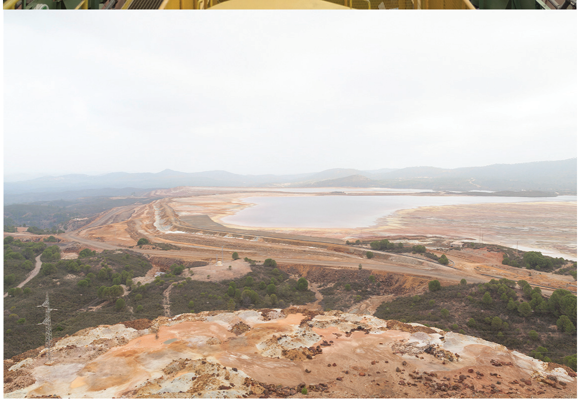

Atalaya Mining Plc

Annual Report

For the year ended 31 December 2015

LETTER FROM THE CHAIRMAN

Dear Shareholder,

This has been an exciting and transitional period for Atalaya Mining Plc (the "Company").

During the year, the permitting process to restart the Riotinto project continued and in June 2015 the Company successfully raised £64.9 million in an equity financing, fully supported by our key shareholders – Trafigura, XGC, Orion and Liberty, to fund the transition to a producing mine.

This year we have seen rapid progress on site. The mining contractor was appointed and the first blast achieved in the open pit mine in April 2015. The repairs and modifications to the processing plant continued with process commissioning commencing at the end of the year. This was followed by optimisation of the processing facility and we were delighted to declare commercial production of saleable copper concentrate, ahead of schedule and under budget, in February 2016.

We have also been able to advance the Expansion Project, with further capital savings and a reduced timeframe, towards the full nameplate throughput of 9.5 Mtpa, which we expect to achieve by January 2017. Our growing workforce has also been working hard on the Company's ongoing drilling programme, which is proving successful and we look forward to announcing a new reserves and resources statement later this year.

In addition, our strengthened Board now consists of a combination of independent and non-independent directors, all with significant industry experience. This will be invaluable as we increase the scale of operations and embark on developing our corporate strategy.

During the period we renamed the Company after part of our flagship Riotinto Copper Project, the Corta Atalaya, which was at one time the largest open-pit operation in Europe. The decision was taken to reflect our new focus on the Riotinto Copper Project, which we believe provides significant scope for growth as we strive to become an established copper producer of significant scale.

We also took the opportunity to consolidate our share capital, whereby all qualifying shareholders at the time received one new ordinary share of nominal value 7.5p for every 30 existing ordinary shares of nominal value 0.25p.

Despite difficult economic conditions and the weakness in the copper price, we consider the long term outlook for copper as robust. This will support our ambition to pursue further growth opportunities as we build on the momentum we have achieved to date.

All of our activities and aspirations for the future would not be possible without the dedicated and continuous support of our management and staff, and I offer my sincerest thanks to all of them. Last but not least, I extend my thanks to all of you, our valued shareholders, for your continued support.

We look to the year ahead with growing confidence and optimism.

Roger Davey

Chairman of Atalaya Mining Plc

8 June 2016

Atalaya Mining Plc

Contents

Board of directors and other officers

Board of directors:

Roger Davey	– Non-Executive Chairman
Alberto Lavandeira	– Managing Director and CEO
Hui (Harry) Liu	– Non-Executive Director
Dr. Jose Sierra Lopez	– Non-Executive Director
Jesus Fernandez	– Non-Executive Director (Appointed 23 June 2015)
Damon Barber	– Non-Executive Director (Appointed 9 September 2015)
Dr. Hussein Barma	– Non-Executive Director (Appointed 9 September 2015)
Jonathan Lamb	– Non-Executive Director (Appointed 9 September 2015)
Stephen Scott	– Non-Executive Director (Appointed 9 September 2015)

Company secretary:

George Hadjineophytou – Group Financial Controller
3, Agiou Demetriou
2012 Nicosia, Cyprus

Inter Jura CY (Services) Limited
1 Lampousas Street
1095 Nicosia, Cyprus

Auditor Canada:

MNP LLP
50 Burnhamthinorpe Road West
Suite 900
Mississauga, ON
Canada, L5B 3C2

Auditor Cyprus:

Moore Stephens Stylianou & Co
Certified Public Accountants &
Registered Auditors
58 Arch. Makarios III Avenue
Iris Tower
6th Floor, Office 602
1075 Nicosia, Cyprus

Registered office:

1 Lampousas Street
1095 Nicosia, Cyprus

Directors' report

The board of directors presents its report for Atalaya Mining Plc ("Atalaya Mining" and/or the "Company") – formerly EMED Mining Public Limited – and its subsidiaries ("Atalaya" and/or the "Group") together with the consolidated financial statements of the Group for the year ended 31 December 2015.

