

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 2017 and 2016 (unaudited)

**ATALAYA MINING PLC
MANAGEMENT'S REVIEW AND
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
30 September 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 "Group"), to enable the reader to assess material changes in the financial position between 31 December 2016 and 30 September 2017 and results of operations for the nine months ended 30 September 2017 and 2016.

This report has been prepared as of 16 November 2017. The analysis, hereby included, is intended to supplement and complement the unaudited, condensed, interim consolidated financial statements and notes thereto ("Financial Statements") as at and for the nine months ended 30 September 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 interim consolidated financial statements for the nine months ended 30 September 2016. These documents can be found on Atalaya's website at 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. Description of the business

Atalaya is a Cyprus based copper producer with mining interests in Spain. The Company is listed on the Alternative Investment Market of the London Stock Exchange ("AIM") and on the Toronto Stock Exchange ("TSX").

Proyecto Riotinto, fully owned by the Company's subsidiary Atalaya Riotinto Minera, S.L.U., is located in Huelva, Spain. The Group operates the Cerro Colorado open-pit mine and its associated processing plant of 9.5Mtpa where copper in concentrate and silver by-product are produced.

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

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

2. Overview of operational results

Proyecto Riotinto

The following table presents a summarised statement of operations of Proyecto Riotinto for the three and nine months ended 30 September 2017. Note that commercial production was declared in February 2016.

Units expressed in accordance with the international system of units (SI)		Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016*
	Unit				
Ore mined	t	2,366,142	2,461,394	7,685,419	4,935,647
Ore processed	t	2,173,826	2,033,889	6,525,032	4,476,617
Copper ore grade	%	0.58	0.52	0.52	0.48
Copper concentrate grade	%	22.57	20.47	22.54	20.85
Copper recovery rate	%	85.95	83.60	85.22	82.87
Copper concentrate	t	47,328	42,993	127,281	82,891
Copper contained in concentrate	t	10,679	8,752	28,542	17,241
Payable copper contained in concentrate	t	10,206	8,445	27,269	16,728
Cash cost	\$/lb payable	2.14	1.97	2.06	2.14
All-in sustaining cost	\$/lb payable	2.33	2.11	2.29	2.42

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

* Commercial production started in February 2016.

Three months operational review

Production of copper contained in concentrate in Q3 2017 was 10,679 tonnes, reaching a new record and significantly above 9,058 tonnes in Q2 2017 and 8,752 tonnes in Q3 2016 when the processing plant was still ramping up throughput. In terms of payable copper in concentrate, Q3 2017 production was 10,206 tonnes compared with 8,445 tonnes of payable copper in Q3 2016, representing also a record in production of payable copper. Payable copper during Q3 2017 also improved with respect to Q2 2017 production of 8,660 tonnes. Guidance for copper production has been adjusted accordingly and is now estimated to be within the range of 36,000 to 39,000 tonnes for 2017.

On a combined basis, ore, waste and marginal ore amounted to 2.7 Mm³ in Q3 2017 compared with 2.8Mm³ during Q2 2017. Mining operations are running at a consistent rate quarter-on-quarter, as a result of improved operational efficiencies and the availability of additional mining fleet. As part of the mining fleet replacement programme three new excavators and eight new trucks have been delivered, assembled and commissioned during the quarter.

Ore processed in Q3 2017 was 2,173,826 tonnes, higher than the 2,033,889 tonnes in Q3 2016 and slightly above the 2,154,907 tonnes in Q2 2017. The processing plant was down for maintenance during the last five days of the quarter while relining of the primary mill and other maintenance activities were completed.

Ore grade averaged 0.58% Cu in Q3 2017 compared with 0.52% Cu in Q3 2016. Copper recovery during the quarter was 85.95% slightly above the previous quarter of 85.16%.

At the end of the quarter, the Company's continuous improvement programme reported completion and commissioning of a new 300 m³ primary rougher flotation cell. Installation of plastic lining in one of the paddocks at the tailings storage facilities is also nearing completion and new initiatives designed to improve process and fresh water supply are currently under evaluation.

During Q3 2017, the Group sold 40,989 tonnes of concentrates, compared with 22,701 tonnes in Q3 2016. Concentrate production in Q3 2017 amounted to 47,628 tonnes, compared with 42,993 tonnes for the same period in 2016. On-site concentrate inventories at the end of the quarter were 8,615 tonnes. All concentrate in stock at the beginning of the quarter and produced during the quarter was delivered to the port at Huelva.

Nine months operational review

Production of copper contained in concentrate during YTD17 was 28,542 tonnes, compared with 17,241 tonnes in the same period of 2016. For comparative purposes commercial production was only declared in February 2016. Payable copper in concentrates was 27,269 tonnes compared with 16,728 tonnes of payable copper in YTD16.

Ore mined in YTD17 was 7,685,419 tonnes compared with 4,935,647 tonnes during YTD16. Ore processed was 6,525,032 tonnes versus 4,476,617 tonnes in YTD16.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

2. Overview of operational results (continued)

Ore grade during YTD17 was 0.52% Cu compared with 0.48% Cu in YTD16. Copper recovery during YTD17 was 85.22% versus 82.87% in YTD16. Concentrate production amounted to 127,281 tonnes significantly above YTD16 production of 82,891 tonnes.

Dust mitigation measures have been successful over the summer months with indicators significantly reduced and within legal requirements. Installation of a dome covering the coarse ore stockpile is ongoing with civil foundations reaching advanced stages. Dewatering of the Cerro Colorado pit is now complete and will now be limited to pumping runoff water as required. Relocation of pumping stations from the Cerro Colorado pit to the Atalaya pit was completed with dewatering activities now underway.

