Consolidated and company statements of comprehensive income

Years ended 31 December 2018 and 2017

(Euro 000's)	Note	The Group 2018	The Company 2018	The Group 2017	The Company 2017
Revenue	5	**189,476**	**1,323**	160,537	1,015
Operating costs and mine site administrative expenses		**(128,707)**	**-**	(114,687)	-
Mine site depreciation and amortization	13,14	**(13,430)**	**-**	(16,664)	-
Gross profit		**47,339**	**1,323**	29,186	1,015
Administration and other expenses		**(5,867)**	**(4,370)**	(4,356)	(4,001)
Corporate depreciation		**-**	**-**	(7)	(7)
Share based benefits	24	**(216)**	**(10)**	(152)	(34)
Care and maintenance expenditure		**(281)**	**-**	-	-
Exploration expenses		**(1,021)**	**-**	-	-
Operating profit/(loss)	7	**39,954**	**(3,057)**	24,671	(3,027)
Other income	6	**158**	**117**	5	1
Net foreign exchange gain/(loss)	4	**1,613**	**40**	(2,212)	264
Interest income form financial assets at fair value	9	**-**	**13,615**	-	-
Interest income form financial assets at amortised cost	9	**71**	**2,569**	22	1,635
Finance costs	10	**(253)**	**-**	(579)	-
Profit/(loss) before tax		**41,543**	**13,284**	21,907	(1,127)
Tax	11	**(7,102)**	**(1,524)**	(3,696)	-
Profit / (loss) for the year		**34,441**	**11,760**	18,211	(1,127)
Profit / (loss) for the year attributable to:					
- Owners of the parent		**34,715**	**11,760**	18,239	(1,127)
- Non-controlling interests		**(274)**	**-**	(28)	-
		34,441	**11,760**	18,211	(1,127)
Earnings per share from operations attributable to equity holders of the parent during the year:					
Basic earnings per share (EUR cents per share)	12	**25.4**		15.5	
Fully diluted earnings per share (EUR cents per share)	12	**25.1**		15.3	
Profit / (loss) for the year		**34,441**	**11,760**	18,211	(1,127)
Other comprehensive income:					
Change in fair value of financial assets through other comprehensive income 'OCI'	21	**(58)**	**(58)**	-	-
Change in value of available-for-sale investments	20	**-**	**-**	(132)	(132)
Total comprehensive profit /(loss) for the year		**34,383**	**11,702**	18,079	(1,259)
Total comprehensive profit for the year attributable to:					
- Owners of the parent		**34,657**	**11,702**	18,107	(1,259)
- Non-controlling interests		**(274)**	**-**	(28)	-
		34,383	**11,702**	18,079	(1,259)

The notes on pages 7 to 59 are an integral part of these consolidated and Company financial statements.

Consolidated and company statements of financial position

As at 31 December 2018 and 2017

(Euro 000's)	Note	As at 31 December The Group 2018	As at 31 December The Company 2018	As at 31 December The Group 2017	As at 31 December The Company 2017
Assets					
Non-current assets					
Property, plant and equipment	13	**257,376**	**-**	199,458	-
Intangible assets	14	**71,951**	**-**	73,700	-
Investment in subsidiaries	15	**-**	**3,899**	-	3,693
Trade and other receivables	19	**249**	**290,104**	212	-
Deferred tax asset	17	**7,927**	**-**	10,130	-
		337,503	**294,003**	283,500	3,693
Current assets					
Inventories	18	**10,822**	**-**	13,674	-
Trade and other receivables	19	**23,688**	**6,689**	34,213	242,824
Available-for-sale investments	20	**-**	**-**	129	129
Other financial assets	21	**71**	**71**	-	-
Cash and cash equivalents	22	**33,070**	**826**	42,856	34,410
		67,651	**7,586**	90,872	277,363
Total assets		**405,154**	**301,589**	374,372	281,056
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	23	**13,372**	**13,372**	13,192	13,192
Share premium	23	**314,319**	**314,319**	309,577	309,577
Other reserves	24	**12,791**	**5,845**	6,137	5,687
Accumulated losses		**(58,308)**	**(50,657)**	(86,527)	(62,417)
		282,174	**282,879**	242,379	266,039
Non-controlling interests	25	**4,200**	**-**	4,474	-
Total equity		**286,374**	**282,879**	246,853	266,039
Liabilities					
Non-current liabilities					
Trade and other payables	26	**45**	**-**	74	-
Provisions	27	**6,519**	**-**	5,727	-
Deferred consideration	28	**53,000**	**9,117**	52,983	9,100
		59,564	**9,117**	58,784	9,100
Current liabilities					
Trade and other payables	26	**57,271**	**8,069**	67,983	5,917
Current tax liabilities	11	**1,945**	**1,524**	752	-
		59,216	**9,593**	68,735	5,917
Total liabilities		**118,780**	**18,710**	127,519	15,017
Total equity and liabilities		**405,154**	**301,589**	374,372	281,056

The notes on pages 7 to 59 are an integral part of these consolidated and company financial statements.
The consolidated and company financial statements were authorised for issue by the Board of Directors on 3 April and were signed on its behalf.

Roger Davey
Chairman

Alberto Lavandeira
Managing Director

Consolidated statements of changes in equity

Years ended 31 December 2018 and 2017

		Attributable to owners of the parent						
(Euro 000's)	Note	Share capital	Share Premium [2]	Other reserves[1]	Accumulated losses	Total	Non-controlling interest	Total equity
At 1 January 2017		11,632	277,238	5,667	(104,316)	190,221	-	190,221
Profit for the year		-	-	-	18,239	18,239	(28)	18,211
Change in value of available-for-sale investments	20	-	-	(132)	-	(132)	-	(132)
Total comprehensive income		-	-	(132)	18,239	18,107	(28)	18,079
Transactions with owners								
Issue of share capital	23	1,560	33,182	-	-	34,742	-	34,742
Share issue costs	23	-	(843)	-	-	(843)	-	(843)
Depletion factor	24	-	-	450	(450)	-	-	-
Recognition of share-based payments		-	-	152	-	152	-	152
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 year		**-**	**-**	**-**	**34,715**	**34,715**	**(274)**	**34,441**
Change in fair value of financial assets through OCI	21	**-**	**-**	**(58)**	**-**	**(58)**	**-**	**(58)**
Total comprehensive income		**-**	**-**	**(58)**	**34,715**	**34,657**	**(274)**	**34,383**
Transactions with owners								
Issue of share capital	23	**180**	**4,747**	**-**	**-**	**4,927**	**-**	**4,927**
Share issue costs	23	**-**	**(5)**	**-**	**-**	**(5)**	**-**	**(5)**
Depletion factor	24	**-**	**-**	**5,050**	**(5,050)**	**-**	**-**	**-**
Recognition of share-based payments		**-**	**-**	**216**	**-**	**216**	**-**	**216**
Recognition of non-distributable reserve	24	**-**	**-**	**1,446**	**(1,446)**	**-**	**-**	**-**
At 31 December 2018		**13,372**	**314,319**	**12,791**	**(58,308)**	**282,174**	**4,200**	**286,374**

[1] Refer to Note 24
[2] The share premium reserve is not available for distribution.

The notes on pages 7 to 59 are an integral part of these consolidated and company financial statements.

Company statements of changes in equity

Years ended 31 December 2018 and 2017

(Euro 000's)	Note	Share capital	Share premium[2]	Other reserves[1]	Accumulated losses	Total
At 1 January 2017		11,632	277,238	5,667	(61,290)	233,247
Loss for the year		-	-	-	(1,127)	(1,127)
Change in value of available-for-sale investments	20	-	-	(132)	-	(132)
Total comprehensive income		-	-	(132)	(1,127)	(1,259)
Issue of share capital	23	1,560	33,182	-	-	34,742
Share issue costs	23	-	(843)	-	-	(843)
Recognition of share-based payments		-	-	152	-	152
At 31 December 2017/1 January 2018		**13,192**	**309,577**	**5,687**	**(62,417)**	**266,039**
Profit for the year		**-**	**-**	**-**	**11,760**	**11,760**
Change in fair value of financial assets through OCI	21	**-**	**-**	**(58)**	**-**	**(58)**
Total comprehensive income		**-**	**-**	**(58)**	**11,760**	**11,702**
Issue of share capital	23	**180**	**4,747**	**-**	**-**	**4,927**
Share issue costs	23	**-**	**(5)**	**-**	**-**	**(5)**
Recognition of share-based payments		**-**	**-**	**216**	**-**	**216**
At 31 December 2018		**13,372**	**314,319**	**5,845**	**(50,657)**	**282,879**

[1] Refer to Note 24
[2] The share premium reserve is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 7 to 59 are an integral part of these consolidated and company financial statements.

Consolidated statements of cash flow

Years ended 31 December 2018 and 2017

(Euro 000's)	Note	2018	2017
Cash flows from operating activities			
Profit before tax		**41,543**	21,907
Adjustments for:			
Depreciation of property, plant and equipment	13	**10,143**	12,540
Amortisation of intangible assets	14	**3,287**	4,131
Recognition of share-based payments	24	**216**	152
Hedging income	10	**-**	(205)
Interest income	9	**(71)**	(22)
Interest expense	10	**214**	671
Unwinding of discounting	10	**39**	113
Legal provisions	27	**(86)**	213
Release of prior year provision	6	**(117)**	-
Gain on disposal of associate	6	**-**	(49)
Loss on disposal of intangibles		**955**	-
Impairment on available-for-sale investment	20	**-**	49
Unrealised foreign exchange loss on financing activities		**179**	11
Cash inflows from operating activities before working capital changes		**56,302**	39,511
Changes in working capital:			
Inventories	18	**2,852**	(7,479)
Trade and other receivables	19	**11,697**	(2,653)
Trade and other payables		**(10,334)**	5,350
Derivative instruments		**-**	(215)
Deferred consideration		**17**	-
Provisions	27	**-**	(733)
Cash flows from operations		**60,534**	33,781
Interest paid		**(214)**	(671)
Tax paid		**(4,987)**	(2,610)
Net cash from operating activities		**55,333**	30,500
Cash flows from investing activities			
Purchases of property, plant and equipment	13	**(63,216)**	(20,220)
Purchases of intangible assets	14	**(2,492)**	(2,694)
Proceeds from sale of property, plant and equipment		**-**	9
Disposal of subsidiary	15	**(75)**	-
Purchase of other financial assets	21	**-**	-
Hedging income	10	**-**	205
Interest received	9	**71**	22
Net cash used in investing activities		**(65,712)**	(22,678)
Cash flows from financing activities			
Proceeds from issue of share capital		**598**	34,742
Listing and issue costs	23	**(5)**	(843)
Net cash from financing activities		**593**	33,899
Net (decrease) / increase in cash and cash equivalents		**(9,786)**	41,721
Cash and cash equivalents:			
At beginning of the year	22	**42,856**	1,135
At end of the year	22	**33,070**	42,856

The notes on pages 7 to 59 are an integral part of these consolidated and company financial statements.

Company statements of cash flow

Years ended 31 December 2018 and 2017

(Euro 000's)	Note	2018	2017
Cash flows from operating activities			
Profit/(loss) before tax		**13,284**	(1,127)
Adjustments for:			
Depreciation of property, plant and equipment	13	**-**	7
Share-based payments	7	**10**	34
Interest income	9	**(63)**	-
Interest income from interest-bearing intercompany loans	9	**(16,121)**	(1,635)
Loss on available-for-sale investment	6	**-**	49
Release of prior year provision	6	**(117)**	-
Gain on disposal of associate	6	**-**	(45)
Unrealised foreign exchange loss on financing activities		**209**	(3)
Cash inflows used in operating activities before working capital changes		**(2,798)**	(2,720)
Changes in working capital:			
Increase in trade and other receivables	19	**(53,969)**	(2,579)
Increase in trade and other payables	26	**2,077**	3,846
Cash flows used in operations		**(54,690)**	(1,453)
Interest paid		**-**	-
Net cash used in operating activities		**(54,690)**	(1,453)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**-**	9
Interest received	9	**63**	-
Interest income from interest-bearing intercompany loans	9	**16,121**	1,635
Net cash from investing activities		**16,184**	1,644
Cash flows from financing activities			
Proceeds from issue of share capital	23	**4,927**	34,742
Listing and issue costs	23	**(5)**	(843)
Net cash from financing activities		**4,922**	33,899
Net (decrease)/increase in cash and cash equivalents		**(33,584)**	34,090
Cash and cash equivalents:			
At beginning of the year	22	**34,410**	320
At end of the year	22	**826**	34,410

The notes on pages 7 to 59 are an integral part of these consolidated and company financial statements

Notes to the consolidated and company financial statements

Years ended 31 December 2018 and 2017

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 December 2018.

