

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Management's review

For the three months to 31 March 2017 and 2016 - (Unaudited)

**ATALAYA MINING PLC  
MANAGEMENT'S REVIEW AND  
CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
31 MARCH 2017  
(UNAUDITED)**

### Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Atalaya Mining Plc have been prepared by and are the responsibility of Atalaya Mining Plc'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 2016 and 31 March 2017 and results of operations for the three months ended 31 March 2017 and 2016.

This report has been prepared as of 25 May 2017. 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 months ended 31 March 2017. 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 2016, and the unaudited, condensed consolidated financial statements for the three months ended 31 March 2017. 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.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Management's review

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 1. Highlights – three months ended 31 March 2017

#### Operational performance

- Copper production during Q1 2017 was 8,805 tonnes in concentrate, maintaining similar production levels of the previous quarter (Q4 2016: 8,938 tonnes). Q1 2016 copper in concentrate was 4,048 tonnes as commercial production was only declared in February 2016.
- Sustainable recovery rate during Q1 2017 at expanded throughput of 84.63% (Q1 2016: 82.93%), similar to Q4 2016 (84.47%).
- 2.2 million tonnes of ore were processed during Q1 2017 (Q1 2016: 1.3 million tonnes). Ore processed during Q4 2016 was 2.0 million tonnes.
- Atalaya maintains its copper production guidance of 34,000 to 40,000 tonnes for 2017.

#### Financial performance

- Revenues of €25.6 million for Q1 2017 compared with €4.9 million in Q1 2016.
- A reduction in cash costs during Q1 2017 to \$1.83/lb of copper (Q1 2016: \$2.28/lb), compared with a cash cost of \$1.95/lb of copper in the previous quarter. All-in sustaining cost during Q1 2017 including capitalised stripping remain flat at \$2.15/lb of copper payable.
- Positive Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") of €12.6 million in Q1 2017 compared with a negative EBITDA of €2.5 million in Q1 2016. The increase of €15.1 million in EBITDA was the result of an increase in the volume of copper concentrate sold, lower cash costs and higher realised copper prices.
- Q1 2017 profit amounted to €5.2 million (or €4.5 cents per share) compared with a loss for Q1 2016 of €3.3 million (or €2.8 cents per share).
- Inventories of concentrate at 31 March 2017 amounted to €12.4 million (31 December 2016: €nil million).
- Working capital deficit improved from €25.4 million as at 31 December 2016 to €20.0 million as at 31 March 2017.
- The Group achieved positive cash flows from operating activities for the three months ended 31 March 2017 amounting to €14.3 million (31 March 2016: €1.5 million). Cash used for investment activities was €5.4 million (31 March 2016: €8.3 million).

### 2. Proyecto Touro

As previously announced, the Company exercised an option to acquire a 10% interest in Proyecto Touro located in northwest Spain. The acquisition of the brownfield copper project is based on a staged earn-in process increasing from 10% and up to an 80% interest once commercial production is declared.

The permitting process was initiated during Q1 2017, with submission to the relevant authorities of the environmental impact study, exploitation plan and rehabilitation plan. Geological, hydrogeological and geotechnical studies have also been completed and incorporated into the project designs.

In-fill and step-out drilling is ongoing across the property with two RC drilling rigs and one DDH rig for a campaign totalling 7,900 metres. Resource modelling is well advanced based on both historic and current knowledge of the deposit.

Metallurgical test work at feasibility study level was completed during 2016 with modelling confirmed based on this latest information. Further details are expected to be released before the end of the second quarter.

Basic engineering is progressing with a view to completing a capital and operating cost estimate as part of the NI 43-101 technical report. Long-lead items have been identified together with suppliers' quotations.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Management's review

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 3. Proyecto Riotinto overview of operational results

The following table presents a summarised statement of operations for the three months ended 31 March 2017. Note that commercial production was only declared in February 2016.

Units expressed in accordance with the international system of units (SI)	Unit	Three months ended 31 March 2017	Three months ended 31 March 2016*	Three months ended 31 December 2016**
Ore mined	t	2,312,590	1,133,761	2,299,356
Ore processed	t	2,196,299	1,133,948	2,039,936
Copper ore grade	%	0.48	0.43	0.52
Copper concentrate grade	%	21.91	21.32	22.58
Copper recovery rate	%	84.63	82.93	84.47
Copper concentrate	t	40,182	19,171	39,578
Copper contained in concentrate	t	8,805	4,048	8,938
Payable copper contained in concentrate	t	8,403	3,996	8,625
Cash cost	\$/lb payable	1.83	2.28	1.95
All-in sustaining cost	\$/lb payable	2.15	2.55	2.15

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

\* Commercial production started in February 2016.

\*\* Quarterly operation data compared to prior quarter.

#### Mining and Processing

Production results at Proyecto Riotinto were in line with targets for the quarter ended 31 March 2017. The operation set new records for both throughput tonnage and copper recovery as 2.2 million tonnes of ore were milled at a recovery rate of 84.63%.

Mining operations continue to run according to mine plans. Blending different ore types from the Cerro Colorado pit has provided consistent feed quality to the processing plant which resulted in higher than anticipated metallurgical recoveries with good concentrate grades. Adjustments to geological modelling are currently under evaluation to improve mine-to-mill efficiencies. Drilling and blasting parameters have been adjusted to improve fragmentation, loading rates and crushing capacity.

Surface re-contouring on the south waste dump has been initiated as part of ongoing rehabilitation works and additional rehabilitation methodologies are being evaluated.