Study to increase copper production

During the quarter, the study to demonstrate the feasibility of increasing mining and processing capacity beyond the current 9.5 Mtpa, to a maximum of 15.0 Mtpa at Proyecto Riotinto was finalised.

The study has concluded the expansion is technically and financially robust. The Board is encouraged by these results and will provide further details on the expansion over the coming weeks.

Estimated copper production of the expanded plant would reach approximately 50,000 – 55,000 tonnes per year.

Exploration and Geology

Near-mine exploration drilling has turned its focus on to the north-west extension of the Cerro Colorado pit now that the east-west extension of Filon Sur has been completed. The exploration block model has been updated with results which will be part of the resources and reserves update that form part of the studies related to the expansion to 15 Mtpa.

Greenfield exploration has initiated during the quarter including an airborne VTEM geophysical survey to help further understand deep geological structures in the mining and exploration concessions of the Company around the Riotinto mine.

Proyecto Touro

Permitting of Proyecto Touro is progressing according to schedule with the public hearing finalised at the beginning of October. The Company anticipates a period of consultation with different regulatory bodies and stakeholders which should take place over the following months.

The technical report is progressing ahead of schedule with all efforts now concentrated on getting the report completed and ready for release during Q4 2017. The technical report is confirmed to be at a pre-feasibility level of detail and in compliance with NI 43-101 guidelines.

The Group signed an option agreement to acquire exploration concessions that cover 122.7 km² immediately surrounding Proyecto Touro, where mineralised copper occurrences are documented. An ambitious regional exploration programme is underway.

An exploration campaign was initiated during the quarter over the newly optioned exploration concessions around Proyecto Touro. The campaign includes an airborne VTEM geophysical survey, detailed assessment of structural geology and a regional geochemical campaign.

Corporate Social Responsibility ("CSR")

The archaeological program initiated in the previous quarter as part of the Company's Corporate Social Responsibility activities is expected to reach an important milestone at the end of the year when the first archaeological level will be fully documented.

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.

Operational guidance

Proyecto Riotinto operational guidance for 2017 is as follows:

	Unit	Range 2017
Ore processed	million tonnes	8.7 – 9.0
Concentrate	dmt	165,000 - 175,000
Contained copper	tonnes	36,000 - 39,000

Copper head grade for 2017 was budgeted to average between 0.49% and 0.51% Cu, with a recovery rate of approximately 82% to 84%. Cash operating cost for 2017 is expected to be in the range of \$1.95/lb – \$2.10/lb.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

4. Overview of the financial results

The following table presents summarised consolidated income statements for the three and nine months ended 30 September 2017, with comparatives for the three and nine months ended 30 September 2016.

	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
(Euro 000's)				
Sales	35,734	27,235	114,808	49,854
Total operating costs	(24,344)	(20,682)	(76,866)	(41,085)
Corporate expenses	(1,880)	(4,469)	(3,508)	(9,744)
Exploration expenses	(228)	(246)	(674)	(926)
Other income	-	44	5	203
EBITDA	9,282	1,882	33,765	(1,698)
Depreciation/amortisation	(3,760)	(2,475)	(11,895)	(4,996)
Impairment of land options not exercised	-	(900)	-	(900)
Net foreign exchange loss	(1,134)	(19)	(1,919)	(296)
Net finance cost	(733)	(5)	(2,412)	(86)
Tax charge	(1,141)	4	(4,108)	(8)
	2,513	(1,513)	13,430	(7,984)

Three months financial review

Revenues for the three-month period ended 30 September 2017 amounted to €35.7 million (Q3 2016: €27.2 million). Higher revenues, compared with the same quarter in the previous year, were driven by higher volumes of concentrate sold and an increase in copper prices.

Realised prices of \$2.66/lb copper during Q3 2017 compared with \$2.18/lb copper in Q3 2016. Concentrates were sold under offtake agreements in place. The Group did not enter into any hedging agreements in Q3 2017.

Operating costs for the three-month period ended 30 September 2017 amounted to €24.3 million, compared with €20.7 million in Q3 2016. The increase was mainly due to higher mining and processing variable costs directly attributable to increase in copper production.

Cash costs of \$2.14/lb payable copper during Q3 2017 compared with \$1.97/lb payable copper in the same period last year. Cash costs were impacted by penalties and higher freights in the period compared with Q2 2017. Capitalised stripping costs during Q3 2017 amounted to €1.5 million compared with €1.0 million in Q2 2017. All-in sustaining costs in the reporting quarter were \$2.33/lb payable copper compared with \$2.11/lb payable copper in Q3 2016 and to \$2.30/lb payable copper in Q2 2017. The increase in AISC compared with Q2 2017 mainly related to higher cash costs.

Sustaining capex for Q3 2017 amounted to €1.4 million compared with €nil in Q3 2016. Sustaining capex accounted for development programmes at the tailings storage facilities and optimisation of the flotation circuit.

Corporate expenses amounting to €1.9 million (Q3 2016: €4.5 million) include non-operating costs of the Cyprus office, corporate legal and consultancy costs, on-going listing costs, officers and directors' emoluments, and salaries and related costs of the corporate office.

Exploration costs at Proyecto Riotinto for the three-month period ended 30 September 2017 amounted to €0.2 million compared with €0.2 million in Q3 2016. All exploration costs at Proyecto Touro are capitalised.

EBITDA for the three months ended 30 September 2017 amounted to €9.3 million as compared to Q3 2016 of €1.9 million.

