)
<b>Total comprehensive loss for the period attributable to owners of the parent</b>	<b><u>(1,405)</u></b>	<b><u>(5,682)</u></b>	<b><u>(7,899)</u></b>	<b><u>(21,689)</u></b>

The notes on pages 14 to 27 are an integral part of these condensed interim consolidated financial statements.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Condensed interim consolidated statements of financial position (unaudited)

	Notes	30 September 2016	31 December 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	184,188	168,424
Intangible assets	7	18,336	20,158
Investment in associate		10	10
		<u>202,534</u>	<u>188,592</u>
<b>Current Assets</b>			
Inventories	8	15,058	-
Trade and other receivables	9	17,847	16,632
Available-for-sale investment		387	302
Cash and cash equivalents		4,317	18,618
		<u>37,609</u>	<u>35,552</u>
<b>Total assets</b>		<u>240,143</u>	<u>224,144</u>
<b>Equity and Liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	10	11,632	11,632
Share premium	10	277,238	277,238
Other reserves	11	5,759	5,508
Accumulated losses		(125,996)	(118,012)
<b>Total equity</b>		<u>168,633</u>	<u>176,366</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	12	5,501	1,896
Provisions	13	4,018	3,971
		<u>9,519</u>	<u>5,867</u>
<b>Current liabilities</b>			
Trade and other payables	12	61,991	41,911
		<u>61,991</u>	<u>41,911</u>
<b>Total liabilities</b>		<u>71,510</u>	<u>47,778</u>
<b>Total equity and liabilities</b>		<u>240,143</u>	<u>224,144</u>

The notes on pages 14 to 27 are an integral part of these condensed interim consolidated financial statements.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Condensed interim consolidated statements of changes in equity (unaudited)

	Share capital	Share premium	Other reserves	Accumulated losses	Total	Non – controlling Interest	Total
<b>At 1 January 2015</b>	<b>4,409</b>	<b>149,823</b>	<b>5,815</b>	<b>(103,002)</b>	<b>57,045</b>	<b>(116)</b>	<b>56,929</b>
Total comprehensive loss for the period	-	-	-	(21,175)	(21,175)	-	(21,175)
Issue of share capital	7,223	130,017	-	-	137,240	-	137,240
Share issue costs	-	(2,921)	-	-	(2,921)	-	(2,921)
Derivative element of conversion of convertible note	-	440	-	-	440	-	440
Purchase of minority interest share	-	-	-	-	-	116	116
Change in value of available-for-sale investment	-	-	(514)	-	(514)	-	(514)
Bonus shares issued in escrow	-	-	75	-	75	-	75
Warrant issue costs	-	(122)	122	-	-	-	-
Recognition of share based payments	-	-	114	-	114	-	114
<b>At 30 September 2015</b>	<b>11,632</b>	<b>277,237</b>	<b>5,612</b>	<b>(124,177)</b>	<b>170,304</b>		<b>170,304</b>
Total comprehensive profit for the period	-	-	-	6,165	6,165	-	6,165
Share issue costs	-	1	-	-	1	-	1
Bonus shares issued in escrow	-	-	26	-	26	-	26
Change in value of available-for-sale investment	-	-	(168)	-	(168)	-	(168)
Recognition of share based payments	-	-	38	-	38	-	38
<b>At 31 December 2015</b>	<b>11,632</b>	<b>277,238</b>	<b>5,508</b>	<b>(118,012)</b>	<b>176,366</b>		<b>176,366</b>
Total comprehensive loss for the period	-	-	-	(7,984)	(7,984)	-	(7,984)
Change in value of available-for-sale investment	-	-	85	-	85	-	85
Bonus shares issued in escrow	-	-	63	-	63	-	63
Recognition of share based payments	-	-	103	-	103	-	103
<b>At 30 September 2016</b>	<b>11,632</b>	<b>277,238</b>	<b>5,759</b>	<b>(125,996)</b>	<b>168,633</b>		<b>168,663</b>

The notes on pages 14 to 27 are an integral part of these condensed interim consolidated financial statements.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Condensed interim consolidated statements of cash flows (unaudited)

