

# Management's review

(All amounts in Euro thousands unless otherwise stated)  
For the period ended 30 September 2019 and 2018

## ATALAYA MINING PLC MANAGEMENT'S REVIEW AND UNAUDITED, CONDENSED, INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 September 2019

### Notice to Reader

The accompanying Unaudited, Condensed, Interim, Consolidated Financial Statements of Atalaya Mining Plc have been prepared by and are the responsibility of Atalaya Mining Plc's management. The Unaudited, Condensed, Interim Consolidated Financial Statements have not been reviewed by Atalaya's auditors.

### Introduction

This report provides an overview and analysis of the financial results of operations of Atalaya Mining Plc and its subsidiaries ("Atalaya" and/or "Group"), to enable the reader to assess material changes in the financial position between 31 December 2018 and 30 September 2019 and results of operations for the three and nine month periods ended 30 September 2019 and 2018.

This report has been prepared as of 20 November 2019. The analysis, hereby included, is intended to supplement and complement the Unaudited, Condensed, Interim, Consolidated Financial Statements and notes thereto ("Financial Statements") for the nine month period ended 30 September 2019. The reader should review the Financial Statements in conjunction with the review of this report and with the audited, consolidated financial statements for the year ended 31 December 2018, and the Unaudited, Condensed, Interim, Consolidated Financial Statements for the nine month period ended 30 September 2018. These documents can be found on Atalaya's website at [www.atalayamining.com](http://www.atalayamining.com).

Atalaya prepares its Annual Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") and its Unaudited, Condensed, Interim, Consolidated Financial Statements in accordance with International Accounting Standards 34: Interim Financial Reporting. The currency referred to in this document is the Euro, unless otherwise specified.

### Forward-looking statements

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

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## 1. Description of the business

Atalaya is a European mining and development company domiciliated in Cyprus. The Company is listed on the AIM Market of the London Stock Exchange ("AIM") and on the Toronto Stock Exchange ("TSX").

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

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

## 2. Overview of operational results

### Proyecto Riotinto

The following table presents a summarised statement of operations of Proyecto Riotinto for the three and nine month periods ended 30 September 2019 and 2018.

Units expressed in accordance with the international system of units (SI)

Unit	Three month ended 30 Sept 2019	Three month ended 30 Sept 2018	Nine month ended 30 Sept 2019	Nine month ended 30 Sept 2018	
Ore mined	t	2,704,041	2,787,406	8,035,290	7,938,961
Ore processed	t	2,563,594	2,491,403	7,575,130	7,188,747
Copper ore grade	%	0.47	0.50	0.47	0.49
Copper concentrate grade	%	23.25	24.81	23.07	23.07
Copper recovery rate	%	87.38	88.40	88.77	88.06
Copper concentrate	t	45,458	44,562	137,281	134,130
Copper contained in concentrate	t	10,568	11,055	31,675	30,942
Payable copper contained in concentrate	t	10,113	10,609	30,303	29,600
Cash cost*	\$/lb payable	1.92	1.88	1.85	2.00
All-in sustaining cost*	\$/lb payable	2.25	2.13	2.12	2.35

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

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

### *Three month operational review*

Copper production at Proyecto Riotinto for Q3 2019 decreased to 10,568 tonnes from 11,055 tonnes reported in Q3 2018, representing a decrease of 4.4%. Ore milled was similar to the previous quarter and lower than management's expectations as the Expansion of Proyecto Riotinto experienced some delays in electricity availability. Copper head grade was in line with the previous quarter and expectations. The slight decrease in copper production during the quarter over Q3 2018 was mainly driven by lower ore grades.

Mining operations are progressing according to plan and up from previous quarters. On a combined basis, ore and waste increased to 2.6 million m<sup>3</sup> in Q3 2019 versus 2.3 million m<sup>3</sup> in Q2 2019.

During Q3 2019, the Group sold 46,723 tonnes of concentrates, compared with 43,927 tonnes in Q3 2018. On-site concentrate inventories at the end of the quarter were approximately 2,186 tonnes. All concentrate in stock at the beginning of the quarter and produced during the quarter was delivered to the port at Huelva.

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### 2. Overview of operational results (continued)

Exploration and infill drilling continue to progress with two rigs at Filón Sur-Cerro Colorado. One deep hole is being drilled in Cerro Colorado in order to explore a rich Cu stockwork zone that occurs under the Salomon zone. The RC drilling continues the infill drilling programme in order to better define the occurrence of penalty elements in the mining pit.

#### *Nine month operating review*

Production of copper contained in concentrate during the nine month period ended 30 September 2019 was 31,675 tonnes, compared with 30,942 tonnes in the same period of 2018. Payable copper in concentrates for the nine month period ended 30 September 2019 was 30,303 tonnes compared with 29,600 tonnes of payable copper in the same period of 2018.

Ore mined in the nine month ended 30 September 2019 was 8,035,290 tonnes compared with 7,938,961 tonnes during the same period of 2018. Ore processed was 7,575,130 tonnes versus 7,188,747 tonnes in 2018.

Ore grade during the nine month period ended 30 September 2019 was 0.47% Cu compared with 0.49% Cu in the nine month ended period 30 September 2018. Copper recovery was 88.77% versus 88.06% in 2018. Concentrate production amounted to 137,281 tonnes in the nine month period ended 30 September 2019 resulting in higher production than the same period of 2018 when production amounted to 134,130 tonnes.

#### **Expansion to 15Mtpa at Proyecto Riotinto**

Endesa has finalised the work required and the extra electricity capacity is now available at site. The cold mechanical commissioning and the new installation (SAG Mill and auxiliary mills) were completed during Q3 2019 and the Company is now gradually ramping up and fine tuning to achieve full production during Q4 2019.

All other equipment for the Expansion Project (new primary crusher, the new flotation cells and concentrate handling areas) has been commissioned and incorporated into the processing plant circuit and it is running in steady state.

#### **Proyecto Touro**

During the quarter, the Company has continued addressing additional information requests from administrative bodies. Atalaya addressed comments from Aguas de Galicia, Natural Heritage and the General Directorate of Mines.

### 3. Outlook

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

#### **Operating guidance**

On 17 October 2019, the Company updated its operating guidance at Proyecto Riotinto for 2019 which remains as follows:

	<b>Unit</b>	<b><u>Guidance</u> 2019</b>
Ore processed	million tonnes	10.6
Contained copper	tonnes	44,000 - 45,000

Copper head grade for 2019 is budgeted to average 0.47% Cu, with a recovery rate of approximately 85% to 87%.

The cash operating cost for 2019 is expected to be lower than previously announced. Management has updated the full year operating costs which are now estimated to be within the range of \$1.85 - \$1.95/lb compared \$1.95 - \$2.15/lb announced in April 2019. AISC is estimated to be in the range of \$2.10 - \$2.25 per pound of copper payable (\$2.25 - \$2.45/lb reported in April 2019).

## Management's review

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### 4. Overview of the financial results

The following table presents summarised consolidated income statements for the three and nine month periods ended 30 September 2019, with comparatives for the three and nine month periods ended 30 September 2018.

	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
<b>(Euro 000's)</b>				
<b>Revenue</b>	<b>44,383</b>	42,811	<b>139,165</b>	144,354
Total operating costs	<b>(31,269)</b>	(33,592)	<b>(89,602)</b>	(98,004)
Administrative and other expenses	<b>(2,070)</b>	(1,249)	<b>(5,452)</b>	(3,302)
Exploration expenses	<b>(1,132)</b>	(405)	<b>(2,534)</b>	(818)
Care and maintenance expenditure	<b>(43)</b>	94	<b>(164)</b>	(187)
<b>EBITDA</b>	<b>9,869</b>	7,659	<b>41,413</b>	42,043
Depreciation/amortisation	<b>(3,722)</b>	(3,484)	<b>(10,893)</b>	(9,794)
Net foreign exchange gain/(loss)	<b>1,405</b>	(10)	<b>1,692</b>	1,092
Net finance cost	<b>43</b>	(77)	<b>(23)</b>	(196)
Tax	<b>(662)</b>	(955)	<b>(4,252)</b>	(5,520)
Profit for the period	<b>6,933</b>	3,133	<b>27,937</b>	27,625

#### Three month financial review

Revenues for the three month period ended 30 September 2019 amounted to €44.4 million (Q3 2018: €42.8 million). Higher revenues, compared with the same quarter in the previous year, were mainly driven by an increase in copper concentrate sold during the period (46,723 tonnes in Q3 2019 vs 43,927 tonnes in Q3 2018) and stronger average US Dollar rates against the Euro (1.1119 in Q3 2019 vs 1.1629 in Q3 2018) partially offset by lower realised copper prices. Realised prices were \$2.68/lb copper during Q3 2019 compared with \$2.89/lb copper in Q3 2018. All concentrates were sold under offtake agreements in place.