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

Changed on name and share consolidation

Following the Company's EGM on 13 October 2015, the change of the name 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 £0.075 for every 30 existing ordinary shares of nominal value of £0.0025.

Principal activities

The Company owns and operates through a wholly-owned subsidiary, "The Riotinto Project", an open-pit copper mine located in the Pyritic belt, in the Andalusia region of Spain, approximately 65 km northwest of Seville.

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

The Company's and its subsidiaries' activity 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. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and company financial statements (hereinafter "financial statements") are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Overview

The financial statements of Atalaya Mining Plc have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRICs") as issued by the IASB.

Additionally, the financial statements have also been prepared in accordance with the IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. For the year ending 31 December 2018, the standards applicable for IFRS's as adopted by the EU are aligned with the IFRS's as issued by the IASB.

The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period, as explained below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.4.

2. Summary of significant accounting policies (continued)

(b) Going concern

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

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards and interpretations

During the current year the Group and the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018.

The Group and the Company applied IFRS 9 and IFRS 15 for the first time from 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses the classification, measurement, and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Based on the assessment performed, the new guidance has the following impacts on the classification and measurement of its financial instruments.

- Classification and measurement of the embedded derivatives arising from sales: The financial assets and liabilities arising from the revaluation of provisional priced contracts were previously disclosed separately in the balance sheet as part of “Other financial assets/liabilities”. Under IFRS 9, the embedded derivative is no longer separated from the host contract and therefore the revaluation of provisionally priced contract is disclosed within the receivable of the host contract in “Trade and other receivables” and classified as fair value through profit and loss. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group’s trade receivables (subject to provisional pricing). No significant impact on measurement on transition to IFRS 9.
- Classification and measurement of the Parent Company participative loan: The Participative loan was previously classified at amortised cost. Under IFRS 9 the classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. The Participative loan is now classified as fair value through profit and loss. No significant impact on measurement on transition to IFRS 9.
- Financial assets at fair value through Other Comprehensive Income (“OCI”): The equity instruments that were classified as available-for-sale financial assets satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and therefore there is no impact in classification. Gains and losses accumulated in other comprehensive income are not recycled to the income statement.

Furthermore, under IFRS 9 there is no exception to carry investments in entities at costs less any recognised impairment and therefore, fair value will need to be calculated. There are no other significant changes to the accounting treatment of these assets.

- Impairment: The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Group applies the simplified approach and records lifetime expected losses on all trade receivables. However, given the short term nature of the Group’s receivables, there is not a significant impact in the financial statements.

  For the Parent Company, current and non-current receivables (except for non-current assets at fair value through profit and loss) are stated at amortised cost. A provision for impairment of receivables is established using the expected credit loss impairment model according IFRS 9.

2. Summary of significant accounting policies (cont.)

2.2 Changes in accounting policy and disclosures (cont.)

2.2.1 New and amended standards and interpretations (cont.)

The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

- Disclosures: The standard introduces expanded disclosure requirements and changes in presentation included in this report. The Group also assessed other changes introduced by IFRS 9 that have no impact
- on the financial statements as explained below:
- There is no impact on the accounting for financial liabilities, as the new requirements of IFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.
- No impacts in relation to derecognition of financial instruments as the same rules have been transferred from IAS39 Financial Instruments: Recognition and Measurement

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue arising from contracts with customers. The new revenue standard supersedes all current revenue recognition requirements under IFRS.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group evaluates recognition and measurement of revenue based on the five-step model in IFRS 15 and has not identified significant financial impacts, hence no adjustments were recorded derived from the adoption of IFRS 15 other than certain reclassifications as explained below.

The Group adopted the new standard from 1 January 2018 applying the simplified transition method and modified retrospective approach. Certain disclosures changed as a result of the requirements of IFRS 15.

The key issues identified, and the Group's views and perspective are set below:

The revaluation of provisionally priced contracts is recorded as an adjustment to revenue. IFRS 15 does not change the assessment of the provisional price adjustment, but they are not considered within the scope of IFRS 15, and consequently have to be disclosed separately (refer to Note 5).

Impact of shipping terms: The group sells a very small portion of its products on CIF Incoterms and therefore the Group is responsible for shipping services after the date at which control of the copper passes to the customer. Under IAS 18, these shipping services were not considered to be part of the revenue transaction and thus the Group disclosed them as selling expenses. However, under IFRS 15, the Group reclassified the portion of these selling expenses relating to transport of copper from the Group's production plants to the ports and to the customers, and reclassify those costs to cost of sales. The shipping services reclassified for the period ending 31 December 2018 amounted to €1.0 million. The Group assessed the amount of costs related to shipping services which are considered a separate performance obligation under IFRS 15 and therefore, a portion of the revenue currently recognised when the title has passed to the customer will need to be deferred and recognised as the shipping services are subsequently provided. Under IFRS 15 the costs related to shipping services are considered a separate performance obligation and therefore they should be deferred and recognised as the shipping services are subsequently provided. Based on the Group's assessment, the shipping services being provided at the beginning and end of the reporting period are immaterial and therefore these have not been deferred. The total shipping services recognised during the year as a separate performance obligation under IFRS 15 amounts to €1.0 million and have been disclosed in Note 5.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. As the Company does not have cash settled awards, the amendments to IFRS 2 do not impact the Consolidated and Company's financial statements

2. Summary of significant accounting policies (cont.)

2.2 Changes in accounting policy and disclosures (cont.)

2.2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. Some of them were adopted by the European Union and others not yet. The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 – Leases

The new standard on leases that replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. Under the provisions of the standard most leases, including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability increased for the accretion of interest and reduced by lease payments.

Atalaya has completed an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group´s borrowing rate at 1 January 2019, the composition of Atalaya´s borrowing rate at 1 January 2019, the composition of Atalaya´s portfolio at that date, its latest assessment of whether it will exercise any lease renewal options, and the extent to which Atalaya chooses to use practical expedients and recognition exemptions. The directors continue to consider the potential effects on the Group's financial statements and do not currently expect that there will be a material impact, given the current market and internal conditions.

IFRS 9: Prepayment features with negative compensation (Amendment)

These Amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted, These Amendments have no impact on the consolidated financial statements of the Group..

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

2. Summary of significant accounting policies (cont.)

2.2 Changes in accounting policy and disclosures (cont.)

2.2.2 Standards issued but not yet effective (cont.)

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

(i) ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*****:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(ii) **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized. The standard has been endorsed by EU. The adoption of these amendments are effective for accounting periods beginning on 1 January 2019. The Group has assessed that these amendments have no material effect on the Group and the Company financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

2. Summary of significant accounting policies (cont.)

2.2 Changes in accounting policy and disclosures (cont.)

2.2.2 Standards issued but not yet effective (cont.)

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management is currently evaluating the effect of these standards or interpretations on its financial statements.

IFRS 3: Business Combinations (amendments)

The IASB issued amendments in Definition of a Business (amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. These amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of ‘material’ (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. They clarify the definition of material and how it should be applied. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity’. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRS Standards. The Group and Company does not expect these amendments to have a material impact on its results and financial position.

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020. The Group and Company does not expect this framework to have a material impact on its results and financial position.

2.3 Consolidation

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Atalaya Mining Plc and its subsidiaries.

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group and the Company has control. Control exists when the Group is exposed, or has rights, to variable returns for its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

2. Summary of significant accounting policies (cont.)

2.3 Consolidation (cont.)

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The only operating subsidiary of Atalaya Mining Plc is the 100% owned Atalaya Riotionto Minera, S.L.U. which operates "Proyecto Minero Riotinto", in the historical site of Huelva, Spain.

The name and shareholding of the entities include in the Group in these financial statements are:

Entity name	Business	%[2]	Country
Atalaya Mining, Plc	Holding	n/a	Cyprus
EMED Marketing Ltd.	Marketing	100%	Cyprus
EMED Mining Spain, S.L.	Dormant	100%	Spain
Atalaya Riotinto Minera, S.L.U.	Operating	100%	Spain
Recursos Cuenca Minera, S.L.	Operating	50%	Spain
Atalaya Minasderiotinto Project (UK), Ltd.	Holding	100%	United Kingdom
Eastern Mediterranean Exploration & Development, S.L.U.	Operating	100%	Spain
Atalaya Touro (UK), Ltd.	Holding	100%	United Kingdom
Fundación Atalaya Riotinto	Trust	100%	Spain
Cobre San Rafael, S.L. [1]	Operating	10%	Spain
Atalaya Servicios Mineros, S.L.U.	Dormant	100%	Spain

Notes

(1) Cobre San Rafael, S.L. is the entity which holds the mining rights of the Touro Project. The Group has control in the management of Cobre San Rafael, S.L., including one of the two directors, management of the financial books and the capacity to appoint the key personnel. Refer to Note 30 for details on the acquisition of Cobre San Rafael, S.L.

(2) The effective proportion of shares held as at 31 December 2018 and 2017 remained unchanged.

The Group applied the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the transferred assets, liabilities incurred by the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The Group recognised any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionated share of the recognised amounts of acquiree's identifiable net assets.

(c) Acquisition-related costs are expensed as incurred.
If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies (cont.)

2.3 Consolidation (cont.)

(d) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(e) Disposal of subsidiaries
When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(f) Associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (generally accompanying a shareholding of between 20% and 50% of the voting rights), but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates or joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates or joint ventures includes goodwill identified on acquisition.

If the ownership interest in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or the joint venture and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' or joint ventures' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associates or the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates or joint ventures are recognised in the income statement.

(g) Functional currency

Functional and presentation currency items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro which is the Group and the Company functional and presentation currency.

2. Summary of significant accounting policies (cont.)

2.3 Consolidation (cont.)

Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end spot exchange rates.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Gains or losses of monetary and non-monetary items are recognised in the income statement.

Balance sheet items are translated at period-end exchange rates. Exchange differences on translation of the net assets of such entities are taken to equity and recorded in a separate currency translation reserve.

2.4 Investments in subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

2.5 Interest in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic, financial and operating policy decisions relating to the activities the joint arrangement require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint arrangements directly, the Group’s share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group’s share of the output of jointly controlled assets, and its share of joint arrangement expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group undertakes joint arrangements that involve the establishment of a separate entity in which each acquiree has an interest (jointly controlled entity). The Group reports its interests in jointly controlled entities using the equity method of accounting.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group’s interest in the joint arrangement.

2. Summary of significant accounting policies (cont.)

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO who makes strategic decisions.

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

2.7 Inventory

Inventory consists in copper concentrates, ore stockpiles and metal in circuit and spare parts. Inventory is physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Cost is determined by using the FIFO method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each metal are specifically allocated.

Materials and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

2.8 Assets under construction

All subsequent expenditure on the construction, installation or completion of infrastructure facilities including mine plants and other necessary works for mining, are capitalised in “Assets under construction”. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in “Assets under construction” are then transferred to the relevant asset categories.

Once a project has been established as commercially viable, related development expenditure is capitalised. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs. Capitalization of costs incurred and proceeds received during the development phase ceases when the property is capable of operating at levels intended by management.

Capitalisation ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

Pre-commissioning sales are offset against the cost of constructing the asset. No depreciation is recorded until the assets are substantially complete and ready for productive use.

