Atalaya Mining Plc

Annual Report

For the year ended 31 December 2018

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Group production	Unit	2019 guidance	FY2018	FY2017
Copper concentrate	t		**180,661**	**165,965**
Copper contained in concentrate	t	45,000 – 46,500	**42,114**	**37,164**
Payable copper contained in concentrate	t		**40,306**	**35,504**

Key messages

- 2018 second full year of production with copper production above guidance
- 2019 guidance targeting an improvement on 2018 production
- Expansion to 15Mtpa at Proyecto Riotinto over 80% completion
- Permitting for Proyecto Touro in an advance stage

Financial highlights

Group financials	Unit	FY2018	FY2017
Revenues	€k	**189,476**	**160,537**
EBITDA	€k	**53,542**	**41,347**
Cash cost	$/lb payable	**1.94**	**1.91**
All-in sustaining cost	$/lb payable	**2.26**	**2.30**
Working capital	€k	**8,435**	**22,137**
Cash at bank	€k	**33,070**	**42,856**

Key messages

- Higher EBITDA compared with previous year amounting to €53.5 million
- Cash cost improvement from 2018 expectations
- €33.1 million cash at bank as at 31 December 2018

Other information

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

Company overview

Atalaya at a glance

Atalaya is an AIM and TSX listed mining and development group which produces copper concentrates including silver by-product at its wholly owned Proyecto Riotinto site in southwest Spain. In addition, the Group has a phased, earn-in agreement to acquire up to 80% of Proyecto Touro, a brownfield copper project in northwest Spain which is currently at the permitting stage.

- Strong pipeline of low risk growth projects
- Proven management team
- Supportive strategic shareholders

Proyecto Riotinto

Atalaya owns 100% of the Proyecto Riotinto copper mine in Huelva.
Atalaya increased its open pit mineral reserves by 29% as per the updated NI 43-101 technical report filed in the third quarter of 2018. A brownfield expansion is in progress which is expected to increase throughput from the current 9.5Mtpa to 15Mtpa.

Proyecto Touro

In 2017, Atalaya signed a phased, earn-in agreement for up to 80% ownership of Proyecto Touro, a brownfield copper project in northwest Spain. The permitting process is well advanced and is now pending for evaluation from a regulatory perspective.

Letter from the Chairman

Dear Shareholder

I am delighted to report 2018 has been another year of new records achieved at your Company's operating project at Riotinto.

Throughput and metallurgical recoveries increased year-on-year as a result of continuous improvements. The ore processing throughput rate was steadily increased during 2018 to achieve a cumulative plant throughput of 9.8Mtpa, with copper production of 42,100 tonnes, an increase of around 13% from the 37,200 tonnes produced in 2017. The average process plant feed grade of 0.49% copper was consistent with reserve estimates and the process recovery rate improved in 2018 to 88.30% from 85.45% in 2017. Cash operating costs for 2018 of $1.94/lb were well below the original forecast guideline of $2.15/lb to $2.30/lb.

With only minimal interruption to process throughput, the installation of new equipment to expand the design throughput from the present 9.5Mtpa to 15Mtpa throughput has been progressing throughout the year, with an 80% overall project completion at the end of December 2018. Engineering and procurement is now complete and all equipment on site with the project on schedule for start of commissioning at the end of the second quarter 2019.

Mining operations progressed according to plan during 2018 and the additional mining equipment is now available on site in anticipation of the increased mining output scheduled for the second half of 2019.

Exploration and definition drilling continued throughout the year. The Company filed an updated NI 43-101 technical report for an updated resources and reserves estimate for Proyecto Riotinto in July 2018 with a 29% increase in proven and probable reserves, a 21% increase in contained Copper and a reduction in the strip ratio from 1.95:1 to 1.43:1. Allowing for the expanded 15Mtpa throughput, this provides a resultant life of mine reserve of 13.8 years.

Project evaluation work has continued on the Proyecto Touro in Galicia with the Environmental Impact Assessment completed in Q4 2018.

In November 2018, judgement on the Astor case was received from the Court of Appeal that confirmed the ruling from the High Court made in March 2017, in that the Deferred Consideration payable to Astor under the Master Agreement did not start to become payable when Proyecto Riotinto permit approval was granted. The Company was not in breach of any of its obligations, but the Master Agreement and its provisions remain in place. This provides finality to the issue and the liability, which was fully recognised in 2016, will be settled in due course.

Proyecto Riotinto has also experienced some challenges in the past year. In 2018, a court ruling was handed down identifying a procedural error by the Junta de Andalucía in granting the environmental authorisation (Autorización Ambiental Unificada or "AAU") to Atalaya in 2014. The Company is currently in discussions with the Junta de Andalucía to resolve the issue identified by the Court and the mine continues to operate as usual as the court ruling does not prevent its normal functioning. The Junta de Andalucía has been publicly supportive of the continuation of the operation and of the mining sector and we are confident that the matter raised by the court ruling will be addressed soon with no impact on our operation.

The Group remains focused on growth opportunities, both internally by expanding Proyecto Riotinto and progressing Proyecto Touro and externally by the technical review of non-Atalaya assets.

Finally, I would like to offer my sincere thanks for the continued commitment and efforts of our management and staff, for the continued support and contributions of all the board members and, last but not least, for the continued support of our valued shareholders.

Once again, we can look to the year ahead with continued confidence and optimism.

Roger Davey
Chairman of Atalaya Mining Plc
3 April 2019

Management report

The Board of Directors of Atalaya Mining Plc ("Atalaya Mining" and/or the "Company") presents its management report and the audited consolidated financial statements of Atalaya and its subsidiaries ("Atalaya" and/or "the Group") and the individual financial statements of the Company for the year ended 31 December 2018.

Introduction

This report provides an overview and analysis of the financial results of operations of the Group, to enable the reader to assess material changes in the financial position between 31 December 2017 and 31 December 2018 and results of operations for the years ended 31 December 2018 and 31 December 2017.

This report has been prepared as of 3 April 2019. The analysis, hereby included, is intended to supplement and complement the audited consolidated financial statements and notes thereto ("Financial Statements") as at and for the year ended 31 December 2018. The reader should review the Financial Statements in conjunction with the review of this report and with the annual audited, consolidated financial statements for the year ended 31 December 2017. These documents can be found on the Atalaya website at www.atalayamining.com.

Atalaya prepares its Financial Statements in accordance with International Financial Reporting Standards ("IFRS"). The currency referred to in this document is the Euro ("EUR"), unless otherwise specified.

Forward looking statements

This report may include certain "forward-looking statements" and "forward-looking information" applicable under securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterised by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Assumptions upon which such forward-looking statements are based include all required third party regulatory and governmental approvals that will be obtained. Many of these assumptions are based on factors and events that are not within the control of Atalaya and there is no assurance they will be correct. Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include changes in market conditions and other risk factors discussed or referred to in this report and other documents filed with the applicable securities regulatory authorities. Although Atalaya has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Atalaya undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Management report

i. Review of developments, current position and performance of the Group’s business and principal

Principal activities of the Company and its subsidiaries

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

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

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

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

For further details on the principal activities of the Group and the Company, refer to Note 1 of the financial statements.

Operational review

Proyecto Riotinto

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

Units expressed in accordance with the international system of units (SI)	Unit	FY2018	FY2017
Ore mined	t	**10,753,598**	9,340,028
Ore processed	t	**9,819,839**	8,796,715
Copper ore grade	%	**0.49**	0.50
Copper concentrate grade	%	**23.31**	22.39
Copper recovery rate	%	**88.30**	85.45
Copper concentrate	t	**180,661**	165,965
Copper contained in concentrate	t	**42,114**	37,164
Payable copper contained in concentrate	t	**40,306**	35,504
Cash cost	$/lb payable	**1.94**	1.91
All-in sustaining cost	$/lb payable	**2.26**	2.30

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

Mining and Processing

Mining

Mining operations in 2018 progressed according to plan and at similar levels during every quarter. Ore mined during the year was 10.8 Mtpa resulting a 16% increase over the 9.3 Mtpa from previous year. Additional mining equipment is available on site in anticipation of the increase in production scheduled for to be mechanically completed by the end of Q2 2019.

Processing

During 2018 the plant processed 9.8 Mt of ore with an average copper head grade of 0.49% and a recovery rate of 88.30%. In comparison to the rates for 2017, throughput and metallurgical recoveries have increased as a result of continuous improvements.

Throughput has increased from 8.8 Mtpa in 2017 to 9.8 Mtpa in 2018 and recoveries have improved from 85.45% in 2017 to 88.30% in 2018. Copper head grade was 23.31%, in line with expectations and above previous year´s grade 22.39%.

Concentrate production for 2018 was 180,661 tonnes compared with 165,965 tonnes in 2017. Contained copper was 42,114 tonnes compared with 37,164 tonnes in 2017. Copper payable amounted to 40,306 tonnes from 35,504 tonnes in 2017.

On-site concentrate inventories at 31 December 2018 were approximately 4,667 tonnes which has been fully sold during January 2019. All concentrate in stock was delivered to the port at Huelva.

As part of the Company's continuous improvements programme, an additional secondary cone crusher was installed in Q2 2018 and became fully operational in the third quarter. Crushing capacity was no longer a bottleneck in the production process in Q3 2018 as it was in previous quarters.

Exploration and Geology

Exploration progressed well at the Atalaya pit where massive sulphides and stockwork mineralisation were being targeted. The first 2,900m of a 19,000m drilling campaign have already been drilled with positive preliminary results received during the last quarter. Geological modelling of the upper and lower sections of the orebody are still in progress. Drilling around the high-grade underground workings in Filon Sur is also ongoing with 9,900m drilled out of a programme of 17,400m.

Expansion Project of Proyecto Riotinto

The 15Mtpa Expansion Project progressed according to schedule during the year. Engineering and procurement were completed with equipment delivered to site. All efforts are now concentrated around site construction activities. Overall progress completion at the end of December 2018 was over 80%. Earthworks were completed while civil engineering works is being finalised. Installation of mechanical equipment was completed in the flotation and concentrate handling areas. Structural steel works have been finalised in the flotation area with piping installation underway. Piping was completed in the concentrate handling area with electrical installation well advanced. The milling area is the critical path of the Expansion Project that is scheduled for mechanical completion at the end of Q2 2019.

Proyecto Touro

The environmental impact assessment process was completed during the fourth quarter. Since submission of the latest studies and reports during the previous quarter, a number of queries have been addressed and cleared as part of the consultation and permitting process. The next step in the permitting process is the evaluation of the project from a regulatory perspective.

During the second quarter, the Company announced the completion of a pre-feasibility study ("PFS") for the proposed open pit mine and concentrator at Proyecto Touro. The PFS report was prepared using the headings of, and guidance set out in the NI 43-101 report. Highlights of the PFS report are:

- 392,000 tonnes of contained copper in P&P reserves;
- Average yearly production of 30,000 tonnes copper and 70,000 ounces of silver in concentrate;
- Pre-production capital expenditure of $165 million;
- All-in sustaining costs of US$1.85/lb of payable Cu net of silver credits; and
- NPV post-tax at 8% discount rate of $180 million using long term copper price of US3.00/lb.

Management report

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 Tribunal Superior de Justicia de la 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.

Operational guidance

The forward-looking information contained in this section is subject to the risk factors and assumptions contained in the cautionary statement on forward-looking statements included in the note of this report.