Sustaining capital for the quarter was \$0.6 million with a full year forecast of \$2.1 million. The majority of spending in the quarter related to improvements in process water supply and services, modifications to the processing flowsheet and upgrades at the main incoming substation. A number of studies are under way to further debottleneck processing capacity. Capital will also be allocated to improve environmental requirements.

#### Exploration and Geology

Near-mine exploration drilling is under way with one RC drilling rig and one DDH rig. The programme is designed to confirm the lateral extension of Filon Sur as well as the northern extension of the Atalaya pit. During the quarter 2,660 m were drilled, out of a total of 7,200 m at Filon Sur and at the Atalaya pit.

An in-fill drilling campaign of 4,400 m at Cerro Colorado is also under way with one RC drilling rig. This campaign is targeting inferred resources with the objective of increasing confidence levels and potential reclassification to indicate category.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Management's review

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 4. 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

Proyecto Riotinto operational guidance for 2017 remains as follows:

	Unit	Range 2017
Ore processed	t million	9.5
Concentrate	dmt	150,000 - 180,000
Contained copper	t	34,000 - 40,000

Copper head grade for 2017 is expected to average between 0.49% Cu and 0.51% Cu with a recovery rate of approximately 79% to 82%. Cash operating cost for 2017 is expected to be in the range of \$1.90/lb – \$2.10/lb. All-in sustaining cost for 2017 is expected to be in the range of \$2.00/lb - \$2.10/lb.

### 5. Overview of the financial results

The following table presents a summarised consolidated income statements for the three months ended 31 March 2017, with comparatives for the three months ended 31 March 2016.

	Three months ended 31 March 2017	Three months ended 31 March 2016
(Euro 000's)		
<b>Sales</b>	<b>25,648</b>	4,896
Total operating costs	(11,507)	(4,448)
Corporate expenses	(1,409)	(2,808)
Exploration expenses	(133)	(162)
Other income	4	10
<b>EBITDA</b>	<b>12,603</b>	(2,512)
Depreciation/amortisation	(4,395)	(609)
Net foreign exchange loss	(274)	(94)
Net finance cost	(833)	(36)
Tax charge	(1,858)	(6)
<b>Profit/(loss) for the period attributable to owners of the parent</b>	<b>5,243</b>	(3,257)

### Three months financial review

Revenues for the three-month period ended 31 March 2017 amounted to €25.6 million (Q1 2016: €4.9 million). Copper production levels during Q1 2017 increased as compared to production levels during Q1 2016, (commercial production was only declared in February 2016). Commercial production was followed by an expansion which was declared mechanically completed in May 2016 to the current plant capacity of 9.5Mtpa achieved in December 2016. Ore processed in the plant was 2,196,299 tonnes. Average head grade during Q1 2017 was 0.48% with average recovery levels of 84.63%. All operating s improved from the Q1 2016 comparatives, and remained stable as compared to Q4 2016 figures.

The overall production ratios resulted in the production of 8,805 tonnes of copper in Q1 2017, compared to 8,938 tonnes and 4,048 tonnes of copper during Q4 2016 and Q1 2016, respectively. Higher production of copper, compared to Q1 2016, led to an increase in both sales of concentrate and inventories held as at 31 March 2017 compared to 31 March 2016. As of 31 March 2017, concentrate inventory amounted to 18,079 tonnes.

Operating costs (excluding depreciation and amortisation) for the three month period ended 31 March 2017 amounted to **€11.5 million** compared to €4.4 million in Q1 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 Q1 2017 was €1.4 million, compared to €2.8 million in Q1 2016. However, in terms of cost for actual production levels, the cost decreased from \$2.28/lb of payable copper in Q1 2016 to \$1.83/lb of payable copper in Q1 2017. Reduction in

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Management's review

For the three months to 31 March 2017 and 2016 - (Unaudited)

cash cost from 2016 was driven by increasing production levels and also as compared with Q4 2016 owing to lower penalty levels and lower TC/RCs.

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. Cash cost have been calculated using payable tonnes of copper compared to produced tonnes of copper reported in 2016.

Exploration costs for the three month period ended 31 March 2017 amounted to €133,000 compared to €162,000 in Q1 2016.

EBITDA for the three months ended 31 March 2017 amounted to a profit of €12.6 million as a result of increase in volume of copper concentrate sold and higher realised copper prices, as compared to negative EBITDA in Q1 2016 amounted to (€2.5) million. The main item below the EBITDA line is depreciation and amortisation of €4.4 million (Q1 2016 €0.6 million).

### Realised copper prices

The average prices of copper for the three months ended 31 March 2017 and 31 March 2016 are as summarised below:

(USD)	Three months ended 31 March 2017	Three months ended 31 December 2016
Realised copper price per lb	2.48	2.18
Market copper price per lb (period average)	2.64	2.40

### 6. Non-GAAP Measures

Atalaya has included certain non-IFRS measures including "EBITDA", "Cash Operating Cost per pound of payable copper" 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 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.

