

Management's review

(All amounts in Euro thousands unless otherwise stated)
For the three months to 31 March 2018 and 2017 - (Unaudited)

ATALAYA MINING PLC MANAGEMENT'S REVIEW AND CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 31 March 2018 (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 2017 and 31 March 2018 and results of operations for the three months ended 31 March 2018 and 2017.

This report has been prepared as of 23 May 2018. 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 three months ended 31 March 2018. 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 2017, and the unaudited, condensed interim consolidated financial statements for the three months ended 31 March 2017. 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 AIM Market of the London Stock Exchange ("AIM") and on the Toronto Stock Exchange ("TSX").

Proyecto Riotinto, wholly 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 where copper in concentrate and silver by-product are produced. A brownfield expansion of the plant is in progress.

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.

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2. Overview of operational results

Proyecto Riotinto

The following table presents a summarised statement of operations of Proyecto Riotinto for the three months ended 31 March 2018 and 2017.

Units expressed in accordance with the international system of units (SI)	Unit	Three months ended 31 Mar 2018	Three months ended 31 Mar 2017	Three months ended 31 Dec 2017
Ore mined	t	2,559,201	2,312,590	2,509,288
Ore processed	t	2,206,861	2,196,299	2,271,683
Copper ore grade	%	0.48	0.48	0.44
Copper concentrate grade	%	22.25	21.91	22.29
Copper recovery rate	%	88.47	84.63	86.11
Copper concentrate	t	42,429	40,182	38,684
Copper contained in concentrate	t	9,441	8,805	8,622
Payable copper contained in concentrate	t	9,016	8,403	8,235
Cash cost*	\$/lb payable	2.27	1.64	2.35
All-in sustaining cost*	\$/lb payable	2.65	2.01	2.94

(*) Refer to Section 5 of this Management's Review

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

Three months operational review

Copper production at Proyecto Riotinto for Q1 2018 has increased to 9,441 tonnes from 8,805 tonnes reported in Q1 2017, and 8,622 tonnes in Q4 2017, representing an increase of 7.1% and 9.5%, respectively. This is Atalaya's second quarterly production on record. Ore milled was consistent with previous quarters and in line with management's expectations. Copper head grade reported an improvement versus Q4 2017, in line with expectations. The increase in copper production during the quarter is mainly attributable to a record average recovery of 88.47%.

Mining operations are running at similar levels to previous quarters. On a combined basis, ore, waste and marginal ore amounted to 3.0Mm³ in Q1 2018 versus 3.1Mm³ in Q4 2017. During the first three weeks of March 460 litres/m² of rainfall were registered, which for such a short period of time was significant in the region. The open pit lower benches were partially affected by this heavy rainfall. Mining operations were rescheduled and mine planning was adjusted with no impact on production. Improvements to the processing plant reported not only higher copper recovery but also better utilisation rates.

The Company's continuous improvements programme reported the installation of an additional secondary cone crusher with completion estimated during Q2 2018. Modifications to current screening and crushing arrangements are under evaluation as part of a de-bottlenecking exercise. Structural steel fabrication of the dome to cover the coarse ore stockpile is well advanced, with construction scheduled to commence in Q2 2018. Completion of the dome is estimated by mid Q3 2018.

Dewatering of the Atalaya pit is ongoing as previously reported. Dewatering of Cerro Colorado has been restarted after the heavy rainfall in March and was completed at the end of April 2018.

During Q1 2018, the Group sold 48,682 tonnes of concentrates, compared with 39,925 tonnes in Q4 2017 and 22,103 tonnes in Q1 2017. On-site concentrate inventories at the end of the quarter were approximately 1,121 tonnes. All concentrate in stock at the beginning of the quarter and produced during the quarter was delivered to the port at Huelva.

Exploration has successfully performed a validation process of the Cerro Colorado drill hole database. The database incorporates all exploration drilling completed since April 2016. An updated resources and reserves estimate is well advanced and is expected to be released before the end of Q2 2018. Results of the VTEM survey have been received, with targets prioritised for drilling in the coming months.

The archaeological exploration programme under way in a section of the northern wall of Cerro Colorado pit remains on schedule, and is expected to last for the duration of 2018.

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2. Overview of operational results (continued)

Expansion to 15Mtpa at Proyecto Riotinto

The expansion project to 15Mtpa is progressing according to schedule. Overall progress completion is 27% with procurement reporting 26% and engineering 60% completed. Civil engineering works at the new concentrate handling area are well advanced while earthworks at the flotation area are progressing according to internal expectations. The milling area is the critical path to completion.

The expansion project is scheduled for mechanical completion at the end of Q2 2019.

Proyecto Touro

Findings of the pre-feasibility study completed in April 2018 for a proposed copper open pit mine and concentrator are summarised as follows:

Strong Project Economics

- NPV post-tax at 8% discount rate of \$180 million using long term copper price of US\$3.00/lb
- Unlevered IRR of 20.5%
- Total free cash flow of \$489 million
- Annual average free cash flow of \$60m from commercial production

Low cost Operations

- Estimated average C1 cash costs of US\$1.73/lb of payable Cu net of silver credits
- All-in sustaining costs ("AISC") of US\$1.85/lb of payable Cu net of silver credits

Capital Costs and Infrastructure

- Pre-production capital expenditure of \$165 million with an additional expansion capital estimate of \$30 million in year eight
- Low LOM sustaining capital expenditure of \$55 million

Project Parameters

- Contained copper, within P&P reserves only, is estimated at 392,000 tonnes and 2.1 million ounces of silver
- 2 years of development and 12 years of operation
- Average yearly production of 30,000 tonnes copper and 70,000 ounces of silver in concentrate
- Shallow open pit mining with low waste-to-ore ratio of 2.43
- Very clean high-grade copper concentrates

Permitting of Proyecto Touro continues as anticipated. Detailed reports have been expanded to address certain project improvements and recommendations received from the public hearing process. These reports will be submitted to the authorities during Q2 2018.