Proyecto Riotinto operational guidance for 2019 is as follows:

	Unit	Guidance 2019	Actual 2018	Guidance 2018
Ore processed	million tonnes	11.4	9.8	9.6
Contained copper	tonnes	45,000 – 46,500	42,114	37,000 - 40,000

Copper head grade for 2019 is budgeted to average 0.47% Cu, with a recovery rate of approximately 85% - 87%. Cash operating costs for 2019 are expected to be in the range of \$1.95/lb – \$2.15/lb. AISC for 2019 is expected to be in the range of \$2.25/lb – \$2.45/lb Cu payable.

Guidance for 2019 considers the impact of the commissioning of the plant expansion from June 2019.

Management report

Financial review

Results

The following table presents a summarised consolidated income statement for the twelve month period ended 31 December 2018, with comparatives for twelve months ended 31 December 2017.

(Euro 000's)	Twelve months ended 31 Dec 2018	Twelve months ended 31 Dec 2017
Revenues from operations	**189,476**	160,537
Total operating costs	**(128,898)**	(114,687)
Corporate expenses	**(5,892)**	(4,508)
Exploration expenses	**(1,021)**	-
Care and maintenance expenditure	**(281)**	-
Other income	**158**	5
EBITDA	**53,542**	41,347
Depreciation/amortisation	**(13,430)**	(16,671)
Net foreign exchange (loss)/profit	**1,613**	(2,212)
Net finance cost	**(182)**	(557)
Tax charge	**(7,102)**	(3,696)
	34,441	18,211

Revenues for FY2018 amounted to €189.5 million (FY2017: €160.5 million).

Copper concentrate production during FY2018 was 180,661 tonnes (FY2017: 165,965 tonnes) and 183,368 tonnes of copper concentrate were sold in the same period (FY2017: 158,591).

The realised price for the twelve-month period in 2018 was $2.95/lb copper compared with $2.66/lb copper in the same period of 2017. Concentrates were sold under offtake agreements in place. The Company did not enter into any hedging agreements in 2018.

Operating costs for FY2018 amounted to €128.9 million, compared with €114.7 million in FY2017. Higher costs in 2018 were directly attributable to higher copper production.

Cash costs of $1.94/lb payable copper for FY2018, slightly higher compared with $1.91/lb payable copper in the same period last year. All-in sustaining costs for FY2018 were US$2.26/lb payable copper compared with US$2.30/lb payable copper in the FY2017.

Sustaining capex for FY2018, included in capital expenditure, amounted to €8.0 million. Sustaining capex accounted for development programmes at the perimetric channel of tailings storage facility, optimisation of the flotation circuit.

Corporate costs for FY2018 were €5.9 million, compared with €4.5 million for FY2017.

Exploration costs related to the Riotinto Project for FY2018 amounted to €1.0 million, compared with €nil in the same period last year.

Care and maintenance costs related to the Riotinto Project for FY2018 amounted to €0.3 million, compared with €nil for FY2017.

EBITDA for FY2018 amounted to €53.5 million, compared with EBITDA of €41.3 million for FY2017.

Depreciation and amortisation amounted to €13.4 million for FY2018 (FY2017: €16.7 million). Lower depreciation was mainly driven by an extension of the life of mine as per the updated reserves and resources report.

Net finance costs for FY2018 amounted to €0.2 million (FY2017: €0.6 million).

Management report

Non-GAAP Measures

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

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

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

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

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

Management report

Consolidated financial position

(Euro 000's)	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets	**337,503**	283,500
Other current assets	**34,581**	48,016
Cash and cash equivalents	**33,070**	42,856
Total assets	**405,154**	374,372
Shareholders' equity	**286,374**	246,853
LIABILITIES		
Non-current liabilities	**59,564**	58,784
Current liabilities	**59,216**	68,735
Total liabilities	**118,780**	127,519
Total equity and liabilities	**405,154**	374,372

Assets

Total assets were €405.2 million as at 31 December 2018, compared to €374.4 million as at 31 December 2017, an increase of €30.8 million. The Group's significant assets are its mining rights and mining plant at Proyecto Riotinto.

Non-current assets increase mainly related to the Expansion Project, Rumbo Royalty Buyout and the capitalisation of deferred mining costs.

Other current assets as at 31 December 2018 amounted to €34.6 million (2017: €48.0 million), out of which €23.7 million (2017: €34.2 million) related to trade and other receivables; €10.8 million (2017: €13.7 million) relates to spare parts and ore in stockpile classified as inventories; and €0.1 million (2017: €0.1million) relates to other financial assets.

Trade receivables comprise €4.5 million of receivables from sales of copper concentrates from third parties (2017: €12.1 million), €2.5 million (2017: €1.6 million) related to a receivable from related parties from copper concentrates sales, €13.7 million (2017: €17.8 million) related to VAT due from authorities in Spain and Cyprus; €1.2 million (2017: €1.7 million) related to tax advances; €0.7 million (2017: €nil) related to prepayments and other current assets amounting to €1.1 million (2017: €2.7 million).

Liabilities

Non-current liabilities stood at €59.6 million as at 31 December 2018 compared with €58.8 million as at 31 December 2017. Non-current liabilities mainly represent the Deferred Consideration to Astor amounting to €53.0 million as at 31 December 2018 (2017: €52.9 million). In addition to the Deferred Consideration, non-current liabilities includes the rehabilitation provision of €6.5 million (2017: €5.7 million) and long term trade payables of €0.1 million (2017: €0.1 million).

Current liabilities amounted to €59.2 million at 31 December 2018 (2017: €68.7 million), out of which €53.1 million (2017: €64.2 million) related to trade payables; €3.4 million (2017: €2.7 million) related to accruals; €1.9 million related to current tax liabilities (2017: €0.8 million); and €0.8 million (2017: €0.8 million) related to land options and mortgage.

Liquidity and capital resources

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

The following is a summary of Atalaya's cash position as at 31 December 2018 and 2017, and cash flows for the twelve months ended 31 December 2018 and 2017.

Liquidity information

(Euro 000's)	31 December 2018	31 December 2017
Unrestricted cash and cash equivalents at Group level	**24,357**	39,179
Unrestricted cash and cash equivalents at Operation level	**8,463**	3,427
Restricted cash	**250**	250
Working capital surplus	**8,435**	22,137

Unrestricted cash and cash equivalents as at 31 December 2018 decreased to €32.8 million from €42.6 million at 31 December 2017. The decrease in cash balances is mainly the result of the cash flow from investing activities during FY2018. Cash balances are unrestricted and include balances at corporate and operational level.

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

As at 31 December 2018, Atalaya reported a working capital surplus of €8.4 million, compared with a working capital surplus of €22.1 million at 31 December 2017. The main liability of the working capital is trade payables related to Proyecto Riotinto contractors. At 31 December 2018, trade payables have been reduced by circa 16% compared with the same period last year.

Overview of the Group's cash flows

(Euro 000's)	Twelve months ended 31 Dec 2018	Twelve months ended 31 Dec 2017
Cash flows from operating activities	**55,333**	30,500
Cash flows used in investing activities	**(65,712)**	(22,678)
Cash flows from financing activities	**593**	33,899
Net (decrease)/increase in cash and cash equivalents	**(9,786)**	41,721

Cash and cash equivalents decreased by €9.8 million during the twelve months ended 31 December 2018. This was due to cash from operating activities amounting to €55.3 million, cash used in investing activities amounting to €65.7 million and cash generated by financing activities totalling to €0.6 million.

Cash generated from operating activities before working capital changes was €56.3 million. Atalaya decreased its trade receivables by €11.7 million, its trade payables balance in the period by €10.3 million and increased its inventory levels by €2.9 million.

Investing activities in 2018 amounted to €65.7 million, mainly relating to the Expansion Project of the Riotinto Project, deferred mining costs and Rumbo Royalty Buyout.

Financing activities in 2018 amounted to €0.6 million and relate to the capital raised during 2018.

Management report

Foreign exchange

For FY2018, Atalaya recognised a foreign exchange gain of €1.6 million (FY2017 loss: €2.2 million). Foreign exchange gain mainly related to variances in EUR and USD conversion rates during the period, as all sales are settled and occasionally held in USD.

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

	Twelve months ended 31 Dec 2018	Twelve months ended 31 Dec 2017
Average rates for the periods		
GBP – EUR	**0.8847**	0.8767
USD – EUR	**1.1810**	1.1297
Spot rates as at		
GBP – EUR	**0.8945**	0.8872
USD – EUR	**1.1450**	1.1993

In February 2017, the Group entered into certain foreign exchange hedging contracts to offset the agreements in force as at 31 December 2016. During 2018, Atalaya did not have any currency hedging agreements.

Ruling on the Astor litigation and 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.

Critical accounting policies, estimates and accounting changes

The preparation of Atalaya's Financial Statements in accordance with IFRS required management to made estimates and assumptions that affected amounts reported in the Financial Statements and accompanying notes. There is a full discussion and description of Atalaya's critical accounting estimates and judgements in the audited financial statements for the year ended 31 December 2018 (Note 3.4).

Management report

Principal risks and uncertainties

Due to the nature of Atalaya's business in the mining industry, the Group is subject to various risks that could materially impact its future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to Atalaya.

Atalaya´s principal risks have continued to fall within four categories:

- Strategic risks;
- Commercial and financial risks;
- External risks; and
- Operational risks

Strategic risks	Nature of the risk	Mitigation of risk	Importance
Single asset, single commodity and single country risk	The Company´s current production is from the Riotinto Project, which is its single producing asset. Atalaya produces and sell copper concentrates with silver by-product. Any interruption in the producing asset may impact the Group's results.	Atalaya is continually evaluating acquisitions in the mining sector, to increase the number of operation under management. Permits of Touro would significantly reduce the exposure as it would add an additional operation to the Group.	✓
Lack of replacement of reserves	Atalaya must continually replace and expand its mineral resources. The depletion of its mineral reserves may not be offset by future discoveries or acquisitions.	On-going exploration campaigns currently in areas close to both Proyecto Riotinto and Touro.	✓
Underestimation of capex, finance and license to operate	Atalaya´s capital expenditure requirements in the Touro Project and/or the Riotinto Project expansion may require more capital than anticipated and/or Atalaya may have difficulty obtaining required permitting and financing, which could delay project development.	Expansion of Proyecto Riotinto around 80% completed as at 31 December 2018 on time and budget. Permits for Proyecto Touro progressing as expected.	✓

Management report

Commercial and financial risks	Nature of the risk	Mitigation of risk	Importance
Significant changes to commodity prices	A decline in the price of copper and other metals in world markets, which can fluctuate widely, could adversely affect Atalaya´s business, operating results and prospects.	Atalaya is continually monitoring commodity prices and revisiting hedging strategies policies	✓
Limited number of customers	100% of Atalaya´s concentrate production is sold to three offtakers. Offtakers' business can significantly impact its operations.	Close contact with offtakers to ensure we understand how they run their business.	✓
Lack of control over certain key inputs	Atalaya may be unable to control the availability of key inputs such as fuel, cement and explosives, which are beyond management's influence.	The purchase department of the operating company is continually expanding their network influence to ensure supplier chain.	✓
Insurance coverage	Atalaya´s insurance coverage does not cover all potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable.	Monthly review of insurance coverage with qualified brokers in the mining sector.	✓
Changes in taxation and other financial conditions	Atalaya is subject to laws and regulations relating to taxation, customs and royalties that could have an adverse effect on its business, financial conditions and results of operations.	Recurrent meetings and analysis performed by local advisors to ensure that Atalaya monitored and anticipated taxation for significant business decisions.	✓