Incorporation and principal activity

Atalaya Mining was incorporated in Cyprus on 17 September 2004 and is a limited liability company under the Companies Law of Cyprus, Cap. 113. The Company was listed on the AIM Market of the London Stock Exchange in May 2005 (AIM: ATYM) and on the Toronto Stock Exchange ("TSX") (TSX: AYM) in December 2010.

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.

The principal activity of the Group is to operate the recently commissioned Rio Tinto Copper Project ("Proyecto Riotinto") and 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 metals mineralisation in the European region.

Review of operations

During the period covered by this report, Atalaya has continued to focus on the restart of the mine at Proyecto Riotinto in Spain, and its expansion to full capacity.

Proyecto Riotinto

Atalaya, via its wholly-owned subsidiary Atalaya Riotinto Minera S.L. ("ARM"), (formerly EMED Tartessus S.L)., owns 100% of Proyecto Riotinto in Andalucía, Spain. The Group is the owner of the mine, the mineral rights and the processing plant. The plant started in Q3 2015 and after a period of ramp-up and commissioning, commercial production was declared as of 1 February 2016.

Atalaya Mining completed the site development for Phase I ahead of schedule, with the existing plant and infrastructure refurbishment for Phase I resulting in significant capex savings from original estimates.

There are now approximately 300 full time employees working on site in addition to 450-550 contractors who are fully mobilized and working on a continuous basis, primarily on the plant expansion.

In an effort to maximize synergies between the Phase I interim expansion project to 7.5 Mtpa and Phase II final expansion project to 9.5 Mtpa, Atalaya decided to consolidate both expansion projects into a single project ("the Expansion Project"). Consequently, Atalaya expects to report further capital savings and shorter delivery schedules which will dictate the additional funding needs, if applicable, that are being evaluated by Atalaya on an ongoing basis. The Company continues to discuss several options to finance the short term working capital requirements related to the last stages of the Expansion Project.

As of the date of this report, the Expansion Project is 92% complete with final construction activities and tie-ins to existing operations pending. Pre-commissioning checks are already ongoing on certain sections of the Expansion Project. Commissioning crews and vendor representatives are mobilised to site. Commissioning activities are scheduled to commence in early May with ramp-up to final design capacity expected to take place during the second and third quarters of the year. Additional mining fleet has been mobilised to site and is ready to deliver ore at the expanded rate of 9.5 Mtpa.

The infill drilling programme at Cerro Colorado was completed in February 2016 with over 31,000 metres drilled since 2014. The Company has engaged an independent technical consultant to update its reserves and resources based on historic and recent drilling. The consultant is conducting the work required to produce a new reserves and resources statement which will be made public by the end of Q2.

In addition to Cerro Colorado, close to 12,000 metres were drilled on its lateral extensions where potential higher grade material has been identified. A follow-up drilling programme is planned during 2016.

Slovakia

In December 2014, Atalaya Mining entered into a conditional Earn-in Agreement with Prospech Ltd ("Prospech"), a private Australian exploration company, in relation to two exploration licences held by Atalaya Mining's 100% owned Slovakian subsidiary, Slovenske Kovy s.r.o. Prospech will invest up to a €1 million over a three-year period in return for an 81% interest in Slovenske Kovy. As at 31 December 2015, Prospech invested €400,000, earning a conditional 51% interest.