### 7. 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 as at 31 March 2017 and 31 December 2016 and cash flows for the three months ended 31 March 2017 and 2016.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Management's review

For the three months to 31 March 2017 and 2016 - (Unaudited)

### Liquidity information

	31 March 2017	31 December 2016
<b>(Euro 000's)</b>		
Unrestricted cash and cash equivalents	9,761	885
Restricted cash	250	250
Working capital deficit	(20,012)	(25,382)

  

	Three months ended 31 March 2017	Three months ended 31 March 2016
<b>(Euro 000's)</b>		
Cash flows from operating activities	14,275	1,474
Cash flows used in investing activities	(5,399)	(8,277)
Net increase/(decrease) in cash and cash equivalents	8,876	(6,803)

Unrestricted cash and cash equivalents as at 31 March 2017 increased to €9.8 million from €0.9 million at 31 December 2016. The increase in the cash balances is the result of reduction in capital expenditures incurred in the period as well as the increase in volume of copper concentrate sold, lower cash costs and higher realised copper prices. Atalaya reported a working capital deficiency of €20.0 million at 31 March 2017, compared with a working capital deficiency of €25.4 million deficit at 31 December 2016.

### Three months cash flow review

Cash and cash equivalents increased by €8.9 million during the three months ended 31 March 2017. This was due to cash from operating activities amounting to €14.3 million and cash used in investing activities amounting to €5.4 million.

Cash generated from operating activities before working capital changes was €12.3 million, and the working capital variances resulted in cash inflows from operations amounted to €14.3 million. Atalaya increased its trade payables in the period by €7.1 million and increased its inventory levels and reduced its trade balances by €13.2 million and €8.4 million, respectively.

Investing activities during the quarter consumed €5.4 million, relating mainly from the deferred mining costs.

### 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 31 March 2017, Atalaya recognised a foreign exchange loss of €274 thousand.

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

	Three months ended 31 March 2017	Three months ended 31 March 2016
<b>Average rates for the periods ended</b>		
GBP – EUR	0.86068	0.76974
USD – EUR	1.06554	1.10272
<b>Spot rates as at</b>		
GBP – EUR	0.86196	0.78588
USD – EUR	1.07357	1.13123

During Q1 2017, Atalaya closed out all open short term currency hedging agreements. Further information on the hedging agreements is disclosed in the Financial Statements (Note 15).

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Management's review

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 8. Deferred consideration

#### Astor Case

On 6 March 2017, judgment in the case (the "Astor Case") brought by Astor Management AG ("Astor") was handed down in the High Court of Justice in London (the "Judgment"). On 31 March 2017 declarations were made by the High Court which give effect to the Judgment. The High Court found that the deferred consideration under the master agreement entered into between the Company, Astor and others (the "Master Agreement") did not start to become payable when permit approval was granted for the Rio Tinto Copper Project ("Proyecto Riotinto"). Accordingly, the first instalment of the deferred consideration has not fallen due.

While the Court confirmed that the Group was not in breach of any of its obligations, the Master Agreement and its provisions remain in place.

As a consequence, the Judgment requires that, in accordance with the Master Agreement, Atalaya Riotinto Minera, S.L.U. must apply any excess cash (after payment of operating expenses, sustaining capital expenditure, any senior debt service requirements and up to US\$10 million (for non-Proyecto Riotinto related expenses)) to pay approximately €43.9 million of the deferred consideration due to Astor under the Master Agreement and the amount of €9.1 million payable under the loan assignment early.

Accordingly, the Group recorded the liability of €53 million at fair value using a discount rate on an estimated excess cash flow of Atalaya Riotinto Minera, S.L.U.

On 25 April 2017, Atalaya and Astor applied for permission to appeal to the Court of Appeal. It is likely that the applications will be ruled on by the end of Q3 2017 and if permission is granted that the appeal hearings will take place in 2018.

More details on the Astor Case are included in Note 14 of the Financial Statements that follow.

### 9. 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 2016.

### 10. 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 2016.

### 11. Other information

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

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

Notes to the condensed interim consolidated financial statements  
For the three months to 31 March 2017 and 2016 - (Unaudited)

## Condensed interim consolidated income statements (unaudited)

(Euro 000's)	Notes	Three months ended 31 March 2017	Three months ended 31 March 2016
Gross sales		25,648	4,896
Realised gains on derivative financial instruments held for trading		-	-
<b>Sales</b>		<b>25,648</b>	4,896
Operating costs and mine site administrative expenses		(11,498)	(4,414)
Mine site depreciation and amortization		(4,392)	(605)
<b>Gross income/(loss)</b>		<b>9,758</b>	(123)
Corporate expenses		(1,402)	(2,808)
Corporate depreciation		(3)	(4)
Share based benefits		(16)	(34)
Exploration expenses		(133)	(162)
<b>Operating profit/(loss)</b>		<b>8,204</b>	(3,131)
Other income		4	10
Net foreign exchange loss		(274)	(94)
Net finance costs	4	(833)	(36)
<b>Profit / (loss) before tax</b>		<b>7,101</b>	(3,251)
Tax charge		(1,858)	(6)
<b>Profit/(loss) for the period attributable to owners of the parent</b>		<b>5,243</b>	(3,257)
<b>Earnings/(loss) per share from operations attributable to equity holders of the parent during the period :</b>			
<b>Basic earnings/(loss) per share (expressed in cents per share)</b>	5	<b>4.5</b>	(2.8)
<b>Fully diluted earnings/(loss) per share (expressed in cents per share)</b>		<b>4.4</b>	(2.8)
<b>Profit/(loss) for the period</b>		<b>5,243</b>	(3,257)
<b>Other comprehensive income:</b>			
Change in value of available-for-sale investments		(34)	32
<b>Total comprehensive profit/(loss) for the period attributable to equity holders of the parent</b>		<b>5,209</b>	(3,225)

The notes on pages 12 to 26 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 months to 31 March 2017 and 2016 - (Unaudited)