	Notes	Three months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2016	Nine months ended 30 September 2015
<b>Cash flows from operating activities</b>					
<b>Loss before tax</b>		<b>(1,517)</b>	<b>(5,335)</b>	<b>(7,976)</b>	<b>(21,170)</b>
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment	6	2,215	30	4,422	96
Amortisation of intangibles	7	260	-	574	123
Recognition of share-based payments	11	35	38	103	114
Bonus share issued in escrow	11	-	25	63	75
Interest income	4	(52)	(1)	(70)	(1)
Interest expense	4	132	59	184	195
Rehabilitation cost	4	-	-	47	-
Gain on disposal of property, plant and equipment		(3)	-	(4)	-
Impairment of property, plant and equipment	6	903	-	903	-
Loss on fair value on the convertible note	4	-	-	-	310
Accretion expense on convertible note	4	-	-	-	31
Bridge loan interest expense	4	-	-	-	1,232
Bridge loan financing expenditure	4	-	-	-	1,342
Convertible note interest expense	4	-	-	-	1,178
Foreign exchange loss on repayment of borrowings		-	-	-	5,304
Unrealised foreign exchange loss on financing activities		-	-	-	247
<b>Cash outflows from operating activities before working capital changes</b>					
		<b>1,973</b>	<b>(5,184)</b>	<b>(1,754)</b>	<b>(10,924)</b>
<b>Changes in working capital:</b>					
Inventories	8	(4,093)	(1,433)	(15,058)	(3,102)
Trade and other receivables		(6,171)	(547)	(1,215)	(8,053)
Trade and other payables		4,973	13,545	23,697	9,486
<b>Cash flows (used in)/from operations</b>					
		<b>(3,318)</b>	<b>6,381</b>	<b>5,670</b>	<b>(12,593)</b>
Interest paid		(132)	(58)	(184)	(723)
Financing expenditure paid		-	-	-	(164)
Tax paid		(20)	(20)	(20)	(20)
<b>Net cash (used)/from in operating activities</b>					
		<b>(3,470)</b>	<b>6,303</b>	<b>5,466</b>	<b>(13,500)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	6	(2,600)	(27,022)	(19,680)	(62,842)
Purchase of intangible assets		(114)	-	(114)	-
Proceeds from disposal of property, plant and equipment		3	-	4	-
Increase in provisions		-	-	(47)	-
Payment for increase in investment in subsidiary		-	-	-	(7)
Interest received		52	-	70	1
<b>Net cash used in investing activities</b>					
		<b>(2,659)</b>	<b>(27,022)</b>	<b>(19,767)</b>	<b>(62,848)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of share capital		-	-	-	90,435
Listing and issue costs		-	(329)	-	(2,921)
Proceeds from bridge loan drawn down in the period		-	-	-	5,664
<b>Net cash (used in)/from financing activities</b>					
		<b>-</b>	<b>(329)</b>	<b>-</b>	<b>93,178</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>					
		<b>(6,129)</b>	<b>(21,048)</b>	<b>(14,301)</b>	<b>16,830</b>
<b>Cash and cash equivalents:</b>					
At beginning of the period		<b>10,446</b>	<b>58,928</b>	<b>18,618</b>	<b>21,050</b>
At end of the period		<b>4,317</b>	<b>37,880</b>	<b>4,317</b>	<b>37,880</b>

The notes on pages 14 to 27 are an integral part of these condensed interim consolidated financial statements.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 1. General information

#### Country of incorporation

Atalaya Mining Plc ("Atalaya Mining" and/or the "Company"), and its subsidiaries ("Atalaya" and/or the "Group"), 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 Group has offices in Minas de Riotinto in Spain and in Nicosia, Cyprus. The Company was listed on AIM of the London Stock Exchange in May 2005 and on the TSX on 20 December 2010.

#### 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

The principal activity of the Company and its subsidiaries is to operate the recently commissioned Rio Tinto Copper Project ("Proyecto Riotinto") and to explore 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 metals mineralisation in the European region.

### 2. Basis of preparation and accounting policies

#### Basis of preparation

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standard 34 "Interim Financial Reporting" and IFRIC interpretations as adopted by the European Union (EU), using the historical cost convention.

These condensed interim consolidated financial statements are unaudited and include the financial statements of the Company and its subsidiary undertakings. They have been prepared using accounting bases and policies consistent with those used in the preparation of the consolidated financial statements of the Company and the Group for the year ended 31 December 2015. These condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements, and accordingly, should be read in conjunction with the consolidated financial statements and other information set out in the Company's 31 December 2015 Annual Report. The accounting policies are unchanged from those disclosed in the annual consolidated financial statements.

The Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company and the Group have adequate available resources to continue in operational existence for the foreseeable future.

The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business. These condensed interim consolidated financial statements do not give effect to any adjustment, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

#### Fair value estimation

The fair values of the Company'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 trading 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 Company 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 Company 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.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 2. Basis of preparation and accounting policies (continued)

#### Fair value estimation (continued)

##### Fair value measurements recognised in the consolidated statement of financial position

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

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

Financial assets	Level 1	Level 2	Level 3	Total
<b>30 September 2016</b>				
Available for sale financial assets	387	-	-	387
Total	387	-	-	387
<b>31 December 2015</b>				
Available for sale financial assets	302	-	-	302
Total	302	-	-	302

#### Use and revision of accounting estimates

The preparation of the condensed interim consolidated financial statements requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Adoption of new and revised International Financial Reporting Standards (IFRSs)

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 2016. The adoption of these Standards did not have a material effect on the condensed interim consolidated financial statements.