2.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the assets’ carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of the associated mine (“LOM”), field or lease. Depreciation commences when the asset is available for use.

2. Summary of significant accounting policies (cont.)

2.9 Property, plant and equipment (cont.)

The major categories of property, plant and equipment are depreciated/amortised on a Unit of Production ("UOP") and/or straight-line basis as follows:

Buildings	UOP
Mineral rights	UOP
Deferred mining costs	UOP
Plant and machinery	UOP
Motor vehicles	5 years
Furniture/fixtures/office equipment	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains – net" in the income statement.

(a) Mineral rights
Mineral reserves and resources which can be reasonably valued are recognised in the assessment of fair values on acquisition. Mineral rights for which values cannot be reasonably determined are not recognised. Exploitable mineral rights are amortised using the UOP basis over the commercially recoverable reserves and, in certain circumstances, other mineral resources. Mineral resources are included in amortisation calculations where there is a high degree of confidence that they will be extracted in an economic manner.

(b) Deferred mining costs – stripping costs
Mainly comprises of certain capitalised costs related to pre-production and in-production stripping activities as outlined below.

Stripping costs incurred in the development phase of a mine (or pit) before production commences are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a UOP basis.

In-production stripping costs related to accessing an identifiable component of the ore body to realise benefits in the form of improved access to ore to be mined in the future (stripping activity asset), are capitalised within deferred mining costs provided all the following conditions are met:

i. it is probable that the future economic benefit associated with the stripping activity will be realised;
ii. the component of the ore body for which access has been improved can be identified; and
iii. the costs relating to the stripping activity associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of income as they are incurred.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs.

(c) Exploration costs
Under the Group's accounting policy, exploration expenditure is not capitalised until the management determines a property will be developed and point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the Group. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

2. Summary of significant accounting policies (cont.)

2.9 Property, plant and equipment (cont.)

(d) Major maintenance and repairs
Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

(e) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred.

(f) Restoration, rehabilitation and decommissioning
Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted using a risk adjusted discount rate to their net present value, are provided for and capitalised at the time such an obligation arises.

The costs are charged to the consolidated statement of income over the life of the operation through depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site disturbance, which are created on an ongoing basis during production, are provided for at their net present values and charged to the consolidated statement of income as extraction progresses.

Changes in the estimated timing of the rehabilitation or changes to the estimated future costs are accounted for prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, provided the reduction in the provision is not greater than the depreciated capitalised cost of the related asset, in which case the capitalised cost is reduced to nil and the remaining adjustment recognised in the consolidated statement of income. In the case of closed sites, changes to estimated costs are recognised immediately in the consolidated statement of income.

2.10 Intangible assets

(a) Business combination and goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the acquired interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

The results of businesses acquired during the year are brought into the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of a business which can be measured reliably are recorded at their provisional fair values at the date of acquisition. Provisional fair values are finalised within 12 months of the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Permits
Permits are capitalised as intangible assets which relate to projects that are at the pre-development stage. No amortisation charge is recognised in respect of these intangible assets. Once the Group receives those permits, the intangible assets relating to permits will be depreciated on a UOP basis.

Other intangible assets include computer software.

2. Summary of significant accounting policies (cont.)

2.10 Intangible assets (cont.)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets and liabilities

2.12.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost.
- those to be measured subsequently at fair value through OCI, and.
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. Summary of significant accounting policies (cont.)

2.12 Financial assets and liabilities (cont.)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

2.12.2 Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Impairment losses are presented as separate line item in the statement of profit or loss.

The Group's financial assets at amortised cost include receivables (other than trade receivables which are measured at fair value through profit and loss) and cash and cash equivalents.

The Company´s financial assets at amortised cost include current and non-current receivables (other than trade receivables which are measured at fair value through profit and loss) and cash and cash equivalents.

2.12.3 Fair value through other comprehensive income

Financial assets which are debt instruments, that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

At transition to IFRS 9, the Group had certain financial asset that were accounted for as debt instruments at fair value through other comprehensive income; however, at the reporting date, no such assets existed.

2.12.4 Equity instruments designated as fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

2.12.5 Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

2.12.6 De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.12.7 Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. Expected credit losses are based on the difference

2. Summary of significant accounting policies (cont.)

2.12 Financial assets and liabilities (cont.)

between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables (other than trade receivables which are measured at FVPL), the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12.8 Hedge accounting

The Group does not apply hedge accounting

2.13 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

(a) An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

(b) A liability is current when either:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.14 Cash and cash equivalents

In the consolidated and company statements of cash flows, cash and cash equivalents includes cash in hand and in bank including deposits held at call with banks, with a maturity of less than 3 months.

2.15 Provisions

Provisions for environmental restoration, restructuring costs and legal claims 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 the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.16 Interest-bearing loans and borrowings

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently

2. Summary of significant accounting policies (cont.)

2.16 Interest-bearing loans and borrowings (cont.)

stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

Financial liabilities and trade payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

2.17 Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of an agreement is deferred. It is stated at fair value at the date of recognition, which is determined by discounting the amount due to present value at that date. Interest is imputed on the fair value of non-interest bearing deferred consideration at the discount rate and expensed within interest pay able and similar charges. At each balance sheet date deferred consideration comprises the remaining deferred consideration valued at acquisition plus interest imputed on such amounts from recognition to the balance sheet date.

2.18 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds in the share premium account.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However,

2. Summary of significant accounting policies (cont.)

2.19 Current and deferred income tax (cont.)

deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Share-based payments

The Group operates a share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The fair value is measured using the Black Scholes pricing model. The inputs used in the model are based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

Vesting conditions are: (i) the personnel should be an employee that provides services to the Group; and (ii) should be in continuous employment for the whole vesting period of 3 years. Specific arrangements may exist with senior managers and board members, whereby their options stay in use until the end.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (Note 24).

2.21 Rehabilitation provisions

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognised immediately in the consolidated income statement.

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the consolidated statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required.

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease

2. Summary of significant accounting policies (cont.)

2.22 Leases (cont.)

only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or

d) There is a substantial change to the asset.

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2.23 Revenue recognition

(a) Revenue from contracts with customers

Atalaya is principally engaged in the business of producing copper concentrate and in some instances, provides freight/shipping services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which Atalaya expects to be entitled in exchange for those goods or services. Atalaya has concluded that it is the principal in its revenue contracts because it controls the goods or services before transferring them to the customer.

(b) Copper in concentrate (metal in concentrate) sales

For most copper in concentrate (metal in concentrate) sales, the enforceable contract is each purchase order, which is an individual, short-term contract. For the Group's metal in concentrate sales not sold under CIF Incoterms, the performance obligations are the delivery of the concentrate. A proportion of the Group's metal in concentrate sales are sold under CIF Incoterms, whereby the Group is also responsible for providing freight services. In these situations, the freight services also represent separate performance obligation (see paragraph (c) below).

The majority of the Group's sales of metal in concentrate allow for price adjustments based on the market price at the end of the relevant QP stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months.

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognised. For those arrangements subject to CIF shipping terms, a portion of the transaction price is allocated to the separate freight services provided (See paragraph (c) below).

For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognised as part of revenue in the statement of profit or loss and other comprehensive income each period and disclosed

2. Summary of significant accounting policies (cont.)

2.23 Revenue recognition (cont.)

separately from revenue from contracts with customers as part of 'Fair value gains/losses on provisionally priced trade receivables'. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for copper as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments.

Final settlement is based on quantities adjusted as required following the inspection of the product by the customer as well as applicable commodity prices. IFRS 15 requires that variable consideration should only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As the adjustments relating to the final assay results for the quantity and quality of concentrate sold are not significant, they do not constrain the recognition of revenue.

(c) Freight services

As noted above, a proportion of the Group's metal in concentrate sales are sold under CIF Incoterms, whereby the Group is responsible for providing freight services (as principal) after the date that the Group transfers control of the metal in concentrate to its customers. The Group, therefore, has separate performance obligation for freight services which are provided solely to facilitate sale of the commodities it produces.

The revenue from freight services is a separate performance obligation under IFRS 15 and therefore is recognised as the service is provided, hence at year end a portion of revenue must be deferred.

Other Incoterms commonly used by the Group are FOB, where the Group has no responsibility for freight or insurance once control of the products has passed at the loading port, Ex works where control of the goods passes when the product is picked up at seller´s promises, and CIP where control of the goods passes when the product is delivered to the agreed destination. For arrangements which have these Incoterms, the only performance obligations are the provision of the product at the point where control passes.

(d) Sales of services

The Group sells services in relation to maintenance of accounting records, management, technical, administrative support and other services to other companies. Revenue is recognised in the accounting period in which the services are rendered.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.
From time to time, the Group recognises contract liabilities in relation to some metal in concentrate sales which are sold under CIF Incoterms, whereby a portion of the cash may be received from the customer before the freight services are provided.

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.25 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial

2. Summary of significant accounting policies (cont.)

2.26 Dividend distribution (cont.)

statements in the period in which the dividends are approved by the Company's shareholders. No dividend has been paid by the Company since its incorporation.

2.27 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

2.28 Amendment of financial statements after issue

The consolidated and company financial statements were authorised for issue by the Board of Directors on 3 April 2019. The Board of Directors has the power to amend the consolidated financial statements after issue.

2.29 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes to the consolidated and company financial statements

Years ended 31 December 2018 and 2017

3. Financial Risk Management

3.1 Financial risk factors

Risk management is overseen by the AFRC under the Board of Directors. The AFRC oversees the risk management policies employed by the Group to identify, evaluate and hedge financial risks, in close co-operation with the Group's operating units. The Group is exposed to liquidity risk, currency risk, commodity price risk, credit risk, interest rate risk, operational risk, compliance risk and litigation risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

(a) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash to meet liabilities when due. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows.

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(Euro 000's)	Carrying amounts	Contractual cash flows	Less than 3 months	Between 3 – 12 months	Between 1 – 2 years	Between 2 – 5 years	Over 5 years
31 December 2018							
Land options and mortgages	**823**	**823**	**-**	**791**	**32**	**-**	**-**
Tax liability	**1,945**	**1,945**	**-**	**1,945**	**-**	**-**	**-**
Deferred consideration	**53,000**	**53,000**	**-**	**-**	**53,000**	**-**	**-**
Trade and other payables	**56,493**	**56,493**	**49,710**	**6,770**	**13**	**-**	**-**
	112,261	**112,261**	**49,710**	**9,506**	**53,045**	**-**	**-**
31 December 2017							
Land options and mortgages	74	74	10	32	32	-	-
Provisions	5,727	5,727	-	228	373	165	4,961
Deferred consideration	52,983	52,983	-	-	35,220	17,763	-
Trade and other payables	67,983	67,983	67,983	-	-	-	-
	126,767	126,767	67,993	260	35,625	17,928	4,961

THE COMPANY

(Euro 000's)	Carrying amounts	Contractual cash flows	Less than 3 months	Between 3 – 12 months	Between 1 – 2 years	Between 2 – 5 years	Over 5 years
31 December 2018							
Tax liability	**1,524**	**1,524**	**-**	**1,524**	**-**	**-**	**-**
Deferred consideration	**9,117**	**9,117**	**-**	**-**	**9,117**	**-**	**-**
Trade and other payables	**8,069**	**8,069**	**6,124**	**1,945**	**-**	**-**	**-**
	18,710	**18,710**	**6,125**	**3,469**	**9,117**	**-**	**-**
31 December 2017							
Deferred consideration	9,100	9,100	-	-	-	9,100	-
Trade and other payables	5,917	5,917	1,303	4,614	-	-	-
	15,017	15,017	1,303	4,614	-	9,100	-

(b) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the British Pound. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

3. Financial Risk Management (cont.)

3.1 Financial risk factors (cont.)

‘(b) Currency risk (cont.)

(Euro 000’s)	Liabilities 2018	Liabilities 2017	Assets 2018	Assets 2017
United States dollar	**1,011**	1,554	**32,318**	21,660
Great Britain pound	**13**	139	**261**	34,346
Australian dollar	**138**	416	**-**	-
South African rand	**13**	5	**-**	-

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2018 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on profit or loss and other equity.