Management report

External risks	Nature of the risk	Mitigation of risk	Importance
Political, legal and regulatory developments	Atalaya is subject to extensive regulation, concessions, authorisations, licences, and permits which are subject to expiration, to limitation on renewal and to various other risks and uncertainties.	Monitoring all legal and political decisions that might impact the mining sector, by participating among peer miners in the area in professional agencies and meetings.	✓
Economic conditions	General economic conditions or changes in consumption patterns may adversely affect Atalaya´s growth and profitability. In particular, the Chinese market, which has significant impact on the world's copper demand.	Monitoring commodities prices.	✓
Dependence on key infrastructure	Atalaya is dependent on transportation facilities, infrastructure and certain suppliers, a lack of which could impact its production and development projects.	Atalaya´s contractors are very reliable. Atalaya maintains contingency plans to ensure operations.	✓

Management report

Operational risks	Nature of the risk	Mitigation of risk	Importance
Shortages of equipment, services and skilled personnel	The industry has faced a worldwide shortage of mining and construction equipment, spare parts, contractors, and other skilled personnel during periods of high demand in commodities.	Atalaya has increased its headcount from last year and is constantly looking to expand. Atalaya invests in training and its remuneration package ensures that its employees have enough incentive to stay.	
Operational risks and hazards	Operational risks and hazards may adversely impact Atalaya's business, financial condition and result of operations, particularly: floods, natural disasters, industrial accidents, labour disputes, structural collapses, transportations delays and earthquakes.	Atalaya constantly invests in health and safety and regularly analyses ways in which to make its mine safer.	
Labour disruptions	Atalaya may be adversely affected by labour disruptions.	Atalaya has meetings periodically with its trade unions to discuss and agree on any changes to labour conditions and concerns.	
Water, electricity and other key supply shortages	Atalaya's mining operations depend on the availability of water, electricity and other key inputs.	Atalaya monitors water consumption and water levels frequently. As the Company expands, Atalaya will need more water and electricity. Atalaya has undertaken a water use enlargement project in which the Company will be incrementing their water resources by 50%.	
Complexity of environmental laws	Atalaya's operations are subject to complex and evolving environmental laws and regulations and changes may increase its running costs.	Atalaya has a dedicated team that review any new laws and changes regularly. Atalaya has not been highlighted of any imminent change.	

In addition to the above commercial and finance risks, refer to Note 3 of the financial statements for further details on the finance risk management policy adopted by the Group and the Company

High

Medium

Low

Management report

Internal controls

The Directors have overall responsibility for the Group's internal control and effectiveness in safeguarding the assets of the Group. Internal control systems are designed to reflect the particular type of business, operations and safety risks and to identify and manage risks, but not entirely all risks to which the business is exposed. As a result, internal controls can only provide a reasonable, but not absolute, assurance against material misstatements or loss.

The processes used by the Board to review the effectiveness of the internal controls are through the Audit and Financial Risk Committee and Physical Risk Committee and the executive management reporting to the Board on a regular basis where business plans and budgets, including investments are appraised and agreed. The Board also seeks to ensure that there is a proper organisational and management structure with clear responsibilities and accountability. It is the Board's policy to ensure that the management structure and the quality and integrity of the personnel are compatible with the requirements of the Group.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time in accordance with AIM and TSX rules. The Company's principal communication with its investors is through the annual report and accounts, the quarterly statements and press releases issued as material events unfold.

Going concern

The directors and management have performed a going concern assessment and that assessment includes the points highlighted here. Operations at the Group has generated significant operational cash flows during the year. Atalaya has also expanded the reserves and resources which has therefore extended their life of mine. The Company has increased their assets in line with their expectations. Copper prices were well above the cash cost during 2018 and Atalaya has no external debt or covenants impacting the organisation, other than the Deferred Consideration which is only payable out of excess cash flows. Atalaya has a legal claim affecting their environmental authorisation AAU (in Spanish "Autorización Ambiental Unificada") but this is being dealt with by their lawyers and advisors and on this basis Atalaya believes that the going concern basis is appropriate. Accordingly, the Directors have a reasonable expectation that the mining operation and the Group have adequate resources to continue in operational existence for the foreseeable future.

Creditors' payment terms

The Group does not have a specific policy towards its suppliers and does not follow any code or standard practice. However, terms of payment with suppliers are settled when agreeing overall terms of business, and the Group seeks to abide by the terms of the contracts to which it is bound.

Political and charitable donations

The Group made no political and no charitable donations during the year ended 31 December 2018 (2017: €nil)

Research and development activities

For details on research and development activities carried out by the Group and Company, refer to section (ii). Future developments of the Group and Company to the Management Report.

Existence of branches

The Group does not maintain any branches.

Share capital structure

During 2018, the Company had the following weighted average number of shares outstanding and commitments to issue shares:

	Weighted Nr. of ordinary shares
Ordinary shares	136,755,426
Options	1,354,633
Fully diluted	**138,110,059**

During 2018, Atalaya increased its share capital by 2.1 million of ordinary shares (2017: 18.6 million shares).

Details on authorised and issued share capital are disclosed in Note 23 of the consolidated financial statements.

Management report

Proposal in relation to the distribution of profits and dividend

The Directors do not recommend the payment of a dividend for the year (2017: €nil).

ii. Future developments of the Group and Company

Our Business Model

The business model of Atalaya is founded upon creating value through operational and developmental excellence. Experience and an unceasing search for improvement are the pillars of its success.

OUR VALUES	STRATEGIC PILLARS
IMPORTANCE OF PEOPLE Importance of Safety, Health, Environment & Security Strong work force with longstanding employees Working closely with communities	**OUR PEOPLE AND RELATIONSHIPS**
OPERATIONAL EXCELLENCE Importance of cost management Establishing high performance Operating to a world-class standard Maximising production capacity	**OUR BUSINESS**
CREATING VALUE Increase asset value under management Focusing on generating free cash flows Focusing on creating value for shareholders Allocating capital efficiently Creating opportunities for growth	**OUR FUTURE**

Management report

Our Strategy

OUR PEOPLE AND RELATIONSHIPS	Key driver	Achievements	Principal Risks
Environmental matters are discussed across the Group from the operating workforce to the Board of Directors.	**expenditures to reduce environmental impact**	2018 achievements Increased the number of employees at Proyecto Riotinto	Operational risks External risks
Continuous communication with regulatory bodies and shareholders to ensure world-class operation.		2019 priorities	
Experienced mining team to ensure proper safety, health and security policies.		Improve health and safety indicators	
Focused on creating a high-performance culture where its people are its core asset.	**400+ employees**	Increase work capacity for Proyecto Touro	
Atalaya has a flat management structure with accessible people.	**99% based at mine site**		
Atalaya's personnel are primarily based at site.			
Focused on improving its relationships with local government and communities.			
Limited presence in the media, with efforts focused on direct contact with people.	**community support through Fundación Atalaya Riotinto**		

OUR BUSINESS			
World-class processing plant in Europe to maximise value of the Group, thereby increasing free cash flows from operations	**€53.5m EBITDA**	2018 achievements Production at Proyecto Riotinto above guidance	Financial risks
	42k tonnes of Cu produced	All-in sustaining cost improvement above expectations	Operational risks
		Over 80% of the engineering works completed for the 15Mtpa Expansion Project	
		2019 priorities Completion of Expansion Project at Proyecto Riotinto and progress on the permitting at Proyecto Touro	

OUR FUTURE

Evaluation of existing capacity of each project and investment in exploration to replace reserves deployed Searching and evaluating projects around the world	**share price of 209.50 pence as at 31 December 2018**	2018 achievements Investment of €8.0 million (2017: €7.4 million) in sustaining Capex in Proyecto Riotinto Updated NI 43-101 for Proyecto Riontinto Investment of €0.9 million (2017: €2.7 million) in exploration at Proyecto Touro 2019 priorities Continuing exploration works to expand the reserves and resources of Proyecto Riotinto Ensuring no delays impede the permit progress of Touro.	Strategic risks External risks

Market overview

Market price

During 2018, copper traded between US$2.85 and US$3.12 per pound of copper. The spot price for copper was US$3.26 as at 2 January 2018 and US$2.71 as at 31 December 2018, reflecting a decrease of 20.3% for the period. The average market price for 2018 of $2.93/lb increased 4.6% over the average for 2017.

The market copper price has a significant impact on Atalaya's ability to generate positive operating cash flows.

Realised copper prices

The average prices of copper for 2018 and 2017 were:

(USD)	FY2018	FY2017
Realised copper price per lb	**2.95**	2.66
Market copper price per lb (period average)	**2.93**	2.80

Realised copper prices for the reporting period noted above have been calculated using payable copper and including both provisional invoices and final settlements of quotation periods ("QPs") together. Higher realised prices than market copper prices are mainly due to the final settlement of invoices where the QP was fixed in the previous quarter due to a short open period when copper prices were higher. The realised price during the year, excluding the QP, was approximately $2.89/lb.

Atalaya's response

The Group had no hedges on commodities prices during 2018 and the resultant increase in revenues is reflected in the income statement. As at the date of this report, the Group is fully exposed to the copper prices with no commodities hedging agreement in place.

Foreign exchange

Foreign exchange rate movements can have a significant effect on Atalaya's operations, financial position and results. Atalaya's sales are denominated in U.S. dollars ("USD"), while Atalaya's operating expenses, income taxes and other expenses are denominated in Euros ("EUR"), and to a much lesser extent in British Pounds ("GBP").

Accordingly, fluctuations in the exchange rates can impact the results of operations and carrying value of assets and liabilities on the balance sheet.

Atalaya's response

The Group was positively impacted by favourable rate against USD, the currency where all sales of the Group are denominated.
Management continuously monitor currency rates and evaluate currency hedging to minimise risk.

iii. Statement of Corporate Governance

The Group and the Company give special attention to the application of sound corporate governance policies, practices and procedures. Corporate Governance is the set of procedures followed for the proper management and administration of the Group. Corporate Governance rules the relationship between the shareholders, the board of directors and the management team of a company.

The QCA code has been adopted by the Group and the Company since its inception for Directors' dealings which is appropriate for a TSX and AIM listed company. The Directors comply with Rules 21,31 and 26 of the AIM Rules relating to Directors' dealings and will continue to take all reasonable steps to ensure compliance by the Group's applicable employees as well.

Corporate governance code

The QCA code is inherent to the Company´s foundation and Atalaya´s medium and long-term success depends on its compliance with the QCA code and with its forward looking and long-term objectives.

The Company has adopted a model code since its inception for Directors' dealings which is appropriate for a TSX and AIM listed company. The Directors do comply with Rules 21.31 and 26 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

The board reviews and is in frequent contact with the CEO and with other representatives of the Company to see if the Company and its employees are in a healthy working environment and to check to see if the state of the culture represents its values.

The Company is incorporated in Cyprus, so it is subject to Cypriot laws and regulations, being subject to the regulations of AIM and TSX, its trading platforms. There is no conflict there and in fact makes it easier to be more transparent and straightforward to its shareholders

Quoted Company Alliance (QCA)

The QCA is an independent membership that "champions the interests of small to mid-size quoted companies". The QCA represents around 1.4 million workers and they set out the guidelines of independence and transparency for said businesses.

During 2018, the QCA issued an updated version of its Corporate Governance Code. This new and updated version of the Code includes 10 corporate governance principles that companies should follow, and step-by-step guidance on how to effectively apply these principles.

