

**ATALAYA MINING PLC
MANAGEMENT'S REVIEW AND
UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 June 2020**

Management's review

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 June 2020 and 2019

Notice to Reader

The accompanying unaudited interim condensed consolidated financial statements of Atalaya Mining Plc have been prepared by and are the responsibility of Atalaya Mining Plc's management. The unaudited interim condensed consolidated financial statements have been reviewed by Atalaya's auditors in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

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 2019 and 30 June 2020 and results of operations for the three and six months ended 30 June 2020 and 2019.

This report has been prepared as of 12 August 2020. The analysis hereby included, is intended to supplement and complement the unaudited interim condensed consolidated financial statements and notes thereto ("Financial Statements") as at and for the period ended 30 June 2020. 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 2019, and the unaudited interim condensed consolidated financial statements for the period ended 30 June 2019. These documents can be found on Atalaya's website at www.atalayamining.com.

Atalaya prepares its Annual Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by EU and its Unaudited Interim Condensed 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 constitute 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.

Management's review

(All amounts in Euro thousands unless otherwise stated)
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1. Description of the Business

Atalaya is a European mining and development company domiciled 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 is produced. A brownfield expansion of the plant was completed in 2019.

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.

In November 2019, Atalaya executed the option to acquire 12.5% of Explotaciones Gallegas del Cobre, S.L. the exploration property around Touro, with known additional reserves, which will add to the potential to the Proyecto Touro.

2. Overview of Operational Results

Proyecto Riotinto

The following table presents a summarised statement of operations of Proyecto Riotinto for the three and six months ended 30 June 2020 and 2019, respectively.

Units expressed in accordance with the international system of units (SI)	Unit	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Ore mined	t	3,232,331	2,781,264	6,261,693	5,331,249
Ore processed	t	3,572,094	2,565,559	6,999,242	5,011,536
Copper ore grade	%	0.44	0.48	0.46	0.47
Copper concentrate grade	%	22.35	22.51	22.21	22.99
Copper recovery rate	%	85.89	88.72	84.32	89.47
Copper concentrate	t	60,938	48,382	120,941	91,823
Copper contained in concentrate	t	13,635	10,889	26,864	21,108
Payable copper contained in concentrate	t	13,025	10,405	25,654	20,190
Cash cost*	US\$/lb payable	1.87	1.74	1.93	1.81
All-in sustaining cost*	US\$/lb payable	2.22	1.95	2.25	2.06

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

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

Three months operational review

During Q2 2020 a total of 3.6 million tonnes of ore were processed with an average copper head grade of 0.44% and a recovery rate of 85.89%. In comparison with the same quarter of 2019, throughput increased 39% while recovery decreased 3% as a result of the plant expansion completed in 2019. Compared with Q1 2020, copper production increased 3% as a result of a 6% higher throughput and lower grades being compensated for by higher recoveries.

Management's review

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

2. Overview of Operational Results (cont.)

Plant recoveries compared to Q1 2020 increased as a result of operational improvements to the fully commissioned plant despite scheduled maintenance and mandatory COVID-19 shutdown during the quarter.

As reported on 30 March 2020, operations at Proyecto Riotinto halted for five days following the Royal Decree issued by the Spanish government to increase the national protective measures against COVID-19, affecting tonnage processed during April 2020 and resulting in lower ore milled than planned during Q2 2020.

Mining operations continued concentrating on mining ore from the higher levels of the mine. On a combined basis, ore, waste and marginal ore amounted to 3.2 million m³ in Q2 2020 versus 2.9 million m³ in Q1 2020.

On-site concentrate inventories at the end of the quarter were approximately 3,845 tonnes.

Copper prices decreased during Q2 2020 compared with Q1 2020, with an average realised price per pound of copper payable, including the QPs closed in the period, of US\$2.51/lb compared with US\$2.58/lb in Q1 2020. The average copper spot price during the quarter was US\$2.42/lb. The realised price during the quarter, excluding QPs, was approximately US\$2.43/lb.

Cash operating costs for Q2 2020 are within the lower end of the range of the annual AISC guidance of US\$2.20-US\$2.30/lb.

Exploration around Proyecto Riotinto continued during Q2 2020 focused around the massive sulphides and stockwork mineralisation under the Atalaya pit as well as potential resource increases at the Cerro Colorado pit.

Six months operational review

Production of copper contained in concentrate during H1 2020 was 26,864 tonnes, compared with 21,108 tonnes in the same period of 2019. Payable copper in concentrates was 25,654 tonnes compared with 20,190 tonnes of payable copper in H1 2019 as a result of the plant expansion completed in 2019.

Ore mined in H1 2020 was 6,261,693 tonnes compared to 5,331,249 tonnes during H1 2019. Ore processed was 6,999,242 tonnes versus 5,011,536 tonnes in H1 2019.

Ore grade during H1 2020 was 0.46% Cu compared with 0.47% Cu in H1 2019. Copper recovery was 84.32% versus 89.47% in H1 2019. Concentrate production amounted to 120,941 tonnes above H1 2019 production of 91,823 tonnes as increased throughput and recoveries offset the slightly lower grade.

3. Outlook

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

Operational guidance

The Company is aware that the COVID-19 pandemic may still further impact how the Company manages its operations and is accordingly keeping its guidance under regular review.

Proyecto Riotinto operational guidance for 2020 remains unchanged. Should the Company consider the current guidance no longer achievable, then the Company will provide a further update.

	Unit	Guidance 2020
Ore processed	million tonnes	14.0 – 15.0
Contained copper in concentrate	tonnes	55,000 - 58,000

Copper head grade for 2020 is estimated to average 0.45% Cu, with a recovery rate of approximately 84% to 86%. Cash operating costs for 2020 are expected to be in the range of US\$1.95/lb – US\$2.05/lb, and AISC is estimated to be in the range of US\$2.20/lb – US\$2.30/lb Cu payable.

Management's review

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

4. Overview of the Financial Results

The following table presents summarised consolidated income statements for the three and six months ended 30 June 2020, with comparatives for the three and six months ended 30 June 2019, respectively.

(Euro 000's)	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue	56,544	43,070	117,733	94,782
Costs of sales	(43,020)	(28,255)	(92,211)	(58,334)
Administrative and other expenses	(450)	(1,465)	(2,158)	(3,382)
Exploration expenses	(202)	(1,201)	(1,104)	(1,402)
Care and maintenance expenditure	(46)	(116)	(160)	(121)
Other income	8	-	8	-
EBITDA	12,834	12,033	22,108	31,543
Depreciation/amortisation	(7,101)	(3,744)	(13,767)	(7,170)
Impairment loss on other receivables	-	-	(45)	-
Net foreign exchange (loss)/gain	(1,061)	(426)	(616)	287
Net finance cost	(138)	(35)	(149)	(66)
Tax	(1,499)	(979)	(1,565)	(3,590)
Profit for the period after tax	3,035	6,849	5,966	21,004

Three months financial review

Revenues for the three month period ended 30 June 2020 amounted to €56.5 million (Q2 2019: €43.1 million). Higher revenues, compared with the same quarter in the previous year, were mainly driven by higher volumes sold during the period and to some extent by stronger average US Dollar rates against Euro offset by lower copper prices.

Realised prices were US\$2.51/lb copper during Q2 2020 compared with US\$2.81/lb copper in Q2 2019. All concentrates were sold under offtake agreements in place.

Operating costs for the three month period ended 30 June 2020 amounted to €43.0 million, compared with €28.3 million in Q2 2019. In absolute terms, higher operating costs were mainly due to more tonnes being mined and processed during the quarter at higher unit costs.

Cash costs of US\$1.87/lb payable copper during Q2 2020 compared with US\$1.74/lb payable copper in the same period last year. Higher cash costs in Q2 2020 mainly attributable to increased processing costs during the quarter relating to higher consumption of lime and grinding balls and, to a lesser extent, SAG liners. All-in sustaining costs in the reporting quarter were US\$2.22/lb payable copper compared with US\$1.95/lb payable copper in Q2 2019. Higher AISC compared with Q2 2019 mainly related to higher cash cost and sustaining capex.