Geological mapping and geochemistry are ongoing on exploration concessions around Proyecto Touro. Results of the VTEM survey were received and are under internal assessment.

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 2018 remains as follows:

	Unit	Range 2018
Ore processed	million tonnes	9.6
Contained copper	tonnes	37,000 - 40,000

Copper head grade for 2018 was budgeted to average between 0.47% and 0.50% Cu, with a recovery rate of approximately 84% to 86%. Cash operating costs for 2018 are expected to be in the range of \$2.15/lb – \$2.30/lb, and AISC is estimated to be in the range of \$2.50/lb – \$2.60/lb.

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4. Overview of the financial results

The following table presents summarised consolidated income statements for the three months ended 31 March 2018, with comparatives for the three months ended 31 March 2017.

(Euro 000's)	Three months ended 31 Mar 2018	Three months ended 31 Mar 2017 *restated
Sales	52,676	25,648
Total operating costs	(36,426)	(11,507)
Corporate expenses	(1,053)	(1,409)
Exploration expenses	(199)	(133)
Other income	-	4
EBITDA	14,998	12,603
Depreciation/amortisation	(4,100)	(4,516)
Net foreign exchange gain/(loss)	170	(274)
Net finance cost	(7)	(249)
Tax charge	(2,271)	(1,867)
	8,790	5,697

(*) Refer to Note 2.1. (c)

Three months financial review

Revenues for the three month period ended 31 March 2018 amounted to €52.7 million (Q1 2017: €25.6 million). Higher revenues, compared with the same quarter in the previous year, were mainly driven by higher volumes of concentrate sold and an increase in copper prices.

Realised prices of \$3.03/lb copper during Q1 2018 compared with \$2.48/lb copper in Q1 2017. All concentrates were sold under offtake agreements in place. The Group did not enter into any hedging agreements in Q1 2018.

Operating costs for the three month period ended 31 March 2018 amounted to €36.4 million, compared with €11.5 million in Q1 2017. The increase was mainly due to higher mining and processing variable costs directly attributable to the higher volume of concentrates sold in the period in addition to significantly lower capitalised stripping costs.

Cash costs of \$2.27/lb payable copper during Q1 2018 compared with \$1.64/lb payable copper in the same period last year. Cash costs were impacted by higher mining and maintenance costs due to a higher copper production in the period and lower capitalised stripping costs compared with Q1 2017. Capitalised stripping costs during Q1 2018 amounted to €0.3 million compared with €3.8 million in Q1 2017. All-in sustaining costs in the reporting quarter were \$2.65/lb payable copper compared with \$2.01/lb payable copper in Q1 2017. The increase in AISC compared with Q1 2018 mainly related to higher cash costs.

Sustaining capex for Q1 2018 amounted to €2.7 million compared with €0.6 million in Q1 2017. Sustaining capex related to continuous development programmes at the tailings storage facilities, optimisation of the flotation circuit and other processing systems.

Corporate expenses amounted to €1.1 million (Q1 2017: €1.4 million) and 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 31 March 2018 amounted to €0.2 million compared with €0.1 million in Q1 2017. All exploration costs at Proyecto Touro are capitalised.

EBITDA for the three months ended 31 March 2018 amounted to €15.0 million as compared to Q1 2017 of €12.6 million.

The main item below the EBITDA line is depreciation and amortisation of €4.1 million (Q1 2017: €4.5 million). Net financing costs for Q1 2018 amounted to €7k compared with €249k in Q1 2017.

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Realised copper prices

The average prices of copper for the three months ended 31 March 2018 and 2017 are summarised below:

(USD)	Three months ended 31 Mar 2018	Three months ended 31 Mar 2017
Realised copper price per lb	3.03	2.48
Market copper price per lb (period average)	3.16	2.64

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 where 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 \$3.12/lb.

The Group had no hedges during the three month period ended 31 March 2018.

5. Non-GAAP Measures

Atalaya has included certain non-IFRS measures including "EBITDA", "Cash Cost per pound of payable copper", "All In Sustaining Costs" ("AISC") and "realised prices" in this report. Non-IFRS measures do not have any standardised meaning prescribed under IFRS, and therefore they may not be comparable to similar measures presented by other companies. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for indicators prepared in accordance with IFRS.

EBITDA includes gross sales net of penalties and discounts and all operating costs, excluding finance, tax, impairment, depreciation and amortisation expenses.

Cash Cost per pound of payable copper includes 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.

AISC per pound of payable copper includes C1 Cash Costs plus royalties and agency fees, expenditures on rehabilitation, capitalised stripping costs, exploration and geology costs, corporate costs and sustaining capital expenditures.

During the final quarter of 2017, Atalaya carried out an exhaustive analysis of the methodology applied to the C1 cash cost and AISC. As a result of the analysis, management changed the methodology used when calculating C1 and AISC in the first three quarters of 2017. A full reconciliation including Q1 2017 is included in section iii of the performance review in 2017 Annual Report.

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

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 and cash flows as at 31 March 2018 and 31 December 2017.

Liquidity information

	31 March 2018	31 December 2017
(Euro 000's)		
Unrestricted cash and cash equivalents	52,290	42,606
Restricted cash	250	250
Working capital surplus	26,827	22,137

Unrestricted cash and cash equivalents as at 31 March 2018 increased to €52.3 million from €42.6 million at 31 December 2017. 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, including the proceeds of the capital raise in Q4 2017.

Restricted cash remains at €0.3 million as at 31 March 2018 and mainly relates to deposit bond guarantees.

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6. Liquidity and capital resources (continued)

As of 31 March 2018, Atalaya reported a working capital surplus of €26.8 million, compared with a working capital surplus of €22.1 million at 31 December 2017. The surplus results from the equity raised in Q4 2017. The main liability of the working capital is trade payables. The principal trade payable account relates to the main contractor where the Group has reached certain agreements to reduce the amount due progressively during 2018.