Operating costs for the three month period ended 30 September 2019 amounted to €31.3 million, compared with €33.6 million in Q3 2018. In absolute terms, lower operating costs were mainly the result of lower mining, technical services and administrative costs.

Cash costs of \$1.92/lb payable copper during Q3 2019 compared with \$1.88/lb payable copper in the same period last year. Higher cash costs were mostly due to a lower copper payable contained in concentrate during the quarter. All-in sustaining costs in the reporting quarter were \$2.25/lb payable copper compared with \$2.13/lb payable copper in Q3 2018. Higher AISC compared with Q3 2018 mainly related to higher sustaining capex and capitalised stripping costs.

Sustaining capex for Q3 2019 amounted to €2.4 million compared with €1.9 million in Q3 2018. Sustaining capex related to the continuous improvement in processing systems of the plant and enhancements in security.

Administrative and other expenses for Q3 2019 amounted to €2.1 million (Q3 2018: €1.2 million) and include non-operating costs of the Cyprus office, corporate, legal and consultancy costs, on-going listing costs, personnel costs of the corporate office. The increase in administrative and other expenses was mainly due to a rise in legal costs, employee options expenses and provisions.

Exploration costs at Proyecto Riotinto for the three month period ended 30 September 2019 amounted to €1.1 million (Q3 2018: €0.4 million). All exploration costs at Proyecto Touro are capitalised. Higher costs relate to an upturn in drillings and explored ground.

EBITDA for Q3 2019 amounted to €9.9 million compared with Q3 2018 of €7.7 million.

The main item below the EBITDA line is depreciation and amortisation of €3.7 million (Q3 2018: €3.5 million). Net finance costs for Q3 2019 amounted to €43k gain compared with €77k loss in Q3 2018.

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### 4. Overview of the financial results (continued)

#### Nine month financial review

Revenues for the nine month period ended 30 September 2019 amounted to €139.2 million (YTD 2018: €144.4 million).

Copper concentrate production during the nine month period ended 30 September 2019 was 137,281 tonnes (YTD 2018: 134,130 tonnes) with 139,762 tonnes of copper concentrates sold (nine month period ended 30 September 2018: 138,781 tonnes). Inventories of concentrates as at the reporting date were 2,186 tonnes (31 Dec 2018: 4,667 tonnes).

Realised copper prices for the nine month period ended 30 September 2019 were \$2.76/lb copper compared with \$3.02/lb copper in the same period of 2018. Concentrates were sold under offtake agreements in place. The Company did not enter into any hedging agreements in 2019.

Operating costs for the nine month period ended 30 September 2019 amounted to €89.6 million, compared with €98.0 million in the nine month period ended 30 September 2018. Lower costs in 2019 were mainly attributable to: (i) a reduction of circa €4.0 million in technical services and maintenance costs; (ii) reduction of €2.1 million cost of sales as the inventory decreased in ca. 2,270 tonnes less than in YTD 2018; (iii) a decrease of €2.0 million in earthwork costs and (iv) a €1.3 million decrease in consumables expenses.

Cash costs of \$1.85/lb payable copper during the nine month period ended 30 September 2019 compared with \$2.00/lb payable copper in the same period last year. Lower costs were mainly due to lower mining, technical services and maintenance costs compared with YTD 2018. All-in sustaining costs in the reporting quarter amounted to \$2.12/lb payable copper compared with \$2.35/lb payable copper for the same period in 2018. AISC in YTD 2019 decreased in comparison with YTD 2018 mostly as a result of lower sustaining capex and capitalised stripping costs.

Sustaining capex for the nine month period ended 30 September 2019 amounted to €5.3 million, compared with €7.1 million in the same period in the previous year. The Company is currently reviewing its sustaining capex commitments and evaluating several projects as part of its capex programme seeking further reductions on its operating costs.

Corporate costs for the first nine month of 2019 were €5.5 million, compared with €3.3 million in the same period in 2018. Corporate costs mainly include the Company's overhead expenses.

Exploration costs related to Proyecto Riotinto for the nine month period ended 30 September 2019 amounted to €2.5 million, compared with €0.8 million in the same period in 2018. Higher costs relate to an upturn in drillings and explored ground.

EBITDA for the nine month period ended 30 September 2019 amounted to €41.4 million, compared with €42.0 million in the nine month period ended 30 September 2018.

Depreciation and amortisation for the nine month period ended 30 September 2019 amounted to €10.9 million (€9.8 million during the nine month period ended 30 September 2018).

Net finance costs for the nine month period ended 30 September 2019 amounted to €23k loss (loss of €196k for the nine month period ended 30 September 2018).

#### Copper prices

The average realised copper price decreased by 7.3% from US\$2.89 per pound in Q3 2018 to US\$2.68 per pound in Q3 2019.

The average prices of copper for the three and nine month periods ended 30 September 2019 and 2018 are shown below:

(USD)	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
Realised copper price per lb	2.68	2.89	2.76	3.02
Market copper price per lb	2.63	2.77	2.74	3.14

Realised copper prices for the reporting period noted above have been calculated using payable copper and including provisional invoices and final settlements of quotation periods ("QPs") together.

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### 4. Overview of the financial results (continued)

Higher than market averages realised prices are mainly due to the final settlement of invoices where QP was fixed in the previous quarter due to a short open period when copper prices were higher. The realised price of shipments during the quarter (excluding QP) was approximately \$2.67/lb.

### 5. Non-GAAP Measures

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

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

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

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

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

### 6. Liquidity and capital resources

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

The following table shows a summary of Atalaya's cash position and cash flows as at 30 September 2019 and 31 December 2018.

#### Liquidity information

(Euro 000's)	30 Sept 2019	31 December 2018
Unrestricted cash and cash equivalents at Group level	18,457	24,357
Unrestricted cash and cash equivalents at Operation level	3,274	8,463
Restricted cash	250	250
Working capital surplus	1,954	8,435

Unrestricted cash and cash equivalents as at 30 September 2019 decreased to €18.5 million from €24.4 million at 31 December 2018. The reduction in cash balances is the result of net cash flow used for investments during the nine month period ended 30 September 2019. Cash balances are unrestricted and include balances at operational and corporate level.

Restricted cash remains at €0.3 million as at 30 September 2019 and mainly relates to deposit bond guarantees.

As of 30 September 2019, Atalaya reported a working capital surplus of €2.0 million, compared with a working capital surplus of €8.4 million at 31 December 2018. The main liability of the working capital is trade payables related to Proyecto Riotinto contractors. At 30 September 2019, trade payables have been reduced by €2.0 million compared with 30 September 2018.

The working capital for Q3 2019 assumes that the entirety of the Astor Deferred Consideration is considered a non-current liability.

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### 6. Liquidity and capital resources (continued)

#### Overview of the Group's cash flows

(Euro 000's)	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
Cash flows from operating activities	16,487	14,937	31,457	44,151
Cash flows used in investing activities	(13,115)	(20,414)	(45,390)	(41,704)
Cash flows from financing activities	(158)	-	(430)	593
Net increase/(decrease) in cash and cash equivalents	<u>3,214</u>	<u>(5,477)</u>	<u>(14,363)</u>	<u>3,040</u>

#### Three month cash flows review

Cash and cash equivalents increased by €3.2 million during the three month period ended 30 September 2019. This rise was due to the net result of cash from operating activities amounting to €16.5 million, the cash used in investing activities amounting to €13.1 million and the cash from financing activities totalling €0.2 million.

Cash generated from operating activities before working capital changes was €11.8 million. Atalaya decreased its trade receivables in the period by €6.2 million, increased its inventory levels by €0.1 million and decreased its trade payables by €0.5 million.

Investing activities during the quarter consumed €13.1 million, mainly related to the Expansion Project Capex and sustaining Capex (mostly in enhancements to the processing systems of the plant).

#### Nine month cash flows review

Cash and cash equivalents decreased by €14.4 million during the nine month period ended 30 September 2019. This was due to cash from operating activities amounting to €31.5 million, cash used in investing activities amounting to €45.4 million and cash from financing activities amounting to €0.4 million.

Cash generated from operating activities before working capital changes was €43.7 million. The Company decreased its trade payables in the period by €3.1 million, increased its inventory levels by €0.7 million as well as its trade receivable balances by €5.6 million.

Investing activities during the nine month period ended 30 September 2019 amounted to €45.4 million, mainly related to the Expansion Project Capex and sustaining Capex.

#### 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 its operating expenses, income taxes and other expenses are mainly denominated in Euros ("EUR"), and to a much lesser extent in British Pounds ("GBP").

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

During the three and nine month periods ended 30 September 2019 Atalaya recognised a foreign exchange profit of €1.4 million and €1.7 million, respectively. Foreign exchange profit mainly related to changes in the period in EUR and USD conversion rates, as all sales are cashed and occasionally held in USD.