In July 2015, Atalaya Mining sold 70% of its holding in Mining Group Slovakia s.r.o. (formerly EMED Slovakia s.r.o.), holder of the Biely Vrch Exploration Licence (gold resource), to FDP Real Estate & Investments a. s. ("FDP"), a private Slovak company. FDP has undertaken all of the running costs of Mining Group Slovakia, whilst Atalaya Mining retained a 30% free-carried equity in Mining Group Slovakia. The sale consideration was €3,000 resulting in a consolidated profit of €3,000.

Directors' report (continued)

Review of operations (continued)

Cyprus

In August 2015, Atalaya Mining sold 90% of the share capital of Eastern Mediterranean Minerals ("EMM") Ltd, and EMM's 100% subsidiaries Tredington Ventures Limited and Winchcombe Ventures Limited, owners of a geo-scientific database and holders of ten Exploration Licences in Cyprus, to Semarang Enterprises Ltd, a private Cypriot company. The consideration for the sale was €100,000 resulting to a consolidated profit of €49,950.

Corporate

On 23 June 2015, Mr. Jesus Fernandez was appointed as Non-Executive Director. On 9 September 2015, Mr. Damon Barber, Dr. Hussein Barma, Mr. Jon Lamb and Mr. Stephen Scott were appointed as Non-Executive Directors. The Board is now constituted of nine directors, of which eight are Non-Executive and of which four are independent of the Company and its major shareholders.

On 25 June 2015, 2,060,520,685 shares at Stg £0.0025 (before the 30:1 share consolidation which followed on 21 October 2015), were issued at a price of Stg £0.0475. The proceeds of the capital raising amounted to €137,239,552. Upon the issue, an amount of €130,016,418 was credited to the Company's share premium reserve. Both the bridge and convertible loans, previously granted by some of the cornerstone investors, were repaid out of the capital raising.

Following the capital raising, there were four cornerstone shareholders controlling 72.5% of the Company's share capital. These were:

- Urion Holdings (Malta) Limited ("Urion"), a subsidiary of Trafigura Beheer;
- Yanggu Xiangguang Copper Co. Ltd ("XGC");
- Orion Mine Finance (Master) Fund I LP ("Orion"); and
- Liberty Metals & Mining Holdings LLC ("Liberty").

On 21 October 2015, following the Company's EGM on 13 October 2015, Atalaya Mining proceeded with the consolidation of its ordinary shares. All qualifying shareholders, at the time, received one new ordinary share of nominal value 7.5p for every 30 existing ordinary shares of nominal value 0.25p. Following the consolidation, the number of new ordinary shares of nominal value 7.5p each, in issue and admitted to trading, totalled 116,679,555. On the same day, and following the approval at the Company's EGM on 13 October 2015, the change of name from EMED Mining Public Limited to Atalaya Mining plc became effective.

On 2 November 2015, the Company announced that it received a formal claim from Astor Management AG ("Astor") (the "Claim"). The Claim was made in the High Court of Justice in London against the Company and certain of its subsidiaries (the "Group"). The Claim arose out of the issues previously notified to the market, particularly within the announcement made on 28 May 2015 and as disclosed in the notes to the Group's consolidated financial statements. As set out in the Group's consolidated financial statements, in September 2008, the Group moved to 100% ownership of ARM (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. The cost of the acquisition was satisfied by issuing 39,140,000 ordinary shares to MRI Trading AG ("MRI") at an issue price of 21p per ordinary share and a deferred cash settlement of up to €53 million (including consideration for the assignment of loans of €9,116,617.30 owed to companies related to MRI incurred in relation to the operation of Proyecto Riotinto) and up to a further €15,900,000 depending upon the price of copper ("Deferred Consideration"). The obligation to pay the Deferred Consideration is subject to the satisfaction of the following conditions (the "Conditions"): (a) all authorisations to restart mining activities in Proyecto Riotinto having been granted by the Junta de Andalucía ("Permit Approval"); and (b) the Group securing a senior debt finance facility for a sum sufficient to restart mining operations at Proyecto Riotinto ("Senior Debt Facility") and being able to draw down funds under the Senior Debt Facility. The Deferred Consideration is payable in instalments over a period of six or seven years following satisfaction of the Conditions. On 11 November 2011, MRI novated its right to be paid the Deferred Consideration to Astor.