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

(Euro 000's)	Note	31 March 2017	31 December 2016
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	192,473	191,380
Intangible assets	7	59,977	59,715
Trade and other receivables		211	206
Deferred tax asset		12,202	12,196
		<u>264,863</u>	<u>263,497</u>
<b>Current assets</b>			
Inventories	8	19,434	6,195
Trade and other receivables	9	21,949	29,850
Available-for-sale investments		227	261
Cash and cash equivalents		10,011	1,135
		<u>51,621</u>	<u>37,441</u>
<b>Total assets</b>		<u>316,484</u>	<u>300,938</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	6,099	5,667
Accumulated losses		(100,732)	(105,975)
<b>Total equity</b>		<u>194,237</u>	<u>188,562</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	12	105	115
Provisions	13	5,579	5,092
Deferred consideration	14	44,930	44,346
		<u>50,614</u>	<u>49,553</u>
<b>Current liabilities</b>			
Trade and other payables	12	69,752	62,592
Taxation		1,881	16
Derivative instruments		-	215
		<u>71,633</u>	<u>62,823</u>
<b>Total liabilities</b>		<u>122,247</u>	<u>112,376</u>
<b>Total equity and liabilities</b>		<u>316,484</u>	<u>300,938</u>

The notes on pages 12 to 26 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 months to 31 March 2017 and 2016 - (Unaudited)

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

(Euro 000's)	Share capital	Share premium	Other reserves	Accumulated losses	Total
<b>At 1 January 2016</b>	11,632	277,238	5,508	(118,012)	176,366
Loss for the period	-	-	-	(3,257)	(3,257)
Change in value of available-for-sale investment	-	-	32	-	32
Bonus shares issued in escrow	-	-	32	-	32
Recognition of share based payments	-	-	34	-	34
<b>At 31 March 2016</b>	11,632	277,238	5,606	(121,269)	173,207
Profit for the period	-	-	-	15,294	15,294
Change in value of available-for-sale investment	-	-	(73)	-	(73)
Bonus shares issued in escrow	-	-	31	-	31
Recognition of share based payments	-	-	103	-	103
<b>At 31 December 2016</b>	11,632	277,238	5,667	(105,975)	188,562
Profit for the period	-	-	-	5,243	5,243
Change in value of available-for-sale investment	-	-	(34)	-	(34)
Depletion factor	-	-	450	-	450
Recognition of share based payments	-	-	16	-	16
<b>At 31 March 2017</b>	11,632	277,238	6,099	(100,732)	194,237

The notes on pages 12 to 26 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 months to 31 March 2017 and 2016 - (Unaudited)

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

	Notes	Three months ended 31 March 2017	Three months ended 31 March 2016
<b>(Euro 000's)</b>			
<b>Cash flows from operating activities</b>			
<b>Profit /(loss) before tax</b>		<b>7,101</b>	<b>(3,251)</b>
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	6	<b>3,526</b>	495
Amortisation of intangibles	7	<b>869</b>	114
Recognition of share-based payments	11	<b>16</b>	34
Bonus share issued in escrow	11	-	32
Interest income	4	<b>(16)</b>	(14)
Interest expense	4	<b>241</b>	27
Interest on deferred consideration	4	<b>584</b>	-
Rehabilitation cost	4	<b>24</b>	23
Unrealised foreign exchange loss on financing activities		<b>(75)</b>	-
<b>Cash inflows/(outflows) from operating activities before working capital changes</b>		<b>12,270</b>	<b>(2,540)</b>
<b>Changes in working capital:</b>			
Inventories	8	<b>(13,239)</b>	(7,501)
Trade and other receivables	9	<b>8,359</b>	5,075
Trade and other payables	12	<b>7,150</b>	6,490
Provisions		<b>(24)</b>	(23)
<b>Cash flows from operations</b>		<b>14,516</b>	1,501
Interest paid		<b>(241)</b>	(27)
<b>Net cash from in operating activities</b>		<b>14,275</b>	1,474
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	<b>(4,294)</b>	(8,291)
Purchase of intangible assets	7	<b>(1,131)</b>	-
Proceeds from sale of property, plant and equipment		<b>10</b>	
Interest received	4	<b>16</b>	14
<b>Net cash used in investing activities</b>		<b>(5,399)</b>	(8,277)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,876</b>	(6,803)
<b>Cash and cash equivalents:</b>			
At beginning of the period		<b>1,135</b>	18,618
At end of the period		<b>10,011</b>	11,815

The notes on pages 12 to 26 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 months to 31 March 2017 and 2016 - (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 the AIM market 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). IFRS comprise the standard issued by the International Accounting Standard Board ("IASB"), and IFRS Interpretations Committee ("IFRICs") as issued by the IASB. Additionally, the consolidated financial statements have also been prepared in accordance with the IFRS 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 2016. 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 2016 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.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Group 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's will generate sufficient cash and cash equivalents to continue operating for the next twelve months.

#### 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 months to 31 March 2017 and 2016 - (Unaudited)

### 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).

<b>Financial assets</b> (Euro 000's)	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2017</b>				
Available for sale financial assets	<u>227</u>	-	-	<u>227</u>
Total	<u>227</u>	-	-	<u>227</u>
<b>31 December 2016</b>				
Available for sale financial assets	<u>261</u>	-	-	<u>261</u>
Total	<u>261</u>	-	-	<u>261</u>

### **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 2017. 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 months to 31 March 2017 and 2016 - (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.