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### 6. Liquidity and capital resources (continued)

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

	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
<b>Average rates for the periods</b>				
GBP – EUR	<b>0.9021</b>	0.8924	<b>0.8835</b>	0.8841
USD – EUR	<b>1.1119</b>	1.1629	<b>1.1236</b>	1.1942
<b>Spot rates as at</b>				
GBP – EUR	<b>0.8857</b>	0.8908	<b>0.8857</b>	0.8908
USD – EUR	<b>1.0889</b>	1.1606	<b>1.0889</b>	1.1606

### 7. Deferred consideration

In September 2008, the Group moved to 100% ownership of Atalaya Riotinto Minera S.L. ("ARM") (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. At the time of the acquisition, the Group signed a Master Agreement (the "Master Agreement") 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).

As at 30 September 2019, no consideration has been paid.

"Excess cash" is not defined in the Master Agreement leaving ambiguity as to how it is to be calculated. The Company has continued to regularly review its assessment of when this could be payable. As a result, at 30 September 2019, the €53 million liability has been classified as non-current, reflecting results to date, the Company's copper price estimation for 2019 and the sustaining capex projects and commitments for 2019. At 30 June 2019, a portion of the €53 million liability was classified as a current liability based on estimates at that point.

As previously stated, the precise timing and quantum of payments will be estimated depending on future key variables such as methodology for the calculation, definition of "Project", the price of copper and the US Dollar and Euro exchanges rates, timing of sustaining capital expenditures, increased costs and other operational issues. These factors can vary significantly, and any amounts actually paid within twelve months of the balance sheet date may differ substantially from the amounts presently estimated, if any, to become payable within this period.

The effect of discounting remains insignificant, in line with the 2018 assessment, and therefore the Group has measured the liability for the Astor Deferred Consideration on an undiscounted basis.



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### 8. Corporate social responsibility

During the quarter, Atalaya has continued its involvement in social responsibility through several activities by means of Fundación Atalaya Riotinto ("Fundacion").

Following its co-operation with several local non-governmental organisations involved in social issues, Fundacion has established agreements to sponsor some of their activities. In this regard, Fundacion is supporting programmes to assist people with Alzheimer Syndrome and their families, plus an IT training lesson for people with disabilities. Furthermore, Fundacion provided financing to a local charity to purchase a van that will allow children from disadvantaged areas to go to several educational activities.

Fundacion carries on with the second edition of "Reto Malacate", an initiative to reward the best business project to be settled in the local region.

In co-operation with a few local governments in the area, Fundación has financed projects for the benefit and enhancement of the local area, including improvements in infrastructure and cultural events.

### 9. Health and safety

During the quarter, the Company has continued its 2019 guidelines for safety. The Emergency Squad has carried on with the training in the field of protection and practical training in works at heights. Furthermore, the Company has integrated all material and equipment needed for the Emergency Squad.

Likewise, an external company has audited the OSHAS 18001.

### 10. Environmental management

During the third quarter of 2019, the environmental department has continued the monitoring of the operation and the historical heritage. Key points of the quarter:

- Dust levels were high as the third quarter corresponds to the warmer season of the year.
- The second stage to integrate the quality management system through the audit certification has been carried out during the quarter.

Archaeological excavation work at the Look Out is almost complete, expecting to finalise the Excavation Report plus the extraction of two ladle melt furnaces. Next excavation works to be performed at Corta Lago.

### 11. Risk factors

Owing to the nature of Atalaya's business in the mining industry, the Group is subject to various risks that could materially impact the future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to Atalaya. Readers are encouraged to read and consider the risk factors detailed in Atalaya's audited, consolidated financial statements for the year ended 31 December 2018.

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### 12. Critical accounting policies, estimates and accounting changes

The preparation of Atalaya's Financial Statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the Financial Statements and accompanying notes. There is a full discussion and description of Atalaya's critical accounting policies in the audited consolidated financial statements for the year ended 31 December 2018. The impact of adopting IFRS 16 Leases which became effective on 1 January 2019 is set out in Note 2.2 to the Unaudited, Condensed, Interim, Consolidated Financial Statements.

### 13. Other information

Additional information about Atalaya Mining Plc. is available at [www.atalayamining.com](http://www.atalayamining.com)

**Unaudited, Condensed, Interim, Consolidated Financial Statements on pages 11 to 34**

**By Order of the Board of Directors,**

Roger Davey  
Chairman  
Nicosia, 20 November 2019

## Condensed interim consolidated income statements

(All amounts in Euro thousands unless otherwise stated)

For the three and nine months to 30 September 2019 and 2018 - (Unaudited)

(Euro 000's)	Notes	Three months ended 30 Sept 2019*	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019*	Nine months ended 30 Sept 2018
Revenue	4	<b>44,383</b>	42,811	<b>139,165</b>	144,354
Operating costs and mine site administrative expenses		<b>(31,012)</b>	(33,515)	<b>(89,239)</b>	(97,860)
Mine site depreciation and amortization		<b>(3,723)</b>	(3,484)	<b>(10,893)</b>	(9,794)
<b>Gross profit</b>		<b>9,648</b>	5,812	<b>39,033</b>	36,700
Administration and other expenses		<b>(2,070)</b>	(1,240)	<b>(5,452)</b>	(3,284)
Share-based benefits		<b>(256)</b>	(86)	<b>(363)</b>	(162)
Exploration expenses		<b>(1,132)</b>	(405)	<b>(2,534)</b>	(818)
Care and maintenance expenditure		<b>(43)</b>	94	<b>(164)</b>	(187)
<b>Operating profit</b>		<b>6,147</b>	4,175	<b>30,520</b>	32,249
Net foreign exchange (loss)/gain		<b>1,405</b>	(10)	<b>1,692</b>	1,092
Net finance income/(costs)	5	<b>43</b>	(77)	<b>(23)</b>	(196)
<b>Profit before tax</b>		<b>7,595</b>	4,088	<b>32,189</b>	33,145
Tax		<b>(662)</b>	(955)	<b>(4,252)</b>	(5,520)
<b>Profit for the period</b>		<b>6,933</b>	3,133	<b>27,937</b>	27,625
<b>Profit for the period attributable to:</b>					
- Owners of the parent		<b>6,975</b>	3,049	<b>28,090</b>	27,807
- Non-controlling interests		<b>(42)</b>	84	<b>(153)</b>	(182)
		<b>6,933</b>	3,133	<b>27,937</b>	27,625
<b>Earnings per share from operations attributable to equity holders of the parent during the period:</b>					
Basic earnings per share (EUR cents per share)	6	<b>5.1</b>	2.2	<b>20.5</b>	20.4
Fully diluted earnings per share (EUR cents per share)	6	<b>5.0</b>	2.2	<b>20.2</b>	20.2
<b>Profit for the period</b>		<b>6,933</b>	3,133	<b>27,937</b>	27,625
<b>Other comprehensive income:</b>					
Change in fair value of financial assets through other comprehensive income 'OCI'		<b>(25)</b>	(15)	<b>(37)</b>	(30)
<b>Total comprehensive income for the period</b>		<b>6,908</b>	3,118	<b>27,900</b>	27,595
<b>Total comprehensive income for the period attributable to:</b>					
- Owners of the parent		<b>6,950</b>	3,034	<b>28,053</b>	27,777
- Non-controlling interests		<b>(42)</b>	84	<b>(153)</b>	(182)
		<b>6,908</b>	3,118	<b>27,900</b>	27,595

The notes on pages 15 to 34 are an integral part of these Unaudited, Condensed, Interim, Consolidated Financial Statements.

\* Refer to Note 2.2 Adoption of "IFRS 16 - Leases"

# Interim Condensed Consolidated Statement of Financial Position

(All amounts in Euro thousands unless otherwise stated)

As at 30 September 2019 and 2018

(Euro 000's)	Notes	30 September 2019*	31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	300,043	257,376
Intangible assets	8	70,439	71,951
Trade and other receivables	10	250	249
Deferred tax asset		7,801	7,927
		<u>378,533</u>	<u>337,503</u>
<b>Current assets</b>			
Inventories	9	11,475	10,822
Trade and other receivables	10	30,046	23,688
Other financial assets		36	71
Cash and cash equivalents		18,707	33,070
		<u>60,264</u>	<u>67,651</u>
<b>Total assets</b>		<u>438,797</u>	<u>405,154</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	11	13,372	13,372
Share premium	11	314,319	314,319
Other reserves	12	22,323	12,791
Accumulated losses		(39,424)	(58,308)
		<u>310,590</u>	<u>282,174</u>
Non-controlling interests		4,047	4,200
<b>Total equity</b>		<u>314,637</u>	<u>286,374</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	13	13	45
Provisions	14	6,991	6,519
Leases	15	5,846	-
Deferred consideration	16	53,000	53,000
		<u>65,850</u>	<u>59,564</u>
<b>Current liabilities</b>			
Trade and other payables	13	54,188	57,271
Leases	15	156	-
Current tax liabilities		3,966	1,945
Deferred consideration	16	-	-
		<u>58,310</u>	<u>59,216</u>
<b>Total liabilities</b>		<u>124,160</u>	<u>118,780</u>
<b>Total equity and liabilities</b>		<u>438,797</u>	<u>405,154</u>

\* Refer to Note 2.2 Adoption of "IFRS 16 - Leases"

The notes on pages 15 to 34 are an integral part of these Unaudited, Condensed, Interim, Consolidated Financial Statements. The Unaudited, Condensed, Interim, Consolidated Financial Statements were authorised for issue by the Board of Directors on 20 November 2019 and were signed on its behalf.