Sustaining capex for Q2 2020 amounted to €4.6 million compared with €1.3 million in Q2 2019. Sustaining capex related works done on the tailing dams and continuous improvement in processing systems of the plant and enhancements in security.

Administrative and other expenses amounted to €0.5 million (Q2 2019: €1.5 million) and include non-operating costs of the Cyprus office, corporate legal and consultancy costs, on-going listing costs, officers and directors' emoluments, and salaries and related costs of the corporate office.

Exploration costs at Proyecto Riotinto for the three month period ended 30 June 2020 amounted to €0.2 million (Q2 2019: €1.2 million). Lower costs related to a decrease in drilling activities, during the period.

EBITDA for the three months ended 30 June 2020 amounted to €12.8 million compared with Q2 2019 of €120 million.

The main item below the EBITDA line is depreciation and amortisation of €7.1 million (Q2 2019: €3.8 million) which increased as a result of the higher throughput resulting from the 2019 plant expansion. Net financing costs for Q2 2020 amounted to €0.1 million (Q2 2019: €0.1 million).

Management's review

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

4. Overview of the Financial Results (cont.)

Six months financial review

Revenues for the six month period ended 30 June 2020 amounted to €117.7 million (H1 2019: €94.8 million).

Copper concentrate production during the six month period ended 30 June 2020 was 120,941 tonnes (H1 2019: 91,823 tonnes) with 133,775 tonnes of copper concentrates sold in the period (H1 2019: 93,039 tonnes). Inventories of concentrates as at the reporting date were 3,845 tonnes (31 Dec 2019: 14,201 tonnes).

Realised copper prices for H1 2020 were US\$2.54/lb copper compared with US\$2.80/lb copper in the same period of 2019. Concentrates were sold under offtake agreements in place. The Company did not enter into any hedging agreements in 2020.

Operating costs for the six month period ended 30 June 2020 amounted to €92.2 million, compared with €58.3 million in H1 2019. Higher costs in 2020 reflected the higher production volumes and higher cash costs

Cash costs of US\$1.93/lb payable copper during H1 2020 compare with US\$1.81/lb payable copper in the same period last year. Higher cash costs in Q2 2020 mainly attributable to increased processing costs during the quarter relating to higher consumption of lime and grinding balls and, to a lesser extent, SAG liners. All-in sustaining costs in the reporting quarter were US\$2.25/lb payable copper compared with US\$2.06/lb payable copper in H1 2019. Higher AISC compared with H1 2019 mostly related to higher cash costs, sustaining capex and capitalised stripping costs.

Sustaining capex for the six month period ended 30 June 2020 amounted to €7.9 million, compared with €2.9 million in the same period in the previous year. Sustaining capex related to tailing dams and enhancements in processing systems.

Corporate costs for the first six month period ended of 2020 were €2.2 million, compared with €3.4 million in H1 2019. Corporate costs mainly include Company's overhead expenses.

Exploration costs related to Proyecto Riotinto for the six month period ended 30 June 2020 amounted to €1.1 million, compared with €1.4 million in H1 2019.

EBITDA for the six months ended 30 June 2020 amounted to €22.1 million, compared with €31.5 million in H1 2019.

Depreciation and amortisation amounted to €13.8 million for the six month period ended 30 June 2020 (H1 2019: €7.2 million) as a result of the higher throughput resulting from the 2019 plant expansion.

Net finance costs for H1 2020 amounted to €0.1 million (H1 2019 €0.1 million).

Copper prices

The average realised copper price decreased by 11% from US\$2.81 per pound in Q2 2019 to US\$2.51 per pound in Q2 2020.

The average prices of copper for the three months ended 30 June 2020 and 2019 are summarised below:

	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
(USD)				
Realised copper price per lb	2.51	2.81	2.54	2.80
Market copper price per lb (period average)	2.42	2.77	2.49	2.80

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. Higher realised prices than market averages are mainly due to the final settlement of invoices where QP was fixed in the previous quarter due to a short open period when copper prices were higher. Q2 2020 realised price excluding QP was approximately US\$2.43/lb.

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

6. Liquidity and Capital Resources

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

The following is a summary of Atalaya's cash position and cash flows as at 30 June 2020 and 31 December 2019.

Liquidity information

(Euro 000's)	30 June 2020	31 December 2019
Unrestricted cash and cash equivalents at Group level	10,024	1,730
Unrestricted cash and cash equivalents at Operation level	22,353	6,347
Working capital surplus	10,309	3,598

Unrestricted cash and cash equivalents as at 30 June 2020 increased to €32.4 million from €8.1 million at 31 December 2019. The increase in cash balances is the result of the operation and use of credit facilities. Cash balances are unrestricted and include balances at operational and corporate level.

As of 30 June 2020, Atalaya reported a working capital surplus of €10.3 million, compared with a working capital surplus of €3.6 million at 31 December 2019. The main liability of the working capital is trade payables related to Proyecto Riotinto contractors and the use of credit facilities. At 30 June 2020, trade payables have been increased by circa 20% compared with the same period last year.

Management's review

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

6. Liquidity and Capital Resources (cont.)

Overview of the Group's cash flows

(Euro 000's)	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash flows from operating activities	7,515	6,856	23,000	14,970
Cash flows used in investing activities	(7,746)	(15,137)	(13,331)	(32,275)
Cash flows (used in)/from financing activities	(9,415)	(272)	14,631	(272)
Net (decrease)/increase in cash and cash equivalents	(9,646)	(8,553)	24,300	(17,577)

Three months cash flows review

Cash and cash equivalents decreased by €9.6 million during the three months ended 30 June 2020. This was due to the net results of cash from operating activities amounting to €7.5 million, the cash used in investing activities amounting to €7.7 million and the cash used in financing activities totalling €9.4 million.

Cash generated from operating activities before working capital changes was €11.9 million. Atalaya increased its trade receivables in the period by €8.9 million, decreased its inventory levels by €0.6 million and increased its trade payables by €3.9 million.

Investing activities during the quarter consumed €7.7 million, relating mainly to the tailing dams Capex and sustaining Capex mostly in enhancements in processing systems of the plant.

Financing activities during the quarter decreased by €9.4 million as result of the reduced use of existing unsecured credit facilities.

Six months cash flows review

Cash and cash equivalents increased by €24.3 million during the six months ended 30 June 2020. This was due to cash from operating activities amounting to €23.0 million, cash used in investing activities amounting to €13.3 million and cash from financing activities amounting to €14.6 million.

Cash generated from operating activities before working capital changes was €21.9 million. Atalaya increased its trade payables in the period by €7.8 million, decreased its inventory levels by €5.8 million and increased its trade receivable balances by €11.1 million.

Investing activities during the six month period amounted to €7.7 million, mainly relating to the tailing dams project and sustaining Capex.

Financing activities during the six month period ended 30 June 2020 increased by €14.6 million driven by the use of existing unsecured credit facilities.

Foreign exchange

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

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

During the three and six months ended 30 June 2020, Atalaya recognised a foreign exchange loss of €1.1 million and €0.6 million, respectively. Foreign exchange losses mainly related to changes in the period in EUR and USD conversion rates, as all sales are cashed and occasionally held in USD.

Management's review

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6. Liquidity and Capital Resources (cont.)

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

	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Average rates for the periods				
GBP – EUR	0.8874	0.8748	0.8746	0.8736
USD – EUR	1.1014	1.1237	1.1020	1.1298
Spot rates as at				
GBP – EUR	0.9124	0.8966	0.9124	0.8966
USD – EUR	1.1198	1.1380	1.1198	1.1380

7. Deferred Consideration

In September 2008, the Group moved to 100% ownership of Atalaya Riotinto Mineral S.L. ("ARM") (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. At the time of the acquisition, the Group signed a Master Agreement (the "Master Agreement") with Astor Management AG ("Astor") which included a deferred consideration of €43.9 million (the "Deferred Consideration") payable as consideration in respect of the acquisition. The Company also entered into a credit assignment agreement at the same time with a related company of Astor, Shorthorn AG, pursuant to which the benefit of outstanding loans was assigned to the Company in consideration for the payment of €9.1 million to Shorthorn (the "Loan Assignment").