The main item below the EBITDA line is depreciation and amortisation of €3.8 million (Q3 2016: €2.5 million). Net financing costs for Q3 2017 amounted to €0.7 million, including accretion cost of the discounted liability for Astor.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

4. Overview of the financial results (continued)

Nine months financial review

Revenues for the nine-month period ended 30 September 2017 amounted to €114.8 million (YTD16: €49.9 million). Commercial production at Proyecto Riotinto was declared in February 2016.

Copper concentrate production during YTD17 was 127,281 tonnes (YTD16: 82,891 tonnes), 118,666 tonnes of copper concentrates were sold in the same period (YTD16: 72,276 tonnes). Inventories of concentrates as at the reporting date were 8,615 tonnes (YTD16: 15,049 tonnes), with no inventories held as at 31 December 2016.

The realised price for the nine months period in 2017 was \$2.58/lb copper compared with \$2.16/lb copper in the same period of 2016. Concentrates were sold under offtake agreements in place. The Group did not enter into any hedging agreements in 2017.

Operating costs for the nine-month period ended 30 September 2017 amounted to €76.9 million, compared with €41.1 million in the nine months period in 2016. The increase was mainly due to higher mining and processing variable costs directly attributable to an increase in copper production and the impact of the stripping cost which is now mainly expensed rather than capitalised.

Cash costs of \$2.06/lb payable copper during the nine months period in 2017 compares with \$2.14/lb payable copper in the same period last year. All-in sustaining costs for YTD17 were \$2.29/lb payable copper compared to \$2.42/lb payable copper in nine-month period in 2016.

Sustaining capex for the nine-month period included in capital expenditure amounted to €4.2 million, compared with €nil in the same period in the previous year. Sustaining capex accounted for improvements in the water supply systems, modifications to the processing flowsheet, upgrades at the main incoming substation and development programmes at the tailings storage facilities, flotation circuit and environmental measures.

Corporate costs for the first nine months of 2017 were €3.5 million, compared with €9.7 million in the nine months period of 2016. Corporate costs mainly include overhead expenses as described before in this report.

Exploration costs related to Proyecto Riotinto for the nine-month period ended 30 September 2017 amounted to €0.7 million, compared with €0.9 million in the nine-month period in 2016. All exploration costs relating to Proyecto Touro during 2017 have been capitalized.

EBITDA for the nine months ended 30 September 2017 amounted to €33.8 million, compared with a negative EBITDA in the same period of last year of €1.7 million.

Depreciation and amortisation amounted to €11.9 million for the nine-month period ended 30 September 2017 (YTD16: €5.0 million). The increase in depreciation was mainly driven by an increase in production as all mining assets are depreciated per unit of production.

Net finance costs for YTD17 amounting to €2.4 million (YTD16: €0.1 million) mainly related to the unwinding of the net present value of the deferred consideration for Astor. In addition, the Group has also incurred interest costs for the Transamine prepayment and the Social Security debt.

Realised copper prices

The average prices of copper for the three and nine months ended 30 September 2017 and 2016 are summarised below:

	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
(USD)				
Realised copper price per lb	2.66	2.18	2.58	2.16
Market copper price per lb (period average)	2.88	2.17	2.72	2.14

Realised copper prices for the reporting period noted above have been calculated using payable copper and including provisional invoices and final settlements of quotation periods ("QPs") together. Lower realised prices than market averages are mainly due to the final settlement of invoices whose QP was fixed in the previous quarter due to a short open period when copper prices were lower. The realised price of shipments during the quarter excluding QP was approximately \$2.83/lb.

The Group had no hedges during the nine-month period ended 30 September 2017.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

5. Non-GAAP Measures

Atalaya has included certain non-IFRS measures including "EBITDA", "Cash 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, excluding finance, tax, impairment, depreciation and amortisation expenses.

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

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

6. Liquidity and capital resources

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

The following is a summary of Atalaya's cash position as at 30 September 2017 and 31 December 2016 and cash flows for the three and nine months ended 30 September 2017 and 2016.

Liquidity information

(Euro 000's)	30 September 2017	31 December 2016
Unrestricted cash and cash equivalents	9,137	885
Restricted cash	250	250
Working capital deficit	(13,252)	(25,382)

Unrestricted cash and cash equivalents as at 30 September 2017 increased to €9.1 million from €0.9 million at 31 December 2016. The increase in cash balances is the result of net cash flow incurred in the period. Cash balances are unrestricted and include balances at operational and corporate level.

Restricted cash remains at €0.3 million as at 30 September 2017 and mainly relates to deposit bond guarantees.

As of 30 September 2017, Atalaya reported a working capital deficiency of €13.3 million, compared with a working capital deficit of €25.4 million at 31 December 2016. The main liability of the working capital is trade payables. The trade payable account relates to the main contractor where the Group has reached certain agreements to reduce its deficit progressively during 2017 and 2018. Atalaya expects the deficit to be reduced over the next months with cash generated by operations.

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

In September 2016, the Group entered into a US\$14 million copper concentrate prepayment agreement with Transamine Trading, S.A. an independent and privately owned commodity trader company based in Geneva. The duration of the prepayment was from 1 January 2017 to 31 December 2018 with terms at market conditions and the settlement was agreed to be paid through deductions from payments received for each shipment. On 15 September 2017, the Group fully settled the prepayment ahead of schedule and will decide whether to extend the contract on the same terms before January 2018 as permitted under the original agreement.