(Euro 000's)	Cyprus	Spain	Other	Total
<b><u>Three months ended 31 March 2017</u></b>				
Sales	25,648	-	-	25,648
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	23,734	(11,140)	9	12,603
Depreciation/amortisation charge	(3)	(4,392)	-	(4,395)
Net finance income/(cost)	189	(1,022)	-	(833)
Foreign exchange (loss) / gain	(292)	18	-	(274)
Profit/(Loss) for the period before taxation	23,628	(16,536)	9	7,101
Tax charge				(1,858)
<b>Net profit for the period</b>				<b>5,243</b>
<b>Total assets</b>	<b>1,852</b>	<b>314,625</b>	<b>7</b>	<b>316,484</b>
<b>Total liabilities</b>	<b>(25,861)</b>	<b>(96,367)</b>	<b>(19)</b>	<b>(122,247)</b>
<b>Depreciation of property, plant and equipment</b>	<b>3</b>	<b>3,523</b>	<b>-</b>	<b>3,526</b>
<b>Amortisation of intangible assets</b>	<b>-</b>	<b>869</b>	<b>-</b>	<b>869</b>
<b>Total net additions of non-current assets</b>	<b>-</b>	<b>5,770</b>	<b>-</b>	<b>5,770</b>
<b><u>Three months ended 31 March 2016</u></b>				
Sales	4,896	-	-	4,896
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	(978)	(1,530)	(4)	(2,512)
Depreciation/amortisation charge	(4)	(605)	-	(609)
Finance cost	-	(36)	-	(36)
Foreign exchange (loss) / gain	(96)	2	-	(94)
Loss for the period before taxation	(1,078)	(2,169)	(4)	(3,251)
Tax charge				(6)
<b>Net loss for the period</b>				<b>(3,257)</b>
<b>Total assets</b>	<b>3,972</b>	<b>223,504</b>	<b>5</b>	<b>227,481</b>
<b>Total liabilities</b>	<b>(81)</b>	<b>(54,144)</b>	<b>(49)</b>	<b>(54,274)</b>
<b>Depreciation of property, plant and equipment</b>	<b>4</b>	<b>491</b>	<b>-</b>	<b>495</b>
<b>Amortisation of intangible assets</b>	<b>-</b>	<b>114</b>	<b>-</b>	<b>114</b>
<b>Total net additions of non-current assets</b>	<b>-</b>	<b>8,291</b>	<b>-</b>	<b>8,291</b>

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 4. Net finance cost

	Three months ended 31 March 2017	Three months ended 31 March 2016
(Euro 000's)		
Interest expense :		
Debt to department of social security and other interest	172	27
Interest on copper concentrate prepayment	69	-
Deferred consideration	584	-
Interest income	(16)	(14)
Rehabilitation cost (Note 13)	24	23
	<u>833</u>	<u>36</u>

### 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 31 March 2017	Three months ended 31 March 2016
(Euro 000's)		
Parent	(867)	(1,078)
Subsidiaries	6,110	(2,179)
Profit/(loss) attributable to the ordinary holders of the parent	<u>5,243</u>	<u>(3,257)</u>
Weighted number of ordinary shares for the purposes of basic profit/(loss) per share (000's)	<u>116,680</u>	116,680
<b>Basic profit/(loss) per share:</b>		
Basic profit/(loss) per share (cents)	<u>4.5</u>	<u>(2.8)</u>
Weighted number of ordinary shares for the purposes of fully diluted profit/(loss) per share (000's)	<u>118,445</u>	<u>116,680</u>
<b>Fully diluted loss per share (cents) :</b>		
Fully diluted profit/(loss) per share (cents)	<u>4.4</u>	<u>(2.8)</u>

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 6. Property, plant and equipment

(Euro 000's)	Land and buildings	Plant and machinery	Mineral rights	Assets under construction	Deferred mining costs <sup>(2)</sup>	Other assets <sup>(3)</sup>	Total
<b>Cost</b>							
At 1 January 2016	39,061	23,046	950	94,525	10,334	1,026	168,942
Additions	-	8,233	-	-	-	58	8,291
Reclassifications	-	65,822	-	(57,007)	(8,815)	-	-
Reclassifications – intangibles	-	1,589	-	-	-	-	1,589
<b>At 31 March 2016</b>	<b>39,061</b>	<b>98,690</b>	<b>950</b>	<b>37,518</b>	<b>1,519</b>	<b>1,084</b>	<b>178,822</b>
Additions	1,121 <sup>(1)</sup>	7,750	-	-	13,848	106	22,825
Reclassifications	6	38,465	-	(36,952)	(1,519)	-	-
Reclassifications – intangibles	-	25	(50)	-	-	(247)	(272)
Disposals	-	-	-	-	-	(37)	(37)
Written off	-	-	(900)	-	-	(68)	(968)
<b>At 31 December 2016</b>	<b>40,188</b>	<b>144,930</b>	<b>-</b>	<b>566</b>	<b>13,848</b>	<b>838</b>	<b>200,370</b>
Additions	334	-	-	543	3,751	-	4,628
Disposals	-	-	-	-	-	(53)	(53)
<b>At 31 March 2017</b>	<b>40,522</b>	<b>144,930</b>	<b>-</b>	<b>1,109</b>	<b>17,599</b>	<b>785</b>	<b>204,945</b>
<b>Depreciation</b>							
At 1 January 2016	-	-	-	-	-	518	518
Charge/(correction) for the period	461	156	-	-	-	(122)	495
<b>At 31 March 2016</b>	<b>461</b>	<b>156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>396</b>	<b>1,013</b>
Charge for the period	1,275	4,776	-	-	1,758	339	8,148
Reclassifications	-	141	-	-	-	(141)	-
Reclassifications – intangibles	-	-	-	-	-	(81)	(81)
Disposals	-	-	-	-	-	(25)	(25)
Impairment	-	-	900	-	-	3	903
Written off	-	-	(900)	-	-	(68)	(968)
<b>At 31 December 2016</b>	<b>1,736</b>	<b>5,073</b>	<b>-</b>	<b>-</b>	<b>1,758</b>	<b>423</b>	<b>8,990</b>
Charge for the period	556	2,068	-	-	876	26	3,526
Disposals	-	-	-	-	-	(44)	(44)
<b>At 31 March 2017</b>	<b>2,292</b>	<b>7,141</b>	<b>-</b>	<b>-</b>	<b>2,634</b>	<b>405</b>	<b>12,472</b>
<b>Net book value</b>							
<b>At 31 March 2017</b>	<b>38,230</b>	<b>137,789</b>	<b>-</b>	<b>1,109</b>	<b>14,965</b>	<b>380</b>	<b>192,473</b>
At 31 December 2016	38,452	139,857	-	566	12,090	415	191,380