(Euro 000’s)	Equity 2018	Equity 2017	Profit or (loss) 2018	Profit or (loss) 2017
United States dollar	**3,131**	2,011	**3,131**	2,011
Great Britain pound	**25**	3,421	**25**	3,421
Australian dollar	**(14)**	42	**(14)**	42
South African rand	**(1)**	1	**(1)**	1

(c) Commodity price risk

Commodity price is the risk that the Group’s future earnings will be adversely impacted by changes in the market prices of commodities, primarily copper. Management is aware of this impact on its primary revenue stream but knows that there is little it can do to influence the price earned apart from a hedging scheme.

Commodity price hedging is governed by the Group´s policy which allows to limit the exposure to prices. The Group may decide to hedged part of its production during the year.

(d) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. The Group has policies to limit the amount of credit exposure to any financial institution.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the maximum credit exposure without taking account of the value of any collateral obtained:

(Euro 000’s)	2018	2017
Unrestricted cash and cash equivalent at Group	**24,357**	39,179
Unrestricted cash and cash equivalent at operating entity	**8,463**	3,427
Restricted cash at the operating entity	**250**	250
Cash and cash equivalents	**33,070**	42,856

Restricted cash held as at 31 December 2018 is a collateral of a bank guarantee provided to a contractor.

Other than the above, there are no collaterals held in respect of these financial instruments and there are no financial assets that are past due or impaired as at 31 December 2018.

(e) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group’s management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

(Euro 000’s)	2018	2017
Variable rate instruments		
Financial assets	**33,070**	42,856

3. Financial Risk Management (cont.)

3.1 Financial risk factors (cont.)

'(e) Interest rate risk (cont.)

An increase of 100 basis points in interest rates at 31 December 2018 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

(Euro 000's)	Equity		Profit or loss	
	2018	2017	**2018**	2017
Variable rate instruments	**331**	429	**331**	429

(f) Operational risk
Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

(g) Compliance risk
Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations. The Group has systems in place to mitigate this risk, including seeking advice from external legal and regulatory advisors in each jurisdiction.

(h) Litigation risk
Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

3.2 Capital risk management

The Group considers its capital structure to consist of share capital, share premium and share options reserve. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group issues new shares. The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The AFRC reviews the capital structure on a continuing basis.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as provisions plus deferred consideration plus trade and other payables less cash and cash equivalents.

(Euro 000's)	2018	2017
Net debt[1]	**85,710**	84,663
Total equity	**282,174**	246,853
Total capital	**367,884**	331,516
Gearing ratio	**23.3%**	25.5%

[1] *Net debt includes non-current and current liabilities net of cash and cash equivalent.*

The decrease in the gearing ratio during FY2018 was mainly due to the profit generated during the year.

3.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

3. Financial Risk Management (cont.)

3.3 Fair value estimation (cont.)

The fair value of financial instruments traded in active markets, such as publicly traded 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.

Fair value measurements recognised in the consolidated statement and company 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).

THE GROUP

(Euro 000's)	Level 1	Level 2	Level 3	Total
31 December 2018				
Other financial assets				
Financial assets at FV through OCI	**71**	**-**	**-**	**71**
Trade and other receivables				
Receivables (subject to provisional pricing)	**-**	**6,959**	**-**	**6,959**
Total	**71**	**6,959**	**-**	**7,030**
31 December 2017				
Financial assets				
Available for sale financial assets	129	-	-	129
Total	129	-	-	129

THE COMPANY

(Euro 000's)	Level 1	Level 2	Level 3	Total
31 December 2018				
Non-current receivables				
Financial assets at FV through profit and loss	**-**	**-**	**215,308**	**215,308**
Other current assets				
Financial assets at FV through OCI	**71**	**-**	**-**	**71**
Total	**71**	**-**	**215,308**	**215,379**
31 December 2017				
Financial assets				
Available for sale financial assets	129	-	-	129
Total	129	-	-	129

3.4 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required.

(a) Capitalisation of exploration and evaluation costs

Under the Group's accounting policy, exploration and evaluation expenditure is not capitalised until the point is

3. Financial Risk Management (cont.)

3.4 Critical accounting estimates and judgements (cont.)

reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the Group. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not proven viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

(b) Stripping costs

The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the orebodies to be mined, the latter being referred to as a stripping activity asset. Judgement is required to distinguish between the development and production activities at surface mining operations.

The Group is required to identify the separately identifiable components or phases of the orebodies for each of its surface mining operations. Judgement is required to identify and define these components, and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments may vary between mines because the assessments are undertaken for each individual mine and are based on a combination of information available in the mine plans, specific characteristics of the orebody, the milestones relating to major capital investment decisions and the type and grade of minerals being mined.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The Group considers the ratio of expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the orebody, compared to the current period ratio of actual volume of waste to the volume of ore to be the most suitable measure of production.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

(c) Ore reserve and mineral resource estimates

The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates.

Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Group uses qualified persons (as defined by the Canadian Securities Administrators' National Instrument 43-101) to compile this data. Changes in the judgments surrounding proven and probable reserves may impact as follows:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change;
- Capitalised stripping costs recognised in the statement of financial position as either part of mine properties or inventory or charged to profit or loss may change due to changes in stripping ratios;
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

(d) Impairment of assets

Events or changes in circumstances can give rise to significant impairment charges or impairment reversals in a particular year. The Group assesses each Cash Generating Unit ("CGU") annually to determine whether any indications of impairment exist. If it was necessary management could contract independent expert to value the assets. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of the fair value less cost to sell and value-in-use. An impairment loss is recognised immediately in net earnings. The Group has determined that each mine location is a CGU.

3. Financial Risk Management (cont.)

3.4 Critical accounting estimates and judgements (cont.)

These assessments require the use of estimates and assumptions such as commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted at an appropriate discount rate to determine the net present value. For the purpose of calculating the impairment of any asset, management regards an individual mine or works site as a CGU.

Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

(e) Provisions for decommissioning and site restoration costs

Accounting for restoration provisions requires management to make estimates of the future costs the Group will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place at each mining operation and any environmental and social principles the Group is in compliance with. The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates and assumptions relating to probabilities of alternative estimates of future cash outflows.

Management uses its judgement and experience to provide for and (in the case of capitalised decommissioning costs) amortise these estimated costs over the life of the mine. The ultimate cost of decommissioning and timing is uncertain and cost estimates can vary in response to many factors including changes to relevant environmental laws and regulations requirements, the emergence of new restoration techniques or experience at other mine sites. As a result, there could be significant adjustments to the provisions established which would affect future financial results. Refer to Note 27 for further details.

(f) Income tax

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and Company recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Judgement is also required to determine whether deferred tax assets are recognised in the consolidated statements of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the Group to assess the probability that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(g) Inventory

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

3. Financial Risk Management (cont.)

3.4 Critical accounting estimates and judgements (cont.)

(h) Contingent liabilities
A contingent liability arises where a past event has taken place for which the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain events outside of the control of the Group, or a present obligation exists but is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A provision is made when a loss to the Group is likely to crystallise. The assessment of the existence of a contingency and its likely outcome, particularly if it is considered that a provision might be necessary, involves significant judgment taking all relevant factors into account.

(i) Deferred consideration
As disclosed in Note 28, the Group has recorded a deferred consideration liability in relation to the obligation to pay Astor up to €53.0 million out of excess cash from operations at the Riotinto Project.

In 2018 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 actual timing of any payments to Astor of the consideration involves significant judgment as it depends on certain factors which are out of control of management.

(j) Share-based compensation benefits
Share based compensation benefits are accounted for in accordance with the fair value recognition provisions of IFRS 2 “Share-based Payment”. As such, share-based compensation expense for equity-settled share-based payments is measured at the grant date based on the fair value of the award and is recognised as an expense over the vesting period. The fair value of such share-based awards at the grant date is measured using the Black Scholes pricing model. The inputs used in the model are based on management’s best estimates for the effects of non-transferability, exercise restrictions, behavioural considerations and expected volatility. Refer to Note 24

(k) Consolidation of Cobre San Rafael
Cobre San Rafael, S.L. is the entity which holds the mining rights of Proyecto Touro. The Group has a significant influence in the management of the Cobre San Rafael, S.L., including one of the two directors, management of the financial books and the capacity to appoint the key personnel.

(l) Classification of financial assets
The Group and Company exercises judgement upon determining the classification of its financial assets upon considering whether contractual features including interest rate could significantly affect future cash flows. Furthermore, judgment is required when assessing whether compensation paid or received on early termination of lending arrangements results in cash flows that are not SPPI.

4. Business and geographical segments

Business segments

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

Copper concentrates produced by the Group are sold to three offtakers as per the relevant offtake agreement (Note 31.2)

4. Business and geographical segments (cont.)

Geographical segments

The Group's mining activities are located in Spain. The commercialisation of the copper concentrates produced in Spain is carried out through Cyprus. Sales transactions to related parties are on arm's length basis in a similar manner to transaction with third parties. Accounting policies used by the Group in different locations are the same as those contained in Note 2.

2018 (Euro 000's)	Cyprus	Spain	Other	Total
Revenue	**12,938**	**176,538**	**-**	**189,476**
Earnings/(loss)before Interest, Tax, Depreciation and Amortisation	**1,839**	**52,110**	**(407)**	**53,542**
Depreciation/amortisation charge	**-**	**(13,430)**	**-**	**(13,430)**
Net foreign exchange gain/(loss)	**999**	**615**	**(1)**	**1,613**
Finance income	**63**	**8**	**-**	**71**
Finance cost	**(2)**	**(251)**	**-**	**(253)**
Profit/(loss) before tax	**2,899**	**39,052**	**(408)**	**41,543**
Tax				**(7,102)**
Profit for the year				**34,441**
Total assets	**31,721**	**372,790**	**643**	**405,154**
Total liabilities	**(13,672)**	**(104,931)**	**(177)**	**(118,780)**
Depreciation of property, plant and equipment	**-**	**10,143**	**-**	**10,143**
Amortisation of intangible assets	**-**	**3,287**	**-**	**3,287**
Total additions of non-current assets	**-**	**69,086**	**-**	**69,086**

2017 (Euro 000's)	Cyprus	Spain	Other	Elimination	Total
Revenue [1]					
External customers	160,537	-	-		160,537
Inter-segment	-	148,356	-	(148,356)	-
Earnings/(loss)before Interest, Tax, Depreciation and Amortisation	151,331	(109,957)	(27)		41,347
Depreciation/amortisation charge	(7)	(16,664)	-		(16,671)
Net foreign exchange loss	(1,510)	(701)	(1)		(2,212)
Finance income	-	22	-		22
Finance costs	(366)	(213)	-		(579)
Profit/(loss) before tax	149,448	(127,513)	(28)		21,907
Tax					(3,696)
Profit for the year					18,211
Total assets	53,034	321,136	202		374,372
Total liabilities	(11,836)	(115,624)	(59)		(127,519)
Depreciation of property, plant and equipment	7	12,533	-		12,540
Amortisation of intangible assets	-	4,131	-		4,131
Total additions of non-current assets	-	26,079	-		26,079

[1] In 2017, the amount included as inter-segment revenues between Spain and Cyprus totalled €148,356k, which were eliminated through consolidation.

4. Business and geographical segments (cont.)

Revenue represents the sales value of goods supplied to customers, net of value added tax. The following table summarises sales to customers with whom transactions have individually exceeded 10.0% of the Group's revenues.

(Euro 000's)	2018		2017	
	Segment	**€'000**	Segment	€'000
Offtaker 1	**Copper**	**25,900**	**Copper**	28,119
Offtaker 2	**Copper**	**99,703**	**Copper**	82,905
Offtaker 3	**Copper**	**63,873**	**Copper**	-
Offtaker 4	**Copper**	**-**	**Copper**	49,518

5. Revenue

THE GROUP

(Euro 000's)	2018	2017
Revenue from contracts with customers[1]	**195,891**	160,537
Fair value gain/losses relating to provisional pricing within sales [2]	**(6,415)**	-
Total revenue	**189,476**	160,537

All revenue from copper concentrate is recognised at a point in time when the control is transferred. Revenue from freight services is recognised over time as the services are provided.