Roger Davey  
Chairman

Alberto Lavandeira  
Chief Executive Officer

## Interim Condensed Consolidated Statements of Changes in Equity

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

(Euro 000's)	Share capital	Share premium <sup>(1)</sup>	Other reserves <sup>(2)</sup>	Accum. losses	Total	Non-controlling interest	Total equity
<b>At 1 January 2019</b>	13,372	314,319	12,791	(58,308)	282,174	4,200	286,374
Profit for the period	-	-	-	28,090	28,090	(153)	27,937
Change in fair value of financial assets through OCI	-	-	(37)	-	(37)	-	(37)
Total comprehensive income	-	-	(37)	28,090	28,053	(153)	27,900
<b>Transactions with owners</b>							
Recognition of share-based payments	-	-	5,378	(5,378)	-	-	-
Recognition of depletion factor	-	-	363	-	363	-	363
Recognition of non-distributable reserve	-	-	1,984	(1,984)	-	-	-
Recognition of distributable reserve	-	-	1,844	(1,844)	-	-	-
<b>At 30 September 2019</b>	<b>13,372</b>	<b>314,319</b>	<b>22,323</b>	<b>(39,424)</b>	<b>310,590</b>	<b>4,047</b>	<b>314,637</b>

<sup>(1)</sup> The share premium reserve is not available for distribution

<sup>(2)</sup> Refer to Note 12

(Euro 000's)	Share capital	Share premium <sup>(1)</sup>	Other reserves <sup>(2)</sup>	Accum. losses	Total	Non-controlling interest	Total equity
<b>At 1 January 2018</b>	13,192	309,577	6,137	(86,527)	242,379	4,474	246,853
Profit for the period	-	-	-	27,807	27,807	(182)	27,625
Change in fair value of financial assets through OCI	-	-	(30)	-	(30)	-	(30)
Total comprehensive income	-	-	(30)	27,807	27,777	(182)	27,595
<b>Transactions with owners</b>							
Issue of share capital	180	4,747	-	-	4,927	-	4,927
Share issue costs	-	(5)	-	-	(5)	-	(5)
Change in value of available for sale investment	-	-	(30)	-	(30)	-	(30)
Depletion factor	-	-	5,050	(5,050)	-	-	-
Recognition of share-based payments	-	-	162	-	162	-	162
Recognition of non-distributable reserve	-	-	1,446	(1,446)	-	-	-
<b>At 30 September 2018</b>	<b>13,372</b>	<b>314,319</b>	<b>12,765</b>	<b>(65,216)</b>	<b>275,240</b>	<b>4,292</b>	<b>279,532</b>

<sup>(1)</sup> The share premium reserve is not available for distribution

<sup>(2)</sup> Refer to Note 12

(Euro 000's)	Share capital	Share premium <sup>(1)</sup>	Other reserves <sup>(2)</sup>	Accum. losses	Total	Non-controlling interest	Total equity
<b>At 1 January 2018</b>	13,192	309,577	6,137	(86,527)	242,379	4,474	246,853
Profit for the period	-	-	-	34,715	34,715	(274)	34,441
Change in fair value of financial assets through OCI	-	-	(58)	-	(58)	-	(58)
Total comprehensive income	-	-	(58)	34,715	34,657	(274)	34,383
<b>Transactions with owners</b>							
Issue of share capital	180	4,747	-	-	4,927	-	4,927
Share issue costs	-	(5)	-	-	(5)	-	(5)
Depletion factor	-	-	5,050	(5,050)	-	-	-
Recognition of share-based payments	-	-	216	-	216	-	216
Recognition of non-distributable reserve	-	-	1,446	(1,446)	-	-	-
<b>At 31 December 2018</b>	<b>13,372</b>	<b>314,319</b>	<b>12,791</b>	<b>(58,308)</b>	<b>282,174</b>	<b>4,200</b>	<b>286,374</b>

<sup>(1)</sup> The share premium reserve is not available for distribution

<sup>(2)</sup> Refer to Note 12

The notes on pages 15 to 34 are an integral part of these Unaudited, Condensed, Interim, Consolidated Financial Statements.

## Interim Condensed Consolidated Statement of Cash Flows

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

(Euro 000's)	Notes	Three months ended 30 September 2019*	Three months ended 30 September 2018	Nine months ended 30 September 2019*	Nine months ended 30 September 2018
<b>Cash flows from operating activities</b>					
<b>Profit before tax</b>		<b>7,595</b>	4,088	<b>32,189</b>	33,145
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment	7	<b>2,864</b>	2,650	<b>8,354</b>	7,386
Amortisation of intangibles	8	<b>858</b>	834	<b>2,539</b>	2,408
Recognition of share-based payments	12	<b>256</b>	86	<b>363</b>	162
Interest income	5	<b>(83)</b>	(19)	<b>(99)</b>	(58)
Interest expense	5	<b>29</b>	65	<b>33</b>	170
Unwinding of discounting	5	<b>30</b>	31	<b>89</b>	84
Gain(loss) on disposal of a subsidiary		-	(115)	-	(115)
Legal provisions	14	<b>279</b>	-	<b>261</b>	-
Rehab provisions	14	<b>(18)</b>	-	<b>(18)</b>	-
Loss in disposal of property, plant and equipment	7	-	-	<b>2</b>	-
Unrealised foreign exchange loss on financing activities		<b>(22)</b>	127	<b>4</b>	131
<b>Cash inflows from operating activities before working capital changes</b>		<b>11,788</b>	7,747	<b>43,717</b>	43,313
<b>Changes in working capital:</b>					
Inventories	9	<b>(97)</b>	(189)	<b>(653)</b>	4,155
Trade and other receivables	10	<b>6,174</b>	10,715	<b>(5,587)</b>	10,254
Trade and other payables	13	<b>(453)</b>	(2,174)	<b>(3,116)</b>	(10,934)
Deferred consideration	16	-	-	-	17
<b>Cash flows from operations</b>		<b>17,412</b>	16,099	<b>34,361</b>	46,805
Interest paid		<b>(898)</b>	(65)	<b>(2,877)</b>	(170)
Tax paid		<b>(27)</b>	(1,097)	<b>(27)</b>	(2,484)
<b>Net cash from operating activities</b>		<b>16,487</b>	14,937	<b>31,457</b>	44,151
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		<b>(12,890)</b>	(20,052)	<b>(44,462)</b>	(40,536)
Purchase of intangible assets	8	<b>(308)</b>	(381)	<b>(1,027)</b>	(1,226)
Interest received	5	<b>83</b>	19	<b>99</b>	58
<b>Net cash used in investing activities</b>		<b>(13,115)</b>	(20,414)	<b>(45,390)</b>	(41,704)
<b>Cash flows from financing activities</b>					
Proceeds from issue of share capital		-	-	-	598
Issuance costs		-	-	-	(5)
Lease payment	15	<b>(156)</b>	-	<b>(424)</b>	-
Interest expense on lease liabilities	15	<b>(2)</b>	-	<b>(6)</b>	-
<b>Net cash flows from financing activities</b>		<b>(158)</b>	-	<b>(430)</b>	593
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,214</b>	(5,477)	<b>(14,363)</b>	3,040
<b>Cash and cash equivalents:</b>					
At beginning of the period		<b>15,493</b>	51,373	<b>33,070</b>	42,856
At end of the period		<b>18,707</b>	45,896	<b>18,707</b>	45,896

The notes on pages 15 to 34 are an integral part of these Unaudited, Condensed, Interim, Consolidated Financial Statements.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 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 30 September 2019.

Additional information about Atalaya Mining Plc is available at [www.atalayamining.com](http://www.atalayamining.com) as per requirement of AIM rule 26.

### Change of name and share consolidation

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

### Principal activities

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.

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 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 Europe and internationally.

## 2. Basis of preparation and accounting policies

### 2.1 Basis of preparation

#### (a) Overview

The Unaudited, Condensed, Interim, Consolidated Financial Statements for the period ended 30 September 2019 have been prepared in accordance with International Accounting Standards 34: Interim Financial Reporting.