#### Critical accounting estimates and judgements

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are unchanged from those disclosed in the annual consolidated financial statements.

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 a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 3. Business and geographical segments

#### Business segments

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

#### Geographical segments

The Group's mining and exploration activities are located in Spain and its administration is based in Cyprus.

<u>Three months ended 30 September 2016</u>	<u>Cyprus</u>	<u>Spain</u>	<u>Other</u>	<u>Total</u>
Sales	27,235	-	-	27,235
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	(718)	2,645	2	1,929
Depreciation/amortisation charge	(4)	(2,471)	-	(2,475)
Net finance cost	(33)	(19)	-	(52)
Impairment of land options not exercised	-	(900)	-	(900)
Foreign exchange gain / (loss)	103	(124)	2	(19)
(Loss)/profit for the period before taxation	(652)	(869)	4	(1,517)
Tax credit				4
<b>Net loss for the period</b>				<b>(1,513)</b>

<u>Nine months ended 30 September 2016</u>	<u>Cyprus</u>	<u>Spain</u>	<u>Other</u>	<u>Total</u>
Sales	49,854	-	-	49,854
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	(2,333)	762	(6)	(1,577)
Depreciation/amortisation charge	(12)	(4,984)	-	(4,996)
Impairment of land options not exercised	-	(900)	-	(900)
Net finance cost	(43)	(164)	-	(207)
Foreign exchange (loss) / gain	(240)	(58)	2	(296)
Loss for the period before taxation	(2,628)	(5,344)	(4)	(7,976)
Tax charge				(8)
<b>Net loss for the period</b>				<b>(7,984)</b>

<b>Total assets</b>	<b>6,021</b>	<b>234,116</b>	<b>6</b>	<b>240,143</b>
<b>Total liabilities</b>	<b>(15,846)</b>	<b>(55,639)</b>	<b>(25)</b>	<b>(71,510)</b>
<b>Depreciation of property, plant and equipment</b>	<b>12</b>	<b>4,410</b>		<b>4,422</b>
<b>Amortisation of intangible assets</b>	<b>-</b>	<b>574</b>	<b>-</b>	<b>574</b>
<b>Total net additions of non-current assets</b>	<b>1</b>	<b>19,793</b>	<b>-</b>	<b>19,794</b>

<u>Three months ended 30 September 2015</u>	<u>Cyprus</u>	<u>Spain</u>	<u>Other</u>	<u>Total</u>
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	(1,041)	(4,439)	(28)	(5,508)
Depreciation/amortisation charge	(5)	(25)	-	(30)
Finance cost	(4)	(62)	-	(66)
Foreign exchange gain/(loss)	271	1	(3)	269
Loss for the period before taxation	(779)	(4,525)	(31)	(5,335)
Tax charge				(5)
<b>Net loss for the period</b>				<b>(5,340)</b>



# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 3. Business and geographical segments

#### Geographical segments (continued)

Nine months ended 30 September 2015

	Cyprus	Spain	Other	Total
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	(2,314)	(9,608)	(38)	(11,960)
Depreciation/amortisation charge	(137)	(82)	-	(219)
Finance cost	(4,107)	(231)	-	(4,338)
Foreign exchange loss	(4,595)	(55)	(3)	(4,653)
Loss for the period before taxation	(11,153)	(9,976)	(41)	(21,170)
Tax charge				(5)
Net loss for the period				(21,175)
Total assets	16,142	181,293	11	197,446
Total liabilities	(138)	(26,896)	(108)	(27,142)
Depreciation of property, plant and equipment	14	82	-	96
Amortisation of intangible assets	123	-	-	123
Total net additions of non-current assets	124	62,845	-	62,969

### 4. Net finance cost

	Three months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Interest expense	132	60	184	195
Interest income	(52)	(1)	(70)	(1)
Rehabilitation cost (Note 13)	-	-	47	-
Foreign exchange hedging income	(75)	-	(75)	-
Bank charges	47	7	121	51
Accretion expense on convertible note	-	-	-	31
Bridge loan interest expense	-	-	-	1,232
Convertible note interest expense	-	-	-	1,178
Bridge loan financing expenditure	-	-	-	1,342
Loss on fair value on conversion of the convertible note	-	-	-	310
	52	66	207	4,338