(1) Included within FY2018 revenue there is a transaction price of €1.0 million related to the freight services provided by the Group to the customers arising from the sales of copper concentrate under CIF incoterm.

(2) Provisional pricing impact represented the change in fair value of the embedded derivative arising on sales of concentrate.

THE COMPANY

(Euro 000's)	2018	2017
Sales of services to related companies (Note 31.2)	**1,323**	1,015
	1,323	1,015

6. Other income

THE GROUP

(Euro 000's)	2018	2017
Gain on disposal of associate	**-**	49
Release of prior year provision (Note 15 [4])	**117**	-
Loss on available-for-sale investments	**-**	(49)
Sales of services	**-**	5
Other income	**41**	-
	158	5

THE COMPANY

(Euro 000's)	2018	2017
Loss on available-for-sale investments	**-**	(49)
Gain on disposal of associate	**-**	45
Release of prior year provision (Note 15 [4])	**117**	-
Sales of services to third parties	**-**	5
	117	1

7. Expenses by nature

THE GROUP

(Euro 000's)	2018	2017
Operating costs	**110,140**	97,786
Royalties	**-**	500
Care and maintenance expenditure	**281**	-
Exploration expenses	**1,021**	-
Employee benefit expense (Note 8)	**17,248**	15,420
Compensation of key management personnel	**2,061**	2,804
Auditors' remuneration – audit	**196**	180
• Other services	**8**	-
• Prior year audit	**-**	27
Other accountants' remuneration	**85**	13
Consultants' remuneration	**881**	157
Depreciation of property, plant and equipment (Note 13)	**10,143**	12,540
Amortisation of intangible assets (Note 14)	**3,287**	4,131
Travel costs	**329**	298
Share option-based employee benefits	**125**	87
Shareholders' communication expense	**172**	288
On-going listing costs	**163**	157
Legal costs	**450**	413
Public relations and communication development	**640**	-
Provision for impairment	**-**	283
Other expenses and provisions	**2,292**	782
Total cost of operation, corporate, share based benefits, care and maintenance, and exploration expenses	**149,522**	135,866

THE COMPANY

(Euro 000's)	2018	2017
Employee benefit expense (Note 8)	**144**	180
Key management remuneration	**864**	1,854
Auditors' remuneration – audit	**102**	104
• Other services	**6**	-
• Prior year audit	**-**	8
Other accountants' remuneration	**80**	12
Consultants' remuneration	**114**	95
Management fees (Note 31.2)	**213**	-
Depreciation of property, plant and equipment (Note 13)	**-**	7
Travel costs	**31**	67
Share option-based employee benefits	**-**	9
Shareholders' communication expense	**172**	288
On-going listing costs	**163**	157
Legal costs	**423**	410
Provision for impairment	**-**	583
Other expenses and provisions	**2,068**	268
Total cost of corporate, share based benefits and impairment	**4,380**	4,042

8. Employee benefit expense

THE GROUP

(Euro 000's)	2018	2017
Wages and salaries	**13,357**	11,101
Social security and social contributions	**3,622**	3,250
Employees' other allowances	**28**	31
Bonus to employees	**241**	1,038
	17,248	15,420

The average number of employees and the number of employees at year end by office are:

	Average		At year end	
Number of employees	2018	2017	2018	2017
Spain – Full time	**379**	339	**409**	363
Spain – Part time	**5**	6	**5**	7
Cyprus – Full time	**3**	3	**3**	3
Total	**387**	348	**417**	373

THE COMPANY

(Euro 000's)	2018	2017
Wages and salaries	**131**	164
Social security and social contributions	**13**	16
	144	180

The average number of employees and the number of employees at year end by office are:

	Average		At year end	
Number of employees	2018	2017	2018	2017
Cyprus – Full time	**3**	3	**3**	3
Total	**3**	3	**3**	3

9. Finance income

THE GROUP

(Euro 000's)	2018	2017
Interest income	**71**	22
	71	22

THE COMPANY

(Euro 000's)	2018	2017
Interest income from interest-bearing intercompany loans at fair value through profit and loss (Note 31.2)	**13,615**	-
Interest income from interest-bearing intercompany loans at amortised cost (Note 31.2)	**2,506**	1,635
Interest income	**63**	-
	16,184	1,635

Interest income relates to interest received on bank balances.

10. Finance costs

THE GROUP

(Euro 000's)	2018	2017
Interest expense:		
Other interest	**214**	306
Interest on copper concentrate prepayment [(1)]	**-**	109
Unwinding of discount on mine rehabilitation provision (Note 27)	**39**	113
Interest paid on early payment on receivable from trading	**-**	256
Hedging income	**-**	(205)
	253	579

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

11. Tax

THE GROUP

(Euro 000's)	2018	2017
Current income tax charge	**4,926**	1,622
(Over)/under provision previous years	**-**	8
Deferred tax asset due to losses available against future taxable income overprovision previous years (Note 17)	**-**	1,459
Deferred tax related to utilization of losses for the year (Note 17)	**975**	345
Deferred tax income relating to the origination of temporary differences (Note 17)	**1,020**	-
Deferred tax expense relating to reversal of temporary differences (Note 17)	**208**	262
	7,102	3,696

The tax on the Group's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

(Euro 000's)	2018	2017
Accounting profit before tax	**41,543**	21,907
Tax calculated at the applicable tax rates of the Company – 12.5%	**5,193**	2,738
Tax effect of expenses not deductible for tax purposes	**2,212**	1,449
Tax effect of tax loss for the year	**86**	9
Tax effect of allowances and income not subject to tax	**(4,501)**	(4,212)
Over provision for prior year taxes	**-**	8
Effect of higher tax rates in other jurisdictions of the group	2,710	2,001
Tax effect of tax losses brought forward	**(975)**	(363)
Additional tax	**174**	-
Deferred tax (Note 17)	**2,203**	2,066
Tax charge	**7,102**	3,696

THE COMPANY

(Euro 000's)	2018	2017
Current income tax charge	**1,524**	-
Deferred tax charge	**-**	-
	1,524	-

11. Tax (cont.)

Tax losses carried forward

As at 31 December 2018, the Group had tax losses carried forward amounting to €34.6 million, including tax losses of €24.9 million from the Spanish subsidiary for the period 2008 to 2015.

Cyprus

The corporation tax rate is 12.5%. Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% for 2014 and thereafter. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Spain

The corporation tax rate for 2018 and 2017 is 25%. The recent Spanish tax reform approved in 2014 reduces the general corporation tax rate from 30% to 28% in 2015 and to 25% in 2016, and introduces, among other changes, a 10% reduction in the tax base subject to equity increase and other requirements. Under current legislation, tax losses may be carried forward and be set off against taxable income with no limitation.

12. Earnings per share

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

(Euro 000's)	2018	2017
Parent company	**(5,587)**	(3,477)
Subsidiaries	**40,302**	21,716
Profit attributable to equity holders of the parent	**34,715**	18,239
Weighted number of ordinary shares for the purposes of basic earnings per share ('000)	**136,755**	117,904
Basic profit per share (EUR cents/share)	**25.4**	15.5
Weighted number of ordinary shares for the purposes of fully diluted earnings per share ('000)	**138,110**	119,485
Fully diluted profit per share (EUR cents/share)	**25.1**	15.3

At 31 December 2018, there are 1,313,000 options (Note 24) and no warrants (Note 23) (At 31 December 2017: 1,400,000 options and 262,569 warrants) which have been included when calculating the weighted average number of shares for FY2018.

13. Property, plant and equipment

THE GROUP

(Euro 000's)	Land and buildings	Plant and equipment	Assets under construction[4]	Deferred mining costs[3]	Other assets[2]	Total
2018						
Cost						
At 1 January 2018	**40,995**	**145,402**	**11,445**	**22,317**	**785**	**220,944**
Additions	**4,858[1]**	**2,324**	**55,659**	**5,220**	**-**	**68,061**
Reclassifications	**-**	**5,094**	**(5,094)**	**-**	**-**	**-**
At 31 December 2018	**45,853**	**152,820**	**62,010**	**27,537**	**785**	**289,005**
Depreciation						
At 1 January 2018	**4,076**	**13,465**	**-**	**3,469**	**476**	**21,486**
Charge for the year	**1,996**	**6,850**	**-**	**1,212**	**85**	**10,143**
At 31 December 2018	**6,072**	**20,315**	**-**	**4,681**	**561**	**31,629**
Net book value at 31 December 2018	**39,781**	**132,505**	**62,010**	**22,856**	**224**	**257,376**
2017						
Cost						
At 1 January 2017	40,188	144,930	566	13,848	838	200,370
Additions	407	-	11,751	8,469	-	20,627
Reclassifications	400	472	(872)	-	-	-
Disposals	-	-	-	-	(53)	(53)
At 31 December 2017	40,995	145,402	11,445	22,317	785	220,944
Depreciation						
At 1 January 2017	1,736	5,073	-	1,758	423	8,990
Charge for the year	2,340	8,392	-	1,711	97	12,540
Disposals	-	-	-	-	(44)	(44)
At 31 December 2017	4,076	13,465	-	3,469	476	21,486
Net book value at 31 December 2017	36,919	131,937	11,445	18,848	309	199,458

[1] Mine rehabilitation assets and Rumbo Royalty Buyout.

[2] Includes motor vehicles, furniture, fixtures and office equipment which are depreciated over 5-10 years.

[3] Stripping costs

[4] Assets under construction at 31 December 2018 was an amount of €62.0 million (2017: €11.4 million) include the capitalisation of costs related to the Expansion Project and sustaining capital expenses.

The above fixed assets are located mainly in Spain.

13. Property, plant and equipment (cont.)

THE COMPANY

(Euro 000's)	Other assets[1]	Total
2018		
Cost		
At 1 January 2018	**15**	**15**
Disposals	**-**	**-**
At 31 December 2018	**15**	**15**
Depreciation		
At 1 January 2018	**15**	**15**
Charge for the year	**-**	**-**
At 31 December 2018	**15**	**15**
Net book value at 31 December 2018	**-**	**-**
2017		
Cost		
At 1 January 2017	68	68
Disposals	(53)	(53)
At 31 December 2017	15	15
Depreciation		
At 1 January 2017	52	52
Charge for the year	7	7
Disposals	(44)	(44)
At 31 December 2017	15	15
Net book value at 31 December 2017	-	-

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

The Group

Certain land plots required for the Riotinto Project (the "Project Lands") are affected by pre-existing liens and embargos derived from unpaid obligations of former Project operators or owners (the "Pre-Existing Debt").

a) In May 2010 the Group signed an agreement with the Department of Social Security in which it undertook to repay, over a period of 5 years, the €16.9 million Pre-Existing Debt to the Department of Social Security in exchange for a stay of execution proceedings for recovery of this debt against these Project Lands (the "Social Security Agreement"). The Group granted a mortgage to guarantee the payment of a total debt of €6,436,661 and two embargos to guarantee the two payments of a total debt of €6,742,039 and €10,472,612 respectively in favour of Social Security's General Treasury. Originally payable over 5 years, the repayment schedule was subsequently extended until June 2017. The Group repaid the Department of Social Security on 30 June 2017.

b) The Project Lands are also subject to a lien in the amount of €5.0 million created in 1979 to secure the repayment of certain government grants that were in all likelihood paid at the relevant time by former operators. Relevant court proceedings have been followed to strike this lien from title, given that in the opinion of the Group the right of the government to reclaim this Pre-Existing Debt has expired due to the relevant statute of limitations.

c) The Project Lands are also affected by the following Pre-Existing Debt liens: A €400k mortgage to Oxiana Limited (that will be paid in due course) and a mortgage of €222k pre-existing on lands acquired by the Group in August 2012 which has been paid in full.

d) Other land plots owned by the Group, but not required for The Riotinto Project (the "Non-Project Lands"), are affected by a Pre-Existing Debt lien of €10.5 million registered by the Junta de Andalucía. If in the event of execution proceedings commencing against the Non-Project Lands, the Group would either negotiate a settlement or allow the execution to proceed in total satisfaction of the Pre-Existing Debt in question

During FY2018, the Group capitalised personnel costs amounting to €756k (FY2017: €259k). No borrowing costs were capitalised in the same period.