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 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. During December 2017, the Group decided not to extend the contract on the same terms during 2018 as permitted under the original agreement.

Overview of the Group's cash flows

(Euro 000's)	Three months ended 31 Mar 2018	Three months ended 31 Mar 2017
Cash flows from operating activities	18,377	14,275
Cash flows used in investing activities	(8,741)	(5,399)
Cash flows from financing activities	48	-
Net increase in cash and cash equivalents	<u>9,684</u>	<u>8,876</u>

Three months cash flows review

Cash and cash equivalents increased by €9.7 million during the three months ended 31 March 2018. This was due to the net results of cash from operating activities amounting to €18.4 million, cash used in investing activities amounting to €8.7 million and cash from financing activities amounting to €0.1 million.

Cash generated from operating activities before working capital changes was €15.2 million. Atalaya increased its trade receivables in the period by €1.0 million, decreased its inventory levels by €4.1 million and increased its trade payables by €0.1 million.

Investing activities during the quarter consumed €8.7 million, relating mainly to the expansion project Capex and sustaining capex for the tailings deposits perimeter channel.

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 mainly 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 2018, Atalaya recognised a foreign exchange profit of €0.2 million. Foreign exchange losses mainly related to change 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 31 Mar 2018	Three months ended 31 Mar 2017
Average rates for the periods		
GBP – EUR	0.8833	0.8607
USD – EUR	1.2292	1.0655
Spot rates as at		
GBP – EUR	0.8749	0.8620
USD – EUR	1.2321	1.0736

In February 2017, the Group entered into certain foreign exchange hedging contracts to offset the agreements in force as at 31 December 2016. During Q1 2018, 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).

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7. Rumbo royalty and deferred consideration

Rumbo royalty

In July 2012, Atalaya Riotinto Minera, S.L. signed a royalty agreement with Rumbo 5 Cero, S.L. ("Rumbo"), at which Rumbo was entitled to receive a royalty payment of up to US \$250,000 per quarter if the average copper sales price or LME price for the period is equal or upper \$2.60/lb for ten years up to a maximum amount of US\$10,000,000. As the average copper price for the third and fourth quarters of 2017 were above \$2.60/lb, the company needed to pay a royalty amounting to \$500,000 to Rumbo. On 8 February 2018, the companies agreed to satisfy this payment through an issuance of 192,540 new ordinary shares at GB £7.5p.

On 5 April 2018, the Company signed with Rumbo a contract to purchase the remaining royalty agreement for a total consideration of US\$4,750,000 to be paid through the issuance of 1,600,907 new ordinary shares of GB £7.5p.

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.

In summary, the High Court found that the deferred consideration of €43.8 million (the "Deferred Consideration"), potentially payable to Astor under the master agreement entered into in 2008 between inter alia the Company and Astor (the "Master Agreement"), did not start to become payable when permit approval was granted for Proyecto Riotinto. In addition, the intra-group loans by which funding for the restart of mining operations was made available to the Company's subsidiary, Atalaya Riotinto Minera S.L. 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, Atalaya Riotinto Minera S.L. cannot make 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, Atalaya Riotinto Minera S.L. 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 agreement between the parties) early. The Court confirmed that the obligation to pay consideration early out of excess cash does not apply to the up-tick payments of up to €15.9 million (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. Accordingly, the Group has recorded the liability of €53 million.

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 has taken place on 9 and 10 May 2018 and the Group expects the ruling to be issued in the coming months.

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 2017.

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 2017.

10. Other information

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

Condensed interim consolidated income statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

(Euro 000's)	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017 *restated
Gross sales		52,676	25,648
Realised gains on derivative financial instruments held for trading		-	-
Sales		52,676	25,648
Operating costs and mine site administrative expenses		(36,392)	(11,498)
Mine site depreciation and amortization		(4,100)	(4,513)
Gross income		12,184	9,637
Corporate expenses		(1,049)	(1,402)
Corporate depreciation		-	(3)
Share based benefits		(38)	(16)
Exploration expenses		(199)	(133)
Operating profit		10,898	8,083
Other income		-	4
Net foreign exchange gain/(loss)		170	(274)
Net finance costs		(7)	(249)
Profit before tax		11,061	7,564
Tax charge		(2,271)	(1,867)
Profit for the period		8,790	5,697
Profit for the period attributable to:			
- Owners of the parent		8,857	5,697
- Non-controlling interests		(67)	-
		8,790	5,697
Earnings per share from operations attributable to equity holders of the parent during the period :			
Basic earnings per share (expressed in cents per share)	5	6.5	4.9
Fully diluted earnings per share (expressed in cents per share)	5	6.5	4.8
Profit for the period			
Other comprehensive income:		8,790	5,697
Change in value of available-for-sale investments		3	(34)
Total comprehensive profit for the period		8,793	5,663
Total comprehensive profit for the period attributable to:			
- Owners of the parent		8,860	5,663
- Non-controlling interests		(67)	-
		8,793	5,663

(* Refer to Note 2.1. (c))

The notes on pages 12 to 26 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statements of financial position

(All amounts in Euro thousands unless otherwise stated)

As at 31 March 2018 and 31 December 2017 - (Unaudited)

(Euro 000's)	Note	31 March 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	6	205,064	199,458
Intangible assets	7	73,151	73,700
Trade and other receivables	9	218	212
Deferred tax asset		10,064	10,130
		<u>288,497</u>	<u>283,500</u>
Current assets			
Inventories	8	9,594	13,674
Trade and other receivables	9	35,163	34,213
Available-for-sale investments		132	129
Cash and cash equivalents		52,540	42,856
		<u>97,429</u>	<u>90,872</u>
Total assets		<u>385,926</u>	<u>374,372</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	10	13,211	13,192
Share premium	10	310,032	309,577
Other reserves	11	11,228	6,137
Accumulated losses		(82,720)	(86,527)
		<u>251,751</u>	<u>242,379</u>
Non-controlling interests		4,407	4,474
Total equity		<u>256,158</u>	<u>246,853</u>
Liabilities			
Non-current liabilities			
Trade and other payables	12	63	74
Provisions	13	6,103	5,727
Deferred consideration	14	53,000	52,983
		<u>59,166</u>	<u>58,784</u>
Current liabilities			
Trade and other payables	12	67,644	67,983
Current tax liabilities		2,958	752
		<u>70,602</u>	<u>68,735</u>
Total liabilities		<u>129,768</u>	<u>127,519</u>
Total equity and liabilities		<u>385,926</u>	<u>374,372</u>