### 5. Basic and fully diluted loss per share

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

	Three months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Parent	(652)	(779)	(2,628)	(11,153)
Subsidiaries	(861)	(4,561)	(5,356)	(10,022)
Loss attributable to the ordinary holders of the parent	(1,513)	(5,340)	(7,984)	(21,175)
Weighted number of ordinary shares for the purposes of basic loss per share (000's)	116,680	116,680*	116,680	72,490*
<b>Basic loss per share:</b>				
Basic and fully diluted loss per share (cents)	(1.3)	(4.6)	(6.8)	(29.2)

\* Adjusted for the 30:1 share consolidation which took place in October 2015

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 6. Property, plant and equipment

Cost	Land and buildings	Plant and machinery	Mineral rights	Assets under construction	Deferred mining costs <sup>(2)</sup>	Other assets <sup>(3)</sup>	Total
At 1 January 2015	35,797	29,087	-	-	-	1,086	65,970
Additions	242 <sup>(1)</sup>	54,808	-	-	-	142	55,192
At 30 September 2015	36,039	83,895	-	-	-	1,228	121,162
Additions	3,729 <sup>(1)</sup>	-	-	34,077	10,334	-	48,140
Reclassifications	(707)	(60,691)	950	60,448	-	-	-
Disposals	-	(158)	-	-	-	(202)	(360)
<b>At 31 December 2015</b>	<b>39,061</b>	<b>23,046</b>	<b>950</b>	<b>94,525</b>	<b>10,334</b>	<b>1,026</b>	<b>168,942</b>
Additions	46	19,630	-	-	-	4	19,680
Reclassifications	-	99,460	-	(94,256)	(5,204)	-	-
Reclassifications – intangibles	-	1,614	(50)	-	-	(247)	1,317
Disposals	-	-	-	-	-	(16)	(16)
Written off	-	-	(900)	-	-	(3)	(903)
<b>At 30 September 2016</b>	<b>39,107</b>	<b>143,750</b>	<b>-</b>	<b>269</b>	<b>5,130</b>	<b>764</b>	<b>189,020</b>
<b>Depreciation</b>							
At 1 January 2015	-	158	-	-	-	498	656
Charge for the period	-	-	-	-	-	96	96
At 30 September 2015	-	158	-	-	-	594	752
Charge for the period	-	-	-	-	-	56	56
Disposals	-	(158)	-	-	-	(132)	(290)
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>518</b>	<b>518</b>
Charge for the period	1,223	3,122	-	-	-	77	4,422
Reclassifications	-	130	-	-	-	(130)	-
Reclassifications – intangibles	-	-	-	-	-	(92)	(92)
Disposals	-	-	-	-	-	(16)	(16)
Impairment	-	-	900	-	-	3	903
Written off	-	-	(900)	-	-	(3)	(903)
<b>At 30 September 2016</b>	<b>1,223</b>	<b>3,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357</b>	<b>4,832</b>
<b>Net book value</b>							
<b>At 30 September 2016</b>	<b>37,884</b>	<b>140,498</b>	<b>-</b>	<b>269</b>	<b>5,130</b>	<b>407</b>	<b>184,188</b>
At 31 December 2015	39,061	23,046	950	94,525	10,334	508	168,424

<sup>(1)</sup> Rehabilitation provision

<sup>(2)</sup> Stripping costs

<sup>(3)</sup> Includes motor vehicles, furniture, fixtures and office equipment which are depreciated over 5-10 years.

The above property, plant and equipment is located in Cyprus and Spain.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 7. Intangible assets

Cost	Permits of Rio Tinto Project	Acquisition of mineral rights	Licences, R&D and software	Goodwill	Total
At 1 January 2015	17,655	310	-	10,023	27,988
Additions	7,650	-	-	123	7,773
Disposal/closure of subsidiaries		(310)	-	(813)	(1,123)
At 30 September 2015	25,305	-	-	9,333	34,638
Reclassification	(5,147)	-	-	-	(5,147)
<b>At 31 December 2015</b>	<b>20,158</b>	<b>-</b>	<b>-</b>	<b>9,333</b>	<b>29,491</b>
Additions	-	-	114	-	114
Reclassifications – property, plant and equipment	(1,614)	-	297	-	(1,317)
Other reclassifications	(7)	-	54	-	47
<b>At 30 September 2016</b>	<b>18,537</b>	<b>-</b>	<b>465</b>	<b>9,333</b>	<b>28,335</b>
<b>Provision for impairment</b>					
On 1 January 2015	-	310	-	10,023	10,333
Provision for the period	-	-	-	123	123
Disposal/closure of subsidiaries	-	(310)	-	(813)	(1,123)
At 30 September 2015	-	-	-	9,333	9,333
Provision for the period	-	-	-	-	-
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,333</b>	<b>9,333</b>
Provision for the period	555	-	19	-	574
Reclassifications – property, plant and equipment	-	-	92	-	92
<b>At 30 September 2016</b>	<b>555</b>	<b>-</b>	<b>111</b>	<b>9,333</b>	<b>9,999</b>
<b>Net book value</b>					
<b>At 30 September 2016</b>	<b>17,982</b>	<b>-</b>	<b>354</b>	<b>-</b>	<b>18,336</b>
At 31 December 2015	20,158	-	-	-	20,158