Refer to the Corporate Governance Report for further details.

iv. Directors' responsibilities for the financial statements

Cyprus company law states that the Directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In the preparation of these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. Legislation in Cyprus governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Composition, responsibilities and remuneration of Board of Directors

The members of the Board of Directors as at 31 December 2018 and on the date of this report are presented in the Corporate Governance report. There were no significant changes in the assignment of responsibilities of the members of the Board of Directors.

For further details on the composition, responsibilities and remuneration of the Board of Directors, refer to the Corporate Governance report.

v. Auditors

The auditors, Ernst & Young Cyprus Ltd., have expressed their willingness to continue in office and a resolution approving their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the next Annual General Meeting.

vi. Events after reporting period

Any significant events that occurred after the end of the reporting period are described in Note 34 to the financial statements.

By Order of the Board of Directors,

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Roger Davey
Chairman
Nicosia, 3 April 2019

Corporate governance report

Board of Directors

Board structure

Board of Directors		
Committees		
Audit and Financial Risk Committee ("AFRC")	**Corporate Governance Nominating Compensation Committee ("CGNCC")**	**Physical Risk Committee ("PRC")**
Summary of Committee responsibilities - Reviews and monitors financial statements - Reviews Company's public disclosure of financial information - Reviews estimates and judgements that are material to reported financial information - Oversees the auditors arrangements and performance - Reviews internal and external risks of the Company	**Summary of Committee responsibilities** - Reviews Directors' compensation and performance - Reviews Corporate Governance of Atalaya and practices, independence, charters' review, and structure - Compensation and performance of officers of Atalaya	**Summary of Committee responsibilities** - Oversees safety, health, environment and security matters of the Company - Oversees enterprise-wide physical risk management - Reviews compliance with legal and regulatory obligations relating to safety, health, and environment
Dr. Hussein Barma (Chairman) Mr. Roger Davey Mr. Stephen Scott	Stephen Scott (Chairman) Mr. Roger Davey Dr. Hussein Barma Mr. Damon Barber	Dr. Jose Sierra (Chairman) Mr. Roger Davey Mr. Stephen Scott

Directors

The names and particulars of the qualifications and experience of each director are set out below. All directors held office from the start of the financial year to the date of this report. In accordance with the Company's Articles of Association, one-third of the Board of Directors must resign each year. All the directors will retire at the next AGM and offer themselves for re-election.

Roger Davey - non-executive Chairman of the Board

Mr. Davey has over forty years' experience in the mining industry. Previous employment included assistant director and senior mining engineer at NM Rothschild & Sons; director, vice-president and general manager of AngloGold's subsidiaries in Argentina; operations director of Greenwich Resources Plc, London; production manager for Blue Circle Industries in Chile; and various production roles from graduate trainee to mine manager, in Gold Fields of South Africa (1971 to 1978). Mr. Davey is currently a director of Highfield Resources Ltd., Central Asia Metals plc and Tharisa plc.

Mr. Davey is a graduate of the Camborne School of Mines, England (1970), with a Master of Science degree in Mineral Production Management from Imperial College, London University, (1979) and a Master of Science degree from Bournemouth University (1994). He is a Chartered Engineer (C.Eng.), a European Engineer (Eur. Ing.) and a Member of the Institute of Materials, Minerals and Mining (MIMMM).

Corporate governance report

Board of Directors (cont.)

Mr. Davey is the Chair of the Board of Directors and a member of the Audit and Financial Risk Committee, the Physical Risk Committee and the Corporate Governance Nominating Compensation Committee.

Name	Role	Years of service	Executive	Time commitment
Roger Davey	Chairman Independent	Since May 2010	Non-executive director	At least 75% meetings schedule
Skills				
Mining experience, operations, processing, exploration, Capital market, UK Market, International business, leadership, strategic, fund raising, M&A, governance, project management.				

Alberto Lavandeira - Managing Director and Chief Executive Officer

Mr. Lavandeira brings close to forty years of experience operating and developing mining projects. Formerly, he was President, CEO and COO of Rio Narcea Gold Mines which built three mines including Aguablanca, El Vallés-Boinas y Tasiast. He is a director of Black Dragon Gold Corp. and Samref Overseas S.A, and he was involved in the development of the Mutanda Mine in the Democratic Republic of Congo.

He is a graduate of the University of Oviedo, Spain with a degree in Mining Engineering.

Name	Role	Years of service	Executive	Time commitment
Alberto Lavandeira	Chief Executive Officer	Since May 2014	Executive	100%
Skills				
Mining experience, operations, processing, exploration, commercial, Capital market, International business, leadership, strategic, fund raising, M&A, governance, project management, permitting, government relations, CEO, sustainability				

Damon Barber - non-executive Director

Mr. Barber is currently the Senior Managing Director of Liberty Metals & Mining. Mr. Barber has more than 20 years' experience in natural-resources finance, mining project development and mining operations. Mr. Barber graduated from the University of Kentucky with a B.S. in Mining Engineering and began his career as a section foreman at CONSOL Energy Inc.'s Loveridge Mine. Mr. Barber holds an MBA from the Wharton School of the University of Pennsylvania.

Mr. Barber is a member of the Corporate Governance Nominating Compensation Committee.

Name	Role	Years of service	Executive	Time commitment
Damon Barber	Non-Independent	Since Sep 2015	Non-executive director	At least 75% meetings schedule
Skills				
Mining experience, operations, processing, Capital market, International business, leadership, strategic, fund raising, M&A, governance, project management				

Corporate governance report

Board of Directors (cont.)

Dr. Hussein Barma - non-executive Director

Dr. Barma is a principal of Barma Advisory. He was formerly CFO (UK) of Antofagasta Plc from 1998 to 2014 and possesses a deep knowledge of governance practices at board level, as well as accounting and reporting, investor relations and regulatory requirements of the London market. He previously worked as an auditor at Price Waterhouse (now PwC) and until May 2018 he was a steering group member of the UK Financial Reporting Council's Financial Reporting Lab. He is a non-executive Director of Chaarat Gold Holdings Limited.

Dr. Barma is the Chair of the Audit and Financial Risk Committee, and a member of the Corporate Governance Nominating Compensation Committee.

Name	Role	Years of service	Executive	Time commitment
Hussein Barma	Chair of the AFRC Independent	Since Sep 2015	Non-executive director	At least 75% meetings schedule
Skills				
Mining experience, Corporate finance, finance and accounting, legal, UK Market, Capital market, International business, leadership, strategic, fund raising, M&A communications, sustainability				

Jesus Fernandez - non-executive Director

Mr. Fernandez is head of the M&A team for Trafigura. He joined Trafigura in 2004 and has fifteen years of experience in mining investments and financing. Previously, he was a director of Nyrstar, Tiger Resources Limited, Cadilac Ventures, Anvil Mining Limited and Iberian Minerals Corp. plc.

Name	Role	Years of service	Executive	Time commitment
Jesus Fernandez	Non-Independent	Since Jun 2015	Non-executive director	At least 75% meetings schedule
Skills				
Mining experience, Capital market, UK Markets, International business, Corporate finance, finance and accounting, legal, leadership, strategic, fund raising, M&A, governance				

Harry Liu, BSc. Economics - non-executive Director

Mr. Liu is a board director of Yanggu Xiangguang Copper (Shandong, China), one of the world's largest copper smelting, refining and processing groups.

Mr. Liu has held a number of senior management and marketing positions in the mineral and financial industries in Shanghai and Hong Kong, including roles as marketing manager at BHP Billiton Marketing AG and Director at BNP Paribas Asia.

Mr. Liu graduated with a Bachelor´s Degree in Economics from Zhejiang University in Zhejiang Province, China.

Name	Role	Years of service	Executive	Time commitment
Harry Liu	Non-Independent	Since Oct 2010	Non-executive director	At least 75% meetings schedule
Skills				
Commodity trading and financing, Capital market, International business, leadership, strategic, fund raising, M&A, governance, project management, permitting.				

Corporate governance report

Board of Directors (cont.)

Jonathan Lamb - non-executive Director

Mr. Lamb is portfolio manager at Orion Mine Finance and a director at Minera la Negra and former director at Lynx Resources. He was formerly investment manager for Red Kite Group's Mine Finance business. He was previously at Deutsche Bank's Metals & Mining Investment Banking group in New York, where he worked on a variety of debt and equity financings and M&A transactions.

Name	Role	Years of service	Executive	Time commitment
John Lamb	Non-Independent	Since Sep 2015	Non-executive director	At least 75% meetings schedule

Skills
Mining experience, Capital market, UK Markets, International business, Corporate finance, finance and accounting, legal, leadership, strategic, fund raising, M&A, governance.

Dr. Jose Sierra Lopez - non-executive Director

Dr. Sierra has an extensive experience as a mining and energy leader in the business and government sectors. His experience includes being Spain's national Director General of Mines and Construction Industries and EU Director for Fossil Fuels for the European Commission. Most recently he was Commissioner at the National Energy Commission of Spain. He was also a member of the Single Electricity Market of the Republic of Ireland and Northern Ireland He was a member of the Board of Transport et Infrastructures Gaz France.

Dr. Sierra holds a Ph.D. in Mining from the University of Madrid. He obtained a DIC at the Royal School of Mines (Imperial College) and is an elected member of the Royal Academy of Doctors of Spain.

Dr. Sierra is the Chair of the Physical Risk Committee.

Name	Role	Years of service	Executive	Time commitment
Jose Sierra Lopez	Chair of the PRC Independent	Since Oct 2011	Non-executive director	At least 75% meetings schedule

Skills
Mining experience, operations, processing, exploration, Capital market, UK Market, International business, leadership, strategic, governance, project management, permitting

Stephen Scott - non-executive Director

Mr. Scott is president and CEO of Entree Resources Limited. Previously, he was president and CEO of Minenet advisors advising on strategy, corporate development, business restructuring and project management. He held various global executive positions with Rio Tinto (2000-2014) and currently serves on the boards of a number of public and private mining companies.

Mr. Scott is the Chair of the Corporate Governance Nominating Compensation Committee and a member of the Audit and Financial Risk Committee.

Name	Role	Years of service	Executive	Time commitment
Steve Scott	Chair of the CGNCC Independent	Since Sep 2015	Non-executive director	At least 75% meetings schedule

Skills
Mining experience, operations, processing, exploration, Capital market, International business, leadership, strategic, fund raising, M&A, governance, project management, permitting, CEO.

Corporate governance report

Corporate governance compliance statement

The Company adheres to the QCA Corporate Governance Code. Its statement of compliance is contained in section iii of the Management Report.

Board appointments

The Board is appointed by the shareholders and are chosen based on their skill, experience and expertise. Directors are always expected to be ambassadors for the Company and reflect its values and work ethic. They are also expected to devote substantial time in research and preparation before each meeting to ensure that the future of the Company is going in the right direction.

Director induction

When appointed, new directors are provided with an induction programme including meetings with other directors, members of the senior management team and the Company's professional advisors. They are also briefed on their responsibilities under AIM and TSX. New directors are also provided with an opportunity to visit the Company's operations in Spain to understand how Atalaya works on-site.

The Company requires its directors to keep themselves professionally up-to-date and familiar with its articles and charters.

Director Independence

The Board will be composed of at least the same number of independent Directors (in accordance with applicable securities laws and stock exchange rules) as non-independent, non-executive Directors. The CGNC Committee will determine whether a member of the Board, or nominee to the Board, is an independent Director. If at any time less than half of the non-executive Directors are independent, the Board shall take steps to ensure that the composition of the Board reflect that at least half are independent. If at any time the Chairman of the Board is not independent, the Board shall consider possible steps and processes to ensure that leadership is provided for the Board's independent Directors.