The Master Agreement has been the subject of litigation in the High Court and the Court of Appeal that has now concluded. As a consequence, ARM must apply any excess cash (after payment of operating expenses, sustaining capital expenditure, any senior debt service requirements and up to US\$10 million per annum (for non-Proyecto Riotinto related expenses)) to pay the consideration due to Astor (including the Deferred Consideration and the amount of €9.1 million payable under the Loan Assignment). "Excess cash" is not defined in the Master Agreement leaving ambiguity as to how it is to be calculated.

On 2 March 2020, the Company filed an application for directions in the High Court to seek clarity on the definition of "Excess Cash" and to determine when it is payable. The Company has served its Statement of Case to the High Court and a case management hearing is scheduled for 30 October 2020 with a trial expected in 2021.

As at 30 June 2020, no consideration has been paid.

The amount of the liability recognised by the Group is €53 million. The effect of discounting remains insignificant, in line with 2019 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 implemented several initiatives to continue with its social responsibility activities through Fundación Atalaya Riotinto.

Due to the special circumstances derived from the COVID-19 pandemic episode, Fundación Atalaya Riotinto Minera ("Fundación") established an extraordinary aid program to support the local communities, specially aimed at financing the acquisition of protection and cleaning equipment by local municipalities and other local institutions. The program comprised a €20,000 investment that was distributed among the various requesters.

Additionally, the Fundación has sponsored a number of initiatives by local NGOs, including the sponsoring of a charitable event to collect money for the people affected by the floods suffered by Nerva town last winter. Also, the Fundación has supported the publishing of a book released by Nerva's historical TV and Radio station. Furthermore, the Fundación has finalised an agreement with Asociación Athenea, to make a significant contribution to their very valuable work at supporting the disabled of the whole region.

9. Health and Safety

During the second quarter of 2020, the safety leadership for management programme continues in developing a training in communication and safety skills. Key points of the quarter:

- Strong information campaign for COVID-19;
- a protocol for action in different scenarios;
- the implementation of a monitoring committee to regularly inform workers' representatives, the establishment of special hygiene measures (including taking the temperature of employees both at the entrance and at the exit of the facility);
- the design of an exhaustive disinfection program as well as the reorganization of cleaning in all areas to obtain greater efficiency of resources; and
- the implementation of specific rules that are being controlled with a strict monitoring program by safety technicians.

The result of internal measures against COVID-19 is that contagion has been avoided. These works will continue throughout the year.

On the other hand, occupational health and safety performance is on a positive trend meeting the targets set for 2020. In this respect, the Frequency Index and the Severity Index are below expectations as of June 2020.

10. Environmental Management

During the second quarter of 2020, the environmental department has continued executing the actions of environmental monitoring of the activity, management of the natural environment and the usual historical heritage. Key points of the quarter:

- Monitoring of dust emissions into the atmosphere has continued without exceeding the established limit values. The large volume of work due to the increase in production and the beginning of the summer season have produced an increase in dust emissions. To confront it, Atalaya has implemented a plan to control and reinforce the emissions.
- The furnaces from the Look Out were finally extracted. After the extraction the mining works continued on that area.
- The archaeological excavation work in Cortalago has been highly conditioned this quarter by the COVID-19 measures. After the State of Alarm declared by the Spanish Government was finalised, a relay system was launched in June, so that 24 archaeological assistants/day are already working at the site.
- Atalaya obtained an authorization for the excavation of the two deposits that remain in Filón Norte. These excavations will start in the third quarter of 2020 and are expected to finish in 3-6 months.
- Certifications: ISO 9000 and ISO 14000 systems were also obtained and the migration process from the OHSAS 18000 system to certification ISO 45000 has begun in this quarter.

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11. Risk Factors

Due to the nature of Atalaya's business in the mining industry, the Group is subject to various risks that could materially impact the future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to Atalaya. Readers are encouraged to read and consider the risk factors detailed in Atalaya's audited, consolidated financial statements for the year ended 31 December 2019.

The Company continues to monitor the principal risks and uncertainties that could materially impact the Company's results and operations, including the areas of increasing uncertainty such as COVID-19 (refer to point 13 below).

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 2019.

As at 30 June 2020, there are not significant changes in critical accounting policies or estimates to those applied in 2019.

13. COVID-19 impact

The Company issued COVID-19 updates on 17 March 2020, 30 March 2020 and 6 April 2020. As announced on 30 March 2020, a Royal Decree of 29 March 2020 excluded mining from essential industries resulting in the halting of operations at Proyecto Riotinto from 30 March 2020. As announced on 6 April 2020, further clarifications were received on the Royal Decree on 3 April 2020 which reinstated mining on the list of permitted activities and accordingly, operations at Proyecto Riotinto were authorized to recommence.

It is Atalaya's priority to protect its workforce and the local communities surrounding both Proyecto Riotinto and Proyecto Touro. Atalaya is following the requirements and recommendations issued by the Government of Spain and the regional and local health authorities to reduce the risk of COVID-19 exposure and avoid the spread of the virus.

In order to mitigate the potential operational and financial impact of COVID-19 the Company has increased its cash balance from €8.1 million as at 31 December 2019 to €32.4 million as at 30 June 2020 by net drawdowns on existing credit facilities.

Refer to Note 23 and Note 2.1(b) of the Financial Statement for the on-going analysis carried out by the Company to evaluate the current impact of COVID-19 and potential scenario review by Management under the uncertainty on the development of the pandemic.

14. Other Information

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

Unaudited Interim condensed consolidated financial statements on pages 12 to 34

By Order of the Board of Directors,



Roger Davey
Chairman
Nicosia, 12 August 2020

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ATALAYA MINING PLC

Introduction

We have reviewed the interim condensed consolidated financial statements of Atalaya Mining Plc (the "Company"), and its subsidiaries (collectively referred to as "the Group") on pages 12 to 34 contained in the accompanying interim report, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020 and the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2020 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34).



Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
12 August 2020

Unaudited Interim Condensed Consolidated Income Statements

(All amounts in Euro thousands unless otherwise stated)

For the period ended 30 June 2020 and 2019

(Euro 000's)	Note	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue	4	56,544	43,070	117,733	94,782
Operating costs and mine site administrative expenses		(42,860)	(28,201)	(91,890)	(58,227)
Mine site depreciation and amortization		(7,101)	(3,744)	(13,767)	(7,170)
Gross profit		6,583	11,125	12,076	29,385
Administration and other expenses		(450)	(1,465)	(2,158)	(3,382)
Share-based benefits	12	(160)	(54)	(321)	(107)
Impairment loss on other receivables		-	-	(45)	-
Exploration expenses		(202)	(1,201)	(1,104)	(1,402)
Care and maintenance expenditure		(46)	(116)	(160)	(121)
Operating profit		5,725	8,289	8,288	24,373
Other income		8	-	8	-
Net foreign exchange (loss)/gain		(1,061)	(426)	(616)	287
Net finance costs	5	(138)	(35)	(149)	(66)
Profit before tax		4,534	7,828	7,531	24,594
Tax		(1,499)	(979)	(1,565)	(3,590)
Profit for the period		3,035	6,849	5,966	21,004
Profit for the period attributable to:					
- Owners of the parent		3,217	6,954	6,392	21,115
- Non-controlling interests		(182)	(105)	(426)	(111)
		3,035	6,849	5,966	21,004
Earnings per share from operations attributable to equity holders of the parent during the period:					
Basic earnings per share (EUR cents per share)	6	2.3	5.1	4.6	15.4
Fully diluted earnings per share (EUR cents per share)	6	2.3	5.1	4.5	15.3
Profit for the period		3,035	6,849	5,966	21,004
Other comprehensive income:					
Change in fair value of financial assets through other comprehensive income 'OCI'		10	(17)	(9)	(12)
Total comprehensive income for the period		3,045	6,832	5,957	20,992
Total comprehensive income for the period attributable to:					
- Owners of the parent		3,227	6,937	6,383	21,103
- Non-controlling interests		(182)	(105)	(426)	(111)
		3,045	6,832	5,957	20,992

The notes on pages 16 to 34 are an integral part of these Unaudited Interim Condensed Consolidated Financial Statements.