The useful life of the intangible assets is estimated to be not less than fourteen years from the start of production (the revised Reserves and Resources statement which was announced in July 2016 has increased the life of mine to 16 ½ years). The ultimate recoupment of balances carried forward in relation to areas of interest or all such assets including intangibles is dependent on successful development, and commercial exploitation, or alternatively sale of the respective areas. The Group conducts impairment testing on an annual basis unless indicators of impairment are present at the reporting date. In considering the carrying value of the assets at Proyecto Riotinto, including the intangible assets and any impairment thereof, the Group assessed the carrying values having regard to (a) the current recovery value (less costs to sell) and (b) the net present value of potential cash flows from operations. In both cases, the estimated net realisable values exceeded current carrying values and thus no impairment has been recognised. Goodwill of €9,333,000 arose on the acquisition of the remaining 49% of the issued share capital of Atalaya Riotinto Minera S.L.U. ("ARM") back in September 2008. This amount was fully impaired on acquisition, in the absence of the mining license back in 2008.

### 8. Inventories

	30 Sept 2016	31 Dec 2015
Finished products	9,309	-
Materials and supplies	5,749	-
	<b>15,058</b>	<b>-</b>

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 9. Trade and other receivables

	<u>30 Sept 2016</u>	<u>31 Dec 2015</u>
Trade receivables	2,425	-
Receivables from related parties (Note 16.4)	1,219	6,541
Deposits and prepayments	1,536	1,114
VAT	12,596	7,970
Other receivables	71	1,007
	<u>17,847</u>	<u>16,632</u>

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

### 10. Share capital and share premium

	<u>Shares 000's</u>	<u>Share Capital Stg£'000</u>	<u>Share premium Stg£'000</u>	<u>Total Stg£'000</u>
<b>Authorised</b>				
Ordinary shares of Stg £0.075 each*	200,000	15,000	-	15,000
<b>Issued and fully paid</b>	<u>000's</u>	<u>Euro 000's</u>	<u>Euro 000's</u>	<u>Euro 000's</u>
Balance at 1 January 2016 and 30 September 2016	<u>116,679</u>	<u>11,632</u>	<u>277,238</u>	<u>288,870</u>

#### Authorised capital

##### 2015

\*Following the Company's EGM on 13 October 2015, the consolidation of ordinary shares came into effect on 21 October 2015, 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.

##### 2016

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

#### Issued capital

##### 2016

No shares were issued in the period from 1 January 2016 to 30 September 2016.

#### Warrants

The Company has issued warrants to advisers to the Group. Warrants, noted below, expire three or five years after the grant date and have exercise prices ranging from Stg £1.425 to Stg £3.150.

Details of share warrants outstanding as at 30 September 2016:

	<u>Number of warrants</u>
Outstanding warrants at 1 January and 30 September 2016	<u>473,061</u>

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 11. Other reserves

	Share option	Bonus share	Available-for- sale investment	Total
At 1 January 2015	5,973	44	(202)	5,815
Change in value of available-for-sale investment	-	-	(514)	(514)
Bonus shares issued in escrow	-	75	-	75
Warrant issue costs	122	-	-	122
Recognition of share based payments	114	-	-	114
<b>At 30 September 2015</b>	<b>6,209</b>	<b>119</b>	<b>(716)</b>	<b>5,612</b>
Bonus shares issued in escrow	-	26	-	26
Change in value of available-for-sale investment	-	-	(168)	(168)
Recognition of share based payments	38	-	-	38
<b>At 31 December 2015</b>	<b>6,247</b>	<b>145</b>	<b>(884)</b>	<b>5,508</b>
Change in value of available-for-sale investments	-	-	85	85
Bonus shares issued in escrow	-	63	-	63
Recognition of share based payments	103	-	-	103
<b>At 30 September 2016</b>	<b>6,350</b>	<b>208</b>	<b>(799)</b>	<b>5,759</b>

#### Share options

No share options were issued in the period from 1 January 2016 to 30 September 2016. Details of share options outstanding as at 30 September 2016:

	Number of share options 000's
Outstanding options at 1 January 2016	931,654
- cancelled/expired during the reporting period	(132,663)
Outstanding options at 30 September 2016	798,991