This ensures that all Board discussions or decisions have the benefit of outside views and experience, and that at least half of the non-executive Directors are free of any interests or influences that could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

At least annually, the Board shall, with the assistance of the CGNC Committee, determine the independence of each director and the independence of each AFRC member.

In the opinion of the Board, all Directors should bring specific skills and experience that add value to the Company. The balance of skills and experience of the Board is to be regularly reviewed by the CGNC Committee.

When considering the potential reappointment of an existing Director, the Board will take into account the individual's performance as well as the skills and experience mix required by the Board in the future.

When considering vacancies, the Board will take into account a candidate's capacity to enhance the mix of skills and experience of the Board.

Role of the board

The Board has a duty to supervise the management of the business and affairs of the Company. The Board directly and with the Chair provide direction to senior management, generally through the CEO, to pursue the best interests of the Company.

The Board has the final responsibility for the successful operations of the Company. The Board must ensure that management has in place appropriate processes for strategic planning and risk assessment, management and internal control and monitor performance against benchmarks. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

The Board is responsible for guiding and monitoring the business and the affairs of the Company. The Company recognises the importance of the Board in providing a sound base for good corporate governance in the operations of the Company. The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to the Company. Furthermore, the Board will at all times act in accordance with all Company policies in force.

Each of the Directors, when representing the Company, must act in the best interests of shareholders of the Company and in the best interests of the Company as a whole.

Corporate governance report

Highlights of the board for this year

Atalaya has had twelve Board meetings in which a whole array of subjects were dealt with. When needed, its professional advisors are invited to attend meetings to provide input into legal and financial matters.

Atalaya has also had three Physical Risk Committee meetings, five Audit and Financial Risk Committee meetings and three Corporate Governance, Nominating and Compensation Committee meetings.

These committee meetings were held to deal with specifics and then a summary of those meetings was reported to the Board of Directors. A summary of the topics discussed at Board and Committee meetings included:

- Health and safety, reporting of accidents and reviewing policy to look for improvements including a go ahead on a restructuring of the safety department.
- Operational, discussed all the different operational figures.
- Financial, reviewed figures such as cost, capital investment, budgets, etc.
- Quarterly reports, annual report and other deliverables to the Market.
- Re-elections of Directors.
- Risk Management, Atalaya had a reassessment of risk and the areas that changed were updated.
- Board and committees performance.

The board would like to thank the committees that have helped the board reach its conclusions.

The role of individual Directors

As members of the Board, Directors have ultimate responsibility for the Company's overall success. Therefore, Directors have an individual responsibility to ensure that the Board is undertaking its responsibilities as set out in the Board charters.

Directors need to ensure the following:

- Leadership to the Company, particularly in the areas of ethics and culture including a clear and appropriate strategic direction;
- Accountability to key stakeholders, particularly shareholders;
- Oversight of all control and accountability systems including all financial operations and solvency, risk management and compliance;
- an effective senior management team and appropriate personnel policies; and
- timely and effective decisions on matters reserved to it.

It is also expected that the Directors comply with the following:

- Behaving in a manner consistent with the letter and spirit of the Code of Conduct;
- Making reasonable efforts to attend all meetings of the Board, the annual general meeting of shareholders of the Company and of all the Board committees upon which they serve. Subject to extenuating circumstances, Directors are expected to attend at least 75% of regularly scheduled Board and committee meetings. The CGNC Committee will review the circumstances that prevent any director from achieving the minimum level and report its findings to the Board.
- Addressing issues in a confident, firm and friendly manner but also ensure that others are given a reasonable opportunity to put forward their views;
- Preparing thoroughly for each Board or Committee event;
- Using judgement, common sense and tact when discussing issues.

Lastly Directors will keep confidential all Board discussions and deliberations. Similarly, all confidential information received by a Director in the course of the exercise of the Director's duties remains the property of the Company and is not to be discussed outside the boardroom. It is improper to disclose it, or allow it to be disclosed, without appropriate authorisation.

Corporate governance report

Chairman’s role

The Chairman is considered the "lead" Director and utilises his/her experience, skills and leadership abilities to facilitate the governance processes. The Chairman will be selected on the basis of relevant experience, skill and leadership abilities.

The responsibilities of the Chair include but is not restricted to:

- Chair Board, annual and extraordinary meetings;
- Set Board agendas and ensure that the meetings are effective and follow the agenda;
- Ensure that the decisions are implemented promptly;
- Ensure that the Board behaves in accordance with the Company´s code of conduct
- The primary spokesperson and channel of communication for the Company in the annual general meeting and in all public relation activities;
- To be kept informed by the CEO and other senior management which may be relevant to Directors in their capacity as Directors;
- Ensures Directors devote sufficient time to their tasks

The Board monitors and promotes corporate culture with frequent contact via senior management and the CEO. The management and CEO report the state of the culture to the Board and include any recommendations they have.

The role of the CEO

The CEO is responsible for the attainment of the Company’s goals and vision for the future, in accordance with the strategies, policies, programmes and performance requirements approved by the Board. The position reports directly to the Board.

The CEO’s primary objective is to ensure the ongoing success of the Company through being responsible for all aspects of the management and development of the Company. The CEO is of critical importance to the Company in guiding the Company to develop new and imaginative ways of winning and conducting business. The CEO must have the industry knowledge and credibility to fulfil the requirements of the role.

The CEO will manage a team of executives responsible for all functions contributing to the success of the Company

The tasks of the CEO shall include but not restricted to:

- Develop with the Board, implement and monitor the short- medium- and long-term strategic and financial plans for the Company to achieve the Company’s vision and overall business objectives;
- Develop all financial reports, and all other material reporting and external communications by the Company, including material announcements and disclosure, in accordance with the Company’s Shareholder Communication Policy;
- Manage the appointment of the Chief Operating Officer (“COO”), CFO, Company Secretary and other specific senior management positions;
- Develop, implement and monitor the Company’s risk management practices and policies;
- Consult with the Chairman and the Company Secretary in relation to establishing the agenda for Board meetings;
- Agree with the Chairman their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- Be the primary channel of communication and point of contact between members of senior management and the Board (and the directors);
- Keep the Chairman fully informed of all material matters which may be relevant to the Board and its members, in their capacity as directors;
- Provide strong leadership to, and effective management of, the Company in order to:
- Encourage co-operation and teamwork, build and maintain staff morale at a high level and build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;
- Advise the Board on the most effective organisational structure and overseeing its implementation;
- Establishing and maintaining effective and positive relationships with Board members, shareholders, customers, suppliers and other government and business liaisons;
- Carry out the day-to-day management of the Company.

Corporate governance report

The role of Company Secretary

The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have a right of access to the Company Secretary.

The tasks of the Company Secretary shall include but not restricted to:

- Notifying the directors in writing in advance of a meeting of the Board as specified in the Constitution and the Board Charter;
- Recording, maintaining and distributing the minutes of all Board and Board Committee meetings as required;
- Preparing for and attending all annual and extraordinary general meetings of the Company;
- Overseeing the Company's compliance programme and ensuring all Company legislative obligations are met;

Ensuring all requirements of regulatory bodies are fully met; and providing counsel on corporate governance principles and Director liability.

Board diversity

Atalaya recognises the need to have a diverse board so that varying points of view can be brought to the table. It ensures its directors are well qualified and have a range of different skills and experience, with a good international mix to meet the requirements of operating in a global industry.

Board meetings and attendance

The board and directors do not have a fixed time requirement. They are expected to attend all meetings and be sufficiently prepared with all issues that arise.

Atalaya's decisions are predominantly made by achieving a consensus at Board meetings. In exceptional circumstances, decisions may be taken by the majority of Board members.

All Directors are required to take decisions objectively and in the best interests of the Company. As part of their duties as directors, non-executive directors are expected to apply independent judgement to contribute to issues of strategy and performance and to scrutinise the performance of management.

The Board is scheduled to meet at least 8 times a year, and at such other times as are necessary to discharge its duties. The Board met a total of 12 times in 2018. Meetings occurred in person and by teleconference.

	BoD		AFRC		CGNCC		PRC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R. Davey	12	**11**	5	**3**	**3**	**3**	3	**3**
A. Lavandeira	12	**12**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
D. Barber	12	**8**	n.a.	n.a.	**3**	**3**	n.a.	n.a.
H. Barma	12	**12**	5	**5**	**3**	**3**	n.a.	n.a.
J. Fernández	12	**9**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
H. Liu	12	**8**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
J. Lamb	12	**11**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
J. Sierra Lopez	12	**12**	n.a.	n.a.	n.a.	n.a.	3	**3**
S. Scott	12	**12**	5	**5**	**3**	**3**	3	**2**

2019 Annual General Meeting

Atalaya's AGM will be held on 27 June 2019 at 11:00h in London (United Kingdom). The business of the meeting will be conducted in accordance with regulatory requirements and standards. The Chairman of the Board and the Chairmen of the Committees will be available to answer questions put to them by shareholders at the meeting.

Indemnification of directors and officers

During the year, the Company held insurance to indemnify Directors. The Company Secretary and its executive officers against liabilities incurred in the conduct of their duties to the extent permitted under applicable legislation.

Corporate governance report

Audit and Financial Risk Committee report

Membership	Attendance
Hussein Barma	5/5
Stephen Scott	5/5
Roger Davey	3/5

The role of the AFRC

The Company's Audit and Financial Risk Committee ("AFRC") is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on, for meeting with the Group's auditors and reviewing their reports on the Group's financial statements and the internal controls and for reviewing key financial risks.

The AFRC is responsible for assisting the Board in overseeing the independence of the external auditors and fulfilling the Boards' statutory and fiduciary responsibilities relating to:

- Financial reporting;
- Reviewing and assessing the Company's business and financial risk management process, including the adequacy of the overall internal control environment and controls in selected areas representing significant risk; and
- External Audit.

To fulfil these functions the AFRC shall have the following duties and responsibilities:

- To review the quality and integrity of all published financial statements and reports including the annual Management Discussion and Analysis report (if applicable) and quarterly earnings press releases issued by the Company, prior to the Company publicly disclosing the information, as well as all other material continuous disclosure documents and analysis with a view to making a recommendation to the Board.
- To review estimates and judgements that are material to reported financial information and consider the quality and acceptability of the Company's accounting policies and procedures and the clarity of disclosure in financial statements.
- To ensure compliance by the Company with legal and regulatory requirements related to financial reporting.
- To review and to recommend to the Board the nomination and appointment of the external auditor for the purposes of preparing or issuing an auditors' report or performing other audit, review or attest services and to recommend to the Board the compensation of the external auditor.
- To review the qualifications, performance and independence of the external auditor, to consider the auditor's recommendations and manage the relationship with the auditor, which includes meeting with the external auditor as required in connection with the audit services provided and to review the engagement letter of the external auditor.
- To oversee the work of the external auditor engaged for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- To meet with the external auditor to discuss the annual financial report and any transaction referred to in the Board Charter.
- To provide the external auditor with the opportunity to meet with the AFRC without management present at least once per year for the purpose of discussing any issues.
- To review the quality and integrity of the internal controls and accounting procedures of the Company including reviewing the Company's procedures for internal control.
- To identify risks inherent in the business of the Company and to review the Company's risk management procedures.
- To review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
- To review any significant, including any pending, transactions outside the Company's ordinary course of business and any pending litigation involving the Company.
- To review and monitor management's responsiveness to external audit findings or any regulatory authority.
- To report to the Board of Directors, who in turn may refer the matter to the Corporate Governance, Nominating and Compensation Committee, any improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting or the integrity of the business.