Unaudited Interim Condensed Consolidated Statement of Financial Position

(All amounts in Euro thousands unless otherwise stated)
As at 30 June 2020 and 2019

(Euro 000's)	Note	30 June 2020	31 December 2019
		Unaudited	Audited
Assets			
Non-current assets			
Property, plant and equipment	7	310,070	307,815
Intangible assets	8	60,752	63,085
Trade and other receivables	10	497	500
Non-current financial assets		1,101	1,101
Deferred tax asset		6,438	6,576
		378,858	379,077
Current assets			
Inventories	9	15,569	21,330
Trade and other receivables	10	45,096	32,857
Tax refundable		743	1,924
Other financial assets		32	42
Cash and cash equivalents		32,377	8,077
		93,817	64,230
Total assets		472,675	443,307
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	11	13,372	13,372
Share premium	11	314,319	314,319
Other reserves	12	33,346	22,836
Accumulated losses		(34,449)	(30,669)
		326,588	319,858
Non-controlling interests		(2,828)	(2,402)
Total equity		323,760	317,456
Liabilities			
Non-current liabilities			
Trade and other payables	13	13	13
Provisions	14	7,420	6,941
Leases liabilities	16	4,974	5,265
Deferred consideration	17	53,000	53,000
		65,407	65,219
Current liabilities			
Trade and other payables	13	65,707	57,537
Leases liabilities	16	584	588
Borrowings	15	14,934	-
Current tax liabilities		2,283	2,507
		83,508	60,632
Total liabilities		148,915	125,851
Total equity and liabilities		472,675	443,307

The notes on pages 16 to 34 are an integral part of these Unaudited Interim Condensed Consolidated Financial Statements. The unaudited interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 12 August 2020 and were signed on its behalf.



Roger Davey
Chairman



Alberto Lavandeira
Managing Director

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

(Euro 000's)	Note	Share capital	Share premium ⁽¹⁾	Other reserves	Accum. losses	Total	Non-controlling interest	Total equity
At 1 January 2020		13,372	314,319	22,836	(30,669)	319,858	(2,402)	317,456
Profit for the period		-	-	-	6,392	6,392	(426)	5,966
Change in fair value of financial assets through OCI		-	-	(9)	-	(9)	-	(9)
Total comprehensive income		-	-	(9)	6,392	6,383	(426)	5,957
Transactions with owners								
Recognition of share-based payments	12	-	-	321	-	321	-	321
Recognition of depletion factor	12	-	-	8,000	(8,000)	-	-	-
Recognition of non-distributable reserve	12	-	-	2,198	(2,198)	-	-	-
Other changes in equity		-	-	-	26	26	-	26
At 30 June 2020		13,372	314,319	33,346	(34,449)	326,588	(2,828)	323,760

⁽¹⁾ The share premium reserve is not available for distribution

(Euro 000's)	Note	Share capital	Share premium ⁽¹⁾	Other reserves	Accum. losses	Total	Non-controlling interest	Total equity
At 1 January 2019		13,372	314,319	12,791	(58,308)	282,174	4,200	286,374
Profit for the period		-	-	-	21,115	21,115	(111)	21,004
Change in fair value of financial assets through OCI		-	-	(12)	-	(12)	-	(12)
Total comprehensive income		-	-	(12)	21,115	21,103	(111)	20,992
Transactions with owners								
Recognition of share-based payments	12	-	-	107	-	107	-	107
Recognition of depletion factor	12	-	-	5,378	(5,378)	-	-	-
Recognition of non-distributable reserve	12	-	-	1,984	(1,984)	-	-	-
Recognition of distributable reserve	12	-	-	1,844	(1,844)	-	-	-
At 30 June 2019		13,372	314,319	22,092	(46,399)	303,384	4,089	307,473

⁽¹⁾ The share premium reserve is not available for distribution

(Euro 000's)	Note	Share capital	Share premium ⁽¹⁾	Other reserves	Accum. losses	Total	Non-controlling interest	Total equity
Audited								
At 1 January 2019		13,372	314,319	12,791	(58,308)	282,174	4,200	286,374
Profit for the period		-	-	-	37,323	37,323	(6,602)	30,721
Change in fair value of financial assets through OCI		-	-	(29)	-	(29)	-	(29)
Total comprehensive income		-	-	(29)	37,323	37,294	(6,602)	30,692
Transactions with owners								
Recognition of depletion factor	12	-	-	5,378	(5,378)	-	-	-
Recognition of share-based payments	12	-	-	619	-	619	-	619
Recognition of non-distributable reserve	12	-	-	1,984	(1,984)	-	-	-
Recognition of distributable reserve	12	-	-	1,844	(1,844)	-	-	-
Other changes in equity		-	-	249	(478)	(229)	-	(229)
At 31 December 2019		13,372	314,319	22,836	(30,669)	319,858	(2,402)	317,456

⁽¹⁾ The share premium reserve is not available for distribution

The notes on pages 16 to 34 are an integral part of these Unaudited Interim Condensed Consolidated Financial Statements.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

(All amounts in Euro thousands unless otherwise stated)
For to the period ended 30 June 2020 and 2019

(Euro 000's)	Note	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash flows from operating activities					
Profit before tax		4,534	7,828	7,531	24,594
Adjustments for:					
Depreciation of property, plant and equipment	7	5,911	2,886	11,434	5,490
Amortisation of intangibles	8	1,190	859	2,333	1,681
Recognition of share-based payments	12	160	54	321	107
Interest income	5	(2)	(13)	(4)	(16)
Interest expense	5	45	19	53	23
Unwinding of discounting on mine rehabilitation provision	5	92	29	92	59
Impairment loss on other receivables		-	-	45	-
Legal provisions	14	-	(20)	33	(18)
Loss on disposal of property, plant and equipment	7	-	-	-	2
Unrealised foreign exchange loss on financing activities		9	27	71	26
Cash inflows from operating activities before working capital changes		11,939	11,669	21,909	31,948
Changes in working capital:					
Inventories	9	589	(1,300)	5,761	(556)
Trade and other receivables	10	(8,890)	100	(11,127)	(11,761)
Trade and other payables	13	3,926	(1,619)	7,797	(2,663)
Cash flows from operations		7,564	8,850	24,340	16,968
Interest on leases liabilities		(4)	(4)	(8)	(4)
Interest paid		(45)	(15)	(53)	(19)
Tax paid		-	(1,979)	(1,279)	(1,979)
Net cash from operating activities		7,515	6,852	23,000	14,966
Cash flows from investing activities					
Purchase of property, plant and equipment		(7,748)	(14,874)	(13,335)	(31,572)
Purchase of intangible assets	8	-	(276)	-	(719)
Interest received	5	2	13	4	16
Net cash used in investing activities		(7,746)	(15,137)	(13,331)	(32,275)
Cash flows from financing activities					
Lease payments	16	(152)	(268)	(303)	(268)
Net (repayment)/proceeds from borrowings	15	(9,263)	-	14,934	-
Net cash flows (used in)/from financing activities		(9,415)	(268)	14,631	(268)
Net (decrease) / increase in cash and cash equivalents		(9,646)	(8,553)	24,300	(17,577)
Cash and cash equivalents:					
At beginning of the period		42,023	24,046	8,077	33,070
At end of the period		32,377	15,493	32,377	15,493

The notes on pages 16 to 34 are an integral part of these Unaudited Interim Condensed Consolidated Financial Statements.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

1. Incorporation and summary of business

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 June 2020.