### 12. Trade and other payables

	30 Sept 2016	31 Dec 2015
<b>Non-current trade and other payables</b>		
Copper concentrate prepayment	5,376	-
Social Security*	-	1,741
Land options	125	155
	<b>5,501</b>	<b>1,896</b>
<b>Current trade and other payables</b>		
Trade payables	47,569	37,106
Deferred income	3,181	-
Copper concentrate prepayment	7,197	-
Social Security*	2,602	2,867
Land options and mortgage	767	789
Accruals	659	1,124
Tax liability	12	24
Other	4	1
	<b>61,991</b>	<b>41,911</b>

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

\* On 25 May 2010 ARM recognised a debt with the Social Security's General Treasury in Spain amounting to €16.9 million that was incurred by a previous owner in order to stop the execution process by Public Auction of the land over which Social Security had a lien. €14.3 million has been repaid to date. Originally payable over 5 years, the repayment schedule was subsequently extended until June 2017.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 13. Provisions

	<b>Rehabilitation costs</b>
1 January 2015	-
Additions	3,971
<b>At 31 December 2015</b>	<b>3,971</b>
Charge to profit and loss as finance cost (Note 4)	47
<b>At 30 September 2016</b>	<b>4,018</b>

  

	<b>30 Sept 2016</b>	31 Dec 2015
Non-current	<b>4,018</b>	3,971
Current	-	-
<b>Total</b>	<b>4,018</b>	<b>3,971</b>

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

### 14. Derivative instruments

#### 14.1. Foreign exchange contract

As at 30 September 2016, Atalaya had certain short term foreign exchange contracts. The contracts were in an unrealised gain position which was recorded as a finance income in the income statements (30 September 2016 - €0.5 million), the corresponding receivable amount recorded in other receivables. The relevant information of the contracts is as follows:

#### Foreign exchange contracts – Euro/USD

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

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

#### 14.2. Commodity contract

In August 2016, Atalaya signed the following short term commodity contract with a third party:

#### Copper

Period	Commodity	Contract type	FMT (Fine metric tons)	Strike price US\$/FMT
August 2016	Copper	Forward	2,113	4,960

The agreements were closed at the maturity date with a gain of €0.4 million, which has been recorded as revenue during the quarter.

As at 30 September 2016, the Company had no open positions.

### 15. Acquisition and disposal of subsidiaries

There were no acquisitions in the nine months ended 30 September 2016.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 16. Related party transactions

The following transactions were carried out with related parties:

#### 16.1 Compensation of key management personnel

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

	<b>Three months ended 30 September 2016</b>	Three months ended 30 September 2015	<b>Nine months ended 30 September 2016</b>	Nine months ended 30 September 2015
Directors' remuneration and fees	167	133	517	391
Share option-based benefits to directors	14	14	42	42
Bonus shares issued to director, in escrow	-	25	63	75
Key management personnel remuneration	131	137	321	452
Termination fees of key management personnel	-	259	-	259
Share option-based and other benefits to key management personnel	9	5	25	31
	<b>321</b>	<b>573</b>	<b>968</b>	<b>1,250</b>

#### 16.2 Share-based benefits

The directors and key management personnel have not been granted options during the three and nine month period.

#### 16.3 Transactions with related parties/shareholders

##### i) Sales

	<b>Three months ended 30 September 2016</b>	Three months ended 30 September 2015	<b>Nine months ended 30 September 2016</b>	Nine months ended 30 September 2015
Trafigura PTE LTD ("Trafigura") – Sales of goods (pre commissioning sales offset against the cost of constructing assets)	-	-	2,452	-
Trafigura– Sales of goods	4,495	-	15,888	-
Orion Mine Finance (Master) Fund I LP ("Orion") – Sales of goods	3,753	-	3,753	-
	<b>8,248</b>	<b>-</b>	<b>22,093</b>	<b>-</b>

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 16. Related party transactions (continued)

#### 16.3 Transactions with related parties/shareholders (continued)

##### ii) Financing

	Three months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Cuenca Fudacion EMED Tartessus	9	-	9	-
Yanggu Xiangguang Copper Co. Ltd ("XGC") – Convertible note interest	-	-	-	864
XGC – Convertible note extension fee	-	-	-	57
XGC – Bridge loan	-	-	-	1,888
XGC – Bridge loan financing fee	-	-	-	-
XGC – Bridge loan interest	-	-	-	411
XGC – Bridge loan extension fee	-	-	-	38
Orion – Convertible note interest	-	-	-	314
Orion – Convertible note extension fee	-	-	-	21
Orion – Bridge loan	-	-	-	1,888
Orion – Bridge loan financing fee	-	-	-	-
Orion – Fees for raising capital	-	-	-	576
Orion – Bridge loan interest	-	-	-	411
Orion – Bridge loan extension fee	-	-	-	38
Trafigura – Bridge loan	-	-	-	1,888
Trafigura – Bridge loan financing fee	-	-	-	-
Trafigura – Fees for raising capital	-	-	-	441
Trafigura – Bridge loan interest	-	-	-	411
Trafigura – Bridge loan extension fee	-	-	-	38