The notes on pages 12 to 26 are an integral part of these condensed interim consolidated financial statements

Condensed interim consolidated statements of changes in equity

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

(Euro 000's)	Share capital	Share premium	Other reserves	Accum. losses	Total	Non- controlling interest	Total equity
At 1 January 2017 restated	11,632	277,238	5,667	(104,316)	190,221	-	190,221
Profit for the period *restated	-	-	-	5,967	5,967	-	5,967
Change in value of available-for-sale investment	-	-	(34)	-	(34)	-	(34)
Depletion factor	-	-	450	-	450	-	450
Recognition of share based payments	-	-	16	-	16	-	16
At 31 March 2017 restated	11,632	277,238	6,099	(98,349)	196,620	-	196,620
Profit for the period restated	-	-	-	12,272	12,272	(28)	12,244
Issue of share capital	1,560	33,182	-	-	34,742	-	34,742
Share issue costs	-	(843)	-	-	(843)	-	(843)
Depletion factor	-	-	-	(450)	(450)	-	(450)
Change in value of available-for-sale investment	-	-	(98)	-	(98)	-	(98)
Recognition of share based payments	-	-	136	-	136	-	136
Non-controlling interests	-	-	-	-	-	4,502	4,502
At 31 December 2017/1 January 2018	13,192	309,577	6,137	(86,527)	242,379	4,474	246,853
Profit for the period	-	-	-	8,857	8,857	(67)	8,790
Issue of share capital	19	455	-	-	474	-	474
Change in value of available-for-sale investment	-	-	3	-	3	-	3
Depletion factor	-	-	5,050	(5,050)	-	-	-
Recognition of share based payments	-	-	38	-	38	-	38
At 31 March 2018	13,211	310,032	11,228	(82,720)	251,751	4,407	256,158

(*) Refer to Note 2.1. (c)

The notes on pages 12 to 26 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statements of cash flows

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

(Euro 000's)	Note:	Three months ended 31 March 2018	Three months ended 31 March 2017 *restated
Cash flows from operating activities			
Profit before tax	2 (i) (c)	11,061	7,564
Adjustments for:			
Depreciation of property, plant and equipment	6	3,070	3,526
Amortisation of intangibles	7	1,030	990
Recognition of share-based payments	11	38	16
Interest income	4	(20)	(16)
Interest expense	4	1	241
Rehabilitation cost	4	26	24
Unrealised foreign exchange loss on financing activities		(45)	(75)
Cash inflows from operating activities before working capital changes		15,161	12,270
Changes in working capital:			
Inventories	8	4,080	(13,239)
Trade and other receivables	9	(956)	8,359
Trade and other payables	12	76	7,150
Deferred consideration	14	17	-
Provisions		-	(24)
Cash flows from operations		18,378	14,516
Interest paid		(1)	(241)
Net cash from operating activities		18,377	14,275
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,280)	(4,294)
Purchase of intangible assets	7	(481)	(1,131)
Proceeds from sale of property, plant and equipment		-	10
Interest received	4	20	16
Net cash used in investing activities		(8,741)	(5,399)
Cash flows from financing activities			
Proceeds from issue of shares		48	-
Net cash flows from financing activities		48	-
Net increase in cash and cash equivalents		9,684	8,876
Cash and cash equivalents:			
At beginning of the period		42,856	1,135
At end of the period		52,540	10,011

(* Refer to Note 2.1. (c))

The notes on pages 12 to 26 are an integral part of these condensed interim consolidated financial statements.

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

1. Incorporation and summary of business

Country of incorporation

Atalaya Mining Plc (the "Company") was incorporated in Cyprus on 17 September 2004 as a private company with limited liability under the Companies Law, Cap. 113 and was converted to a public limited liability company on 26 January 2005. Its registered office is at 1 Lampousa Street, Nicosia, Cyprus.

The Company was listed on AIM of the London Stock Exchange in May 2005 under the symbol ATYM and on the TSX on 20 December 2010 under the symbol AYM. The Company continued to be listed on AIM and the TSX as at 31 March 2018.

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

Change of name and share consolidation

Following the Company's Extraordinary General Meeting ("EGM") on 13 October 2015, the change of name from EMED Mining Public Limited to Atalaya Mining Plc became effective on 21 October 2015. On the same day, the consolidation of ordinary shares came into effect, whereby all shareholders received one new ordinary share of nominal value Stg £0.075 for every 30 existing ordinary shares of nominal value Stg £0.0025.

Summary of business

The Company owns and operates through a wholly-owned subsidiary, Proyecto Riotinto, an open-pit copper mine located in the Pyritic belt, in the Andalusia region of Spain, approximately 65 km northwest of Seville. A brownfield expansion of this mine is in progress.

In addition, the Company has a phased earn-in agreement for up to 80% ownership of Proyecto Touro, a brownfield copper project in northwest Spain, which is currently at the permitting stage.

The Company's and its subsidiaries' business is to explore for and develop metals production operations in Europe, with an initial focus on copper.

The strategy is to evaluate and prioritise metal production opportunities in several jurisdictions throughout the well-known belts of base and precious metal mineralisation in Spain and the Eastern European region.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

(a) Overview

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 2017. 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 2017 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.

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

2. Basis of preparation and accounting policies (continued)

(b) Going concern

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.