14. Intangible assets

THE GROUP

(Euro 000's)	Permits of Rio Tinto Project (1)	Licences, R&D and Software	Total
2018			
Cost			
On 1 January 2018	**76,521**	**4,505**	**81,026**
Additions	**17**	**2,476**	**2,493**
Disposals	**-**	**(955)**	**(955)**
At 31 December 2018	**76,538**	**6,026**	**82,564**
Amortisation			
On 1 January 2018	**7,145**	**181**	**7,326**
Charge for the year	**3,225**	**62**	**3,287**
At 31 December 2018	**10,370**	**243**	**10,613**
Net book value at 31 December 2018	**66,168**	**5,783**	**71,951**
2017			
Cost			
On 1 January 2017	71,521	1,685	73,206
Additions from acquisition of subsidiary	5,000	126	5,126
Additions	-	2,694	2,694
At 31 December 2017	76,521	4,505	81,026
Amortisation			
On 1 January 2017	3,072	123	3,195
Charge for the year	4,073	58	4,131
At 31 December 2017	7,145	181	7,326
Net book value at 31 December 2017	69,376	4,324	73,700

(1) Permits and R&D include an amount of €5.0 million and an amount of €1.9 million respectively that relate to the Touro Project mining rights.

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 increased the life of mine to 16 ½ years). In July 2018, the Company announced an updated technical report on the mineral resources and reserves of The Riotinto Project. The Report increases the open pit mineral reserves by 29% and stated the life of mine as 13.8 years, considering the on-going expansion of the processing plant.

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 the 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 The Riotinto Project, including the intangible assets and any impairment thereof, the Group assessed that no indicators were present as at 31 December 2018 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. back in September 2008. This amount was fully impaired on acquisition, in the absence of the mining licence back in 2008.

15. Investment in subsidiaries

(Euro 000's)	2018	2017
THE COMPANY		
Opening amount at cost minus provision for impairment	**3,693**	3,572
Incorporation[1]	**-**	3
Increase of investment [2]	**206**	118
Disposal of investment [4]	**-**	-
Closing amount at cost less provision for impairment	**3,899**	3,693

Subsidiary companies	Date of incorporation/ acquisition	Principal activity	Country of incorporation	Effective proportion of shares held in 2018[5]	Effective proportion of shares held in 2017[5]
Atalaya Touro Project (UK) Ltd[1]	10 March 2017	Holding	United Kingdom	100%	100%
Atalaya Minasderiotinto Project (UK) Ltd[2]	10 Sep 2008	Holding	United Kingdom	100%	100%
EMED Marketing Ltd	08 Sep 2008	Trading	Cyprus	100%	100%
EMED Mining Spain SLU[3]	12 April 2007	Exploration	Spain	100%	100%
Eastern Mediterranean Resources (Caucasus) Ltd[4]	11 Nov 2005	Exploration	Georgia	0%	100%

As security for the obligation on ARM to pay consideration to Astor under the Master Agreement and the Loan Assignment Agreement, Atalaya Minasderiotinto Project (UK) Ltd has granted pledges to Astor Resources AG over the issued capital of ARM and granted a pledge to Astor over the issued share capital of Eastern Mediterranean Exploration and Development S.L.U. and the Company has provided a parent company guarantee (Note 28).

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

[2] On 16 February 2017, EMED Holdings (UK) Ltd changed its name to Atalaya Riotinto Project (UK) Ltd and changed again to Atalaya Minasderiotinto Project (UK) Limited on 30 June 2017. During the year 2018 there was an increase amounting to €206k in the investment related to the employee benefit expenses (2017: €118k).

[3] In December 2017, EMED Mining Spain S.L.U. increased its capital by €300.0 k from its sole shareholder. This investment increase was fully impaired in the year.

[4] On 15 May 2018, the Group sold Eastern Mediterranean Resources (Caucasus) Ltd. which was fully impaired, by transferring all issued shares. Following the sale the Company recognised a gain in the net amount of €117k as a result of the release of a prior year provision in the amount of €250k relating to the subsidiary's liabilities and the costs incurred of the sale in the total cost of €133k (Note 6).

[5] The effective proportion of shares held as at 31 December 2018 and 2017 remained unchanged other than Atalaya Touro Project (UK) Ltd. which was incorporated in 2017 and Eastern Mediterranean Resources (Caucasus) Ltd which was sold in 2018.

16. Investment in joint venture

Company name	Principal activities	Country of incorporation	Effective proportion of shares held at 31 December 2015
Recursos Cuenca Minera S.L.	Exploitation of tailing dams and waste areas resources	Spain	50%

ARM 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 The Riotinto Project. Under the joint venture agreement, ARM will be the operator of the joint venture and will reimburse Rumbo for the costs associated with the application for classification of the Class B resources. ARM will fund the initial expenditure of a feasibility study up to a maximum of €2.0 million. Costs are then borne by the joint venture partners in accordance with their respective ownership interests.

The Group's significant aggregate amounts in respect of the joint venture are as follows:

(Euro 000's)	2018	2017
Intangible assets	**94**	94
Trade and other receivables	**4**	2
Cash and cash equivalents	**22**	22
Trade and other payables	**(115)**	(115)
Net assets	**5**	3
Revenue	**-**	-
Expenses	**-**	-
Net loss after tax	**-**	-

17. Deferred tax

(Euro 000's)	Consolidated statement of financial position 2018	Consolidated statement of financial position 2017	Consolidated income statement 2018	Consolidated income statement 2017
THE GROUP				
Deferred tax asset				
At 1 January	**10,130**	12,196	**-**	
Deferred tax asset due to losses available against future taxable income (Note 11)	**-**	-	**-**	-
Deferred tax related to utilization of losses for the year (Note 11)	**(975)**	(345)	**975**	345
Deferred tax asset due to losses available against future taxable income overprovision previous years (Note 11)	**-**	(1,459)	**-**	1,459
Deferred tax income relating to the origination of temporary differences (Note 11)	**(1,020)**	-	**1,020**	-
Deferred tax expense relating to reversal of temporary differences (Note 11)	**(208)**	(262)	**208**	262
At 31 December	**7,927**	10,130		
Deferred tax income (Note 11)			**2,203**	2,066

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilised.

In addition to recognised deferred income tax asset, the Group has unrecognised tax losses in Cyprus that are available to carry forward for 5 years against future taxable income of the Group companies in which the losses arose, and in Spain €24.9 million (2017: €28.0 million) which are available to carry forward indefinitely against future profits. Deferred tax assets have not been recognised in respect of losses in Cyprus as they may not be used to offset taxable profits elsewhere in the Group, and due to the uncertainty in profitability in the near future to support (either partially or in full) the recognition of the losses as deferred income tax assets.

18. Inventories

(Euro 000's)	2018	2017
THE GROUP		
Finished products	**2,955**	4,797
Materials and supplies	**7,381**	8,003
Work in progress	**486**	874
	10,822	13,674

As at 31 December 2018, copper concentrate produced and not sold amounted to 4,667 tonnes (FY2017: 7,274 tonnes). Accordingly, the inventory for copper concentrate was €3.0 million (FY2017: €4.8 million). During the year 2018 the Group recorded cost of sales amounting to €140.5 million (FY2017: €131.4 million).

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.

19. Trade and other receivables

(Euro 000's)	2018	2017
THE GROUP		
Non-current trade and other receivables		
Deposits	**249**	212
	249	212
Current trade and other receivables		
Trade receivables at amortised cost	-	12,113
Trade receivables at fair value – *subject to provisional pricing*	**4,498**	-
Trade receivables from shareholders at fair value – *subject to provisional pricing* (Note 31.4)	**2,461**	1,556
Other receivables from related parties at amortised cost (Note 31.3)	**56**	56
Deposits	**26**	221
VAT receivable	**13,691**	17,804
Tax advances (Note 11)	**1,208**	1,716
Prepayments	**688**	-
Other current assets	**1,060**	747
	23,688	34,213
Allowance for expected credit losses	**-**	-
Total current trade and other receivables	**23,688**	34,213

(Euro 000's)	2018	2017
THE COMPANY		
Non-current trade and other receivables		
Receivables from own subsidiaries at amortised cost (Note 31.3)	**74,796**	**-**
Receivables from own subsidiaries at fair value through profit and loss (Note 31.3)	**215,308**	-
	290,104	-
Current trade and other receivables		
Deposits and prepayments	**-**	6
VAT receivable	**161**	389
Receivables from own subsidiaries at amortised cost (Note 31.3)	**6,328**	242,416
Other receivables	**200**	13
Total current trade and other receivables	**6,689**	242,824

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 value of trade and other receivables approximate their book values.

20. Available-for-sale investment

THE GROUP & THE COMPANY

(Euro 000's)	2018	2017
At 1 January	**-**	261
Addition	**-**	49
Impairment	**-**	(49)
Loss transferred to reserves (Note 24)	**-**	(132)
Total	**-**	129

These assets were reclassified from available for sale investment to other financial assets at fair value through OCI. See Note 2.12 and Note 21.

21. Other Financial assets

THE GROUP & THE COMPANY

(Euro 000's)	2018	2017
Financial asset at fair value through OCI (see (a)) below)	**71**	-
Total	**71**	-

a) Financial asset at fair value through OCI

THE GROUP & THE COMPANY

(Euro 000's)	2018	2017
At 1 January [(1)]	**129**	-
Fair value change recorded in equity (Note 24)	**(58)**	-
At 31 December	**71**	-

Company name	Principal activities	Country of incorporation	Effective proportion of shares held at 31 December 2018
Eastern Mediterranean Minerals Ltd	Holder of exploration licences in Cyprus	Cyprus	10.00%
KEFI Minerals Plc	Exploration and development mining company listed on AIM	UK	1.80%
Prospech Limited	Exploration company	Australia	0.65%

[(1)] The Group decided to recognise changes in the fair value of available-for-sale investments in Other Comprehensive Income ('OCI'), as explained in Note 2.12.

22. Cash and cash equivalents

THE GROUP

(Euro 000's)	2018	2017
Cash at bank and in hand	**33,070**	42,856

As at 31 December 2018, the Group's operating subsidiary held €250k (FY2017: €250k) as a collateral for bank guarantees, which has been classified as restricted cash.