<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 months to 31 March 2017 and 2016 - (Unaudited)

### 7. Intangible assets

(Euro 000's)	Permits of Rio Tinto Project	Licences, R&D and software	Goodwill	Total
<b>Cost</b>				
At 1 January 2016	20,158	-	9,333	29,491
Reclassifications – property, plant and equipment	(1,589)	-	-	(1,589)
<b>At 31 March 2016</b>	<b>18,569</b>	<b>-</b>	<b>9,333</b>	<b>27,902</b>
Additions	42,244 <sup>(1)</sup>	1,334	-	43,578
Reclassifications – property, plant and equipment	(25)	297	-	272
Other reclassifications	(28)	54	-	26
<b>At 31 December 2016</b>	<b>60,760</b>	<b>1,685</b>	<b>9,333</b>	<b>71,778</b>
Additions	-	1,131	-	1,131
<b>At 31 March 2017</b>	<b>60,760</b>	<b>2,816</b>	<b>9,333</b>	<b>72,909</b>
<b>Amortisation</b>				
On 1 January 2016	-	-	9,333	9,333
Charge for the period	114	-	-	114
<b>At 31 March 2016</b>	<b>114</b>	<b>-</b>	<b>9,333</b>	<b>9,447</b>
Charge for the period	2,493	42	-	2,535
Reclassifications – property, plant and equipment	-	81	-	81
<b>At 31 December 2016</b>	<b>2,607</b>	<b>123</b>	<b>9,333</b>	<b>12,063</b>
Charge for the period	855	14	-	869
<b>At 31 March 2017</b>	<b>3,462</b>	<b>137</b>	<b>9,333</b>	<b>12,932</b>
<b>Net book value</b>				
<b>At 31 March 2017</b>	<b>57,298</b>	<b>2,679</b>	<b>-</b>	<b>59,977</b>
At 31 December 2016	58,153	1,562	-	59,715

(1) This addition relates to the deferred consideration as at 1 February 2016 (Note 14)

The useful life of the intangible assets is estimated to be not less than 16 ½ years according to the revised Reserves and Resources statement released in July 2016. 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

(Euro 000's)	31 March 2017	31 Dec 2016
Finished products	12,410	-
Materials and supplies	6,583	5,647
Work in progress	441	548
	<b>19,434</b>	<b>6,195</b>

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 9. Trade and other receivables

(Euro 000's)	31 March 2017	31 Dec 2016
<b>Non-current</b>		
Deposits	<u>211</u>	<u>206</u>
	<b>211</b>	<b>206</b>
<b>Current</b>		
Trade receivables	3,551	15,082
Receivables from related parties (Note 17.3 ii)	68	68
Receivables from shareholders (Note 17.3 iii)	4,139	2,024
Deposits and prepayments	520	522
VAT	12,520	11,187
Other receivables	<u>1,151</u>	<u>967</u>
	<b>21,949</b>	<b>29,850</b>

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

### 10. Share capital and share premium

	Shares 000's	Share Capital Stg£'000	Share premium Stg£'000	Total Stg£'000
<b>Authorised</b>				
Ordinary shares of Stg £0.075 each*	<u>200,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
	<b>000's</b>	<b>Euro 000's</b>	<b>Euro 000's</b>	<b>Euro 000's</b>
<b>Issued and fully paid</b>				
<b>Balance at 1 January 2017 and 31 March 2017</b>	<u>116,680</u>	<u>11,632</u>	<u>277,238</u>	<u>288,870</u>

#### Authorised capital

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

#### Issued capital

##### 2017

No shares were issued in the period from 1 January 2017 to 31 March 2017.