During Q2 2017, Atalaya filed a formal claim in the Administrative Court relating to the previously announced government grant of €8.8 million. No amount was recognised in the financial statements.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

6. Liquidity and capital resources (continued)

Overview of the Group's cash flows

(Euro 000's)	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
Cash flows from / (used in) operating activities	12,886	(3,470)	22,875	5,419
Cash flows used in investing activities	(5,378)	(2,659)	(14,621)	(19,720)
Net increase/(decrease) in cash and cash equivalents	7,508	(6,129)	8,254	(14,301)

Three months cash flows review

Cash and cash equivalents increased by €7.5 million during the three months ended 30 September 2017. This was due to cash from operating activities amounting to €12.9 million and cash used in investing activities amounting to €5.4 million.

Cash generated from operating activities before working capital changes was €8.0 million. Atalaya reduced its trade receivables in the period by €7.5 million and increased its inventory levels by €5.7 million and its trade payables by €3.6 million.

Investing activities during the quarter consumed €5.4 million, relating mainly to the permits of Proyecto Touro and stripping costs.

Nine months cash flows review

Cash and cash equivalents increased by €8.2 million during the nine months ended 30 September 2017. This was due to cash from operating activities amounting to €22.9 million and cash used in investing activities amounting to €14.6 million.

Cash generated from operating activities before working capital changes was €32.0 million. Atalaya decreased its trade receivables by €2.8 million and increased its trade payables balance in the period by €1.2 million respectively and increased its inventory levels by €9.6 million.

Investing activities during the nine-month period amounted to €14.6 million, mainly relating to the deferred mining costs and the permits of Proyecto Touro.

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 and nine months ended 30 September 2017, Atalaya recognised a foreign exchange loss of €1.1 million and €1.9 million, respectively. Foreign exchange losses mainly related to changed in the period end EUR and USD conversion rates, as all sales are cashed and occasionally held in USD.

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

	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
Average rates for the periods				
GBP – EUR	0.8978	0.8497	0.8732	0.8030
USD – EUR	1.1746	1.1166	1.1140	1.1162
Spot rates as at				
GBP – EUR	0.8818	0.8610	0.8818	0.8610
USD – EUR	1.1806	1.1161	1.1806	1.1161

In February 2017, the Group entered into certain foreign exchange hedging contracts to offset the agreements in force as at 31 December 2016. During Q3 2017, Atalaya did not have any currency hedging agreements.

Further information on the hedging agreements is disclosed in the unaudited, condensed interim consolidated financial statements that follow (Note 15).

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

7. 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 gave effect to the Judgment. The High Court found that the deferred consideration under the master agreement entered into between the Group, 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 had not fallen due.

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

7. Deferred consideration (continued)

Astor Case (continued)

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

More details on the Astor Case are included in Note 14 of the unaudited, condensed, interim, consolidated financial statements that follow.

8. Risk factors

Due to the nature of Atalaya's business in the mining industry, the Group is subject to various risks that could materially impact the future operating results 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.

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 2016.

10. Other information

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

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 2017 and 2016 (unaudited)

Condensed interim consolidated income statements (unaudited)

(Euro 000's)	Notes	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
Gross sales		35,734	27,235	114,808	49,854
Realised gains on derivative financial instruments held for trading		-	-	-	-
Sales		35,734	27,235	114,808	49,854
Operating costs and mine site administrative expenses		(24,291)	(21,582)	(76,783)	(41,985)
Mine site depreciation and amortisation		(3,760)	(2,471)	(11,892)	(4,984)
Gross income		7,683	3,182	26,133	2,885
Corporate expenses		(1,868)	(4,435)	(3,481)	(9,642)
Corporate depreciation		-	(4)	(3)	(12)
Share based benefits		(65)	(34)	(110)	(102)
Exploration expenses		(228)	(246)	(674)	(926)
Operating profit/(loss)		5,521	(1,537)	21,864	(7,797)
Other income		-	44	5	203
Net foreign exchange loss		(1,134)	(19)	(1,919)	(296)
Net finance costs	4	(733)	(5)	(2,412)	(86)
Profit / (loss) before tax		3,654	(1,517)	17,538	(7,976)
Tax		(1,141)	4	(4,108)	(8)
Profit/(loss) for the period		2,513	(1,513)	13,430	(7,984)
Profit/(loss) for the period attributable to:					
- Owners of the parent		2,528	(1,513)	13,445	(7,984)
- Non-controlling interest		(15)	-	(15)	-
		2,513	(1,513)	13,430	(7,984)
Earnings/(loss) per share from operations attributable to equity holders of the parent during the period:					
Basic earnings/(loss) per share (expressed in cents per share)	5	2.1	(1.3)	11.5	(6.8)
Fully diluted earnings/(loss) per share (expressed in cents per share)	5	2.1	(1.3)	11.4	(6.8)
Profit/(loss) for the period		2,513	(1,513)	13,430	(7,984)
Other comprehensive income/(loss):					
Change in value of available-for-sale investments		(11)	108	(51)	85
Total comprehensive profit/(loss) for the period		2,502	(1,405)	13,379	(7,899)
Attributable to:					
- Owners of the parent		2,517	(1,405)	13,394	(7,899)
- Non-controlling interest		(15)	-	(15)	-
		2,502	(1,405)	13,379	(7,899)

The notes on pages 15 to 28 are an integral part of these unaudited condensed interim consolidated financial statements.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 2017 and 2016 (unaudited)

Condensed interim consolidated statements of financial position (unaudited)