Cash and cash equivalents denominated in the following currencies:

(Euro 000's)	2018	2017
Euro – functional and presentation currency	**7,649**	517
Great Britain Pound	**255**	34,346
United States Dollar	**25,166**	7,993
	33,070	42,856

22. Cash and cash equivalents (cont.)

THE COMPANY

(Euro 000's)	2018	2017
Cash at bank and on hand	**826**	34,410

Cash and cash equivalents denominated in the following currencies:

	2018	2017
Euro – functional and presentation currency	**774**	64
Great Britain Pound	**3**	34,345
United States Dollar	**49**	1
	826	**34,410**

23. Share capital

Authorised	Nr. of Shares '000's	Share capital £ 000's	Share Premium £ 000's	Total £ 000's
Ordinary shares of £0.075 each	200,000	15,000	-	15,000

Issue Date	Price (£)	Details	000's	Euro 000's	Euro 000's	Euro 000's
Issued and fully paid						
1 January 2017			116,679	11,632	277,238	288,870
7 Dec 2017	1.67	Share placement	18,575	1,560	33,182	34,742
		Share issue costs	-	-	(843)	(843)
31 December 2017/1 January 2018			**135,254**	**13,192**	**309,577**	**322,769**
13 Feb 2018	1.87	Shares issued to Rumbo [(a)]	**193**	**16**	**410**	**426**
13 Feb 2018	1.44	Exercised share options [(b)]	**29**	**3**	**45**	**48**
13 April 2018	2.118	Rumbo buyout [(c)]	**1,601**	**139**	**3,887**	**4,026**
1 June 2018	1.425	Exercised warrants [(d)]	**263**	**22**	**405**	**427**
		Share issued costs	**-**	**-**	**(5)**	**(5)**
31 December 2018			**137,340**	**13,372**	**314,319**	**327,691**

Authorised capital

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

Issued capital
FY2018

a) On 13 February 2018, the Company issued 192,540 new ordinary shares of £0.075 to Rumbo at a price of £1.867, thus creating a share premium of €410,146.

b) On 13 February 2018, the Company was notified that certain employees exercised options over 29,000 ordinary shares of £0.075 at a price of £1.44, thus creating a share premium of €44,576.

c) On 5 April 2018, the Company entered into an agreement with Rumbo to purchase the whole 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 £0.075 at a price of £2.118 per share. After this transaction the share premium increased by €3,887,128. On 13 April 2018, the new ordinary shares were issued to Rumbo.

d) On 1 June 2018, 262,569 warrants were exercised at £1.425 per ordinary share. Hence, 262,569 new ordinary shares of £0.075 were issued, thus creating a share premium of €405,087.

23. Share capital (cont.)

FY2017

On 7 December 2017, 18,574,555 ordinary shares at £0.075 were issued at a price of £1.67. Upon the issue an amount of €33,181,585 was credited to the Company's share premium reserve.

Warrants

The Company has issued warrants to advisers to the Group. Warrants expired three years after the grant date and have exercise price £1.425. On 1 June 2018, all warrants were exercised.

Details of share warrants outstanding as at 31 December 2018:

	Number of warrants
Outstanding warrants at 1 January 2018	**262,569**
- Exercised during the reporting period	**(262,569)**
Outstanding warrants at 31 December 2018	**-**

On 1 June 2018, the Company received notification for the exercise of warrants over 262,569 ordinary shares of £0.075 in the Company at an exercise price of £1.425 per share. As a result, the Company received proceeds of £374,160.83 (as d) above).

24. Other reserves

THE GROUP

(Euro 000's)	Share option	Bonus share	Depletion factor (3)	Available-for-sale investments (1)	Fair value reserve of financial assets at FVOCI (2)	Non-distributable reserve (4)	Total
At 1 January 2017	6,384	208	-	(925)	-	-	5,667
Recognition of depletion factor	-	-	450	-	-	-	450
Recognition of share based payments	152	-	-	-	-	-	152
Change in fair value of available-for-sale investments (Note 20)	-	-	-	(132)	-	-	(132)
At 31 December 2017	**6,536**	**208**	**450**	**(1,057)**	**-**	**-**	**6,137**
Adjustment for initial application of IFRS 9				**1,057**	**(1,057)**	**-**	**-**
Recognition of depletion factor	**-**	**-**	**5,050**	**-**	**-**	**-**	**5,050**
Recognition of non-distributable reserve	**-**	**-**	**-**	**-**	**-**	**1,446**	**1,446**
Recognition of share based payments	**216**	**-**	**-**	**-**	**-**	**-**	**216**
Change in fair value of financial assets at fair value through OCI (Note 21)	**-**	**-**	**-**	**-**	**(58)**	**-**	**(58)**
At 31 December 2018	**6,752**	**208**	**5,500**	**-**	**(1,115)**	**1,446**	**12,791**

24. Other reserves (cont.)

THE COMPANY

(Euro 000's)	Share option	Bonus share	Available-for-sale investments reserves [1]	Fair value reserve of financial assets at FVOCI [2]	Total
At 1 January 2017	6,384	208	(925)	-	5,667
Recognition of share based payments	152	-	-	-	152
Change in fair value of available-for-sale investments (Note 20)	-	-	(132)	-	(132)
At 31 December 2017	**6,536**	**208**	**(1,057)**	**-**	**5,687**
Adjustment for initial application of IFRS 9	**-**	**-**	**1,057**	**(1,057)**	**-**
Recognition of share based payments	**216**	**-**	**-**	**-**	**216**
Change in fair value of financial assets at fair value through OCI (Note 21)	**-**	**-**	**-**	**(58)**	**(58)**
At 31 December 2018	**6,752**	**208**	**-**	**(1,115)**	**5,845**

[1] Available-for-sale investments reserve
As at 31 December 2017 this reserve recorded fair value changes on available-for-sale investments. On disposal or impairment, the cumulative changes in fair value were recycled to the income statement. These assets were reclassified upon adoption of IFRS 9, for further detail see Note 2.12.

[2] Fair value reserve of financial assets at FVOCI
The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 2.12 These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

[3] Depletion factor reserve
At 31 December 2018, the Group has disposed €5,050k as a depletion factor reserve in order to fulfil with the Spanish Corporate Tax Act.

[4] Non-distributable reserve
To comply with Spanish Law on Corporations, the Group needed to record a reserve when profit generated equal to a 10% of profit/(loss) for the year until 20% of share capital is reached.

Details of share options outstanding as at 31 December 2018:

Grant date	Expiry date	Exercise price – £	Share options
20 Mar 2014	19 Mar 2019	3.60	400,000
1 June 2014	31 May 2019	2.70	100,000
23 Feb 2017	22 Feb 2022	1.44	900,000
Total			**1,400,000**

	Weighted average exercise price £	Share options
At 1 January 2018	2.15	**1,400,000**
Less options exercised during the year (Note 23 b))	1.44	**(29,000)**
Less options cancelled during the year	1.44	**(58,000)**
31 December 2018	2.19	**1,313,000**

On 13 February 2018, the Company was notified that certain employees exercised options over 29,000 ordinary shares of £0.075 at a price of £1.44.

On 23 February 2017, the Group announced that 900,000 share options were granted to Persons Discharging Managerial Responsibilities and management, of which 800,000 were in accordance with the incentive share option plan and 100,000 were under a contractual entitlement. These included 150,000 share options granted to a Director, as disclosed in the Corporate Governance Report.

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.

24. Other reserves (cont.)

The estimated fair values of the options were calculated using the Black Scholes option pricing model. The inputs into the model and the results are as follows:

Grant Date	Weighted average share price £	Weighted average exercise price £	Expected volatility	Expected life (years)	Risk Free rate	Expected dividend yield	Estimated Fair Value £
23 Feb 2017	1.440	1.440	51.8%	5	0.6%	Nil	0.666
1 June 2014	2.700	2.700	62.9%	5	2.0%	Nil	0.597
20 Mar 2014	3.600	3.600	64.2%	5	2.0%	Nil	0.705

The volatility has been estimated based on the underlying volatility of the price of the Company's shares in the preceding twelve months.

25. Non-controlling interest

(Euro 000's)	2018	2017
Opening balance	**4,474**	**-**
On acquisition of a subsidiary	**-**	**4,502**
Share of results for the year	**(274)**	**(28)**
Closing balance	**4,200**	**4,474**

The Group has a 10% interest in Cobre San Rafael, S.L., while the remaining 90% is held by a non-controlling interest (Note 2.3 (b) (2)). The significant financial information with respect to the subsidiary before intercompany eliminations as at and for the year ended 31 December 2018 is as follows:

(Euro 000's)	2018	2017*
Non-current assets	**7,024**	5,127
Current assets	**456**	1,087
Non-current liabilities	**-**	-
Current liabilities	**2,813**	1,242
Equity	**4,667**	4,972
Revenue	**-**	-
Loss for the year and total comprehensive income	**(304)**	(31)

Cobre San Rafael, S.L. was established on 13 June 2016.

* 10% interest in Cobre San Rafael, S.L. was acquired by the Group in July 2017.

26. Trade and other payables

THE GROUP

(Euro 000's)	2018	2017
Non-current trade and other payables		
Land options	**32**	74
Government grant	**13**	-
	45	74
Current trade and other payables		
Trade payables	**53,098**	64,234
Land options and mortgage	**791**	791
Accruals	**3,382**	2,660
VAT payable	**-**	7
Other	**-**	291
	57,271	67,983

THE COMPANY

(Euro 000's)	2018	2017
Current trade and other payables		
Accruals	**2,200**	1,287
Payable to own subsidiaries (Note 31.3)	**5,851**	4,614
Other	**18**	16
	8,069	5,917

Trade payables are mainly for the acquisition of materials, supplies and other services. These payables do not accrue interest and no guarantees have been granted. The fair value of trade and other payables approximate their book values.

The Group's exposure to currency and liquidity risk related to liabilities is disclosed in Note 3.

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

27. Provisions

THE GROUP

(Euro 000's)	Legal	Rehabilitation	Total
1 January 2017	-	5,092	5,092
Additions	213	407	620
Change in discount rate	-	(98)	(98)
Finance cost (Note 10)	-	113	113
31 December 2017/1 January 2018	**213**	**5,514**	**5,727**
Additions	**6**	**972**	**978**
Revision of provision	**(92)**	**(133)**	**(225)**
Finance cost (Note 10)	**-**	**39**	**39**
31 December 2018	**127**	**6,392**	**6,519**

(Euro 000's)	2018	2017
Non-Current	**6,519**	5,727
Current	**-**	-
Total	**6,519**	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 December 2018 was 1.87%, which is the 15-year Spain Government Bond rate (2017: 1.87%). An inflation rate of 1.5% is applied on annual basis.

The expected payments for the rehabilitation work are as follows:

27. Provisions (cont.)

(Euro 000's)	Between 1 – 5 Years	Between 6 – 10 Years	Between 10 – 15 Years
Expected payments for rehabilitation of the mining site	457	1,974	3,961

Legal provision

The Group has been named as defendant in several legal actions in Spain. The outcome of which is not determinable as at 31 December 2018. Management has reviewed individually each case and made a provision of €127k (€213k in 2017) for these claims, which has been reflected in these consolidated financial statements. (See Note 32)

28. Deferred consideration

In September 2008, the Group moved to 100% ownership of Atalaya Riotinto Mineral 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") with Astor Management AG ("Astor") which included a deferred consideration of €43.9 million (the "Deferred Consideration") payable as consideration in respect of the acquisition. The Company also entered into a credit assignment agreement at the same time with a related company of Astor, Shorthorn AG, pursuant to which the benefit of outstanding loans was assigned to the Company in consideration for the payment of €9.1 million to Shorthorn (the "Loan Assignment").

The Master Agreement has been the subject of litigation in the High Court and the Court of Appeal that has now concluded. As a consequence, 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 per annum (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). "Excess cash" is not defined in the Master Agreement leaving ambiguity as to how it is to be calculated.

As at 31 December 2018, no consideration has been paid.
The amount of the liability recognised by the Group and Company is €53 million and €9.1 million respectively. The effect of discounting remains insignificant, in line with prior year's assessment, and therefore the Group has measured the liability for the Astor deferred consideration on an undiscounted basis.

29. Acquisition, incorporation and disposals of subsidiaries

2018

Acquisition and incorporation of subsidiaries

There were neither acquisition nor incorporation of subsidiaries during the year.

Disposals of subsidiaries

On 15 May 2018, the Group sold Eastern Mediterranean Resources (Caucasus) Ltd. which was fully impaired, by transferring all issued shares. The net effect of the gain in the income statement arose from the release of the prior year provision of €250k (Georgian Tax liability). The total costs for the sale were €75k, paid to the buyer in addition to €58k relating consulting costs (Note 6).

2017

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. a company which owns the mining rights of The Touro Project.

Acquisitions

In July 2017, the Group announced that it had executed the 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:

29. Acquisition, incorporation and disposals of subsidiaries (cont.)

- 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 under way, 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.

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 for as a subsidiary with a corresponding non-controlling interest of 90% as the Company has control over the entity (Note 2.3 (b) (2)).

The amount of €500.000 paid during FY2017 for the acquisition of the initial 10% of CSR share capital, represents the fair value of the net assets of CSR on the date of acquisition giving rise to no goodwill. The non-controlling interest is set out in Note 25.