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

Change of name and share consolidation

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

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. A brownfield expansion of this mine was completed in 2019.

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

In November 2019, Atalaya executed the option to acquire 12.5% of Explotaciones Gallegas del Cobre, S.L. the exploration property around Touro, with known additional reserves, which will provide high potential to the Proyecto Touro. The Company’s and its subsidiaries’ business is to explore for and develop metals production operations in Europe, with an initial focus on copper.

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

2. Basis of preparation and accounting policies

2.1 Basis of preparation

(a) Overview

The unaudited interim condensed consolidated financial statements for the period ended 30 June 2020 have been prepared in accordance with International Accounting Standards 34: Interim Financial Reporting. IFRS comprise the standard issued by the International Accounting Standard Board (“IASB”), and IFRS Interpretations Committee (“IFRICs”) as issued by the IASB. Additionally, the unaudited interim condensed consolidated financial statements have also been prepared in accordance with the IFRS as adopted by the European Union (EU), using the historical cost convention.

These unaudited interim condensed consolidated financial statements are unaudited but reviewed and include the financial statements of the Company and its subsidiary undertakings. They have been prepared using accounting bases and policies consistent with those used in the preparation of the consolidated financial statements of the Company and the Group for the year ended 31 December 2019. These unaudited interim condensed consolidated financial statements do not include all of the disclosures required for annual financial statements, and accordingly, should be read in conjunction with the consolidated financial statements and other information set out in the Group’s 31 December 2019 Annual Report. The accounting policies are unchanged from those disclosed in the annual consolidated financial statements for the year ended 31 December 2019. These unaudited interim condensed consolidated financial statements for the period ended 30 June 2020 have been reviewed in accordance with the International Standard on Review Engagements 2410 ‘Review of Interim Financial Information performed by the Independent Auditor of the Entity’ by the Group’s external auditors, not audited.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

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

2.1 Basis of preparation (cont.)

(b) Going concern

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries.

The crisis and the actions taken by governments have resulted in significant disruption to business operations, consumption patterns worldwide, equity markets and significant volatility in commodity prices, including copper, which declined below Company's AISC level during March 2020 although commodity prices have recovered and the average market price for copper during Q2 2020 and the current spot price both exceed AISC. Furthermore, in Spain, where the Company has its single producing asset, the Government issued a Royal Decree on 14 March 2020 to declare the nationwide lockdown to reduce the impact of the COVID-19 pandemic. On 29 March 2020, the Spanish government issued a new Royal Decree implementing enhanced measures to protect the people from the virus. The new Decree stipulated that only employees from a short list of essential industries were allowed to continue working from 30 March 2020. Mining was excluded as an essential industry and consequently the Proyecto Riotinto site was required to halt its operations for a short period until 3 April 2020 when mining operations were permitted to restart.

The impact on copper prices and the stoppage of Proyecto Riotinto as a result of the Royal Decree has partially impacted the revenues for the six months period ended 30 June 2020. Uncertainty remains on future copper prices and if Proyecto Riotinto will be required to be halted again for a longer period. The uncertainty makes difficult to determine and quantify the operational and financial impact there may be on the business going forward.

The Directors considered and debated different possible scenarios on the Company's operations, financial position and forecast for a period of at least 12 months since the approval of these financial statements. Discussion on the potential impact of the Pandemic continues at Director level, and include scenarios range from (i) further disruption in Proyecto Riotinto; (ii) market volatility in commodity prices; and (iii) availability of existing credit facilities.

The Company has increased its cash balance from €8.1 million as at 31 December 2019 to €32.4 million as at 30 June 2020 by net drawdowns from existing credit facilities.

The Directors, after reviewing these scenarios, the current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities, sensitivity analyses and considering the associated uncertainties to the Group's operations have a reasonable expectation that the Company has adequate resources to continue operating in the foreseeable future. Accordingly, 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 and the Company will realise its assets and discharge its liabilities in the normal course of business.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have a material impact on the unaudited condensed interim consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

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

2.2 New standards, interpretations and amendments adopted by the Group (cont.)

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

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).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

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

2.3 Fair value estimation (cont.)

Financial assets or liabilities (Euro 000's)	Level 1	Level 2	Level 3	Total
30 June 2020				
Other financial assets				
Financial assets at FV through OCI	32	-	1,101	1,133
Trade and other receivables				
Receivables (subject to provisional pricing)	-	22,239	-	22,239
Total	32	22,239	1,101	23,372
31 December 2019				
Other financial assets				
Financial assets at FV through OCI	42	-	1,101	1,143
Trade and other receivables				
Receivables (subject to provisional pricing)	-	17,716	-	17,716
Total	42	17,716	1,101	18,859

2.4 Critical accounting estimates and judgements

The preparation of the unaudited interim condensed 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 2019 audited financial statements, as well as Note 2.1(b) of these unaudited interim condensed consolidated financial statements.

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 20.3)

Geographical segments

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

3. Business and geographical segments (cont.)

(Euro 000's)	Cyprus	Spain	Other	Total
Three months ended 30 June 2020				
Revenue – from external customers	3,458	53,086	-	56,544
Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	2,275	10,627	(68)	12,834
Depreciation/amortisation charge	-	(7,101)	-	(7,101)
Net foreign exchange (loss) / gain	(258)	(808)	5	(1,061)
Finance income	-	2	-	2
Finance cost	(1)	(139)	-	(140)
Profit/(loss) before tax	2,016	2,581	(63)	4,534
Tax				(1,499)
Profit for the period				3,035
Six months ended 30 June 2020				
Revenue – from external customers	7,584	110,149	-	117,733
Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	4,349	17,860	(101)	22,108
Depreciation/amortisation charge	-	(13,767)	-	(13,767)
Net foreign exchange (loss)/gain	(56)	(564)	4	(616)
Impairment of other receivables	(45)	-	-	(45)
Finance income	-	4	-	4
Finance cost	(1)	(152)	-	(153)
Profit/(loss) before tax	4,247	3,381	(97)	7,531
Tax				(1,565)
Profit for the period				5,966
Total assets	32,365	439,142	1,168	472,675
Total liabilities	(12,989)	(135,890)	(36)	(148,915)
Depreciation of property, plant and equipment	-	11,434	-	11,434
Amortisation of intangible assets	-	2,333	-	2,333
Total additions of non-current assets	-	19,969	-	19,969

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

3. Business and geographical segments (cont.)

(Euro 000's)	Cyprus	Spain	Other	Total
Three months ended 30 June 2019				
Revenue – from external customers	3,360	39,710	-	43,070
Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	1,679	10,923	(568)	12,034
Depreciation/amortisation charge	(1)	(3,744)	-	(3,745)
Net foreign exchange (loss)	(280)	(144)	(2)	(426)
Finance income	-	13	-	13
Finance cost	(1)	(47)	-	(48)
Profit/(loss) before tax	1,397	7,001	(570)	7,828
Tax				(979)
Profit for the period				6,849
Six months ended 30 June 2019				
Revenue – from external customers	6,685	88,097	-	94,782
Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	3,382	28,823	(661)	31,544
Depreciation/amortisation charge	(1)	(7,170)	-	(7,171)
Net foreign exchange gain/(loss)	167	122	(2)	287
Finance income	-	16	-	16
Finance cost	(1)	(81)	-	(82)
Profit/(loss) before tax	3,547	21,710	(663)	24,594
Tax				(3,590)
Profit for the period				21,004
Total assets	26,869	404,667	694	432,230
Total liabilities	(14,777)	(109,352)	(628)	(124,757)
Depreciation of property, plant and equipment	1	5,489	-	5,490
Amortisation of intangible assets	-	1,681	-	1,681
Total additions of non-current assets	1	38,747	-	38,748

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)		Six months ended 30 June 2020		Six months ended 30 June 2019
	Segment	€'000	Segment	€'000
	Offtaker 1	Copper 14,248	Copper	20,652
	Offtaker 2	Copper 45,681	Copper	29,681
	Offtaker 3	Copper 57,804	Copper	44,449

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4. Revenue

(Euro 000's)	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue from contracts with customers ⁽¹⁾	55,865	45,774	120,026	93,992
Fair value (losses)/gains relating to provisional pricing within sales ⁽²⁾	679	(2,704)	(2,293)	790
Total revenue	56,544	43,070	117,733	94,782

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 H1 2020 revenue, there is a transaction price of €2.0 million (€nil in H1 2019) related to the freight services provided by the Group to the customers arising from the sales of copper concentrate under CIF incoterm.
- (2) Provisional pricing impact represents the change in fair value of the embedded derivative arising on sales of concentrate.