#### 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 31 March 2017:

	Number of warrants
Outstanding warrants at 1 January 2016 and 31 March 2017	<u>365,354</u>

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 11. Other reserves

(Euro 000's)	Share option	Bonus share	Depletion factor	Available-for-sale investment	Total
At 1 January 2016	6,247	145	-	(884)	5,508
Change in value of available-for-sale investment	-	-	-	32	32
Bonus shares issued in escrow	-	32	-	-	32
Recognition of share based payments	34	-	-	-	34
<b>At 31 March 2016</b>	<b>6,281</b>	<b>177</b>	<b>-</b>	<b>(852)</b>	<b>5,606</b>
Bonus shares issued in escrow	-	31	-	-	31
Change in value of available-for-sale investment	-	-	-	(73)	(73)
Recognition of share based payments	103	-	-	-	103
<b>At 31 December 2016</b>	<b>6,384</b>	<b>208</b>	<b>-</b>	<b>(925)</b>	<b>5,667</b>
Change in value of available-for-sale investments	-	-	-	(34)	(34)
Recognition of share based payments	16	-	-	-	16
Recognition of the Depletion factor	-	-	450	-	450
<b>At 31 March 2017</b>	<b>6,400</b>	<b>208</b>	<b>450</b>	<b>(959)</b>	<b>6,099</b>

#### Share options

On 23 February 2017, the Company has granted 900,000 incentive share options to Persons Discharging Managerial Responsibilities ("PDMRs") and management in accordance with the Company's Share Option Plan 2013.

The share options expire five years from the date of grant, have an exercise price of 144.0 pence per share, based on the minimum share price in the five days preceding the grant date and vest in three equal tranches – one third on grant, one third on the first anniversary of the original grant date and one third on the second anniversary of the original grant date.

Details of share options outstanding as at 31 March 2017:

	Number of share options 000's
Outstanding options at 1 January 2017	500
- Issued during the reporting period	900
Outstanding options at 31 March 2017	1,400

### 12. Trade and other payables

(Euro 000's)	31 March 2017	31 Dec 2016
<b>Non-current</b>		
Land options	105	115
	<b>105</b>	<b>115</b>
<b>Current</b>		
Trade payables	61,716	49,309
Payable to shareholders (Note 17.3 iii)	-	12
Copper concentrate prepayment	4,560	8,684
Social Security*	857	1,741
Land options and mortgage	791	790
Accruals	1,825	1,826
Other	3	230
	<b>69,752</b>	<b>62,592</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. €16.0 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 months to 31 March 2017 and 2016 - (Unaudited)

### 13. Provisions

(Euro 000's)	Legal costs	Rehabilitation costs	Total costs
<b>1 January 2016</b>	-	3,971	3,971
Revision of discount rate	-	732	732
Revision of estimates	-	296	296
Accretion expense	-	93	93
<b>At 31 December 2016</b>	-	<b>5,092</b>	<b>5,092</b>
Charge to profit and loss as operating costs	<b>129</b>	<b>334</b>	<b>463</b>
Charge to profit and loss as finance cost	-	<b>24</b>	<b>24</b>
<b>At 31 March 2017</b>	<b>129</b>	<b>5,450</b>	<b>5,579</b>

(Euro 000's)	31 March 2017	31 Dec 2016
Non-current	<b>5,579</b>	5,092
Current	-	-
<b>Total</b>	<b>5,579</b>	<b>5,092</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. Deferred consideration

In September 2008, the Group moved to 100% ownership of ARM (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. At the time of the acquisition, certain companies in the Group signed a master agreement with Astor (the "Master Agreement") which includes the potential payment of deferred consideration of €43.8 million (the "Deferred Consideration") and up-tick payments of up to €15.9 million depending on the price of copper (the "Up-tick Payments"). These potential payments are in consideration of (a) all parties to the Master Agreement accepting the legal structure of ARM (formerly Emed Tartessus); (b) the parties agreeing to waive claims and rights under various agreements relating to ARM and Proyecto Riotinto entered into prior to the Master Agreement; and (c) the provision of indemnities by Astor and its related parties in favour of the Company and Atalaya Riotinto Project (UK) Limited and the agreement by Astor and its related parties not to pursue litigation against the Company or ARM.

The obligation to pay the Deferred Consideration and the Up-tick Payments is subject to the satisfaction of the following conditions (the "Conditions"): (a) all authorisations to restart mining activities in Proyecto Riotinto having been granted by the Junta de Andalucía ("Permit Approval"); and (b) the Group securing senior debt finance and related guarantee facilities 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.

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

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 14. Deferred consideration (continued)

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

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

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

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

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

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

As a consequence, the Judgment requires that, in accordance with the Master Agreement, ARM must apply any excess cash (after payment of operating expenses, sustaining capital expenditure, any senior debt service requirements and up to US\$10 million (for non-Proyecto Riotinto related expenses)) to pay the consideration due to Astor (including the Deferred Consideration and the amount of €9.1 million payable under the Loan Assignment) early. The Court confirmed that the obligation to pay consideration early out of excess cash does not apply to the Up-tick Payments and the Judgment notes that the only situation in which the Up-tick Payments could ever become payable is in the unlikely event that mining operations stop at Proyecto Riotinto and a Senior Debt Facility is then secured for a sum sufficient to restart mining operations.

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

Before the Judgment dated 6 March 2017, the Company had not recognised the Deferred Consideration on the basis that the payment of the amounts was not considered probable. The Judgment required the Group to revisit its estimates and assumptions as at and for the year ended 31 December 2016. Accordingly, the Group recorded the liability at fair value using a discount rate on an estimated excess cash flow of ARM.

As at 31 March 2017, the Group has updated the estimation of the excess cash flows and the fair value of the Deferred Consideration. The main assumptions of the net present value are as follows:

Gross amount: €53,000,000  
Discount rate: 5.5%

**Net present value: € 44,930,017.47**

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 14. Deferred consideration (continued)

#### THE GROUP

The fair values disclosed are provisional as of 31 March 2017 due to the complexity of the Master Agreement, and the inherently uncertain nature of the assumptions to calculate the future cash flows of ARM.