(Euro 000's)	Note	30 September 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	6	194,879	191,380
Intangible assets	7	64,285	59,715
Trade and other receivables	9	211	206
Deferred tax asset		12,311	12,196
		<u>271,686</u>	<u>263,497</u>
Current assets			
Inventories	8	15,761	6,195
Trade and other receivables	9	27,024	29,850
Available-for-sale investments		210	261
Cash and cash equivalents		9,387	1,135
		<u>52,382</u>	<u>37,441</u>
Total assets		<u>324,068</u>	<u>300,938</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	10	11,632	11,632
Share premium	10	277,238	277,238
Other reserves	11	6,176	5,667
Accumulated losses		(92,980)	(105,975)
		<u>202,066</u>	<u>188,562</u>
Non-controlling interest		4,487	-
Total equity		<u>206,553</u>	<u>188,562</u>
Liabilities			
Non-current liabilities			
Trade and other payables	12	84	115
Provisions	13	5,648	5,092
Deferred consideration	14	46,149	44,346
		<u>51,881</u>	<u>49,553</u>
Current liabilities			
Trade and other payables	12	61,395	62,592
Taxation		4,239	16
Derivative instruments		-	215
		<u>65,634</u>	<u>62,823</u>
Total liabilities		<u>117,515</u>	<u>112,376</u>
Total equity and liabilities		<u>324,068</u>	<u>300,938</u>

The notes on pages 15 to 28 are an integral part of these unaudited condensed interim consolidated financial statements.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 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	Non- controlling interest	Total equity
At 1 January 2016	11,632	277,238	5,508	(118,012)	176,366	-	176,366
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
At 30 September 2016	11,632	277,238	5,759	(125,996)	168,633	-	168,633
Profit for the period	-	-	-	20,021	20,021	-	20,021
Change in value of available-for-sale investment	-	-	(126)	-	(126)	-	(126)
Bonus shares issued in escrow	-	-	-	-	-	-	-
Recognition of share based payments	-	-	34	-	34	-	34
At 31 December 2016	11,632	277,238	5,667	(105,975)	188,562	-	188,562
Addition	-	-	-	-	-	4,502	4,502
Profit for the period	-	-	-	13,445	13,445	(15)	13,430
Change in value of available-for-sale investment	-	-	(51)	-	(51)	-	(51)
Depletion factor	-	-	450	(450)	-	-	-
Recognition of share based payments	-	-	110	-	110	-	110
At 30 September 2017	11,632	277,238	6,176	(92,980)	202,066	4,487	206,553

The notes on pages 15 to 28 are an integral part of these unaudited condensed interim consolidated financial statements.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 2017 and 2016 (unaudited)

Condensed interim consolidated statements of cash flows (unaudited)

	Notes	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
(Euro 000's)					
Cash flows from operating activities					
Profit /(loss) before tax		3,654	(1,517)	17,538	(7,976)
Adjustments for:					
Depreciation of property, plant and equipment	6	2,910	2,215	9,311	4,422
Amortisation of intangibles	7	850	260	2,584	574
Recognition of share-based payments	11	65	35	110	103
Bonus shares issued in escrow	11	-	-	-	63
Interest income	4	-	(52)	(19)	(70)
Interest expense	4	94	132	759	184
Interest on deferred consideration	4	614	-	1,803	-
Rehabilitation cost	4	25	-	74	47
Impairment of property, plant and equipment	6	-	903	-	903
Gain on disposal of property, plant and equipment		-	(3)	-	(4)
Unrealised foreign exchange loss on financing activities		(204)	-	(150)	-
Cash inflows/(outflows) from operating activities before working capital changes		8,008	1,973	32,010	(1,754)
Changes in working capital:					
Inventories	8	(5,733)	(4,093)	(9,566)	(15,058)
Trade and other receivables	9	7,496	(6,171)	2,821	(1,215)
Trade and other payables	12	3,557	4,973	(1,228)	23,697
Derivative instruments		-	-	(215)	-
Increase in provisions		(25)	-	(74)	(47)
Cash flows from operations		13,303	(3,318)	23,748	5,623
Interest paid		(303)	(132)	(759)	(184)
Tax paid		(114)	(20)	(114)	(20)
Net cash (used in)/from operating activities		12,886	(3,470)	22,875	5,419
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(4,879)	(2,600)	(12,551)	(19,680)
Purchase of intangible assets	7	(499)	(114)	(2,099)	(114)
Proceeds from sale of property, plant and equipment		-	3	10	4
Interest received	4	-	52	19	70
Net cash used in investing activities		(5,378)	(2,659)	(14,621)	(19,720)
Net increase/(decrease) in cash and cash equivalents		7,508	(6,129)	8,254	(14,301)
Cash and cash equivalents:					
At beginning of the period		1,881	10,446	1,135	18,618
At end of the period		9,389	4,317	9,389	4,317

The notes on pages 15 to 28 are an integral part of these unaudited condensed interim consolidated financial statements.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 2017 and 2016 (unaudited)

1. General information

Country of incorporation

Atalaya Mining Plc. and its subsidiaries ("Atalaya" and/or the "Group"), was incorporated in Cyprus on 17 September 2004 as a private company with limited liability under 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 for and develop base metal assets in Europe, with a 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 (IFRSs). IFRSs comprise the standards 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 IFRSs 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 Group and the Company 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 Group'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 Group and the Company have adequate available resources to continue in operational existence for the foreseeable future.