5. Net finance cost

(Euro 000's)	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Interest expense:				
Other interest	44	15	53	19
Interest on lease liabilities	4	4	8	4
Unwinding of discount on mine rehabilitation provision (Note 14)	92	29	92	59
Interest income ⁽¹⁾	(2)	(13)	(4)	(16)
	138	35	149	66

- (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 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Profit attributable to equity holders of the parent	(59)	6,954	(680)	21,115
Weighted number of ordinary shares for the purposes of basic earnings per share (000's)	137,339	137,339	138,102	137,339
Basic profit per share (EUR cents/share)	2.3	5.1	4.6	15.4
Weighted number of ordinary shares for the purposes of fully diluted earnings per share (000's)	139,858	138,680	140,627	138,419
Fully diluted profit per share (EUR cents/share)	2.3	5.1	4.5	15.3

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6. Earnings per share (cont.)

At 30 June 2020 there are nil warrants (Note 11) and 3,555,250 options (Note 12) (2019: nil warrants and 2,505,250 options) which have been included when calculating the weighted average number of shares for 2020.

7. Property, plant and equipment

(Euro 000's)	Land and buildings	Right-of-use assets	Plant and machinery	Assets under construction ⁽¹⁾	Deferred mining costs ⁽²⁾	Other assets ⁽³⁾	Total
Cost							
At 1 January 2019	45,853	6,144	152,820	62,010	27,537	785	295,149
Additions	166	277	272	30,410	845	1	31,971
Disposals	-	-	-	-	-	(5)	(5)
Reclassifications	-	-	183	(183)	-	-	-
At 30 June 2019	46,019	6,421	153,275	92,237	28,382	781	327,115
Additions	44	-	899	18,327	5,631	-	24,901
Reclassifications	-	-	94,047	(94,047)	-	-	-
At 31 December 2019	46,063	6,421	248,221	16,517	34,013	781	352,016
Additions	371	-	439	9,682	3,197	-	13,689
Disposals	-	-	-	-	-	-	-
Reclassifications	-	-	1,924	(1,924)	-	-	-
At 30 June 2020	46,434	6,421	250,584	24,275	37,210	781	365,705
Depreciation							
At 1 January 2019	6,072	-	20,315	-	4,681	561	31,629
Charge for the period	1,048	190	3,543	-	677	32	5,490
Disposals	-	-	-	-	-	(3)	(3)
At 30 June 2019	7,120	190	23,858	-	5,358	590	37,116
Charge for the period	1,137	201	5,014	-	703	30	7,085
At 31 December 2019	8,257	391	28,872	-	6,061	620	44,201
Charge for the period	1,453	255	8,650	-	1,049	27	11,434
At 30 June 2020	9,710	646	37,522	-	7,110	647	55,635
Net book value							
At 30 June 2020	36,724	5,775	213,062	24,275	30,100	134	310,070
At 31 December 2019	37,806	6,030	219,349	16,517	27,952	161	307,815

⁽¹⁾ Assets under construction at 30 June 2020 were €24.3 million (2019: €92.2 million) which include sustaining capital expenditures and tailings dams project.

⁽²⁾ Stripping costs

⁽³⁾ Includes motor vehicles, furniture, fixtures and office equipment which are depreciated over 5-10 years.

The above fixed assets are mainly located in Spain.

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8. Intangible assets

(Euro 000's)	Permits ⁽¹⁾	Licences, R&D and software	Total
Cost			
At 1 January 2019	76,538	6,026	82,564
Additions	-	719	719
At 30 June 2019	76,538	6,745	83,283
Additions	-	4,730	4,730
Disposals	-	(3,865)	(3,865)
At 31 December 2019	76,538	7,610	84,148
Additions	-	-	-
At 30 June 2020	76,538	7,610	84,148
Amortisation			
On 1 January 2019	10,370	243	10,613
Charge for the period	1,650	31	1,681
At 30 June 2019	12,020	274	12,294
Charge for the period	1,788	33	1,821
Impairment charge	-	6,948	6,948
At 31 December 2019	13,808	7,255	21,063
Charge for the period	2,300	33	2,333
At 30 June 2020	16,108	7,288	23,396
Net book value			
At 30 June 2020	60,430	322	60,752
At 31 December 2019	62,730	355	63,085

(1) Permits include an amount of €5.0 million related to Proyecto Touro mining rights.

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 June 2020 and thus no impairment has been recognised.

9. Inventories

(Euro 000's)	30 Jun 2020	31 Dec 2019
Finished products	2,863	11,024
Materials and supplies	11,660	9,266
Work in progress	1,046	1,040
	15,569	21,330

As of 30 June 2020, copper concentrate produced and not sold amounted to 3,845 tonnes (31 Dec 2019: 14,201 tonnes). Accordingly, the inventory for copper concentrate was €2.9 million (31 Dec 2019: €11.0 million).

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

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10. Trade and other receivables

(Euro 000's)	30 Jun 2020	31 Dec 2019
Non-current		
Deposits	497	500
	<u>497</u>	<u>500</u>
Current		
Trade receivables at fair value – <i>subject to provisional pricing</i>	15,170	8,798
Trade receivables from shareholders at fair value – <i>subject to provisional pricing</i> (Note 20.3)	7,069	8,918
Other receivables from related parties at amortised cost (Note 20.3)	56	56
Deposits	27	26
VAT receivables	21,764	14,380
Tax advances	7	7
Prepayments	927	616
Other current assets	76	56
	<u>45,096</u>	<u>32,857</u>
Allowance for expected credit losses	-	-
Total trade and other receivables	<u>45,593</u>	<u>33,357</u>

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

11. Share capital and share premium

	Shares 000's	Share Capital Stg£'000	Share premium Stg£'000	Total Stg£'000
Authorised				
Ordinary shares of Stg £0.075 each	200,000	15,000	-	15,000
Issued and fully paid				
	000's	Euro 000's	Euro 000's	Euro 000's
Balance at 1 January 2019	<u>137,340</u>	<u>13,372</u>	<u>314,319</u>	<u>327,691</u>
Balance at 30 June 2019	<u>137,340</u>	<u>13,372</u>	<u>314,319</u>	<u>327,691</u>
Balance at 31 December 2019 / 30 June 2020	<u>137,340</u>	<u>13,372</u>	<u>314,319</u>	<u>327,691</u>

Authorised capital

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

Issued capital

There were no changes in share capital during the six months ended 30 June 2020 and 2019.

Warrants

As at 30 June 2020 and 2019 there were no warrants.