#### 16.4 Period-end balances with related parties/shareholders

	30 Sept 2016	31 Dec 2015
<b>Receivables from related parties (Note 9):</b>		
Trafigura	996	6,541
Orion	214	-
Cuenca Fudacion EMED Tartessus	9	-
	<b>1,219</b>	<b>6,541</b>

The above debtor balance arising from sales of goods bears no interest and is repayable on demand

### 17. Contingent liabilities

#### Deferred consideration

In September 2008, the Group moved to 100% ownership of ARM (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. The cost of the acquisition was satisfied by issuing 39,140,000 Ordinary Shares to MRI Trading AG ("MRI") at an issue price of 21p per Ordinary Share and a deferred cash settlement of up to €53 million ("Deferred Consideration"), (including loans of €9,116,617.30 owed to companies related to MRI incurred in relation to the operation of Proyecto Riotinto). The obligation to pay the Deferred Consideration is subject to the satisfaction of the following conditions (the "Conditions"): (a) all authorisations to restart mining activities in Proyecto Riotinto having been granted by the Junta de Andalucía ("Permit Approval"); and (b) the Group securing a senior debt finance facility for a sum sufficient to restart mining operations at Proyecto Riotinto ("Senior Debt Facility") and being able to draw down funds under the Senior Debt Facility.



# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 17. Contingent liabilities (continued)

#### Deferred consideration (continued)

Originally the Group was obliged to pay the Deferred Consideration in instalments commencing on the date of drawdown under the Senior Debt Facility until the second anniversary of commercial production at Proyecto Riotinto. On 31 March 2009, pursuant to a deed of amendment, MRI consented to the Group paying the Deferred Consideration over a period of six or seven years following satisfaction of the Conditions (the "Payment Period"). In return, the Company agreed to potentially pay further Deferred Consideration of up to €15,900,000 in regular instalments over the Payment Period depending upon the price of copper. Any such additional Deferred Consideration would only be payable if, during the relevant period, the average price of copper per tonne is US\$6,614 or more (US\$3.00/lb). On 11 November 2011 MRI novated its right to be paid the Deferred Consideration to Astor Management AG ("Astor").

As security, inter alia, for the obligation to pay the Deferred Consideration to Astor, EMED Holdings (UK) Limited has granted a pledge to Astor Resources AG over the issued capital of ARM and the Company has provided a parent company guarantee.

As at the date of this report, the Permit Approval condition has been satisfied. However, the Group has not entered into arrangements in connection with a Senior Debt Facility and, in the absence of drawdown of funds by the Group pursuant to a Senior Debt Facility, there is significant doubt concerning the legal obligation on the Company to pay any of the Deferred Consideration.

On 2 November 2015, the Company announced that it was in receipt of a formal claim from Astor (the "Claim"). The Claim was made in the High Court of Justice in London against the Company and certain other members of the Group. In its Claim, Astor is claiming, inter alia, that the Conditions have been satisfied and the first instalment of the Deferred Consideration is due (together with damages). The Company is disputing this and it is defending the proceedings vigorously. The Company continues to work closely with its legal advisors in preparing for trial at the High Court of Justice in London. The date for the trial has been set for 30 January 2017.

#### Judicial and administrative cases

On 23 September 2010, ARM was notified that the Andalusian Water Authority ("AWA") had initiated a Statement of Objections and Opening of File (the "Administrative File 2010") following allegations by third parties of unauthorised industrial discharges from the Tailings Management Facility ("TMF") at the Rio Tinto Copper Mine in the winter months of late 2010 and early 2011. These assertions are judicial (alleging negligence) and administrative (alleging damage to the environment) in nature. At that time, the Company owned 33% of the TMF and the owners of the remaining 67% are co-defendants (Rumbo and Zeitung).

In December 2011, the judicial claims were dismissed in the initial discovery phase by the appeals Court (upholding a lower court decision) finding that the controlled discharges of excess rainwater were force majeure events carried out to protect the stability of the TMF, thereby ensuring public safety and protection of the environment (the "Court Decisions").

Given that all judicial claims were dismissed in the very early stages of the court's investigation, no formal charges were ever made against ARM or against any of its Directors or Officers.

Now that the Court Decisions are final, the Administrative File 2010, which can only result in a monetary sanction against the co-defendants, was re-opened in 2012. The defence arguments successfully used in a later case which has been dismissed on 11 February 2015 (see below) will be used in the defence of Administrative File 2010 and the management is positive that they will be accepted.