Corporate governance report

In addition, the AFRC shall establish procedures for the receipt, retention and treatment of complaints (including "whistleblowing" complaints) received by Atalaya Mining regarding risk management, legal/regulatory compliance, accounting, internal accounting controls or auditing. This is to include a process for confidential anonymous complaints by employees or other stakeholders.

The AFRC comprises three members all of whom are non-executive and Independent. The current membership of the committee is Dr. H. Barma (Chairman), Mr. R. Davey and Mr. S. Scott. The secretary, CEO and CFO and external auditors also attend in when requested by the Committee.

2018 review

The AFRC met five times during 2018. Four meetings were timed to coincide with approval of financial results for publication with a fifth meeting held as a planning meeting for the year-end.

During the year, the AFRC maintained regular dialogue with management as well as the external auditors, both within and outside of formal committee meetings. The principal matters considered by the AFRC during the year and in its discussions with management and the external auditors included:

- Review and approval of the quarterly, half yearly and full year financial results.
- Impact of new accounting standards and guidance, in particular IFRS 9 "Financial Instruments" and IFRS 15 "Revenue for Contracts with Customers".
- Key accounting and audit matters for 2018 including the Astor Deferred Consideration and Revenue Recognition.
- A workshop on treatment of stripping costs, to ensure that the Group's accounting policy remains in line with best practice and reflects the operational reality of the Riotinto mining operation.
- An internal evaluation of the AFRC's performance with feedback from board members, senior management and the external auditors.
- A review of the AFRC's Charter to ensure that it remained fit for purpose and that the AFRC complied with its responsibilities.

Hussein Barma
Chairman of Audit and Financial Risk Committee
3 April 2019

Corporate governance report

Corporate Governance, Nominating and Compensation Committee Report

Membership	Attendance
Stephen Scott	3/3
Damon Barber	3/3
Hussein Barma	3/3
Roger Davey	3/3

The role of the CGNCC

The Company's Corporate Governance, Nominating and Compensation Committee ("CGNCC") is, among other things, responsible for reviewing the performance of the executives, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant.

Remuneration arrangements are aligned to support the implementation of the Company strategy and effective risk management for the medium to long-term. The remuneration committee ensures that this is done and takes into account the views of shareholders.

The Committee makes recommendations for Board review. The Committee shall have such powers and duties as may be conferred on it from time to time by resolution of the Board. In addition, the Committee shall have the following specific functions and responsibilities:

- The Committee shall periodically review and, if advisable, approve and recommend for Board approval the compensation paid to Directors.
- At least annually, and prior to the nomination or appointment of potential candidates, the Committee shall review the competencies, skills, experience and areas of expertise of the Board on an individual and collective basis. Based on this review, the Committee shall identify areas where additional competency, skill, experience or expertise would be of benefit to Atalaya Mining.
- As required, the Committee shall identify and, if advisable, recommend to the Board for approval, potential candidates for nomination or appointment to the Board having regard to the results of the review referred to above. The Board should consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Committee member.
- The Committee shall periodically conduct an assessment of the contribution and effectiveness of the Board, the Directors, each Board Committee and the Chairman of the Board against their respective mandate, charters or other criteria the Committee considers appropriate. The Committee shall report its findings to the Board and, based on those findings, recommend any action plans that the Committee considers appropriate.
- The Committee shall oversee the development of any orientation programmes for new Directors. The Committee shall periodically review any such programme and approve changes it considers appropriate.
- The Committee shall periodically review Atalaya Mining's corporate governance practices and policies. As part of its review, the Committee shall take into account regulatory requirements and best practices, including the UK Corporate Governance Code and QCA guidelines. The Committee shall report the results of its review, including any recommended changes to existing practices, to the Board in a timely manner.
- The Committee will also establish and maintain a complaints programme to facilitate (1) the receipt, retention and treatment of complaints received by the Company regarding its Accounting Standards, violations of the Code of Business Conduct and Ethics and the Anti-Bribery and Corruption Policy, breaches in compliance with applicable laws including relating to health and safety or the environment and (2) the confidential, anonymous submission by employees of the Company of any complaints made in these areas.
- At least annually, the Committee shall evaluate each Director and each Audit and Financial Risk Committee member against the independence criteria established by the UK Corporate Governance Code and report the results to the Board.
- The Committee shall review, in conjunction with management, the corporate governance disclosure for Atalaya Mining's annual report, notice of shareholders meetings and other regulatory and shareholder reports.
- The Committee shall periodically review and, if advisable, approve and recommend for Board approval performance goals for the CEO in light of the Company's corporate goals and objectives.
- The Committee shall periodically evaluate the performance of the Chief Executive Officer in relation to his or her performance goals. The Chief Executive Officer evaluation shall be conducted in conjunction with the Chairman of the Board and shall be presented to the Board for its review.

Corporate Governance, Nominating and Compensation Committee Report (cont.)

- The Committee shall periodically review, and, if advisable, approve and recommend for Board approval the Chief Executive Officer's compensation package. The compensation package recommendation shall be based on the CEO's evaluation, as well as other factors and criteria as may be determined by the Committee from time to time.
- The Committee shall, as required, review and, if advisable, approve and recommend for Board approval the appointment, compensation and other terms of employment of all senior management reporting directly to the CEO.
- The Committee shall periodically review and, if advisable, approve and recommend for Board approval a succession and emergency preparedness plan for all senior management reporting directly to the CEO. Upon the vacancy of such senior management personnel, the Committee may make a replacement recommendation for Board approval based on the succession plan.
- The Committee shall periodically review the Company's existing share option plan and make any recommendations to the Board regarding the plan as it considers advisable. The Committee shall also review any proposed equity compensation grants (other than pursuant to the existing plan), programmes or plans.

The CGNCC comprises four members all of whom are non-executive and three are Independent. The current membership of the committee is Mr. S. Scott (Chairman), Mr. R. Davey, Dr. H. Barma and Mr. D. Barber.

Directors' share options

The Directors to whom options over ordinary shares have been granted and the number of ordinary shares subject to such options (post share consolidation figures) as at the balance sheet date are as follows:

Grant date	Expiration date	Exercise price	A. Lavandeira
20 Mar 2014	19 Mar 2019	360 p	200,000
23 Feb 2017	22 Feb 2022	144 p	150,000
			350,000

There were no further option grants between the balance sheet date and the date of this report. Options granted on 20 Mar 2014 included in the table above have expired at the date of this report.

Options expire five years after grant date and are exercisable at the exercise price in whole or in part up to one third in the first year from the grant date, two thirds in the second year from the grant date and the balance thereafter.

Corporate governance report

Corporate Governance, Nominating and Compensation Committee Report (cont.)

Substantial share interests

The Shareholders holding more than 3% of the share capital of the Company as at the date of this report were:

	Ordinary shares 000's	%
Urion Holdings (Malta) Ltd (subsidiary of Trafigura)	30,821	22.44
Yanggu Xiangguang Copper Co. Ltd	30,706	22.36
Liberty Metals & Mining Holdings LLC	19,579	14.26
Orion Mine Finance (Master) Fund I LP	18,787	13.68
Majedie Asset Management Limited	9,067	6.60

Corporate governance

The Directors comply with TSX and AIM regulations and Cyprus Company Law. The Board remains accountable to the Company's shareholders for good corporate governance

Directors' emoluments

In compliance with the disclosure requirements of the listing requirements of AIM and TSX, the aggregate remuneration paid to the directors of Atalaya Mining Plc for the year ended 31 December 2018 is set out below:

(Euro 000's)	Short term benefits		Share based payments		
31 Dec 2018	**Salary & fees**	**Bonus**	**Incentive options***	**Bonus shares****	**Total**
Executive directors					
A. Lavandeira	468	280***	39	-	**787**
Non-executive directors					
R. Davey	89	-	-	-	**89**
D. Barber	46	-	-	-	**46**
H. Barma	64	-	-	-	**64**
J. Fernández	42	-	-	-	**42**
J. Lamb	42	-	-	-	**42**
H. Liu	42	-	-	-	**42**
J. Sierra Lopez	53	-	-	-	**53**
S. Scott	75****	-	-	-	**75**
	921	280	39	-	**1,240**

* No new options granted in 2018.
** There were no bonus shares granted during 2018.
*** The amount relates to the approval of the performance bonus for 2017 by the BoD following the proposal of the CGNC Committee. During 2018, the Group has expensed the same amount for the performance bonus of 2018 which is not included in the table. The amount 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.
**** Includes €13k paid to the Canadian Pension Plan for fees related to previous years.

Corporate Governance, Nominating and Compensation Committee Report (cont.)

Directors' interests

The interests of the Directors and their immediate families, (all of which are beneficial unless otherwise stated) and of persons connected with them, in Ordinary Shares, as at 31 December 2018 and 2017, are as follows:

	2018		2017	
Name	Nr. of existing ordinary shares	% of issued share capital	Nr. of existing ordinary shares	% of issued share capital
R. Davey	-	-	-	-
A. Lavandeira	160,000	0.12%	160,000	0.12%
D. Barber[(1)]	19,578,947*	14.26%	19,578,947*	14.48%
H. Barma	-	-	-	-
J. Fernández[(2)]	30,821,213*	22.44%	30,821,213*	22.79%
H. Liu[(3)]	31,150,943**	22.68%	31,150,943**	23.03%
J. Lamb[(4)]	18,786,609*	13.68%	18,786,609*	13.89%
J. Sierra Lopez	26,666	0.02%	26,666	0.02%
S. Scott	-	-	-	-

(1) Liberty Metals & Mining Holdings LLC
(2) Urion Holdings (Malta) Ltd
(3) Yanggu Xiangguang Copper Co. Ltd
(4) Orion Mine Finance (Master) Fund I LP
* Shares held by the companies the directors represent
** includes 444,711 shares held personally by Mr. Liu. No movements during 2018.

FY2018 Review

The Committee, this year, has had a large number of discussions as Atalaya increased the operations of the mine and as targets are reached, although this is not reflected in the number of formal meetings that Atalaya. The Company invited Field Fisher into their meetings to support all decisions from the Committee to be proposed to the Board.

Atalaya keeps the balance and membership of its Board under review and no new appointments were made during the year. All Directors were re-elected at the last Annual General Meeting during 2018.

Atalaya always bases their remuneration packages in comparison with their peers in the mining sector and in companies of similar size and similar financials.

Stephen Scott

Chairman of Corporate Governance, Nominating and Compensation Committee

3 April 2019

Physical Risks Committee Report

Membership	Attendance
Dr José Sierra López (Chair)	3/3
Roger Davey	3/3
Stephen Scott	2/3

The role of the PRC

The function of the PRC is oversight. It is recognised that members of the PRC who are Non-Executive Directors are not full-time employees of the Company and generally do not represent themselves as experts in the fields of safety, health, environment, security or risk management. As such, it is not the responsibility of the PRC personally to conduct safety, health, environment, security or risk reviews.

Committee members are entitled to rely on Atalaya Mining Management with respect to matters within their responsibility and on external professionals on matters within their areas of expertise.

Committee members may assume the accuracy of information provided by such persons, so long as the members are not aware of any reasonable grounds upon which such reliance or assumption may not be appropriate.