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12. Other reserves

(Euro 000's)	Share option	Bonus share	Depletion factor ⁽¹⁾	Fair value reserve of financial assets at FVOCI ⁽²⁾	Non-Distributable reserve ⁽³⁾	Distributable reserve ⁽⁴⁾	Total
At 1 January 2019	6,752	208	5,500	(1,115)	1,446	6,752	12,791
Recognition of share-based payments	107	-	-	-	-	-	107
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	-	-	-	(12)	-	-	(12)
At 30 June 2019	6,859	208	10,878	(1,127)	3,430	1,844	22,092
Recognition of share-based payments	512	-	-	-	-	-	512
Change in fair value of financial assets at fair value through OCI	-	-	-	(17)	-	-	(17)
Other changes in reserves	-	-	-	-	-	249	249
At 31 December 2019	7,371	208	10,878	(1,144)	3,430	2,093	22,836
Recognition of share-based payments	321	-	-	-	-	-	321
Recognition of depletion factor	-	-	8,000	-	-	-	8,000
Recognition of non-distributable reserve	-	-	-	-	2,198	-	2,198
Change in fair value of financial assets at fair value through OCI	-	-	-	(9)	-	-	(9)
At 30 June 2020	7,692	208	18,878	(1,153)	5,628	2,093	33,346

⁽¹⁾ Depletion factor reserve

At 30 June 2020, the Group has disposed €8.0 million (H1 2019: €5.4 million) as a depletion factor reserve as per the Spanish Corporate Tax Act.

⁽²⁾ Fair value reserve of financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in (1) above. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

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12. Other reserves (cont.)

- (3) Non-distributable reserve
To comply with Spanish Law, the Group needed to record a reserve when profit generated equal to a 10% of profit/(loss) for the year until 20% of share capital is reached.
- (4) Distributable reserve
The Group reclassified 10% of the profit of 2019 to distributable reserves.

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 June 2020:

Grant date	Expiry date	Exercise price £	Share options
23 Feb 2017	22 Feb 2022	1.44	813,000
29 May 2019	28-May-2024	2.015	1,292,250
8 July 2019	7 July 2024	2.045	400,000
30 June 2020	29 June 2030	1.475	1,050,000
Total			3,555,250

	Weighted average exercise price £	Share options
At 1 January 2020	2.08	2,505,250
Granted during the reported period	1.475	1,050,000
30 June 2020	1.924	3,555,250

13. Trade and other payables

(Euro 000's)	30 Jun 2020	31 Dec 2019
Non-current		
Government grant	13	13
	13	13
Current		
Trade payables	61,913	52,395
Land options and mortgage	261	282
Accruals	3,533	4,860
	65,707	57,537

Trade payables are mainly for the acquisition of materials, supplies and other services. These payables do not accrue interest and no guarantees have been granted. The fair value of trade and other payables approximate their book values. Trade payables are non-interest-bearing and are normally settled on 60-day terms.

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14. Provisions

(Euro 000's)	Legal costs	Rehabilitation costs	Total costs
1 January 2019	127	6,392	6,519
Additions	5	122	127
Revision of provision	(23)	-	(23)
Finance cost	-	59	59
At 30 June 2019	109	6,573	6,682
Additions	279	16	295
Revision of provision	-	(18)	(18)
Finance cost	-	(18)	(18)
At 31 December 2019	388	6,553	6,941
Additions	33	354	387
Finance cost	-	92	92
At 30 June 2020	421	6,999	7,420

(Euro 000's)	30 Jun 2020	31 Dec 2019
Non-current	7,420	6,941
Current	-	-
Total	7,420	6,941

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 June 2020 was 1.87%, which is the 15-year Spain Government Bond rate (31 December 2019: 1.87%, which is the 15-year Spain Government Bond rate). An inflation rate of 1.5% is applied on annual basis.

Legal provision

The Group has been named a defendant in several legal actions in Spain, the outcome of which is not determinable as at 30 June 2020. Management has reviewed individually each case and made a provision of €33 thousand for these claims, which has been reflected in these unaudited interim condensed consolidated financial statements.

15. Borrowings

(Euro 000's)	30 Jun 2020	31 Dec 2019
Current borrowings		
Credit facilities	14,934	-
	14,934	-

The Group has unsecured credit facilities totalling €47.5 million. During the half year, Atalaya has drawn down some of its existing credit facilities to strengthen the cash position of the Company to provide additional liquidity in view of any potential impacts of the COVID-19 pandemic. The average interest rate on the facilities is 1.69%. The maximum term of the facilities is one year. All borrowings are unsecured.

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16. Leases liabilities

(Euro 000's)	30 Jun 2020	31 Dec 2019
Non-current		
Leases liabilities	<u>4,974</u>	<u>5,265</u>
	4,974	5,265
Current		
Leases liabilities	<u>584</u>	<u>588</u>
	584	588

Leases liabilities

The Group entered into lease arrangements for the renting of land, laboratory equipment and vehicles which are subject to the adoption of all requirements of IFRS 16 Leases. 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 regarding leases amounts to €0.2 million (2019: €0.2 million) for the six month period ended 30 June 2020. The duration of the land lease is for a period of thirteen years, payments are due at the beginning of the month escalating annually on average by 1.5%. At 30 June 2020, the remaining term of this lease is twelve years.

The duration of the motor vehicle and laboratory equipment lease is for a period of four years, payments are due at the beginning of the month escalating annually on average by 1.5%. At 30 June 2020, the remaining term of this motor vehicle and laboratory equipment lease is two years and a half, and three years, respectively.

(Euro 000's)	30 Jun 2020	31 Dec 2019
Minimum lease payments due:		
- Within one year	584	588
- Two to five years	2,078	2,134
- Over five years	<u>2,896</u>	<u>3,131</u>
Present value of minimum lease payments due	5,558	5,853

(Euro 000's)	Lease liabilities
Balance 1 January 2020	5,853
Additions	-
Interest expense	8
Lease payments	<u>(303)</u>
Balance at 30 June 2020	5,558
Balance at 30 June 2020	
- Non-current liabilities	4,974
- Current liabilities	<u>584</u>
	5,558

17. Deferred consideration

In September 2008, the Group moved to 100% ownership of Atalaya Riotinto Mineral S.L. ("ARM") (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. At the time of the acquisition, the Group signed a Master Agreement (the "Master Agreement") with Astor Management AG ("Astor") which included a deferred consideration of €43.9 million (the "Deferred Consideration") payable as consideration in respect of the acquisition. The Company also entered into a credit assignment agreement at the same time with a related company of Astor, Shorthorn AG, pursuant to which the benefit of outstanding loans was assigned to the Company in consideration for the payment of €9.1 million to Shorthorn (the "Loan Assignment").

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17. Deferred consideration (cont.)

The Master Agreement has been the subject of litigation in the High Court and the Court of Appeal that has now concluded. As a consequence, ARM must apply any excess cash (after payment of operating expenses, sustaining capital expenditure, any senior debt service requirements and up to US\$10 million per annum (for non-Proyecto Riotinto related expenses)) to pay the consideration due to Astor (including the Deferred Consideration and the amount of €9.1 million payable under the Loan Assignment). "Excess cash" is not defined in the Master Agreement leaving ambiguity as to how it is to be calculated.

On 2 March 2020, the Company filed an application for directions in the High Court to seek clarity on the definition of "Excess Cash" and to determine when it is payable. The Company has served its Statement of Case to the High Court and a case management hearing is scheduled for 30 October 2020 with a trial expected in 2021.

As at 30 June 2020, no consideration has been paid.

The amount of the liability recognised by the Group is €53 million. The effect of discounting remains insignificant, in line with prior year's assessment, and therefore the Group has measured the liability for the Deferred Consideration on an undiscounted basis.

18. Acquisition, incorporation and disposal of subsidiaries

There were neither acquisition nor incorporation of subsidiaries during the six month period to 30 June 2020.

19. Winding-up of subsidiaries

There were no subsidiaries wound-up during the six month period to 30 June 2020.

20. Related party transactions

The following transactions were carried out with related parties:

20.1 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 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Directors' remuneration and fees	247	242	512	486
Share option-based benefits and other benefits to directors	56	13	112	24
Key management personnel fees	125	616	249	730
Share option-based and other benefits to key management personnel	79	23	158	48
	507	894	1,031	1,288

20.2 Share-based benefits

On 30 June 2020, the directors and key management personnel have been granted with 750,000 share options. The options expire ten years from the deemed date of grant (30 June 2020), have an exercise price of 147.5 pence per ordinary share, based on the share price at the close of market on the grant date, and vest in two equal tranches, half on grant and half on the first anniversary of the granting date.