These Unaudited, Condensed, Interim, Consolidated Financial Statements include the financial statements of the Company and its subsidiary undertakings. They have been prepared using accounting bases and policies consistent with those used in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018, other than as described in Note 2.2 for the changes in accounting policies. These Unaudited, Condensed, Interim, Consolidated Financial Statements do not include all of the information and disclosures required in the annual financial statements, and accordingly, should be read in conjunction with the Group's annual consolidated financial statements, which have been prepared in accordance with IFRS and is set out in the Group's Annual Report for the year ended 31 December 2018.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 2. Basis of preparation and accounting policies (cont.)

### 2.1 Basis of preparation (cont.)

#### (b) Going concern

These Unaudited, Condensed, Interim, Consolidated Financial Statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Group will realise its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Group will generate sufficient cash and cash equivalents to continue operating for the next twelve months.

The Directors have considered at the time of the financial statements approval that there is a reasonable expectation that the Company and the Group have adequate available resources to continue in operational existence for the foreseeable future.

### 2.2 Changes in accounting policies and disclosures

The Group has adopted all the new and revised IFRSs and International Accounting Standards (IASs) which are relevant to its operations and are effective for accounting periods commencing on 1 January 2019.

The Group applied IFRS 16 for the first time from 1 January 2019. As required by IAS 34, the nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have a significant impact on the Unaudited, Condensed, Interim, 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 16 – Leases

The Group has adopted all of the requirements of IFRS 16 Leases ('IFRS 16') effective 1 January 2019 (initial application). IFRS 16 supersedes IAS 17 Leases ('IAS 17'). IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported in terms of IAS 17 and IFRIC 4: Determining Whether an Arrangement Contains a Lease. The Group has applied the modified retrospective approach whereby the right of use asset was set equal to the finance lease liability with no impact on retained earnings on 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. As a result, the Group has changed its accounting policy for leases as detailed in the accounting policies.



# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 2. Basis of preparation and accounting policies (cont.)

### 2.2 Changes in accounting policies and disclosures (cont.)

#### IFRS 16 – Leases (cont.)

*Impact of adopting IFRS 16 on the Group's consolidated financial statements*

The following table summarises the impact of adopting IFRS 16 on the Group's extracted consolidated statement of financial position at 1 January 2019:

(Euro 000's)		As previously reported 31 December 2018	Adjustments as at 1 January 2019	Balance as at 1 January 2019
	Note			
<b>Non-current assets</b>				
Property, plant and equipment	7	257,376	6,144	263,520
Deferred tax asset		7,927	-	7,927
<b>Equity and liabilities</b>				
Accumulated losses		(58,308)	-	(58,308)
<b>Non-current liabilities</b>				
Leases	15	-	5,609	5,609
<b>Current liabilities</b>				
Leases	15	-	534	534

#### a) Comparative accounting policy in terms of IAS 17

In terms of IAS 17, the Group was required to classify its leases as either finance leases or operating leases and account for those two types of leases differently (both as a lessor or a lessee). A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership. A lease was classified as an operating lease if all the risks and rewards incidental to ownership did not substantially transfer.

Finance leases were recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor was included in the statement of financial position as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating lease payments, in the event of the Group operating as lessee, were recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments were recognised as an operating lease asset. The liability was not discounted.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 2. Basis of preparation and accounting policies (cont.)

### 2.2 Changes in accounting policies and disclosures (cont.)

b) Accounting policy in terms of IFRS 16

#### Right-of-use assets

The Group recognised right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Subsequent to initial measurement, the right-of-use assets are depreciated from the commencement date using the straight-line method over the shorter of the estimated useful lives of the right-of-use assets or the end of lease term. These are as follows:

Right-of-use asset	Depreciation terms in years
Land	Based on Units of Production (UOP)
Motor vehicles	Based on straight line depreciation
Laboratory equipment	Based on straight line depreciation

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

#### Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the starting date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option
- Payments of penalties for early terminating the lease, unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, an extension or a termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 2. Basis of preparation and accounting policies (cont.)

### 2.2 Changes in accounting policies and disclosures (cont.)

#### b) Accounting policy in terms of IFRS 16 (cont.)

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

#### c) Amounts recognised in the statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

(Euro 000's)	<u>Right – of-use assets</u>				<u>Lease liabilities</u>
	<u>Land</u>	<u>Vehicles</u>	<u>Laboratory equipment</u>	<u>Total</u>	
<b>As at 1 January 2019</b>	6,085	59	-	6,144	6,144
Additions	-	-	277	277	277
Depreciation expense	(250)	(11)	(23)	(284)	-
Interest expense	-	-	-	-	6
Payments	-	-	-	-	(425)
<b>As at 30 September 2019</b>	<b>5,835</b>	<b>48</b>	<b>254</b>	<b>6,137</b>	<b>6,002</b>

Set out below, are the amounts recognised in profit or loss:

(Euro 000's)	<u>Nine months ended 30 September 2019</u>	<u>Nine months ended 30 September 2018</u>
<b>As at 31 December 2018</b>		
Depreciation expense of right-of-use assets	284	-
Interest expense on lease liabilities	6	-
Total amounts recognised in profit or loss	<u>290</u>	<u>-</u>

The Group recognised rent expense from short-term leases.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 2. Basis of preparation and accounting policies (cont.)

### 2.3 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 trading and other 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 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).

<b>Financial assets or liabilities (Euro 000's)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2019</b>				
<b>Other financial assets</b>				
Financial assets at FV through OCI	36	-	-	36
<b>Trade and other receivables</b>				
Receivables (subject to provisional pricing)	-	12,023	-	12,023
<b>Total</b>	<b>36</b>	<b>12,023</b>	<b>-</b>	<b>12,059</b>
<b>31 December 2018</b>				
<b>Other financial assets</b>				
Financial assets at FV through OCI	71	-	-	71
<b>Trade and other receivables</b>				
Receivables (subject to provisional pricing)	-	6,959	-	6,959
<b>Total</b>	<b>71</b>	<b>6,959</b>	<b>-</b>	<b>7,030</b>

### 2.4 Critical accounting estimates and judgements

The preparation of the Unaudited, Condensed, Interim, Consolidated Financial Statements require 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.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A full analysis of critical accounting estimates and judgements is set out in Note 3.4 to the 2018 audited consolidated financial statements, as well as Note 2.2 of these Unaudited, Condensed, Interim, Consolidated Financial Statements.

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

### 3. 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 off-takers as per the relevant offtake agreements (Note 4)

#### Geographical segments

The Group's mining activities are located in Spain. The commercialisation of the copper concentrate 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.

(Euro 000's)	Cyprus	Spain	Other	Total
<b>Three months ended 30 September 2019*</b>				
Revenue – from external customers	2,706	41,677	-	44,383
Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	775	8,969	125	9,869
Depreciation/amortisation charge	-	(3,722)	-	(3,722)
Net foreign exchange (loss) / gain	788	617	-	1,405
Finance income	75	8	-	83
Finance cost	-	(40)	-	(40)
Profit/(loss) before tax	1,638	5,832	125	7,595
Tax				(662)
<b>Profit for the period</b>				<b>6,933</b>
<b>Nine months ended 30 September 2019*</b>				
Revenue – from external customers	9,391	129,774	-	139,165
Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	4,157	37,792	(536)	41,413
Depreciation/amortisation charge	(1)	(10,892)	-	(10,893)
Net foreign exchange gain/(loss)	955	739	(2)	1,692
Finance income	75	24	-	99
Finance cost	(1)	(121)	-	(122)
Profit/(loss) before tax	5,185	27,542	(538)	32,189
Tax				(4,252)
<b>Profit for the period</b>				<b>27,937</b>
<b>Total assets</b>	<b>29,063</b>	<b>409,078</b>	<b>656</b>	<b>438,797</b>
<b>Total liabilities</b>	<b>(14,252)</b>	<b>(109,472)</b>	<b>(436)</b>	<b>(124,160)</b>
<b>Depreciation of property, plant and equipment</b>	<b>1</b>	<b>8,353</b>	<b>-</b>	<b>8,354</b>
<b>Amortisation of intangible assets</b>	<b>-</b>	<b>2,539</b>	<b>-</b>	<b>2,539</b>
<b>Total additions of non-current assets</b>	<b>1</b>	<b>51,924</b>	<b>-</b>	<b>51,925</b>

\*Refer to Note 2.2 Adoption of "IFRS 16 - Leases"