Management is responsible for implementing, managing and maintaining appropriate enterprise-wide safety, health, environment, security and risk management systems, policies and procedures, reporting protocols and internal controls that are designed to ensure compliance with applicable laws and regulations. Management is also responsible for the preparation, presentation and integrity of the information provided to the Committee.

The PRC comprises three members all of whom are non-executive and Independent. The current membership of the committee is Dr. J. Sierra (Chairman), Mr. R. Davey and Mr. S. Scott.

FY2018 Review

The PRC had three meetings in the year which covered a number of issues. This included meetings on site. As Atalaya's operation at Rio Tinto has only been in operation for three years since the re-start in early 2016, the Company has had to ensure that employees and contractors have learnt to operate in accordance with its operating standards. Health and safety is a key priority to ensure a safe working environment and the Company is focused on ensuring it meets all regulations and assesses risk factors on a regular basis.

I would like to thank in particular the safety department for their contributions and suggestions to continually make our operations safer. There is no excuse for putting lives on the line and without the help of the safety department Atalaya could never make the mine the safest it can be.

Dr José Sierra López

Chairman of Physical Risks Committee

3 April 2019

Corporate social responsibility

Overview

Atalaya has integrated Corporate Social Responsibility into its activities at the Proyecto Riotinto and strives for excellent standards in health and safety, looking after the environment and helping the community.

The Group employs highly qualified people to oversee its Corporate Social Responsibility with the support of the Board of Directors.

Our communities

Atalaya is committed to being a responsible corporate citizen by managing the environmental and social impact of its mining operations in a conscientious and sensitive manner.

Atalaya´s strategy is to ensure that relations with authorities, society and the environment are led by transparency in Atalaya´s commercial activities, the appropriate degree of interaction with stakeholders and maximum responsibility and accountability in all Atalaya´s operations. Atalaya is in touch with and has a vested interest in the surrounding area and the Board believes that the mining operations it undertakes have a very positive impact on the area of influence. In addition, Atalaya is strongly committed to supporting the efforts devoted to job creation and the development and diversification of the area. Atalaya collaborates with initiatives of an educational, welfare and sporting nature and has contributed with over €0.6 million in 2018.

Campillo case study

In July 2018 Atalaya renewed its collaboration agreements to contribute to the great work of welfare institutions, such as Cáritas, the Association of Relatives of People with Alzheimer's Disease and other dementias (AFA-El Campillo) and the Protective Association of People with Intellectual Disability of the area of influence -ASPROMIN EL Campillo.

Challenge Malacate case study

A key CSR activity for Atalaya during the year was Challenge Malacate. The Challenge is an initiative aimed at promoting the entrepreneurial culture and diversification of the industries present here. Fundación Atalaya Riotinto together with other foundations in the area, managed a process for submitting proposals to select annually a single project that will receive a financial contribution of €25,000 for its implementation.

There were four finalists in the year 2018. The jury of the "Challenge Malacate" announced the four finalists projects in the first stage of this contest. In the second stage an independent jury determined that the finalists of the "Reto Malacate" selected from among the 10 candidates were: (i) Podiatry Clinic to open to the public a new health care service in Zalamea La Real; (ii) a Rural Self-sufficient Complex center for tourism, environmental and sporting dynamics in Campofrío; (iii) 3D printing that offers printing services with 3 Dimensional technology in Nerva; and (iv) Spacio Drone for services and training in the drone sector in Zalamea La Real.

The organisers commented: "*This is the first competetition and Atalaya is pleased to see that it has stimulated entrepeneurial excellence in the region. The proposals encompased technology, commerce, sanitary services, tourist products and energetic efficiency, etc., which tells us that Atalaya interpreted correctly the objective of diversity in the initiative*".

Municipality case study

During 2018 Fundacion Atalaya Riotinto contributed €250,000 to the neighboring municipalities Nerva, El Campillo, Campofrío and Berrocal, to develop cultural, social, educational, environmental, and economic development activities.

The signatories thus consolidate the cooperation between the local communities and Atalaya which promotes relationships of all kinds. Atalaya is responsible for the development of the municipalities, and recognises the importance of its investment. It is committed to performing the administrative procedures in the most efficient way. Atalaya maintains a commitment to the sustainable development of its operations. Thus, Atalaya supports initiatives of a social and cultural nature and actively collaborates in the economic diversification of the area.

Corporate social responsibility

Promoting Talent

Atalaya is committed to achieving its goal to provide benefits to these regions it which it operates, without compromising the ability of future generations to meet their own needs both economically and environmentally. Atalaya endeavours to achieve excellence in environmental performance, abiding by all expected environmental standards.

Atalaya, through its wholly owned entities and foundation, frequently organises site visits for engineering schools and other mining professionals to embed sustainability in its projects.

Our history

The history of the mine has been a crucial aspect in the development of Proyecto Riotinto: As heir to hundreds of years of mining legacy addressing implementation with current criteria has represented a great technical challenge owing to previous activities but Atalaya is committed to maintaining the legacy of the mine.

At Proyecto Riotinto, Atalaya demonstrates that it is possible to reconcile mining with the conservation of the environment and nature. In a territory determined by its extensive mining legacy, the new activity becomes a lever of change to improve what was affected by the impact of previous operations.

For over 2,000 years, successive civilisations have come to Riotinto attracted by its mineral richness. Today there is a wealth of cultural interest and it is a source of attraction for many visitors.

Our archaeology

Atalaya has a team of archaeologists that are working to document all historical findings. During 2018 Atalaya invested €201,800 in archaeology. During 2018, Atalaya discovered five large Roman households complete with pots and individual rooms.

Water management

Atalaya has reduced its quicklime usage for water treatment from 2,020 tonnes in 2017 to 1,289 tonnes in 2018, or 36.2%.

Atalaya has a dedicated team of 28 personnel that work to ensure stability in the environment, monitoring of waste, water treatment and restoration. Atalaya´s team managed to reduce fresh water usage in 2018: 1,184,690 m^3 compared with usage in 2017 of 1,989,952 m^3. The reduction aims to achieve a sustainable environment where the use of fresh water is minimised. Atalaya has spent over €30,500 to improve water quality for the area.

Flora and fauna

This year Atalaya spent €80,000 for its local environment to prevent forest fires. The money spent also went towards the replanting of trees which included Pines, Eucalyptus and Brezo Andevolo (protected species) and in maintaining nurseries for those replantation´s. This summer 1,600 ha of pine trees and eucalyptus burnt in a forest fire close to Proyecto Riotinto. Atalaya focused their efforts on restoring the natural flora and fauna along with preventing any more fires. Atalaya supports the protection of a species of flora called Erica Andevalis.

Atalaya also collaborates in looking after a species of protected Lesser Horseshoe Bat (Rhinolophus Hipposideros). The colony that Atalaya has within the Proyecto Riotinto land is the only known colony in the south of Spain. Since Atalaya has operated the mine its monitoring and management has aided the growth of the species.

Corporate social responsibility

Atmosphere

Atalaya is focused on and determined to make sure that the air quality of the area is affected the least amount possible from its activities. During 2018, Atalaya spent €150,600 on monitoring and controlling the air quality of the mine. Atalaya irrigates the mine periodically to reduce the impact of dust in the air.

Our people

Atalaya operates within a favourable framework for labour relations based on a non-discriminatory, equal opportunities employment system, that promotes and embraces diversity and facilitates communication at all levels of the Group. Atalaya provides a healthy and safe working environment by implementing world-class international practices and procedures. Atalaya prioritises the use of local expertise over employing from further away. Over 70% of Atalaya´s workers are local. Atalaya is a non-discriminatory and fair employer interested in having a balanced workforce in terms of gender and ethnic diversity.

Atalaya promotes a business based on continuous improvement, security and technological innovation in all its processes. The innovation and development that Atalaya applies to all its activities contributes to the achievement of the business and the creation of an efficient and sustainable operation. The Riotinto project has implemented a comprehensive management system as a basis for fulfilling its commitments based on quality, environment and security.

Our safety

During the year 2018 the total number of hours worked at Proyecto Riotinto amounted to 1.59 million hours, of which 625,000 hours relates to Atalaya personnel and 965,000 hours to contractors.

Health and safety is a priority for Atalaya. At Proyecto Riotinto, the Company managed to exceed the target set for the year. Using severity index, a value of 0.56 was achieved, 30% lower than the target which was 0.80, as well as a very significant decrease on to the previous year, which was 0.74. The severity index is an indicator of the severity of accidents and is established based on the number of days lost.

To continue working to avoid accidents and reduce frequency of accidents, Atalaya defined in the last quarter of the year a specific formative plan (theoretical-practical) for 100% of the workforce. The first training actions referred to in this plan have taken place during the month of December 2018 and will continue throughout 2019.

Since August 2018, Atalaya investigates all accidents that have been incurred, whether with lost time or not, in which workers are affected, as well as all potentially serious incidents. Atalaya uses an analysis methodology of the “5 whys”, which allows us to know how to establish corrective measures.

Independent auditors report

To the Members of Atalaya Mining Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated and parent company financial statements of Atalaya Mining Plc (the "Company"), and its subsidiaries (the "Group"), which comprise the consolidated and parent company statements of financial position as at 31 December 2018, and the consolidated and parent company statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements give a true and fair view of the consolidated and parent company financial position of the Group and the Company as at 31 December 2018, and of the consolidated and parent company financial performance and cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and also as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Independent auditors report

Key Audit Matters	Our response to the Key Audit Matters
Astor deferred consideration As of 31 December 2018, the deferred consideration liability in respect of Astor amounts to €53m for the Group and €9.1m for the Company (Note 2.17, 3.4(i) and 28). The valuation of the Astor deferred consideration has been identified as a key audit matter considering it is a highly judgemental matter and the amounts involved are significant. The litigation in the High Court and the Court of Appeal has been concluded and in accordance with the ruling, any “excess cash” generated by the subsidiary Atalaya Riotinto Minera, S.L.U (“ARM”) must be used to repay the deferred consideration. Atalaya have recognised the total value of the provision at €53m and judgement remains in the interpretation of “excess cash”. IAS 37 requires the provision to be made using management’s best estimate and discounted, where the impact of doing so is material to the financial statements. In order to determine the best estimate and assess if discounting the liability is needed, management has applied significant judgments and assumptions which are disclosed in Note 3.4(i) and Note 28.	**Our approach in this area focused on the following procedures:** ▸ We obtained an understanding of the issue through discussions with management and from reading the Master Agreement, Final Court Judgment, explanation from the Group’s external lawyers on the definition and implication of excess of cash and the accounting paper prepared by management; ▸ We obtained an update on the status of the legal proceedings through discussions with management and the Group’s external lawyers. Furthermore, we have obtained a letter of representation from the lawyers; ▸ We analysed and assessed management’s judgements and assumptions made to determine the best estimate of the liability for the Astor deferred consideration, considering the interpretation of excess cash, expected timing of cash outflows, and management’s conclusion not to discount the liability as the effect of discounting was not considered significant; ▸ We have assessed the valuation of the liability for the Astor deferred consideration to ascertain that the IAS 37 requirements, specifically for the measurement of provisions, have appropriately been considered; and ▸ We assessed whether the consolidated and parent company financial statements include complete and adequate disclosures in respect of the Astor deferred consideration and related management judgements (Notes 3.4(i) and 28).
Revenue recognition During the year ended 31 December 2018 the Group recognised revenue from operations of €189.5m. Refer to Note 2.23, 4 and 5. The significant value of revenue transactions and complex terms under which title and control pass to the customer increases the risk of cut-off errors. We have also identified risks in relation to the calculation of the adjustment for provisional pricing. In particular: ▸ Cut-off: the complexity of terms that define when control is transferred to the customer, as well as the high value of transactions, give rise to the risk that revenue is not recognised	**Our approach focused on the following procedures:** ▸ We obtained an understanding of the key controls around the revenue recognition process in order to assess whether it is designed to prevent, detect or correct material misstatements in the reported revenue figures; ▸ We analysed the terms and conditions of the sales contracts and evaluated whether they have been accounted for in line with the Group’s revenue recognition policy. We have reviewed revenue recognition policies for compliance with the requirements of