These condensed interim 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 Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

The fair value of financial instruments traded in active markets, such as publicly traded 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 Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

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

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

2. Basis of preparation and accounting policies (continued)

Fair value measurements recognised in the condensed interim 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 (Euro 000's)	Level 1	Level 2	Level 3	Total
30 September 2017				
Available-for-sale financial assets	210	-	-	210
Total	210	-	-	210
31 December 2016				
Available-for-sale financial assets	261	-	-	261
Total	261	-	-	261

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

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 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
Three months ended 30 September 2017				
Sales	35,734	-	-	33,734
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	34,846	(25,544)	(20)	9,282
Depreciation/amortisation charge	-	(3,760)	-	(3,760)
Net finance cost	(145)	(588)	-	(733)
Foreign exchange loss	(1,000)	(134)	-	(1,134)
Profit/(loss) for the period before taxation	33,701	(30,027)	(20)	3,654
Tax charge				(1,141)
Net profit for the period				2,513
Nine months ended 30 September 2017				
Sales	114,808	-	-	114,808
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	109,419	(75,628)	(26)	33,765
Depreciation/amortisation charge	(3)	(11,892)	-	(11,895)
Net finance cost	(653)	(1,759)	-	(2,412)
Foreign exchange loss	(1,411)	(508)	-	(1,919)
Profit/(loss) for the period before taxation	107,352	(89,788)	(26)	17,538
Tax charge				(4,108)
Net profit for the period				13,430
Total assets	13,818	309,975	275	324,068
Total liabilities	(9,180)	(108,242)	(93)	(117,515)
Depreciation of property, plant and equipment	3	9,308	-	9,311
Amortisation of intangible assets	-	2,584	-	2,584
Total net additions of non-current assets	-	20,093	-	20,093
Three months ended 30 September 2016				
Sales	27,235	-	-	27,235
Earnings Before Interest, Impairment, Tax, Depreciation and Amortisation (EBITDA)	(722)	2,602	2	1,882
Depreciation/amortisation charge	(4)	(2,471)	-	(2,475)
Impairment of land options not exercised	-	(900)	-	(900)
Net finance (cost)/income	(29)	24	-	(5)
Foreign exchange (loss)/gain	103	(124)	2	(19)
Loss for the period before taxation	(652)	(869)	4	(1,517)
Tax charge				4
Net loss for the period				(1,513)
Nine months ended 30 September 2016				
Sales	49,854	-	-	49,854
Earnings Before Interest, Impairment, Tax, Depreciation and Amortisation (EBITDA)	(2,347)	655	(6)	(1,698)
Depreciation/amortisation charge	(12)	(4,984)	-	(4,996)
Impairment of land options not exercised	-	(900)	-	(900)
Net finance cost	(29)	(57)	-	(86)
Foreign exchange (loss)/gain	(240)	(58)	2	(296)
Loss for the period before taxation	(2,628)	(5,344)	(4)	(7,976)
Tax charge				(8)
Net loss for the period				(7,984)

3. Business and geographical segments (continued)

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

Geographical segments (continued)

(Euro 000's)	Cyprus	Spain	Other	Total
Total assets	6,021	234,116	6	240,143
Total liabilities	(15,846)	(55,639)	(25)	(71,510)
Depreciation of property, plant and equipment	12	4,410	-	4,422
Amortisation of intangible assets	-	574	-	574
Total net additions of non-current assets	1	19,793	-	19,794

4. Net finance cost

(Euro 000's)	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
Interest expense:				
Debt to department of social security and other interest	49	132	392	184
Interest on copper concentrate prepayment	4	-	110	-
Interest on early payment	40	-	256	-
Deferred consideration	614	-	1,803	-
Interest income	-	(52)	(19)	(70)
Rehabilitation cost (Note 13)	25	-	74	47
Net foreign exchange hedging	-	(75)	(205)	(75)
	733	5	2,412	86

5. Basic and fully diluted profit/(loss) per share

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

(Euro 000's)	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
Parent	(471)	(652)	(1,834)	(2,628)
Subsidiaries	2,999	(861)	15,279	(5,356)
Profit/(loss) attributable to the ordinary holders of the parent	2,528	(1,513)	13,445	(7,984)
Weighted number of ordinary shares for the purposes of basic profit/(loss) per share (000's)	116,680	116,680	116,680	116,680
Basic profit/(loss) per share:				
Basic profit/(loss) per share (cents)	2.1	(1.3)	11.5	(6.8)
Weighted number of ordinary shares for the purposes of fully diluted profit/(loss) per share (000's)	118,402	116,680	118,402	116,680
Fully diluted profit/(loss) per share (cents):				
Fully diluted profit/(loss) per share (cents)	2.1	(1.3)	11.4	(6.8)