When determining the net present value of the Deferred Consideration, the Group has used historical facts and future assumptions, based on opinions and estimates on the excess cash to be generated at ARM.

Many of these assumptions are based on factors such as commodities prices, cost of operations, future settlements on current and future trade creditors and debtors and other events that are not within the control of Atalaya.

On 25 April 2017, Atalaya and Astor applied for permission to appeal to the Court of Appeal. It is likely that the applications will be ruled on by the end of Q3 2017 and if permission is granted that the appeal hearings will take place in 2018.

### 15. Derivative instruments

#### 15.1. Foreign exchange contract

As at 31 December 2016, Atalaya had certain short term foreign exchange contracts with the following relevant information:

#### 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.

In February 2017, the Group entered into certain foreign exchange hedging contracts to offset the agreements noted above before its expiration date. The contracts were signed with the same financial institution and resulted in a loss of €9,000 which was recorded as financial expense during the quarter.

#### 15.2. Commodity contract

During the three months ended 31 March 2017, the Company had not entered into any hedging contract.

### 16. Acquisition, incorporation and disposal of subsidiaries

During the three months ended 31 March 2017, the company announced the exercise of the option to acquire 10% of Touro Project. Further details are given in Note 20.

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

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 17. Related party transactions

The following transactions were carried out with related parties:

#### 17.1 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)	Three months ended 31 March 2017	Three months ended 31 March 2016
Directors' remuneration and fees	180	175
Share option-based benefits to directors	2	14
Bonus shares issued to director, in escrow	-	32
Key management personnel remuneration	93	95
Share option-based and other benefits to key management personnel	9	8
	<u>284</u>	<u>324</u>

#### 17.2 Share-based benefits

The directors and key management personnel have been granted 900,000 options during the three month period.

#### 17.3 Transactions with related parties/shareholders

##### i) Transaction with shareholders

(Euro 000's)	Three months ended 31 March 2017	Three months ended 31 March 2016
Trafigura PTE LTD ("Trafigura") – Sales of goods (pre commissioning sales offset against the cost of constructing assets)	-	2,549
Trafigura– Sales of goods	9,687	4,896
Orion Mine Finance (Master) Fund I LP ("Orion") – Sales of goods	(4)	-
	<u>9,683</u>	<u>7,445</u>

##### ii) Period-end balances with related parties

(Euro 000's)	31 March 2017	31 Dec 2016
<b>Receivables from related parties:</b>		
Fundacion Atalaya Riotinto	12	12
Recursos Cuenca Minera S.L.	56	56
<b>Total (Note 9)</b>	<u>68</u>	<u>68</u>

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

##### iii) Period-end balances with shareholders

(Euro 000's)	31 March 2017	31 Dec 2016
Trafigura – Debtor balance (Note 9)	<u>4,139</u>	<u>2,024</u>
Orion – Creditor balance (Note 12)	<u>-</u>	<u>(12)</u>

The above debtor balance arising from the pre-commissioning sales of goods bear no interest and is repayable on demand.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 18. Contingent liabilities

#### Judicial and administrative cases

In the normal course of business, the Company 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 Company accrues for adverse outcomes as they become probable and estimable.

The Company has been named a defendant in several legal actions in Spain, the outcome of which is not determinable as at March 31, 2017. Unless otherwise noted, no provision for these claims has been reflected in these financial statements

#### Industrial discharges from the Tailings Management Facility 2010

On 23 September 2010, ARM was notified that the Andalucían 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.

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.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 18. Contingent liabilities (continued)

#### Industrial discharges from the Tailings Management Facility 2014

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.

#### Industrial discharges 2015

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.

On 29 March 2016 the Huelva Territorial Delegation of the Ministry of Environment dismissed finally and without further recourse the Administrative File 2013.

#### Industrial discharges from the Tailings Management Facility 2014

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.

### 19. Commitments

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

As part of the consideration for the purchase of land from Rumbo, 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. No payments made in 2016 (2015 – nil). Commencement of production is defined as being the first to occur of processing of ore at a rate of nine million tonnes per annum for a continuous period of six months or the date that is 18 months after the first product sales from Proyecto Riotinto.

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.

# Atalaya Mining Plc

(All amounts in Euro thousands unless otherwise stated)

## Notes to the condensed interim consolidated financial statements

For the three months to 31 March 2017 and 2016 - (Unaudited)

### 20. Significant events

#### Touro Project

On 23 February 2017, the Company announced that it had exercised an option to acquire 10% of the share capital of Cobre San Rafael S.L., ("CSR"), a wholly owned subsidiary of Explotaciones Gallegas S.L. ("EG"), part of the F. GOMEZ Group. This is part of an earn-in agreement (the "Agreement"), which will enable the Company to acquire up to 80% of CSR.

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

- Phase 1 – The Company paid €0.5 million to secure the exclusivity agreement and will continue to fund up to a maximum of €5 million to get the project through the permitting and financing stages.
- Phase 2 – When permits are granted, the Company will pay €2 million to earn-in an additional 30% interest in the project (cumulative 40%).
- Phase 3 – Once development capital is in place and construction is underway, the Company will pay €5 million to earn-in an additional 30% interest in the project (cumulative 70%).
- Phase 4 – Once commercial production is declared, the Company will purchase an additional 10% interest in the project (cumulative 80%) in return for a 0.75% Net Smelter Return (NSR) royalty, with a buyback option.

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

### 21. Events after the reporting period

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