Independent auditors report

Key Audit Matters	Our response to the Key Audit Matters
in the correct period. ▸ Measurement: at each reporting period there are a number of open invoices that are provisionally priced using the concentrate sold and the forward pricing of those sales. Estimation is used in the valuation of these transactions and the income statement impact of the mark to market movement is recorded as a fair value gain/loss relating to provisional pricing, disclosed separately in revenue included in the statement of comprehensive income. Due to the significance of revenue for the Group financial statements, and since the calculations are based on estimations and susceptible to potential manipulation, we consider this to be a key audit matter.	IFRS 15 Revenue from contracts with customers ("IFRS 15"), which was adopted by the Group with initial date of application 1 January 2018; ▸ For a risk-based sample, we performed detailed substantive testing procedures over the revenue transactions. This included: agreeing the main inputs to supporting evidence (such as provisional and final invoices, shipments confirmation, market prices, agreements and bank statements), recalculating the amounts invoiced and recorded as revenue, performing cut off testing over the revenue recognition in the correct period; ▸ For open sales where provisional pricing applied, we compared to external sources the inputs used and recalculated the provisional price adjustment to evaluate whether it was correctly measured; ▸ We considered and analysed the nature of any significant credits raised post year-end to evaluate that revenue transactions were recorded at the correct value in the relevant period; and ▸ We assessed whether the consolidated financial statements include disclosures in respect of revenue and the provisional pricing in accordance with the applicable IFRS (Notes 2.23, 4 and 5).

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management report, Corporate Governance report, Company Overview, Corporate Social Responsibility report and Letter from the Chairman but does not include the consolidated and parent company financial statements and our auditor's report thereon.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Parent Company Financial Statements

The Board of Directors is responsible for the preparation of consolidated and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the IASB and also as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditors report

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated and parent company financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor’s report is Stavros Pantzaris.

Stavros Pantzaris

Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
3 April 2019

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 from financial assets at fair value	9	**-**	**13,615**	-	-
Interest income from 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 54 to 106 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 54 to 106 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

(Euro 000's)	Note	Share capital	Share Premium [2]	Other reserves[1]	Accumulated losses	Total	Non-controlling interest	Total equity
		Attributable to owners of the parent						
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 54 to 106 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 54 to 106 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 54 to 106 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 54 to 106 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. The amount of the provision is the

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.)

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 Riotonto 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.

Determination of functional currency may involve certain judgements to determine the primary economic

2. Summary of significant accounting policies (cont.)

2.3 Consolidation (cont.)

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.

2. Summary of significant accounting policies (cont.)

2.16 Interest-bearing loans and borrowings (cont.)

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

2. Summary of significant accounting policies (cont.)

2.19 Current and deferred income tax (cont.)

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, 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. Summary of significant accounting policies (cont.)

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 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).

2. Summary of significant accounting policies (cont.)

2.23 Revenue recognition (cont.)

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 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. Summary of significant accounting policies (cont.)

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 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.

THE GROUP

(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.

3. Financial Risk Management (cont.)

3.1 Financial risk factors (cont.)

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:

'(b) Currency risk (cont.)

	Liabilities		Assets	
(Euro 000's)	**2018**	2017	**2018**	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.

	Equity		Profit or (loss)	
(Euro 000's)	**2018**	2017	**2018**	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.

3. Financial Risk Management (cont.)

3.1 Financial risk factors (cont.)

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

'(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.

	Equity		Profit or loss	
(Euro 000's)	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. Financial Risk Management (cont.)

3.3 Fair value estimation

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

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

3. Financial Risk Management (cont.)

3.4 Critical accounting estimates and judgements (cont.)

(a) Capitalisation of exploration and evaluation costs

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

3. Financial Risk Management (cont.)

3.4 Critical accounting estimates and judgements (cont.)

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.

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

Notes to the consolidated and company financial statements
Years ended 31 December 2018 and 2017

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	2017	Consolidated income statement 2018	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.

Notes to the consolidated and company financial statements
Years ended 31 December 2018 and 2017

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

Issued and fully paid				000's	Euro 000's	Euro 000's	Euro 000's
1 January 2017				116,679	11,632	277,238	288,870
	Issue Date	Price (£)	Details				
	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**
	Issue Date	Price (£)	Details				
	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 Tribunal Superior de Justicia de la 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.

32. Contingent liabilities (cont.)

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.

Shareholder information

Glossary of terms

The following definitions and terms are used throughout this Annual Report.

Currency abbreviations	
US$ / USD or $	US Dollars
$000	Thousand US dollars
$m	Million US Dollars
£	Sterling Pound
£000	Thousand Sterling Pounds
£m	Million Sterling Pounds
€ / EUR	Euro
€000 / €k	Thousand Euros
€m	Million Euros
€nil	Zero Euros
FY2018 / FY2018	Twelve month period ended 31 December 2018
FY2017 / FY2017	Twelve month period ended 31 December 2017

Definitions and conversion table	
lb	Pound
Oz	Troy ounce
‘000 m^3	Thousand cubic metres
t	Tonne
DMT	Dry Metric Tonne
‘000 tonnes	Thousand metric tonnes
1 Kilogramme/ (kg)	2.2046 pounds
1000 Kilogrammes/ (´000 kg)	2,204.6 pounds
1 Kilometre (km)	0.6214 miles
1 troy ounce	31.1 grams
Ha	Hectare
ft	Foot

Chemical Symbols	
Cu	Copper
Ag	Silver
Au	Gold

Shareholder information

Glossary of terms (cont.)

Business, Finance and Accounting	
AAU	Authorization Ambiental Unificada (Unified Environmental Declaration)
Atalaya or the Company	Atalaya Mining Plc, a company incorporated in Cyprus under the Companies law, cap. 113
Atalaya Group or Group	Atalaya Mining Plc and its subsidiaries
AFRC	Audit and Financial Risk Committee
AGM	Annual General Meeting
AIM	Alternative Investment Market of the London Stock Exchange
AISC	All In Sustaining Cost
AR	Annual Report
ARM	Atalaya Riotino Minera, S.L.U.
Articles	The articles of association of Atalaya Mining Plc.
Average head grade	Average ore grade fed into the mill, expressed in % of weight
BoD or Board of Directors	The Board of Directors of the Company
CAPEX	Capital Expenditure
Cash Cost	The cost to produce one pound of copper
CEO	Chief Executive Officer
C. Eng	Chartered Engineer
CFO	Chief Financial Officer
COO	Chief Operational Officer
COF	Cost of Freight
CIF	Cost Insurance and Freight
CIT	Corporate Income Tax
CIP	Carriage and Insurance paid to
CGU	Cash Generating Unit
CGNCC	Corporate Governance, Numeration and Compensation Committee
Code of Conduct	Atalaya's Code of Business Conduct and Ethics
Cont.	Continued
CSR	Cobre San Rafael S.L.
Directors	The Directors of Atalaya for the reporting period
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
ECL	Expected Credit Loss
EeA	Ecologistas en Accion
EIR	Effective Interest Rate Method
EMED TARTESSUS	Eastern Mediterranean Exploration & Development TARTESSUS S.L.
Etc.	Et cetera
EU	European Union
FIFO	First In First Out
Financial statements	Consolidated and company financial statements of Atalaya Mining Plc.
FOB	Free on Board
FV	Fair Value
FVOCI	Fair Value Through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
GAAP	Generally Accepted Accounting Policies
Group	Atalaya Mining plc and its subsidiaries
H1, H2	Six month periods ending 30th June and 31st December
IAS	International Accounting Standards
ie.	Id est (explanatory information)
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
JdA	Junta de Andalucía
KPI´s	Key Performance Indicators
LDC	Louis Dreyfus Company
LIBOR	The British Bankers' Association Interest Settlement Rate for the relevant currency
LITFR	Lost Injury Time Frequency Rate

Shareholder information

Ltd.	Limited
LLC	Limited Liability Company
LP	Limited partnership
London Stock Exchange / LSE	London Stock Exchange plc
MBA	Master's in Business Administration
NED´s	Non-Executive Directors
NPV	Net Present Value
Nr	Number
OCI	Other Comprehensive Income
Ordinary Shares	Ordinary Shares of 10 pence each in the capital of the Company
Ph.D.	Doctor of Philosophy
PRC	Physical Risk Committee
PFS	Pre-Feasibility Study
Plc.	Public limited company
P&L	Profit and Loss
P&P reserves	Proven and Probable reserves
Q1, Q2, Q3, Q4	Three month periods ending 31st March, 30th June, 30th September and 31st December
QCA	Quoted Companies Alliance
QP	Quotation Period
SIC	Standard Interpretations Committee which were endorsed by the IAS
Shareholders	Holders of Ordinary Shares
SL	Sociedad Limitada (private limited company)
SLU	Sociedad Limitada Unipersonal (limited partnership)
TSX	Toronto Stock Exchange
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
UOP	Unit of Production
VAT	Value Added Tax
WC	Working Capital
XGC	Yanggu Xiangguang Copper Co. Ltd
Mining terms	
Average head grade	Average ore grade fed into the mill, expressed in % of weight
Concentrate	A fine powdery product of the milling process containing a high percentage of valuable metal
Contained copper	Represents total copper in a mineral reserve before reduction to account for tonnes not able to be recovered by the applicable metallurgical process
Grade	The amount of metal in each tonne of ore, expressed as a percentage of valuable metal
Mtpa	Million tonnes per annum
NI 43-101	National Instrument 43-101, standard of disclosure for mineral projects according to Canadian guidelines
Open pit	A mine where the minerals are mined entirely from the surface. Also referred to as open-cut or open-cast mine
Ore body	A sufficiently large amount of ore that can be mined economically
P&P Reserves	Proven and Probable reserves
Stripping	Removal of overburden or waste rock overlying an ore body in preparation for mining by open pit methods
Tailings	Materials left over after the process of separating the valuable fraction from the uneconomic fraction of an ore
TC/RC	Treatment Charge and Refinement Charge
VTEM	Versatile Time Electomagnetic mapping
3D	Three Dimensional

Shareholder information

Shareholder inquiries

Board of Directors:

Roger Davey	Chairman. non-executive chairman
Alberto Lavandeira	Managing director and CEO
Hui (Harry) Liu	Non-executive director
Dr. Jose Sierra Lopez	Non-executive director
Jesus Fernandez	Non-executive director
Damon Barber	Non-executive director
Dr. Hussein Barma	Non-executive director
Jonathan Lamb	Non-executive director
Stephen Scott	Non-executive director

Corporate brokers

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41 Lothbury
London EC2R 7AE

BMO Capital Markets
95 Queen Victoria Street
London, EC4V 4HG

NOMAD

Canaccord Genuity Limited
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Shareholder information

Depositary / transfer agent

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Bristol BS13 8AE

Canada

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Company secretary:

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1095 Nicosia, Cyprus

Group Auditor:

Ernst & Young Cyprus Ltd
Jean Nouvel Tower,
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Cyprus

Registered office:

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