The mining Permit Approval has been satisfied, however the Group has not entered into arrangements in connection with a Senior Debt Facility and, in the absence of drawdown of funds by the Group pursuant to a Senior Debt Facility, there is significant doubt concerning the legal obligation on the Company to pay any of the Deferred Consideration.

In their Claim, Astor is claiming, inter alia, that the Conditions have been satisfied and the first instalment of the Deferred Consideration is due (together with damages). As stated above, the Company is disputing this and it is defending the proceedings vigorously.

On 26 January 2016, the Company announced that Majedie Asset Management Limited, a London based independent investment boutique, increased its shareholding in the open market beyond the 5% threshold.

Directors' report (continued)

Results

The Group's loss after taxation for the year ended 31 December 2015 was €15.0 million compared to a loss of €11.2 million for the year ended 31 December 2014.

Consolidated income statement

The loss for the year is summarised as follows:

(Euro 000's)	2015	2014
Exploration expenses	**(124)**	(135)
Care and maintenance expenses	**(1,641)**	(5,815)
Share-based benefits	**(152)**	(249)
Other operating expenses	**(4,328)**	(5,357)
Other income	**135**	9
Gain on available-for-sale investments	**–**	1,186
Profit on disposal of subsidiaries/associate	**145**	–
Net foreign exchange loss	**(4,721)**	(409)
Net finance costs	**(4,294)**	(460)
Loss before tax	**(14,980)**	(11,230)
Tax charge	**(30)**	(18)
Loss for the year	**(15,010)**	(11,248)

General

The Group recorded a consolidated loss of €15.0 million (or (17.9) cents per share) for the year ended 31 December 2015, compared with a consolidated loss of €11.2 million (or (25.5) cents per share) for the year ended 31 December 2014, an increase of €3.8 million. The increase in the loss was mainly due to the increase in net foreign exchange losses on the Bridge Loan and Convertible Note balances held by the Company during the year and the increase in net finance costs as a result of the Bridge Loan and Convertible Notes held during the year and repaid by the equity raising in June 2015. This was counteracted by the reduction in care and maintenance expenses due to their capitalisation during the year.

Exploration expenses

During the year ended 31 December 2015, the Group expended €0.1 million (2014: €0.1 million) on exploration. The amount resulted from the cutback and eventual cessation of exploration in Slovakia. In accordance with the Group's accounting policy, all exploration expenditure is written off when incurred.

Care and maintenance expenses

During the year ended 31 December 2015, the Group expended €1.6 million (2014: €5.8 million) on care and maintenance at Proyecto Riotinto. The decrease in expenditure cost is due to increased capitalisation of expenses at Proyecto Riotinto following the construction and ramp-up phases, and represents expenditure in relation to such items as professional services, staff costs, site security costs, electricity and pumping costs.

Other operating expenses

Other operating expenses for the year ended 31 December 2015 were €4.3 million (2014: €5.4 million), representing corporate costs and include outlays associated with a listed public company such as shareholder communications, legal costs, on-going listing costs and fees, administrative salaries and travel. The reduction in the expenses was as a result of cost savings across the Group.

Foreign exchange losses

Net foreign exchange losses recorded during the year were €4.7 million (2014: €0.4 million). These were the result of movements in exchange rates on cash, the Bridge Loan and the Convertible Note balances held by the Company during the year.

Finance costs

Net finance costs for the year ended 31 December 2015 were €4.3 million (2014: €0.5 million). These relate mainly to:

- the loss on fair value on conversion of the Convertible note of €0.3 million (2014 – gain on fair value on conversion of the Convertible note of: €1.9 million)(1);
- interest on conversion of the Convertible Note of €1.2 million (2014: €1.3 million);
- interest on conversion of the Bridge Loan of €1.2 million (2014: €Nil);
- interest paid on the debt to the Department of Social Security in Spain of €0.2 million (2014: €0.4 million);
- the Bridge Loan financing expenditure of €1.3 million (2014: €Nil); and
- the accretion expense of €0.03 million (2014: €0.7 million)(2).

The Group's full results for the year are set out on page 15.