(c) 2016 Restatement

Deferred consideration (Note 14)

At the end of 2017 the discount rate used to value the liability for the deferred consideration was re-assessed to apply a risk free rate as required by IAS 37. The discounted amount, when applying this discount rate, was not considered significant and the Group has measured the liability for the deferred consideration on an undiscounted basis. The value of the liability is in line with the court ruling issued on 6 March 2017. Full details of the restatement to 2016 full year comparatives are set out in the audited, consolidated financial statements for the year ended 31 December 2017 available from the Atalaya website at www.atalayamining.com.

The Q1 2017 comparatives have been restated in line with this re-assessment as follows:

31 March 2017	The Group		
	Q1 2017 as reported	Adjustments	Q1 2017 restated
(Euro 000's)			
Income statement			
Mine site depreciation and amortization	(4,392)	(121) ⁽¹⁾	(4,513)
Gross margin	9,758		9,637
Operating profit	8,204		8,083
Finance costs	(833)	584 ⁽¹⁾	(249)
Profit before tax	7,101		7,564
Tax charge	(1,858)	(9) ⁽¹⁾	(1,867)
Basic earnings per share	4.5		4.9
Fully diluted earnings per share	4.4		4.8

- (1) The discount rate was re-assessed considering a risk free rate for the relevant periods as required by IAS 37. Discounting the provision using the risk free rate would not result in a significant impact to the financial statements and the Group has measured the liability on an undiscounted basis. The amount of the provision is in line with the court ruling. Finance costs have been revised to exclude the unwinding of discount and amortisation charge revised based on the restated carrying amount of Intangible assets

2.2 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.

Fair value measurements recognised in the consolidated statement of financial position

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

2. Basis of preparation and accounting policies (continued)

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)	Level1	Level2	Level 3	Total
31 March 2018				
Available for sale financial assets	12	-	-	12
Total	12	-	-	12
31 December 2017				
Available for sale financial assets	129	-	-	129
Total	129	-	-	129

2.3 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.

2.4 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 2018. The adoption of these Standards did not have a material effect on the condensed interim consolidated financial statements.

- IFRS 15 – Revenue from Contracts with Customers and Clarifications to IFRS 15 – Revenue from Contracts with Customers. New standard for recognising revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). The Company has adopted IFRS 15 as of January 1, 2018.
- IFRS 9 – Financial Instruments and subsequent amendments. This standard replaces the classification, measurement, recognition and derecognition in accounts of financial assets and liabilities, hedge accounting, and impairment set out in IAS 39 Financial instruments: Recognition and Measurement. The Company has adopted IFRS 9 as of January 1, 2018.
- IFRS 16 – Leases. The new standard on leases that replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. Effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payment. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessor continue to classify leases as finance or operating leases. The Company will adopt IFRS 16 as of 1 January 2019.

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

2. Basis of preparation and accounting policies (continued)

2.5 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.

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (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. Copper concentrates produced by the Group are sold to three offtakers as per the relevant offtake agreement (Note 17.3)

Geographical segments

The Group's mining activities are located in Spain. The commercialisation of the copper concentrates produced in Spain is carried out in Cyprus. Corporate costs and administration costs are based in Cyprus. Intercompany transactions within the Group are on arm's length basis in a manner similar to transaction with third parties.

	Cyprus	Spain	Other	Total
(Euro 000's)				
Three months ended 31 March 2018				
Sales	52,676	-	-	52,676
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	49,711	(34,708)	(5)	14,998
Depreciation/amortisation charge	-	(4,100)	-	(4,100)
Finance income	20	-	-	20
Finance cost	-	(27)	-	(27)
Foreign exchange (loss) / gain	454	(284)	-	170
Profit/(Loss) for the period before taxation	50,185	(39,119)	(5)	11,061
Tax charge	-	-	-	(2,271)
Net profit for the period				8,790
Total assets	59,608	326,118	200	385,926
Total liabilities	(12,598)	(117,112)	(58)	(129,768)
Depreciation of property, plant and equipment	-	3,070	-	3,070
Amortisation of intangible assets	-	1,030	-	1,030
Total net additions of non-current assets	-	9,096	-	9,096
Three months ended 31 March 2017 *restated				
Sales	25,648	-	-	25,648
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	23,734	(11,140)	9	12,603
Depreciation/amortisation charge	(3)	(4,513)	-	(4,516)
Finance income	-	16	-	16
Finance cost	(175)	(90)	-	(265)
Foreign exchange (loss) / gain	(292)	18	-	(274)
Profit/(loss) for the period before taxation	23,264	(15,709)	9	7,564
Tax charge	-	-	-	(1,867)
Net profit for the period				5,697
Total assets	1,852	324,921	7	326,780
Total liabilities	(27,602)	(103,263)	(19)	(130,884)
Depreciation of property, plant and equipment	3	3,523	-	3,526
Amortisation of intangible assets	-	990	-	990
Total net additions of non-current assets	-	5,770	-	5,770

(*) Refer to Note 2.1. (c)

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

4. Net finance cost

(Euro 000's)	Three months ended 31 March 2017	Three months ended 31 March 2017 *restated
Interest expense :		
Debt to department of social security and other interest	1	172
Interest on copper concentrate prepayment ⁽¹⁾	-	69
Unwinding of discount on mine rehabilitation provision (Note 13)	26	24
Interest income	<u>(20)</u>	<u>(16)</u>
	<u>7</u>	<u>249</u>

(*) Refer to Note 2.1. (c)

⁽¹⁾ Interest rate US\$ 3 months LIBOR + 2.75%

5. Earnings per share

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

(Euro 000's)	Three months ended 31 March 2018	Three months ended 31 March 2017 *restated
Parent company	142	(782)
Subsidiaries	<u>8,715</u>	<u>6,479</u>
Profit attributable to equity holders of the parent	<u>8,857</u>	<u>5,697</u>
Weighted number of ordinary shares for the purposes of basic earnings per share (000's)	<u>135,590</u>	<u>116,680</u>
Basic profit/(loss) per share (cents)	<u>6.5</u>	<u>4.9</u>
Weighted number of ordinary shares for the purposes of fully diluted earnings per share (000's)	<u>137,202</u>	<u>118,445</u>
Fully diluted profit per share (cents)	<u>6.5</u>	<u>4.8</u>

(*) Refer to Note 2.1. (c)

At 31 March 2018 there are 262,569 warrants (Note 10) and 1,334,333 options (Note 11) (2017: 262,569 warrants and 1,400,000 options) which have been included when calculating the weighted average number of shares for 2018.