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 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 ⁽²⁾	Other assets ⁽³⁾	Total
Cost							
At 1 January 2016	39,061	23,046	950	94,525	10,334	1,026	168,942
Additions	46 ⁽¹⁾	19,630	-	-	-	4	19,680
Reclassifications	-	99,460	-	(94,256)	(5,204)	-	-
Reclassifications – intangibles	-	1,614	(50)	-	-	(247)	1,317
Written off	-	-	(900)	-	-	(3)	(903)
Disposals	-	-	-	-	-	(16)	(16)
At 30 September 2016	39,107	143,750	-	269	5,130	764	189,020
Additions/(correction)	1,075 ⁽¹⁾	(3,647)	-	-	13,848	160	11,436
Reclassifications	6	4,827	-	297	(5,130)	-	-
Written off	-	-	-	-	-	(65)	(65)
Disposals	-	-	-	-	-	(21)	(21)
At 31 December 2016	40,188	144,930	-	566	13,848	838	200,370
Additions	335	-	-	6,370	6,115	-	12,820
Reclassifications	400	472	-	(872)	-	-	-
Disposals	-	-	-	-	-	(53)	(53)
At 30 September 2017	40,923	145,402	-	6,064	19,963	785	213,137
Depreciation							
At 1 January 2016	-	-	-	-	-	518	518
Charge for the period	1,223	3,122	-	-	-	77	4,422
Reclassifications	-	130	-	-	-	(130)	-
Reclassifications – intangibles	-	-	-	-	-	(92)	(92)
Disposal	-	-	-	-	-	(16)	(16)
Impairment	-	-	900	-	-	3	903
Written off	-	-	(900)	-	-	(3)	(903)
At 30 September 2016	1,223	3,252	-	-	-	357	4,832
Charge for the period	513	1,810	-	-	1,758	140	4,221
Reclassifications	-	11	-	-	-	(11)	-
Reclassifications – intangibles	-	-	-	-	-	11	11
Written off	-	-	-	-	-	(65)	(65)
Disposals	-	-	-	-	-	(9)	(9)
At 31 December 2016	1,736	5,073	-	-	1,758	423	8,990
Charge for the period	1,714	6,148	-	-	1,378	71	9,311
Disposals	-	-	-	-	-	(43)	(43)
At 30 September 2017	3,450	11,221	-	-	3,136	451	18,258
Net book value							
At 30 September 2017	37,473	134,181	-	6,064	16,827	334	194,879
At 31 December 2016	38,452	139,857	-	566	12,090	415	191,380

⁽¹⁾ Rehabilitation provision

⁽²⁾ Stripping costs

⁽³⁾ 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

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 2017 and 2016 (unaudited)

7. Intangible assets

(Euro 000's)	Permits of Rio Tinto & Touro Project	Licences, R&D and software	Goodwill	Total
Cost				
At 1 January 2016	20,158	-	9,333	29,491
Additions	-	114	-	114
Reclassifications – property, plant and equipment	(1,614)	297	-	(1,317)
Other reclassifications	(7)	54	-	47
At 30 September 2016	18,537	465	9,333	28,335
Additions	42,244 ⁽¹⁾	1,220	-	43,464
Other reclassifications	(21)	-	-	(21)
At 31 December 2016	60,760	1,685	9,333	71,778
Additions	5,000	2,154	-	7,154
Reclassifications	-	-	-	-
At 30 September 2017	65,760	3,840	9,333	78,932
Amortisation				
On 1 January 2016	-	-	9,333	9,333
Charge for the period	555	19	-	574
Reclassifications – property, plant and equipment	-	92	-	92
At 30 September 2016	555	111	9,333	9,999
Charge for the period	2,052	23	-	2,075
Reclassifications – property, plant and equipment	-	(11)	-	(11)
At 31 December 2016	2,607	123	9,333	12,063
Charge for the period	2,542	43	-	2,584
At 30 September 2017	5,149	166	9,333	14,647
Net book value				
At 30 September 2017	60,611	3,674	-	64,285
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 amounting to €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)	30 Sept 2017	31 Dec 2016
Finished products	7,677	-
Materials and supplies	7,127	5,647
Work in progress	957	548
	15,761	6,195

9. Trade and other receivables

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

(Euro 000's)	30 Sept 2017	31 Dec 2016
Non-current		
Deposits	211	206
	<u>211</u>	<u>206</u>
Current		
Trade receivables	3,903	15,082
Receivables from related parties (Note 17.3 ii))	68	68
Receivables from shareholders (Note 17.3 iii))	8,329	2,024
Deposits and prepayments	225	522
VAT	13,272	11,187
Other receivables	1,227	967
	<u>27,024</u>	<u>29,850</u>

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
Authorised				
Ordinary shares of Stg £0.075 each*	200,000	15,000	-	15,000
	<u>000's</u>	<u>Euro 000's</u>	<u>Euro 000's</u>	<u>Euro 000's</u>
Issued and fully paid				
Balance at 1 January 2017 and 30 September 2017	<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 30 September 2017.

Warrants

The Company has issued warrants to advisers of the Company. Warrants, noted below, expire three years after the grant date and have exercise price of Stg £1.425.

Details of share warrants outstanding as at 30 September 2017:

	Number of warrants
Outstanding warrants at 1 January 2017	365,354
- Expired during the reporting period	<u>(102,785)</u>
Outstanding warrants at 30 September 2017	<u>262,569</u>

During the quarter the following warrants were expired:

Equity instrument	Grant date	Expired date	Number of warrants	Ex price
Warrants	2 July 2012	2 July 2017	33,332	3.15
Warrants	22 August 2012	22 August 2017	69,453	2.55

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements
For the three and nine months to 30 September 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	-	-	-	85	85
Bonus shares issued in escrow	-	63	-	-	63
Recognition of share based payments	103	-	-	-	103
At 30 September 2016	6,350	208	-	(799)	5,759
Change in value of available-for-sale investment	-	-	-	(126)	(126)
Recognition of share based payments	34	-	-	-	34
At 31 December 2016	6,384	208	-	(925)	5,667
Change in value of available-for-sale investments	-	-	-	(51)	(51)
Recognition of share based payments	110	-	-	-	110
Recognition of the Depletion factor	-	-	450	-	450
At 30 September 2017	6,494	208	450	(976)	6,176

Share options

On 23 February 2017, the Company 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 Stg£1.44 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 30 September 2017:

	Number of share options 000's
Outstanding options at 1 January 2017	500
- Issued during the reporting period	900
Outstanding options at 30 September 2017	1,400

12. Trade and other payables

(Euro 000's)	30 Sept 2017	31 Dec 2016
Non-current		
Land options	84	115
	84	115
Current		
Trade payables	57,677	49,309
Payable to shareholders (Note 17.3 iii))	-	12
Copper concentrate prepayment	13	8,684
Social Security*	-	1,741
Land options and mortgage	791	790
Accruals	2,910	1,826
Other	4	230
	61,395	62,592

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.