Disposals of subsidiaries

On 15 May 2018, the Group sold Eastern Mediterranean Resources (Caucasus) Ltd. which was fully impaired, by transferring all issued shares. Following the sale, the Company recognised a gain in the net amount of €117k as a result of the release of a prior year provision in the amount of €250k relating to the subsidiary's liabilities and the costs incurred of the sale in the total cost of €133k (Note 6).

30. Wind-up of subsidiaries

There were no operations wound-up during FY2018 and FY2017.

31. Group information and related party disclosures

31.0 Information about subsidiaries

These audited consolidated financial statements include:

Subsidiary companies	Parent	Principal activity	Country of incorporation	Effective proportion of shares held
Atalaya Touro Project (UK) Ltd	Atalaya Mining Plc	Holding	United Kingdom	100%
Atalaya Minasderiotinto Project (UK) Ltd	Atalaya Mining Plc	Holding	United Kingdom	100%
EMED Marketing Ltd	Atalaya Mining Plc	Trading	Cyprus	100%
EMED Mining Spain S.L.U.	Atalaya Mining Plc	Exploration	Spain	100%
Atalaya Riotinto Minera S.L.U.	Atalaya Minasderiotinto Project (UK) Limited	Production	Spain	100%
Eastern Mediterranean Exploration and Development S.L.U.	Atalaya Minasderiotinto Project (UK) Limited	Exploration	Spain	100%
Cobre San Rafael, S.L. [(1)]	Atalaya Touro (UK) Limited	Exploration	Spain	10%
Recursos Cuenca Minera S.L.U.	Atalaya Riotinto Minera SLU	Exploration	Spain	J-V
Fundacion Atalaya Riotinto	Atalaya Riotinto Minera SLU	Trust	Spain	100%
Atalaya Servicios Mineros, S.L.U.	Atalaya Minasderiotinto Project (UK) Limited	Dormant	Spain	100%

31. Group information and related party disclosures

31.0 Information about subsidiaries (cont.)

(1) Cobre San Rafael, S.L. is the entity which hold the mining rights of The Touro Project. The Group has control in the management of Cobre San Rafael, S.L., including one of the two directors, management of the financial books and the capacity of appointment the key personnel (Note 2 (b) (2)).

The following transactions were carried out with related parties:

31.1 Compensation of key management personnel

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

	The Group		The Company	
(Euro 000's)	**2018**	2017	**2018**	2017
Directors' remuneration and fees	**922**	742	**454**	357
Director's bonus (1)	**280**	245	**-**	-
Share option-based benefits to directors	**39**	23	**-**	-
Key management personnel fees	**462**	467	**116**	232
Key management bonus (1)	**235**	1,270	**150**	1,232
Share option-based and other benefits to key management personnel	**88**	57	**10**	33
	2,026	2,804	**730**	1,854

(1) These amounts relate to the approved performance bonus for 2017 by the BoD following the proposal of the CGNC Committee. As at 31 December 2018, the Group and company has accrued for and expensed their best estimate for the 2018 performance bonus, which is in line with the 2017 approved performance bonus. The 2018 estimates are not included in the table above as this is yet to be approved by the BoD. There is no certain or guarantee that the BoD will approve a similar amount for 2018 performance.

At 31 December 2018 amounts due to Directors, as from the Group, are €0.5 million (€0.5 million at 31 December 2017) and €0.3 million (€0.7 million at 31 December 2017) to key management.

At 31 December 2018 amounts due to Directors, as from the Company, are €nil million (€nil million at 31 December 2017) and €0.2 million (€0.6 million at 31 December 2017) to key management.

Share-based benefits

In 2018, the directors and key management personnel have not been granted any options (2017: 345,000 options) (Note 24).

During 2018 the directors and key management personnel have not been granted any bonus shares (2017: nil).

31.2 Transactions with shareholders and related parties

THE GROUP

(Euro 000's)	**2018**	2017
Trafigura– Revenue from contracts	**26,234**	28,924
Freight services	**-**	-
	26,234	28,924
Losses relating provisional pricing within sales	**(334)**	(805)
Trafigura – Total revenue from contracts	**25,900**	28,119
Orion Mine Finance (Master) Fund I LP ("Orion") – Sales of goods	**-**	(4)
	25,900	28,115

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 (XGC) to transfer the rights over the concentrates. In December 2017, the Group was notified and consented the novation of XGC offtake agreement as XGC reached an agreement with a third party (LDC) to transfer the rights over the concentrates.

31. Related party transactions (cont.)

31.3 Year-end balances with related parties

THE COMPANY

(Euro 000's)	2018	2017
Sales of services (Note 5):		
• EMED Marketing Limited	**749**	565
• Atalaya Minasderiotinto Project (UK) Limited	**574**	450
	1,323	1,015
Purchase of services (Note 7):		
Atalaya Riotinto Minera SLU	**213**	-
Finance income (Note 9):		
Atalaya Minasderiotinto Project (UK) Limited – Finance income from interest-bearing loan :		
• Zero coupon note – at amortised cost	**1,760**	1,635
• Participative loan – at fair value through profit and loss	**13,615**	-
• Credit facility – at amortised cost	**746**	-
	16,121	1,635

THE GROUP

(Euro 000's)	2018	2017
Current assets - Receivable from related parties (Note 19):		
Recursos Cuenca Minera S.L.	**56**	56
	56	56

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

THE COMPANY

(Euro 000's)	2018	2017
Non-current assets – Loan from related parties at FV through profit and loss (Note 19):		
Atalaya Minasderiotinto Project (UK) Limited – Participative Loan [(1)]	**215,308**	-
Total [(5)]	**215,308**	-
Non-current assets – Loans and receivables from related parties at amortised cost (Note 19):		
Atalaya Minasderiotinto Project (UK) Limited – Credit Expansion Loan [(2)]	**38,743**	-
Atalaya Minasderiotinto Project (UK) Limited – Zero Coupon Note [(3)]	**24,798**	-
Atalaya Riotinto Minera SLU [(4)]	**9,117**	-
EMED Marketing Limited [(4)]	**1,563**	-
Atalaya Minasderiotinto Project (UK) Limited [(4)]	**575**	
Total [(5)]	**74,796**	-
Current assets – Loans and receivables from related parties at amortised cost (Note 19):		
Atalaya Minasderiotinto Project (UK) Limited [(4)]	**5,230**	209,293
Atalaya Minasderiotinto Project (UK) Limited – Zero Coupon Note [(3)]	**-**	23,038
Atalaya Riotinto Minera SLU [(4)]	**-**	9,350
Atalaya Touro (UK) Limited [(4)]	**1,098**	697
EMED Mining Spain SL [(4)]	**-**	38
Total [(5)]	**6,328**	242,416

(1) This balance bears interest of 6.75% (FY2017: Nil).

(2) This balance bears interest of US$ 6month LIBOR + 3.25% (FY2017: Nil).

(3) The zero coupon note bears interest of 7.5% (FY2017: 7.5%).

(4) These receivables bear no interest

(5) These balances are repayable on demand. However management will not claim any repayment in the following twelve months period after the release of the current consolidated financial statements.

31. Related party transactions (cont.)

31.3 Year-end balances with related parties (cont.)

THE COMPANY

(Euro 000's)	2018	2017
Payable to related party (Note 26):		
EMED Marketing Limited	**5,376**	4,614
EMED Mining Spain S.L.	**262**	-
Atalaya Riotinto Minera SLU	**213**	-
	5,851	4,614

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

31.4 Year-end balances with shareholders

(Euro 000's)	2018	2017
Receivable from shareholders (Note 19):		
Trafigura – Debtor balance –subject to provisional pricing	**2,461**	1,556
	2,461	1,556

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

32. 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.

Receipt of ruling of claim made by an environmental Group

On 26 September 2018, Atalaya received notice from the Tribunal Superior de Justicia de Andalucía ruling in favour of certain claims made by environmental group Ecologistas en Accion ("EeA") against the government of Andalucía ("Junta de Andalucía" or "JdA") and Atalaya, as co-defendant in the case.

In July 2014, EeA had filed a legal claim to JdA with a request to declare null the Unified Environmental declaration (in Spanish, Authorization Ambiental Unificada, or "AAU") granted to Atalaya Riotinto Minera, S.L.U. dated 27 March 2014, which was required in order to secure the required mining permits for Proyecto Riotinto. The judgment, in spite of annulling the AAU on procedural grounds, made very clear that the AAU was correct and therefore, rejected the issues raised by EeA and confirmed the decision of JdA not to suspend the AAU.

The JdA filed for appeal to the Supreme Court. Although the claim was against the JdA, Atalaya, being an interested party in the process, voluntarily joined as co-defendant to ask for permission to appeal to the Supreme Court in Spain.

On 29 March 2019, Atalaya announced the receipt of notification from the Supreme Court in Spain stating that it does not have jurisdiction over the appeal made by the Junta de Andalucía and the Company, which voluntary joined the appeal as con-defendant.

The main legal consequence of the Supreme Court rejection is the ruling of the Junta de Andalucía dated 26 September 2018 is now final and enforceable and the environmental authority must repair the faultiness in the process. The Company is currently in discussions to the Junta de Andalucía to resolve the formal defects identified by the Tribunal Superior de Justicia de Andalucía.

The Company continues operating the mine normally as the ruling does not state the operation at Proyecto Riotinto is to be ceased, not even temporarily and it is still confident that the ruling will not impact its operations at Proyecto Riotinto.

32. Commitments

There are no minimum exploration requirements at The Riotinto Project. However, the Group is obliged to pay local 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.

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 The Riotinto Project (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 €2.0 million. Costs are then borne by the joint venture partners in accordance with their respective ownership interests.

33. Significant events

Buyout of 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$0.25 million per quarter if the average copper sales price or LME price for the period is equal to or above US$2.60/lb for ten years up to a maximum amount of US$10.0 million. As the average copper price for the third and fourth quarter of 2017 was above US$2.60/lb, the Company was required to pay a royalty amounting to US$0.5 million to Rumbo. On 8 February 2018, the companies agreed to satisfy this payment through an issuance of 192,540 new ordinary shares at Stg £0.075.

On 5 April 2018, the Company signed a contract with Rumbo to purchase the remaining royalty agreement for a total consideration of US$4.75 million to be paid through the issuance of 1,600,907 new ordinary shares of Stg £0.075. The shares were issued at the 30-day volume weighted average price (the “Calculation Period”) of £2.118 per share and using the average USD to GBP exchange rate for the Calculation Period of 1.4008. ARM also agreed to pay the VAT associated with the transaction through a cash payment of US$997,500 to Rumbo, which is recoverable by ARM upon an ordinary course application for a VAT reclaim from the Spanish tax authorities. (See Note 13).

Exercise of Warrants and Issue of Equity

In May, the Company received notification for the exercise of warrants over 262,569 ordinary shares of £0.075 at an exercise price of $1.425 per share. As a result, the Company received proceeds of £374,160.83.

Application was made for the 262,569 shares (“New Ordinary Shares”) to be admitted to trading on AIM and the dealings in the New Ordinary Shares commenced on 7 June 2018.

Following the issue of the New Ordinary Shares, the total number of Ordinary Shares in issue is 137,339,126.

34. Events after the reporting period

On 19 March 2019, 200,000 shares options expired without being exercised. The share options were granted on 20 March 2014 at an exercise price of 360.0 pence.

On 20 March 2019, the Board of Directors approved the disposal of the 10% free-carried investment of Atalaya in Eastern Mediterranean Minerals (Cyprus) Limited (“EMM”) an exploration company with interest in Cyprus.

On 29 March 2019, Atalaya announced the receipt of notification from the Supreme Court in Spain that it does not have jurisdiction over the appeal made by the Junta de Andalucía and the Company, which voluntarily joined the appeal as co-defendant. Therefore, the previously announced Ruling made by the Tribunal Superior de Justicia de Andalucía remains valid. Refer to Note 32.