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

6. Property, plant and equipment

(Euro 000's)	Land and buildings	Plant and machinery	Assets under construction ⁽²⁾	Deferred mining costs ⁽³⁾	Other assets ⁽⁴⁾	Total
Cost						
At 1 January 2017	40,188	144,930	566	13,848	838	200,370
Additions	334 ⁽¹⁾	-	543	3,751	-	4,628
Disposals	-	-	-	-	(53)	(53)
At 31 March 2017	40,522	144,930	1,109	17,599	785	204,945
Additions	73 ⁽¹⁾	-	11,208	4,718	-	15,999
Reclassifications	400	472	(872)	-	-	-
At 31 December 2017	40,995	145,402	11,445	22,317	785	220,944
Additions	370	-	8,021	285	-	8,676
Reclassifications	-	70	(70)	-	-	-
At 31 March 2018	41,365	145,472	19,396	22,602	785	229,620
Depreciation						
At 1 January 2017	1,736	5,073	-	1,758	423	8,990
Charge for the period	556	2,068	-	876	26	3,526
At 31 March 2017	2,292	7,141	-	2,634	449	12,516
Charge for the period	1,784	6,324	-	835	71	9,014
Disposals	-	-	-	-	(44)	(44)
At 31 December 2017	4,076	13,465	-	3,469	476	21,486
Charge for the period	589	2,102	-	364	15	3,070
At 31 March 2017	4,665	15,567	-	3,833	491	24,556
Net book value						
At 31 March 2018	36,700	129,905	19,396	18,769	294	205,064
At 31 December 2017	36,919	131,937	11,445	18,848	309	199,458

⁽¹⁾ Mine rehabilitation asset (Note 13).

⁽²⁾ Net of pre-commissioning sales

⁽³⁾ Stripping costs

⁽⁴⁾ Includes motor vehicles, furniture, fixtures and office equipment which are depreciated over 5-10 years.

The above fixed assets are located mainly in Spain.

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

7. Intangible assets

(Euro 000's)	Permits of Rio Tinto Project	Licences, R&D and software	Goodwill	Total
Cost				
At 1 January 2017	71,521	1,685	9,333	82,539
Additions	-	1,131	-	1,131
At 31 March 2017	71,521	2,816	9,333	83,670
Additions from acquisition of subsidiary	5,000	126	-	5,126
Additions	-	1,563	-	1,563
At 31 December 2017	76,521	4,505	9,333	90,359
Additions	17	464	-	481
At 31 March 2018	76,538	4,969	9,333	90,840
Amortisation				
On 1 January 2017	3,072	123	9,333	12,528
Charge for the period *restated	976	14	-	990
At 31 March 2017	4,048	137	9,333	13,518
Charge for the period *restated	3,097	44	-	3,141
At 31 December 2017	7,145	181	9,333	16,659
Charge for the period	1,019	11	-	1,030
At 31 March 2018	8,164	192	9,333	17,689
Net book value				
At 31 March 2018	68,374	4,777	-	73,151
At 31 December 2017	69,376	4,324	-	73,700

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

(* Refer to Note 2.1. (c))

The useful life of the intangible assets is estimated to be not less than fourteen years from the start of production (the revised Reserves and Resources statement which was announced in July 2016 has increased the life of mine to 16 ½ years).

The ultimate recovery of balances carried forward in relation to areas of interest or all such assets including intangibles is dependent on successful development, and commercial exploitation, or alternatively sale of the respective areas.

The Group conducts impairment testing on an annual basis unless indicators of impairment are not present at the reporting date. In considering the carrying value of the assets at Proyecto Riotinto, including the intangible assets and any impairment thereof, the Group assessed that no indicators were present as at 31 December 2017 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.

Permits include additions in 2017 amounting to €5,000,000 related to the Touro Project mining rights.

8. Inventories

(Euro 000's)	31 March 2018	31 Dec 2017
Finished products	720	4,797
Materials and supplies	7,684	8,003
Work in progress	1,190	874
	9,594	13,674

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

8. Inventories (continued)

Materials and supplies relate mainly to machinery spare parts. Work in progress represents ore stockpiles, which is ore that has been extracted and is available for further processing.

As of 31 March 2018, copper concentrate produced and not sold amounted to 1,121 tonnes. Accordingly, the inventory for copper concentrate was €0.7 million (31 Dec 2017: €4.8 million). During the period the Group recorded cost of sales amounting to €40.5 million (31 March 2017: €15.4 million).

9. Trade and other receivables

	31 March 2018	31 Dec 2017
(Euro 000's)		
Non-current		
Deposits	218	212
	<u>218</u>	<u>212</u>
Current		
Trade receivables	16,989	12,113
Receivables from related parties (Note 17.3)	-	56
Receivables from shareholders (Note 17.3)	1,039	1,556
Deposits and prepayments	224	221
VAT	13,699	17,804
Tax advances	1,712	1,716
Other receivables	1,500	747
	<u>35,163</u>	<u>34,213</u>

Trade receivables are shown net of any interest applied to prepayments. Payment terms are aligned with offtake agreements and market standards and generally are 7 days on 90% of the invoice and the remaining 10% at the settlement date which can vary between 1 to 5 months.