Originally payable over 5 years, the repayment schedule was subsequently extended until June 2017. As of 30 June 2017, the debt was fully repaid to the Social Security.

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

13. Provisions

(Euro 000's)	Legal costs	Rehabilitation costs	Total costs
1 January 2016	-	3,971	3,971
Revision of discount rate	-	732	732
Revision of estimates	-	296	296
Accretion expense	-	93	93
At 31 December 2016	-	5,092	5,092
Additions	213	269	482
Charge to profit and loss as finance cost	-	74	74
At 30 September 2017	213	5,435	5,648

(Euro 000's)	30 Sept 2017	31 Dec 2016
Non-current	5,648	5,092
Current	-	-
Total	5,648	5,092

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

The Group has been named a defendant in several legal actions in Spain, the outcome of which is not determinable as at 30 June, 2017. Management has reviewed individually each case and provided a provision of €213 thousand for these claims, which has been reflected in these financial statements.

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 Minasderiotinto project (UK) Ltd (previously EMED Holdings (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

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 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 Minasderiotinto project (UK) Ltd 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 gave 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 30 September 2017, the Group has not generated any excess cash and, consequently, no consideration has been paid.

As at the reporting date, 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: €46,149,187

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

14. Deferred consideration (continued)

The fair values disclosed are provisional as of 30 September 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. On 11 August 2017 the Court of Appeal granted permission to both parties to appeal (although it rejected three of Astor's seven grounds). The Appeal will take place in May 2018.

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 - June 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.

During the three-month period ended 30 September 2017, the Group had not entered into any short term foreign exchange contract.

15.2. Commodity contract

During the nine-month period ended 30 September 2017, the Group had not entered into any hedging contract.

16. Acquisition, incorporation and disposal of subsidiaries

Incorporation of Atalaya Touro (UK) Limited

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

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

On 23 February 2017, the Group 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 Company. This is part of an earn-in agreement (the "Agreement"), which will enable the Group to acquire up to 80% of CSR.

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

- Phase 1 – The Group paid €0.5 million to secure the exclusivity agreement and will continue to fund up to a maximum of €5.0 million to get the project through the permitting and financing stages.
- Phase 2 – When permits are granted, the Group will pay €2.0 million to earn-in an additional 30% interest in the project (cumulative 40%).
- Phase 3 – Once development capital is in place and construction is underway, the Group will pay €5.0 million to earn-in an additional 30% interest in the project (cumulative 70%).
- Phase 4 – Once commercial production is declared, the Group will purchase an additional 10% interest in the project (cumulative 80%) in return for a 0.75% Net Smelter Return (NSR) royalty, with a buyback option.

16. Acquisition, incorporation and disposal of subsidiaries (continued)

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

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

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

Disposals of subsidiaries

There were no disposals of subsidiaries during the nine-month period to 30 September 2017

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:

	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
(Euro 000's)				
Directors' remuneration and fees	190	167	549	517
Share option-based benefits to directors	11	14	17	42
Bonus shares issued to director, in escrow	-	-	-	63
Bonus	398	-	398	-
Key management personnel remuneration	1,126	131	1,339	321
Share option-based and other benefits to key management personnel	16	9	38	25
	1,741	321	2,341	968

17.2 Share-based benefits

The directors and key management personnel have been granted 345,000 options during the nine-month period.

17.3 Transactions with related parties/shareholders

i) Transaction with shareholders

	Three months ended 30 Sept 2017	Three months ended 30 Sept 2016	Nine months ended 30 Sept 2017	Nine months ended 30 Sept 2016
(Euro 000's)				
Trafigura PTE LTD ("Trafigura") – Sales of goods (pre-commissioning sales offset against the cost of constructing assets)	-	-	-	2,452
Trafigura– Sales of goods	9,154	4,495	22,162	15,888
Orion Mine Finance (Master) Fund I LP ("Orion") – Sales of goods	-	3,753	(4)	3,753
	9,154	8,248	22,158	22,093

ii) Period-end balances with related parties

(Euro 000's)	30 Sept 2017	31 Dec 2016
Receivables from related parties:		
Fundación Atalaya Riotinto	12	12
Recursos Cuenca Minera S.L.	56	56
Total (Note 9)	68	68

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

17. Related party transactions (continued)

17.3 Transactions with related parties/shareholders (continued)

Atalaya Mining Plc

Management's review and unaudited condensed interim consolidated financial statements

For the three and nine months to 30 September 2017 and 2016 (unaudited)

iii) Period-end balances with shareholders

(Euro 000's)	30 Sept 2017	31 Dec 2016
Trafigura – Debtor balance (Note 9)	<u>8,329</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.

18. Contingent liabilities

Judicial and administrative cases

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

ARM has been notified for certain industrial discharges from the Tailing Management Facility ("TMF"). A full description of each notification from the Authorities and its resolution have been included in the 2016 financial statements. As of June 2017, all notifications related to discharges dated September 2010, January 2014 and February 2015 were either ruled by a Court in favour of ARM or lapse without any further notification from the Authorities.

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 Atalaya 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 were 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. During Q3 2017, the commencement of production as per Rumbo Royalty has started and the average price of LME copper is above \$2.6/lb. Consequently, the Group has expensed \$250,000 during the quarter.

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.

20. Events after the reporting period

There were no significant events to disclose subsequent to the reporting date