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

### 3. Business and geographical segments (cont.)

#### Geographical segments (cont.)

(Euro 000's)	Cyprus	Spain	Other	Total
<b>Three months ended 30 September 2018<sup>(1)</sup></b>				
Revenue – from external customers	42,811	-	-	48,867
Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	40,982	(33,239)	(84)	7,659
Depreciation/amortisation charge	-	(3,484)	-	(3,484)
Net foreign exchange gain/(loss)	(106)	96	-	(10)
Finance income	15	4	-	19
Finance cost	(1)	(95)	-	(96)
Profit/(loss) before tax	40,890	(36,718)	(84)	4,088
Tax				(955)
<b>Profit for the period</b>				<b>3,133</b>
<b>Nine months ended 30 September 2018<sup>(1)</sup></b>				
Revenue – from external customers	144,354	-	-	144,354
Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	137,472	(95,351)	(78)	42,043
Depreciation/amortisation charge	-	(9,794)	-	(9,794)
Net foreign exchange gain/(loss)	781	311	-	1,092
Finance income	54	4	-	58
Finance cost	(2)	(252)	-	(254)
Profit/(loss) before tax	138,305	(105,082)	(78)	33,145
Tax				(5,520)
<b>Profit for the period</b>				<b>27,625</b>
Total assets	46,441	351,029	426	397,896
Total liabilities	(10,644)	(107,662)	(58)	(118,364)
Depreciation of property, plant and equipment	-	7,386	-	7,386
Amortisation of intangible assets	-	2,408	-	2,408
Total additions of non-current assets	-	46,452	-	46,452

<sup>(1)</sup> For the purposes of the geographical segment, in 2019 revenues have been reallocated between Cyprus and Spain as per IFRS 15. Comparatives for 2018 have not been restated

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)		Nine months ended 30 September 2019		Nine months ended 30 September 2018
	Segment	€'000	Segment	€'000
Offtaker 1	Copper	27,267	Copper	23,641
Offtaker 2	Copper	39,045	Copper	77,722
Offtaker 3	Copper	72,853	Copper	42,975

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

### 4. Revenue

(Euro 000's)	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
Revenue from contracts with customers	46,185	46,039	140,177	148,445
Fair value (losses) relating to provisional pricing within sales <sup>(1)</sup>	(1,802)	(3,228)	(1,012)	(4,106)
<b>Total revenue</b>	<b>44,383</b>	<b>42,811</b>	<b>139,165</b>	<b>144,338</b>

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 the nine month period ended 30 September 2019 revenue, there is a transaction price of €0.1 million related to the freight services provided by the Group.
- (2) Provisional pricing impact represented the change in fair value of the embedded derivative arising on sales of concentrate.

### 5. Net finance (income) / cost

(Euro 000's)	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
Interest expense:				
Other interest	(8)	(65)	(27)	(170)
Interest expense on lease liabilities	(2)	-	(6)	-
Unwinding of discount on mine rehabilitation provision (Note 14)	(30)	(31)	(89)	(84)
Interest income <sup>(1)</sup>	83	19	99	58
	<b>43</b>	<b>(77)</b>	<b>(23)</b>	<b>(196)</b>

(1) Interest income relates to interest received on bank balances

### 6. Earnings per share

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

(Euro 000's)	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
Profit/(loss) attributable to equity holders of the parent	(962)	3,049	(2,494)	27,807
Weighted number of ordinary shares for the purposes of basic earnings per share (000's)	137,339	137,340	137,339	136,558
Basic profit per share (EUR cents/share)	5.1	2.2	20.5	20.4
Weighted number of ordinary shares for the purposes of fully diluted earnings per share (000's)	138,517	138,652	138,959	137,910
Fully diluted profit per share (EUR cents/share)	5.0	2.2	20.2	20.2

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 6. Earnings per share (cont.)

At 30 September 2019 there are nil warrants (Note 11) and 2,713,000 options (Note 12) (2018: 262,569 warrants and 1,334,333 options) which have been included when calculating the weighted average number of shares for 2019.

## 7. Property, plant and equipment

(Euro 000's)	Land and buildings <sup>(1)</sup>	Right-of-use assets <sup>(5)</sup>	Plant and machinery	Assets under construction <sup>(2)</sup>	Deferred mining costs <sup>(3)</sup>	Other assets <sup>(4)</sup>	Total
<b>Cost</b>							
At 1 January 2018	40,995	-	145,402	11,445	22,317	785	220,944
Additions	4,853 <sup>(1)</sup>	-	1,978	34,178	4,354	-	43,363
Reclassifications	-	-	1,579	(1,579)	-	-	-
<b>At 30 September 2018</b>	<b>45,848</b>	<b>-</b>	<b>148,959</b>	<b>44,044</b>	<b>26,671</b>	<b>785</b>	<b>266,307</b>
Additions	5 <sup>(1)</sup>	-	346	21,481	866	-	22,698
Reclassifications	-	-	3,515	(3,515)	-	-	-
<b>At 31 December 2018</b>	<b>45,853</b>	<b>-</b>	<b>152,820</b>	<b>62,010</b>	<b>27,537</b>	<b>785</b>	<b>289,005</b>
Adoption of IFRS 16 <sup>(5)</sup>	-	6,144	-	-	-	-	6,144
<b>At 1 January 2019</b>	<b>45,853</b>	<b>6,144</b>	<b>152,820</b>	<b>62,010</b>	<b>27,537</b>	<b>785</b>	<b>295,149</b>
Additions	169	277	646	41,846	1,940	1	44,879
Disposals	-	-	-	-	-	(5)	(5)
Reclassifications	-	-	4,609	(4,609)	-	-	-
<b>At 30 September 2019</b>	<b>46,022</b>	<b>6,421</b>	<b>158,075</b>	<b>99,247</b>	<b>29,477</b>	<b>781</b>	<b>340,023</b>
<b>Depreciation</b>							
At 1 January 2018	4,076	-	13,465	-	3,469	476	21,486
Charge for the period	1,446	-	4,819	-	873	248	7,386
<b>At 30 September 2018</b>	<b>5,522</b>	<b>-</b>	<b>18,284</b>	<b>-</b>	<b>4,342</b>	<b>724</b>	<b>28,872</b>
Charge for the period	550	-	2,031	-	339	(163)	2,757
<b>At 31 December 2018</b>	<b>6,072</b>	<b>-</b>	<b>20,315</b>	<b>-</b>	<b>4,681</b>	<b>561</b>	<b>31,629</b>
Charge for the period	1,585	284	5,398	-	1,040	47	8,354
Disposals	-	-	-	-	-	(3)	(3)
<b>At 30 September 2019</b>	<b>7,657</b>	<b>284</b>	<b>25,713</b>	<b>-</b>	<b>5,721</b>	<b>605</b>	<b>39,980</b>
<b>Net book value</b>							
<b>At 30 September 2019</b>	<b>38,365</b>	<b>6,137</b>	<b>132,362</b>	<b>99,247</b>	<b>23,756</b>	<b>176</b>	<b>300,043</b>
At 31 December 2018	39,781	-	132,505	62,010	22,856	224	257,376

<sup>(1)</sup> Mine rehabilitation assets and Rumbo Royalty Buyout.

<sup>(2)</sup> Assets under construction at 30 September 2019 were €99.2 million (2018: €62.0 million) which include the capitalisation of costs related to the Expansion Project and sustaining capital expenditures.

<sup>(3)</sup> Stripping costs

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

<sup>(5)</sup> Refer to Note 2.2 Adoption of "IFRS 16 - Leases"

The above fixed assets are mainly located in Spain.



## Notes to the Interim Condensed Consolidated Financial Statements

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For the period ended 30 September 2019 and 2018

### 8. Intangible assets

(Euro 000's)	Permits of Rio Tinto Project <sup>(1)</sup>	Licences, R&D and software	Total
<b>Cost</b>			
At 1 January 2018	76,521	4,505	81,026
Additions	17	1,209	1,226
<b>At 30 September 2018</b>	<b>76,538</b>	<b>5,714</b>	<b>82,252</b>
Additions	-	1,267	1,267
Disposals	-	(955)	(955)
<b>At 31 December 2018</b>	<b>76,538</b>	<b>6,026</b>	<b>82,564</b>
Additions	-	1,027	1,027
<b>At 30 September 2019</b>	<b>76,538</b>	<b>7,053</b>	<b>83,591</b>
<b>Amortisation</b>			
On 1 January 2018	7,145	181	7,326
Charge for the period	2,363	45	2,408
<b>At 30 September 2018</b>	<b>9,508</b>	<b>226</b>	<b>9,734</b>
Charge for the period	862	17	879
<b>At 31 December 2018</b>	<b>10,370</b>	<b>243</b>	<b>10,613</b>
Charge for the period	2,492	47	2,539
<b>At 30 September 2019</b>	<b>12,862</b>	<b>290</b>	<b>13,152</b>
<b>Net book value</b>			
<b>At 30 September 2019</b>	<b>63,676</b>	<b>6,763</b>	<b>70,439</b>
At 31 December 2018	66,168	5,783	71,951

(1) Permits and R&D include an amount of €5.0 million and an amount of €3.8 million respectively that relate to the Touro Project mining rights.

In July 2018, the Company announced an updated technical report on the mineral resources and reserves of Proyecto Riotinto. The report increased the open pit mineral reserves by 29% and stated the life of mine to 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 Proyecto Riotinto, including the intangible assets and any impairment thereof, the Group assessed that no indicators were present as at 30 September 2019 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.