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20. Related party transactions (cont.)

20.3 Transactions with related parties/shareholders

i) Transaction with shareholders

(Euro 000's)	Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Trafigura– Revenue from contracts	4,555	8,986	12,948	20,663
Freight services	-	-	-	-
	4,555	8,986	12,948	20,663
Gain / (losses) relating provisional pricing within sales	1,704	(782)	1,299	(11)
Trafigura – Total revenue from contracts	6,259	8,204	14,248	20,652

ii) Period-end balances with related parties

(Euro 000's)	30 Jun 2020	31 Dec 2019
Receivables from related parties:		
Recursos Cuenca Minera S.L.	56	56
Total (Note 10)	56	56

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

iii) Period-end balances with shareholders

(Euro 000's)	30 Jun 2020	31 Dec 2019
Trafigura – Debtor balance- subject to provisional pricing	7,069	8,918
Total (Note 10)	7,069	8,918

The above debtor balance arising from sales of goods and other balances bear no interest and is repayable on demand.

21. 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.

Receipt of rulings of claims made by an environmental group

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

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

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21. Contingent liabilities (cont.)

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

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

On 7 May 2020, the Company announced the JdA has issued a favourable resolution (the "Resolution") which validates the AAU and ends the legal process. (Refer to Note 23)

In addition to the legal procedure described above, on 26 April 2019, the Company announced a judgment related 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 on September 2018. The new ruling on the Mining Permits is based on the requirement to have an AAU before issuing mining permits and therefore invalidates the existing Mining Permits.

On 1 June 2020, the Company announced the validation of the mining permits by the Junta de Andalucía. The validation of the mining permits ends all legal processes previously announced by the Company in relation to claims made by interest parties in connection with the approval process of Proyecto Riotinto.

22. Commitments

There are no minimum exploration requirements at Proyecto Riotinto. However, the Group is obliged to pay local land taxes which currently are approximately €235,000 per year in Spain and the Group is required to maintain the Riotinto site in compliance with all applicable regulatory requirements.

In 2012, ARM entered into a 50/50 joint venture with Rumbo to evaluate and exploit the potential of the class B resources in the tailings dam and waste areas at Proyecto Riotinto (mainly residual gold and silver in the old gossan tailings). Under the joint venture agreement, ARM will be the operator of the joint venture, will reimburse Rumbo for the costs associated with the application for classification of the Class B resources and will fund the initial expenditure of a feasibility study up to a maximum of €2.0 million. Costs are then borne by the joint venture partners in accordance with their respective ownership interests.

23. Significant events

COVID-19 outbreak

On 11 March 2020, the World Health Organization raised the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. The rapid national and international developments represent an unprecedented health crisis, which will impact the macroeconomic environment and business developments. To address this situation, among other measures, the Spanish government declared a state of emergency by publishing Royal Decree 463/2020 of 14 March and approved a series of extraordinary urgent measures to address the economic and social impact of COVID-19 by Royal Decree Law 8/2020 of 17 March. On 17 March 2020, the Company released an update on the measures taken to manage and respond to the pandemic to protect its workforce and local communities surrounding its projects.

In addition, a new Royal Decree was released on 29 March 2020 (the "Royal Decree") implementing enhanced measures to protect the people from the virus. The Royal Decree stipulated that only employees from a short list of essential industries were allowed to continue working from 30 March 2020. Mining was excluded as an essential industry and consequently the Company's Proyecto Riotinto site was required to halt its operations for a period until 3 April 2020 when mining operations were permitted to restart.

The Directors continue monitoring the business and taking appropriate steps to address the situation and reduce its operational and financial impact. After reviewing alternative scenarios, the current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities, sensitivity analyses on alternative commodities prices and considering the associated uncertainties to the Group's operations, the Directors have a reasonable expectation that the Group has adequate resources to continue operating in the foreseeable future. Accordingly, the unaudited interim condensed consolidated financial statements continue to be prepared on a going concern basis.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(All amounts in Euro thousands unless otherwise stated)
For the period ended 30 June 2020 and 2019

23. Significant events (cont.)

The Company continues carrying out several measures and implemented a plan developed for the purpose of protecting its workforce and the people of the surrounding communities to manage the crisis. The main key risks, their potential impacts and the response plans to protect its workforce are, amongst others:

- spread of COVID-19 at the mine site may cause an interruption of production either on a partial or whole basis;
- a disruption of either the national or international logistics of the operation;
- partial supply chain disruptions;
- unavailability of key personnel of the Company;
- additional costs as a result of implementing control measures to spread the virus; and
- the impact on the commodity demand fundamentals affecting the Company's products or commodity prices.

The Group continues the implementation of response plans. Only critical employees for the operation are allowed to enter on site. There are stringent distance and hygienical mandatory rules, mandatory body temperature controls, key protection mandatory safety equipment, tests to employees, meeting control track and facilitate systems and tools to work from home for all remaining employees.

Additionally, the Group, up to the date of approval of these unaudited interim condensed consolidated financial statements, re-assessed the existence of any impairment indicators and the sensitivity analysis to volatility of commodity prices about its key assets being the mining rights, the property plant and equipment, the intangible assets, deferred taxes, trade receivables and inventories corresponding above 95% of its total assets (excluding cash and cash equivalents). The Directors have considered and debated different possible scenarios on the Group's operations, financial position and forecast for a period of at least 12 months since the approval of these unaudited interim condensed consolidated financial statements. Possible scenarios range from (i) further disruption in Proyecto Riotinto; (ii) market volatility in commodity prices; and (iii) availability of existing credit facilities. The directors have considered the capacity of the Group and its single asset Proyecto Riotinto to generate cash, and have concluded that no impairment indicators are in place.

In the current environment, assumptions about future commodity prices, exchange rates, and interest rates are subject to greater variability than normal, which could in the future affect the valuation of the Company's assets, both financial and non-financial. While these matters continue to be monitored, the short-term prices for copper increased during Q2 2020, and the Group's estimates in relation to these assumptions over a long-term view have remained unchanged, reflecting the long life of the Group's single operation Proyecto Riotinto.

While the Group has not experienced any significant negative impact to date, the extent to which COVID-19 could impact the future business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and unknown at this time.

AAU Permits

On 7 May 2020, the Company announced that the Junta de Andalucía had issued a favourable resolution which validates the Unified Environmental Authorisation (the "AAU") of Proyecto Riotinto. In addition, on 1 June 2020, the Company announced that the Junta de Andalucía validated the Mining Permits. The Resolutions end the legal process announced by the Company on 26 September 2018 in relation to the judgement made by the Tribunal Superior de Justicia de Andalucía ("TSJA") in connection with the AAU and the Mining Permits.

Negative Environmental Impact Statement on Proyecto Touro

The "Dirección Xeral de Calidade Ambiental e Cambio Climático", (the General Directorate for the Environment and Climate Change of Galicia), announced on 28 January 2020 that a negative Environmental Impact Statement for Proyecto Touro (Declaración de Impacto Ambiental) had been signed.

The short release stated that the decision was based on two reports which form part of a wider evaluation consisting of fifteen reports produced by different departments of the Xunta de Galicia. These two reports challenge the ability of the Company to guarantee that there will be no environmental impact of the Project on the Ulla River and related protected ecosystems which are located downstream.

On 7 February 2020, the formal communication from the Xunta de Galicia was published in Galicia's official journal. In the meantime, the Company along with its advisers, is evaluating potential next steps for the Project, which could include an appeal of the decision made by the Xunta de Galicia, and/or the clarification of the questions raised by the reports.

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23. Significant events (cont.)

New group entity

On 16 June 2020 the Group established a new company in Cyprus under the name of Atalaya Financing, Limited. The activity of the new company is financing.

24. Events after the reporting period

There were no significant events subsequent to the reporting period.