On January 2, 2013 ARM, Rumbo and Zeitung were notified of a Resolution of Fine and Damages (in a total amount of €1,867,958.39). In February 2013 ARM appealed this Resolution and the Court has agreed that the Fine and Damages amount be secured by a mortgage over certain properties owned by ARM until the final decision on the alleged discharges is known.

In the Company's view, no "industrial discharge" took place, but rather a force majeure controlled discharge of excess rainwater accumulated in the TMF since industrial operations ceased in the early 2000's with no actual damage to the environment having taken place.

In the Company's view it is unlikely that any fine or sanction will be imposed against ARM once the Administrative File 2010 reaches its final conclusion after all appeals are exhausted in approximately 3-5 years.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 17. Contingent liabilities (continued)

#### Judicial and administrative cases (continued)

On 28 January 2016, the Court ruled in favour of ARM, Rumbo and Zeitung. On 26 April 2016 the Court issued a final decree by which the 28 January 2016 ruling was declared final.

On 20 January 2014, ARM was notified that the Huelva Territorial Delegation of the Ministry of Environment (which has absorbed the former AWA) had initiated another disciplinary proceeding for unauthorised discharge (the "Administrative File 2013") of administrative nature following allegations by the administration of alleged unauthorised industrial discharges from the TMF at the Rio Tinto Copper Mine during the heavy rains occurred from 7 March to 25 April 2013. The Administration has proposed the amount of €726,933.30 as compensation for alleged damages to the environment ("Public Water Domain") and a fine of between €300,507 and €601,012. On 11 February 2015, the Huelva Territorial Delegation of the Ministry of Environment dismissed the case. On 13 May 2015, the Huelva Territorial Delegation of the Ministry of Environment re-opened the Administrative File 2013. Written allegations were submitted on 30 May 2015. On 29 March 2016 the Huelva Territorial Delegation of the Ministry of Environment dismissed finally and without further recourse the Administrative File 2013.

On 19 February 2015, ARM was notified that the Huelva Territorial Delegation of the Ministry of Environment had initiated another disciplinary proceeding for unauthorised discharge (the "Administrative File 2014") which has proposed a fine of between €300,507 and €601,012. On 10 March 2015 the Company submitted the relevant defence arguments.

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

### 18. Commitments

#### Spain

There are no minimum exploration requirements at Proyecto Riotinto. However, the Group is obliged to pay municipal land taxes which currently are approximately €110,000 per year in Spain and the Group is required to maintain the Riotinto site in compliance with all applicable regulatory requirements.

As part of the consideration for the purchase of land from Rumbo, ARM has agreed to pay a royalty to Rumbo subject to commencement of production of \$250,000 in each quarter where the average price of LME copper or the average copper sale price achieved by the Group is at least \$2.60/lb. No royalty is payable in respect of any quarter where the average copper price for that quarter is below this amount and in certain circumstances any quarterly royalty payment can be deferred until the following quarter. The royalty obligation terminates 10 years after commencement of production.

Commencement of production is defined as being the first to occur of processing of ore at a rate of nine million metric tons per annum for a continuous period of six months or the date that is 18 months after the first product sales from Proyecto Riotinto.

ARM has entered into a 50/50 joint venture with Rumbo to evaluate and exploit the potential of the class B resources in the tailings dam and waste areas at Proyecto Riotinto (mainly residual gold and silver in the old gossan tailings). Under the joint venture agreement, ARM will be the operator of the joint venture, will reimburse Rumbo for the costs associated with the application for classification of the Class B resources and will fund the initial expenditure of a feasibility study up to a maximum of €2 million. Costs are then borne by the joint venture partners in accordance with their respective ownership interests. Half of the costs paid by ARM in connection with the feasibility study can be deducted from any royalty which may fall due to be paid.

At Proyecto Riotinto, the Group had four year options with each of Zeitung and Inland for the purchase of certain land plots adjacent to the mine at a purchase price of €4,202,000 (expiry date 31 July 2016) and €4,648,000 (expiry date 2 August 2016) respectively. The completion of the infill drilling programme, assays and updating of the block model provided the Group with a better understanding of the mineralisation. Based on these results, the Group took the view that the options on the said land plots were no longer necessary and opted not to exercise them.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three and nine months to 30 September 2016 and 2015 - (Unaudited)

### 19. Significant events

The Group declared commercial production on 1 February 2016. The commissioning of the expansion project began in May 2016, with nameplate capacity of 9.5Mtpa forecast to be reached by the end of 2016.

The updated Reserves and Resources statement filed in September 2016 indicated a 12% increase in contained reserves and extended life of the open pit mine to 16 ½ years.

### 20. Events after the reporting period

There were no events after the reporting period, which would have a material effect on the consolidated financial statements.