The fair 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
Issued and fully paid				
	000's	Euro 000's	Euro 000's	Euro 000's
Balance at 1 January 2017 and 31 March 2017	116,679	11,632	277,238	288,870
7 Dec 2017 Share placement at £1.67	18,575	1,560	33,182	34,742
Share issue costs	-	-	(843)	(843)
Balance at 31 December 2017	<u>135,254</u>	<u>13,192</u>	<u>309,577</u>	<u>322,769</u>
13 Feb 2018 Shares issued to Rumbo at £1.87	193	16	410	426
13 Feb 2018 Exercised share options at £1.44	29	3	45	48
Balance at 31 March 2018	<u>135,476</u>	<u>13,211</u>	<u>310,032</u>	<u>323,243</u>

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

10. Share capital and share premium (continued)

Authorised capital

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

Issued capital

2018

On 13 February 2018, the Company issued equity to satisfy both the payment of amounts due under the royalty agreement with Rumbo and the exercise of options by certain employees.

The Company issued 192,540 new ordinary shares of 7.5p to Rumbo at a price of 186.7p, thus creating a share premium of €410,146.

The Company was notified that certain employees exercised options over 29,000 ordinary shares of 7.5p at a price of 144p, thus creating a share premium of €44,576.

Warrants

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

Details of share warrants outstanding as at 31 March 2018:

	Number of warrants
Outstanding warrants at 1 January 2018 and 31 March 2018	<u>262,569</u>

On 20 February 2018, the Company received the notification from one of the warrants holders to exercise 233,184 warrants at an exercise price of 142.5 pence per share. As of the date of this Report, the shares are yet to be allotted, as the holder did not transfer the exercise price to the Group. The expiration date of the warrants is 24 June 2018.

11. Other reserves

(Euro 000's)	Share option	Bonus share	Depletion factor	Available-for-sale investment	Total
At 1 January 2017	6,384	208	-	(925)	5,667
Change in value of available-for-sale investment	-	-	-	(34)	(34)
Recognition of share based payments	16	-	-	-	16
Recognition of the Depletion factor	-	-	450	-	450
At 31 March 2017	6,400	208	450	(959)	6,099
Change in value of available-for-sale investment	-	-	-	(98)	(98)
Recognition of share based payments	136	-	-	-	136
At 31 December 2017	6,536	208	450	(1,057)	6,137
Change in value of available-for-sale investments	-	-	-	3	3
Recognition of share based payments	38	-	-	-	38
Recognition of the Depletion factor	-	-	5,050	-	5,050
At 31 March 2018	6,574	208	5,500	(1,054)	11,228

Share options

During the three month period there were no options granted to either employees or directors.

Notes to the condensed interim consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

11. Other reserves (continued)

In general, option agreements contain provisions adjusting the exercise price in certain circumstances including the allotment of fully paid ordinary shares by way of a capitalisation of the Company's reserves, a sub division or consolidation of the ordinary shares, a reduction of share capital and offers or invitations (whether by way of rights issue or otherwise) to the holders of ordinary shares.

Details of share options outstanding as at 31 March 2018:

	Number of share options 000's
Outstanding options at 1 January 2018	1,400
- Exercised during the reporting period	(29)
- Cancelled during the reporting period	(37)
Outstanding options at 31 March 2018	<u>1,334</u>

12. Trade and other payables

(Euro 000's)	31 March 2018	31 Dec 2017
Non-current		
Land options	<u>63</u>	<u>74</u>
	63	74
Current		
Trade payables	63,410	64,234
Land options and mortgage	791	791
Accruals	3,371	2,660
VAT payable	-	7
Other	<u>72</u>	<u>291</u>
	<u>67,644</u>	<u>67,983</u>

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

13. Provisions

(Euro 000's)	Legal costs	Rehabilitation costs	Total costs
1 January 2017	-	5,092	5,092
Additions	129	334	463
Finance cost	-	24	24
At 31 March 2017	<u>129</u>	<u>5,450</u>	<u>5,579</u>
Additions	81	73	157
Revision of discount rate	-	(98)	(98)
Finance cost	-	89	89
At 31 December 2017	<u>213</u>	<u>5,514</u>	<u>5,727</u>
Additions	-	396	396
Reversal of provision	(2)	-	(20)
At 31 March 2018	<u>198</u>	<u>5,910</u>	<u>6,103</u>

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(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

13. Provisions (continued)

(Euro 000's)	31 March 2018	31 Dec 2017
Non-current	6,103	5,727
Current	-	-
Total	6,103	5,727

Rehabilitation provision

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 discount rate used in the calculation of the net present value of the provision as at 31 March 2018 was 1.87%, which is the 15-year Spain Government Bond rate (31 December 2017: 1.87%, which is the 15-year Spain Government Bond rate). An inflation rate of 1.5% is applied on annual basis.

Legal provision

The Group has been named a defendant in several legal actions in Spain, the outcome of which is not determinable as at 31 March 2018. Management has reviewed individually each case and made a provision of €193 thousand for these claims, which has been reflected in these unaudited interim consolidated financial statements.

14. Deferred consideration

In September 2008, the Group moved to 100% ownership of Atalaya Riotinto Minera, S.L. ("ARM") (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. At the time of the acquisition, the Group signed a Master Agreement (the "Master Agreement") which included deferred consideration of €43.8 million (the "Deferred Consideration") and potential up-tick payments of up to €15.9 million depending on the price of copper (the "Up-tick Payment"), in consideration of (a) all parties accepting the legal structure of ARM (formerly Emed Tartessus); (b) the validity of various agreements entered into prior to the Master Agreement; and (c) the provision of indemnities by Astor and its agreement not to pursue litigation.

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 a senior debt finance facility for a sum sufficient to restart mining operations at Proyecto Riotinto ("Senior Debt Facility") and being able to draw down funds under the Senior Debt Facility. At the time of acquisition, the possible outcome for the obligation to pay the deferred consideration could not be determined.

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 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).