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

### 9. Inventories

(Euro 000's)	30 Sept 2019	31 Dec 2018
Finished products	1,641	2,955
Materials and supplies	8,764	7,381
Work in progress	1,070	486
	<u>11,475</u>	<u>10,822</u>

As of 30 September 2019, copper concentrate produced and not sold amounted to 2,186 tonnes (31 December 2018: 4,667 tonnes). Accordingly, the inventory for copper concentrate was €1.6 million (31 December 2018: €3.0 million). During the nine month period ended 30 September 2019 the Group recorded operating costs amounting to €89.2 million (2018: €97.9 million).

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

### 10. Trade and other receivables

(Euro 000's)	30 Sept 2019	31 Dec 2018
<b>Non-current</b>		
Deposits	<u>250</u>	<u>249</u>
	<u>250</u>	<u>249</u>
<b>Current</b>		
Trade receivables at fair value – <i>subject to provisional pricing</i>	6,212	4,498
Trade receivables from shareholders at fair value – <i>subject to provisional pricing</i> (Note 19.3)	5,811	2,461
Other receivables from related parties at amortised cost (Note 19.3)	56	56
Deposits	26	26
VAT receivable	11,475	13,691
Tax refundable	-	-
Tax advances	1,980	1,208
Prepayments	1,000	688
Other current assets	<u>3,486</u>	<u>1,060</u>
	<u>30,046</u>	<u>23,688</u>
Allowance for expected credit losses	-	-
<b>Total current trade and other receivables</b>	<u>30,046</u>	<u>23,688</u>

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

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 11. Share capital and share premium

	Shares 000's	Share Capital Stg£'000	Share premium Stg£'000	Total Stg£'000
<b>Authorised</b>				
Ordinary shares of Stg £0.075 each	200,000	15,000	-	15,000
<b>Issued and fully paid</b>				
	000's	Euro 000's	Euro 000's	Euro 000's
<b>Balance at 31 December 2017/1 January 2018</b>	135,254	13,192	309,577	322,769
13 Feb 2018 Shares issued to Rumbo at £1.87 a)	193	16	410	426
13 Feb 2018 Exercised share options at £1.44 b)	29	3	45	48
13 April 2018 Shares issued to Rumbo buyout at £2.118 c)	1,601	139	3,887	4,026
1 June 2018 Exercised warrants at £1.425 d)	263	22	405	427
Share issued costs	-	-	(5)	(5)
<b>Balance at 30 September 2018 / 31 December 2018 / 30 September 2019</b>	<b>137,340</b>	<b>13,372</b>	<b>314,319</b>	<b>327,691</b>

### Authorised capital

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

### Issued capital

#### 2019

There were no changes in share capital during the nine month period ended 30 September 2019.

#### 2018

- 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.
- 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.
- 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.
- 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 creating a share premium of €405,087.

### Warrants

All warrants were exercised on 1 June 2018 (see (d) above).

As at 30 September 2019, there were no warrants.

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

### 12. Other reserves

(Euro 000's)	Share option	Bonus share	Depletion factor <sup>(1)</sup>	Available-for-sale investment <sup>(2)</sup>	Fair value reserve of financial assets at FVOCI <sup>(3)</sup>	Non-Distributable reserve <sup>(4)</sup>	Distributable reserve <sup>(5)</sup>	Total
At 1 January 2018	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 share-based payments	76	-	-	-	-	-	-	76
Recognition of non-distributable reserve	-	-	-	-	-	1,446	-	1,446
Change in fair value of financial assets at fair value through OCI	-	-	-	-	(15)	-	-	(15)
<b>At 30 September 2018</b>	<b>6,612</b>	<b>208</b>	<b>5,500</b>	<b>-</b>	<b>(1,072)</b>	<b>1,446</b>	<b>-</b>	<b>12,694</b>
Recognition of share-based payments	140	-	-	-	-	-	-	140
Change in fair value of financial assets at fair value through OCI	-	-	-	-	(43)	-	-	(43)
<b>At 31 December 2018</b>	<b>6,752</b>	<b>208</b>	<b>5,500</b>	<b>-</b>	<b>(1,115)</b>	<b>1,446</b>	<b>-</b>	<b>12,791</b>
Recognition of share-based payments	363	-	-	-	-	-	-	363
Recognition of depletion factor	-	-	5,378	-	-	-	-	5,378
Recognition of non-distributable reserve	-	-	-	-	-	1,984	-	1,984
Recognition of distributable reserve	-	-	-	-	-	-	1,844	1,844
Change in fair value of financial assets at fair value through OCI	-	-	-	-	(37)	-	-	(37)
<b>At 30 September 2019</b>	<b>7,115</b>	<b>208</b>	<b>10,878</b>	<b>-</b>	<b>(1,152)</b>	<b>3,430</b>	<b>1,844</b>	<b>22,323</b>

<sup>(1)</sup> Depletion factor reserve  
During the nine month period ended 30 September 2019, the Group has disposed €5.4 million (nine month period ended 30 September 2018: €5.0 million) as a depletion factor reserve as per the Spanish Corporate Tax Act.

<sup>(2)</sup> 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.

<sup>(3)</sup> Fair value reserve of financial assets at FVOCI  
The Group decided to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in comment <sup>(2)</sup> above. These changes are accumulated within the FVOCI reserve under equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

<sup>(4)</sup> Non-distributable reserve  
As required by the Spanish Corporate Tax Act, the Group classified a non-distributable reserve of 10% of the profits generated by the Spanish subsidiaries until the reserve is 20% of share capital of the subsidiary.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 12. Other reserves (cont.)

<sup>(5)</sup> Distributable reserve

As result of the 2018 profit generated in ARM, the Group decided to record a distributable reserve in order to comply with the Spanish Corporate Tax Act.

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

Details of share options outstanding as at 30 September 2019:

	Number of share options 000's
Outstanding options at 1 January 2019	1,313
- Expired during the reporting period	(500)
- Granted during the reporting period <sup>(1)</sup>	1,900
Outstanding options at 30 September 2019	<u>2,713</u>

On 30 May 2019, the Company announced a grant of 1,500,000 share options (the "Options") to Persons Discharging Managerial Responsibilities ("PDMRs") and management, in accordance with the Company's approved Share Option Plan 2013 (the "Option Plan"). The Options expire five years from the date of grant (29 May 2019), have an exercise price of 201.5 pence per ordinary share, based on the minimum share price in the five days preceding the grant date, and vest in two equal tranches, half on grant and half on the first anniversary of the granting date.

On 10 July 2019, the Company announced a grant of 400,000 share options (the "Options") to Person Discharging Managerial Responsibilities ("PDMRs") in accordance with the Company's approved Share Option Plan 2013 (the "Option Plan"). The Options expire five years from the date of grant (8 July 2019), have an exercise price of 204.5 pence per ordinary share, based on the minimum share price in the five days preceding the grant date, and vest in two equal tranches, half on grant and half on the first anniversary of the granting date.

## 13. Trade and other payables

(Euro 000's)	30 Sept 2019	31 Dec 2018
<b>Non-current</b>		
Land options	-	32
Government grant	<u>13</u>	<u>13</u>
	<u>13</u>	<u>45</u>
<b>Current</b>		
Trade payables	49,848	53,098
Land options and mortgage	292	791
Accruals	<u>4,048</u>	<u>3,382</u>
	<u>54,188</u>	<u>57,271</u>

Trade payables mostly comprise the purchase 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.

Trade payables are non-interest-bearing and usually settled on a 60-day term.

# Notes to the Interim Condensed Consolidated Financial Statements

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For the period ended 30 September 2019 and 2018

## 14. Provisions

(Euro 000's)	Legal costs	Rehabilitation costs	Total costs
<b>1 January 2018</b>	213	5,514	5,727
Additions	6	953	959
Revision of provision	(35)	-	(20)
Finance cost	-	-	-
<b>At 30 September 2018</b>	184	6,467	6,651
Additions	-	19	19
Revision of provision	(57)	(133)	(190)
Finance cost	-	39	39
<b>At 31 December 2018</b>	127	6,392	6,519
Additions	284	140	424
Revision of provision	(23)	(18)	(41)
Finance cost	-	89	89
<b>At 30 September 2019</b>	388	6,603	6,991

(Euro 000's)	30 Sept 2019	31 Dec 2018
Non-current	6,991	6,519
Current	-	-
<b>Total</b>	6,991	6,519

### 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 30 September 2019 was 1.87%, which is the 15-year Spain Government Bond rate (31 December 2018: 1.87%). An inflation rate of 1.5% is applied on annual basis.

### Legal provision

The Group has been named as defendant in several legal actions in Spain, the outcome of which is not determinable as at 30 September 2019. Management has reviewed individually each case and made a provision of €284 thousand for these claims, which has been reflected in these unaudited condensed interim consolidated financial statements.

