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**Atalaya Mining plc ("Atalaya" or the "Company")  
(AIM: ATYM, TSX: AYM)**

**Second Quarter 2016 Operational Update**

**Expansion Project Completed Ahead of Schedule and Under Budget**

Atalaya is pleased to report the successful completion of the construction of its Expansion Project, with production ramping up towards 9.5Mtpa. The Company is also providing an operations update for Q2 2016.

**Q2 2016 Highlights**

- The Expansion Project was declared mechanically complete during the first week of May 2016, ahead of schedule and under budget.
- Copper production increased by 10% in Q2 2016 to 4,442 tonnes, compared with 4,048 tonnes in Q1 2016. The increase in production was significant considering the plant was temporarily shut down due to the administrative tailings discharge suspension and interruptions required to commission the Expansion.
- 1.3m tonnes of ore were processed compared with 1.1m tonnes during Q1 2016, representing a 15% increase.
- Copper grade in final concentrate remained consistent at 21.54% while recoveries decreased to 79.80% due to the commissioning of the new flotation circuit. Recoveries have now reverted to normal and averaged over 84% in July.
- Updated Reserves and Resources statement released following the end of Q2 2016, indicating a 12% increase in contained reserves and extended life of mine to 16.5 years.

**Expansion Project**

During the first week of May 2016, the Expansion Project was declared mechanically complete, ahead of schedule and under budget. Commissioning of the new equipment and subsequent handover to the operations team took place during the latter part of the quarter. Production levels increased to an annualized rate of 6.8Mtpa in June, in line with the ramp-up schedule. This trend has continued and the annualised rate achieved during July is equivalent to 7.7 Mtpa.

Phase 1 of the plant ramp-up was performing well at the start of the quarter before operations were temporarily suspended by the Junta de Andalucía (see announcement dated 22 April 2016). During the suspension period, which was lifted on 4 May 2016, the site team integrated the new Expansion equipment into the existing Phase 1 section, which then allowed commissioning and ramp-up to move continuously through May.

**Mining and Processing**

Copper production increased by 10% during Q2 2016 to a total of 4,442 tonnes compared with 4,048 tonnes during Q1 2016. The increase was adversely impacted by the temporary operational suspension due to the tailings discharge issue as well as the interruptions required to connect the Expansion of the plant to the Phase 1 Project.

Copper grade in the final concentrate was consistent with the previous quarter, reporting 21.54% in Q2 2016 versus 21.33% for Q1 2016. Recoveries were lower at 79.80% during Q2 2016, compared with 82.93% during Q1 2016. This was mainly attributable to the commissioning of the new flotation circuit. Recoveries are now back to normal and averaging over 84% during July.

A total of 1,308,641 tonnes of ore was processed during Q2 2016, compared with 1,133,948 tonnes during Q1 2016, representing a 15% increase.

Ore extraction during Q2 2016 totalled 1,254,323 tonnes compared with 1,188,953 tonnes during Q1 2016. Marginal ore extracted was 177,495 tonnes compared with 144,459 tonnes during Q1 2016. A total of 1,343,400 cubic metres of waste was removed during Q2 2016 compared with 935,452 cubic metres during Q1 2016.

The Company anticipates continued ramp-up to nameplate capacity throughout the rest of the year.

### **Exploration and Geology**

Following the end of Q2 2016, a Reserves and Resources statement was released on 14 July 2016. Total open-pit mineral reserves have increased from 123Mt at 0.49% Cu to 153 million tonnes averaging 0.45% Cu using variable, declining cut-off grades, representing a 12% increase in contained metal.

Total open-pit Measured and Indicated Mineral Resources were estimated at 193 million tonnes averaging 0.43% Cu, compared with the previous estimate of 203 million tonnes at 0.46% Cu. Inferred Mineral Resources increased to 23 million tonnes averaging 0.48% Cu, from 2 million tonnes at 0.50% Cu.

An exploration drilling campaign has been initiated during the quarter to evaluate historical mineral resources around both the Corta Atalaya and Filon Sur pits.

### **Financial**

Information on sales and operating costs will be provided in the Q2 2016 Financial Statements due out in early September 2016.

As previously announced, the Company continues to evaluate a number of funding options to address its short term working capital needs, to support the Company through the ramp up phase.

### **Corporate**

Following the end of Q2 2016, Cesar Sanchez was appointed Group Chief Financial Officer (see announcement 7 July 2016). In addition, the Company appointed BMO Capital Markets Limited as joint corporate broker.

### **Astor update**

Following the announcements on 2 November 2015 and 26 May 2016, the Company continues to work closely with its legal advisors in preparing for trial at the High Court of Justice in London. The date for the trial has been set for 30 January 2017.

The Company remains confident of a positive outcome of the upcoming trial and will update shareholders following the trial, or if there are any material developments in the meantime.

**Alberto Lavandeira, CEO, commented:**

“The progress that has been made by our team in moving the plant closer to nameplate capacity ahead of schedule and under budget is impressive. When we factor in the improved knowledge of the orebody gained from our recent Reserves and Resources update which has extended the life of mine, increased mineable reserves and will lead to greater efficiencies, it confirms our belief that Proyecto Riotinto has a viable future for many years to come”.

*This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.*

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