The Company also entered into a credit assignment agreement with a related company of Astor, 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 Shorthorn (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 to Astor, Atalaya Riotinto Project (UK) Limited has granted pledges over the issued capital of ARM and the Company has provided a parent company guarantee.

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

On 6 March 2017, judgment in the case brought by ("Astor Case") 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.

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.

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(All amounts in Euro thousands unless otherwise stated)

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14. Deferred consideration (continued)

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\$10.0 million a year which may be required for non-Proyecto Riotinto related expenses, ARM cannot make 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\$10.0 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 cease 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 the 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.

Previously, the Group had not recognised the Deferred Consideration in the initial purchase price allocation on the basis that the payment of the amounts was not considered probable. The High Court judgment of 6 March 2017 required the Group to revisit its estimates and assumption to book the liability.

As at 31 March 2018, the Group has not generated any excess cash and, consequently, no consideration has been paid.

As at the reporting date, the Group has presented the deferred consideration in the consolidated and standalone financial statements to reflect the Company's best estimate of the liability and the excess cash flows in the future years in the view of the High Court ruling of March 2017 and in line with IAS 37.

The nominal amount of the liability recognised is €53 million. In 2017 the discount rate used to measure the liability for the deferred consideration was re-assessed to apply a risk free rate for the relevant periods, as required by IAS 37. The effect of discounting, when applying this risk free rate, was considered insignificant and the Group has measured the liability for the deferred consideration on an undiscounted basis. The value of the liability for the Group and Company is in line with the court ruling issued on 6 March 2017 amounting to €53 million and €9.1 million respectively. For details on the restatement of the deferred consideration liability as at 31 December 2017, refer to 2017 Annual Report Note 2.1(c).

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 took place on 9th and 10th May 2018 and the Group is expecting the ruling in the coming months.

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.

During Q1 2018 the Group did not entered into any foreign exchange hedging contract.

15.2. Commodity contract

During the three months ended 31 March 2018, the Company had not entered into any hedging contract.

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16. Acquisition, incorporation and disposal of subsidiaries

On 14 February 2018, Atalaya Servicios Mineros, S.L. was incorporated. Atalaya Riotinto Project (UK) Limited is its sole shareholder.

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 2018	Three months ended 31 March 2017
Directors' remuneration and fees	256	180
Share option-based benefits to directors	7	2
Key management personnel remuneration	119	93
Share option-based and other benefits to key management personnel	-	9
	<u>382</u>	<u>284</u>

17.2 Share-based benefits

The directors and key management personnel have not been granted any options during the three month period ended 31 March 2018 (Q1 2017: 900,000 options were granted).

17.3 Transactions with related parties/shareholders

i) Transaction with shareholders

(Euro 000's)	Three months ended 31 March 2018	Three months ended 31 March 2017
Trafigura– Sales of goods	9,576	9,687
Orion Mine Finance (Master) Fund I LP ("Orion") – Sales of goods	-	(4)
	<u>9,576</u>	<u>9,683</u>

XGC was granted an offtake over 49.12% of life of mine reserves as per the NI 43-101 report issued in September 2016. Similarly, Orion was granted an offtake over 31.54% and Trafigura 19.34% respectively of life of mine reserves as per the same NI 43-101 report.

In November 2016, the Group was notified and consented the novation of the Orion offtake agreement as Orion reached an agreement with a third party to transfer the rights over the concentrates. Similarly, in December 2017, XGC notified to the Group the novation of the offtake agreements with a third party.

ii) Period-end balances with related parties

(Euro 000's)	31 March 2018	31 Dec 2017
Receivables from related parties:		
Recursos Cuenca Minera S.L.	-	56
Total (Note 9)	<u>-</u>	<u>56</u>

The above balances bear no interest and are repayable on demand.

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(All amounts in Euro thousands unless otherwise stated)

For the three months to 31 March 2018 and 2017 - (Unaudited)

17. Related party transactions (continued)

iii) Period-end balances with shareholders

(Euro 000's)	31 March 2018	31 Dec 2017
Trafigura – Debtor balance	1,039	1,556
Total (Note 9)	1,039	1,556

The above debtor balance arising from sales of goods and other balances 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.

The Junta de Andalucía notified the Group of another disciplinary proceeding for unauthorised discharge in 2014. The Group 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 the Group. Once the necessary time has lapsed, the Group 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.

20. Significant events

Rumbo royalty

In July 2012, Atalaya Riotinto Minera, S.L. signed a royalty agreement with Rumbo 5 Cero, S.L. ("Rumbo"), at which this last was entitled to receive a royalty payment of up to US \$250,000 per quarter if the average copper sales price or LME price for the period is equal or upper \$2.60/lb for ten years up to a maximum amount of US\$10,000,000. As the average copper price for the third and fourth quarter of 2017 were above \$2.60/lb, the company needed to pay a royalty amounted to \$500,000 to Rumbo. On 8 February 2018, the companies agreed to satisfy this payment through an issuance of 192,540 new ordinary shares at GB £7.5p.

After Atalaya announced on 13 February 2018 the issuance of new ordinary shares in the Company to satisfy the first two instalments generated on the third and fourth quarters of 2017, under the Royalty Agreement, Atalaya agreed the purchase of the royalty.

On 5 April 2018, the Company signed with Rumbo a contract to purchase the royalty agreement for a total consideration of US\$4,750,000 to be paid through the issuance of 1,600,907 new ordinary shares of GB £7.5p.

21. Events after the reporting period

The following events occurred after the reporting period:

- On 5 April 2018, Atalaya agreed to issue 1,600,907 new ordinary shares to purchase the Rumbo royalty agreement (Note 20).
- On 23 April 2018, the Company announced the completion of a pre-feasibility study for Proyecto Touro (Management's review Note 2). The Ni 43-101 report was filed on SEDAR and the Company's website on 21 May 2018.
- On 9 and 10 May 2018, the appeal hearing of Astor took place in the Court of Appeal in London (Note 14).