## 15. Leases

(Euro 000's)	30 Sept 2019	31 Dec 2018
<b>Non-current</b>		
Leases	5,846	-
	5,846	-
<b>Current</b>		
Leases	156	-
	156	-

### Finance leases

The Group entered into lease arrangements for the renting of land, laboratory equipment and vehicles. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Depreciation expense for the nine month period ended 30 September 2019 regarding leases amounted to €0.3 million (2018: €nil). The term of the land lease is thirteen years. Payments are due at the beginning of the month escalating on an annual average of 1.5%. As at 30 September 2019, the remaining term of this lease is twelve and a quarter years.

# Notes to the Interim Condensed Consolidated Financial Statements

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For the period ended 30 September 2019 and 2018

## 15. Leases (continued)

The term of the motor vehicle and laboratory equipment leases is four years. Payments are due at the beginning of the month increasing by a 1.5% average on an annual basis. At 30 September 2019, the remaining term of the motor vehicle and laboratory equipment leases is three and a quarter years, and three years and nine months, respectively.

(Euro 000's)	30 Sept 2019	31 Dec 2018
<b>Minimum lease payments due:</b>		
- Within one year	148	-
- Two to five years	2,249	-
- Over five years	3,605	-
Less future finance charges	-	-
Present value of minimum lease payments due	<u>6,002</u>	<u>-</u>
Present value of minimum lease payments due:		
- Within one year	148	-
- Two to five years	2,249	-
- Over five years	3,605	-
	<u>6,002</u>	<u>-</u>

(Euro 000's)	Lease liability
<b>Balance 1 January 2019</b>	<b>6,144</b>
Additions	277
Interest expense	6
Lease payments	<u>(424)</u>
<b>Balance at 30 September 2019</b>	<b><u>6,002</u></b>
<b>Balance at 30 September 2019</b>	
- Non-current liabilities	5,846
- Current liabilities	<u>156</u>
	<u>6,002</u>

## 16. Deferred consideration

In September 2008, the Group moved to 100% ownership of Atalaya Riotinto Minera S.L. ("ARM") (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. At the time of the acquisition, the Group signed a Master Agreement (the "Master Agreement") 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).

As at 30 September 2019, no consideration has been paid.

"Excess cash" is not defined in the Master Agreement leaving ambiguity as to how it is to be calculated. The Company has continued to regularly review its assessment of when this could be payable. As a result, at 30 September 2019, the €53 million liability has been classified as non-current, reflecting results to date, the Company's copper price estimation and the sustaining capex projects and commitments for 2019. At 30 June 2019, a portion of the €53 million liability was classified as a current liability based on estimates at that point.

As previously stated, the precise timing and quantum of payments will be estimated depending on the future key variables such as methodology for the calculation, definition of "Project", the price of copper and the US Dollar and Euro exchanges rates, timing of sustaining capital expenditures, increased costs and other operational issues. These factors can vary significantly, and any amounts actually paid within twelve months of the balance sheet date may differ substantially from the amounts presently estimated, if any, to become payable within this period.

# Notes to the Interim Condensed Consolidated Financial Statements

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For the period ended 30 September 2019 and 2018

## 16. Deferred consideration (continued)

The effect of discounting remains insignificant, in line with the 2018 assessment, and therefore the Group has measured the liability for the Astor Deferred Consideration on an undiscounted basis.

## 17. Acquisition, incorporation and disposal of subsidiaries

There were neither acquisition nor incorporation of subsidiaries during the nine month period ended 30 September 2019.

## 18. Wind-up of subsidiaries

There were no operations wound-up during the nine month period ended 30 September 2019.

## 19. Related party transactions

The following transactions were carried out with related parties:

### 19.1 Compensation of key management personnel

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

(Euro 000's)	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
Directors' remuneration and fees	244	193	730	593
Share option-based benefits and other benefits to directors	88	26	112	39
Director's bonus	365	-	365	68
Key management personnel fees <sup>(1)</sup>	174	106	454	313
Key management bonus <sup>(1)</sup>	1,150	-	1,150	-
Share option-based and other benefits to key management personnel <sup>(1)</sup>	135	39	183	81
Share bonus to key management personnel <sup>(1)</sup>	(*)	-	(*)	-
	<b>2,156</b>	<b>364</b>	<b>2,994</b>	<b>1,094</b>

<sup>(1)</sup> Included compensation approved by the Board of Directors of the Company to a former employee of the Group.

(\*) Included a compensation of 33,333 ATYM shares to a former employee of the Group.

### 19.2 Share-based benefits

On 30 May 2019, the directors and key management personnel have been granted 1,500,000 options. The options will expire in five years from the date of grant (29 May 2019), have an exercise price of 201.5 pence per ordinary share, based on the minimum share price in the five days preceding the grant date, and vest in two equal tranches, half on grant and half on the first anniversary of the granting date (Q3 2018: nil).

On 10 July 2019, the Company announced that it granted 400,000 share options (the "Options") to Persons Discharging Managerial Responsibilities ("PDMRs") in accordance with the Company's approved Share Option Plan 2013 (the "Option Plan"). The Options expire five years from the date of grant (8 July 2019), have an exercise price of 204.5 pence per ordinary share, based on the minimum share price in the five days preceding the grant date, and vest in two equal tranches, half on grant and half on the first anniversary of the granting date.



# Notes to the Interim Condensed Consolidated Financial Statements

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For the period ended 30 September 2019 and 2018

## 19. Related party transactions (continued)

### 19.3 Transactions with related parties/shareholders

#### i) Transaction with shareholders

(Euro 000's)	Three months ended 30 Sept 2019	Three months ended 30 Sept 2018	Nine months ended 30 Sept 2019	Nine months ended 30 Sept 2018
Trafigura– Revenue from contracts	5,789	8,258	26,452	26,296
Freight services	-	-	-	-
	<b>5,789</b>	8,258	<b>26,452</b>	26,296
Gain/(losses) relating provisional pricing within sales	826	(2,329)	815	(2,655)
<b>Trafigura – Total revenue from contracts</b>	<b>6,615</b>	5,929	<b>27,267</b>	23,641

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.

#### ii) Period-end balances with related parties

(Euro 000's)	30 Sept 2019	31 Dec 2018
<b>Receivables from related parties:</b>		
Recursos Cuenca Minera S.L.	56	56
<b>Total (Note10)</b>	<b>56</b>	56

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

#### iii) Period-end balances with shareholders

(Euro 000's)	30 Sept 2019	31 Dec 2018
Trafigura – Debtor balance- subject to provisional pricing	5,811	2,461
<b>Total (Note 10)</b>	<b>5,811</b>	2,461

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

## 20. 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 these 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.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 September 2019 and 2018

## 20. Contingent liabilities (continued)

### Receipt of rulings of claims made by an environmental Group

On 29 March 2019, the Company announced that it had received notification from the Supreme Court in Spain that it did not have jurisdiction over the appeal made by the Junta de Andalucía ("JdA") and therefore the announced, Ruling by the Tribunal Superior de Justicia de Andalucía ("TSJA") dated 26 September 2018 remains valid.

On 26 April 2019, the Company announced that a judgment relating to the Mining Permits to operate Proyecto Riotinto (the "Mining Permits") was handed down by the TSJA. The TSJA declared the Mining Permits are linked to the environmental permits, ruled by the same tribunal in September 2018. The new ruling on the mining permits is based on the requirement to have an environmental permit before issuing mining permits and therefore invalidates the existing mining permits. The TSJA did not accept the requests by Ecologistas en Accion ("EeA") for the cessation of activities at the mine and an increase in the scope of the environmental plan.

On 20 November 2019, the Company received an informal notification that its appeal to the Supreme Court on the ruling handed down by the TSJA on 26 April 2019 had been rejected. The Company has been advised by its lawyers that the rejection has no impact over the Company's legal status quo.

The JdA is undergoing the process to resolve the previously reported administrative issues identified by the TSJA relating to the environmental and mining permits. The Company continues operating the mine normally and remains confident that the ongoing process carried out by the JdA will not impact its operations at Proyecto Riotinto.

## 21. Commitments

The Company has capital commitments related to the multiple projects to improve the environmental management, the capacity of the tailing dams and to increase the efficiency of the processing plant.

## 22. Significant events

There have been no significant events during the nine month period ended 30 September 2019 other than as disclosed in the unaudited, interim, condensed, consolidated financial statements and the notes above.

## 23. Events after the reporting period

- On 29 October 2019 the Board of Directors approved the issuance of 33,333 shares to a former employee of the Group.
- On 13 November 2019, the Company executed a Share Purchase Agreement to acquire the 12.5% of Explotaciones Gallegas del Cobre, S.L. a limited company which held the permits for the land surrounding the Proyecto Touro with exploration potential.