(1) The fair value allocated to the conversion feature of the convertible note was re-measured at each reporting period and the difference from the previously recognised fair value was recorded to the income statement

(2) On initial recognition, the value of the convertible note proceeds received was allocated between the debt component and the conversion feature. As the value allocated to the debt component was less than the face value of the convertible note, accretion expense was recognised over the life of the convertible note such that, on maturity, the carrying value was equal to the face value

Directors' report (continued)

Results (continued)

Consolidated financial position

(Euro 000's)	31 Dec 2015	31 Dec 2014
ASSETS		
Non-current assets	**188,592**	82,969
Cash and cash equivalents	**18,618**	21,050
Other current assets	**16,934**	3,210
Total assets	**224,144**	107,229
Shareholders' equity	**176,366**	56,929
LIABILITIES		
Non-current liabilities	**5,867**	4,631
Current liabilities	**41,911**	45,669
Total liabilities	**47,778**	50,300
Total equity and liabilities	**224,144**	107,229

Assets

Total assets were €224.1 million as at 31 December 2015, compared to €107.2 million as at 31 December, an increase of €116.9 million from 2014. The Group's significant assets are its mineral properties and mining plant, property and equipment at Proyecto Riotinto. The increase is mainly due to increase in property, plant and machinery of €103.1 million, increase in intangibles of €2.5 million and increase in receivables by €14.4 million, counteracted by a decrease of €0.7 million in available-for-sale investment and a decrease in cash and cash equivalents of €2.4 million.

The increase in property, plant and equipment is primarily due to the execution of works for the restart of activities at Proyecto Riotinto: machinery, equipment, improvement of facilities, professional services and other development costs necessary to renew the mining installations in readiness for the start up and the works done on the expansion of the facilities. The increase in intangible assets is the result of work completed by technical, permitting and other consultants to develop the necessary technical evaluation and plans for operational and environmental requirements, for the project restart, including restoration and water management.

Other current assets as at 31 December 2015 were €16.9 million (2014: €3.2 million), of which €0.3 million (2014: €1 million) related to available-for-sale investment, €6.5 million (2014: €Nil) related to a receivable from pre-commissioning sales, €8.0 million (2014: €1.9 million) related to VAT due from authorities in Spain and Cyprus, with deposits, prepayments and other receivables amounting to €2.1 million (2014: €0.3 million).

Liabilities

Non-current liabilities stood at €5.9 million on 31 December 2015 compared to €4.6 million on 31 December 2014. The €1.3 million increase was mainly due to the rehabilitation provision in 2015 amounting to €4.0 million counteracted by the reduction in the non-current element of the debt with the Department of Social Security in Spain by €2.7 million.

Current liabilities stood at €41.9 million as at 31 December 2015 (2014: €45.7 million). The decrease of €3.8 million related to the decrease in the Convertible Note liability and the bridge loan facility of €32.6 million counteracted by an increase by €28.8 million in trade and other payables.

Consolidated cash flow statement

(Euro 000's)	31 Dec 2015	31 Dec 2014
Cash at beginning of the year	**21,050**	8,634
Net cash from/(used in) operating activities	**6,054**	(7,036)
Net cash used in investing activities	**(101,666)**	(15,168)
Net cash from financing activities	**93,180**	34,620
Cash at end of the year	**18,618**	21,050

In 2015, cash flows from operating activities increased mainly due to the working capital movement.

In 2015, cash flows used in investing activities mainly comprised a €99.3 million investment in property plant and equipment (2014: €12.4 million) and a €2.5 million investment in intangible assets (2014: €2.8 million).

In 2015, cash flows from financing activities were €93.2 million, mainly due to a net of €87.5 million from share issues (2014: €16.1 million) and €5.7 million from the Bridge Loan Facility (2014: €18.5 million).

Proposed dividend

The Directors did not recommend the payment of a dividend for the year (2014: €Nil).

Directors' report (continued)

Share capital

On 23 June 2015, the shareholders approved the increase of the authorised share capital of the Company from Stg £5,500,000 to Stg £15,000,000 by the creation of 3,800,000,000 new ordinary shares of Stg £0.0025 each in the capital of the Company, ranking pari passu with the existing ordinary shares of Stg £0.0025 each in the capital of the Company.

On 25 June 2015, 2,060,520,685 shares at Stg £0.0025 (pre consolidation figure) were issued at a price of Stg £0.0475 (post consolidation value). The proceeds of the capital raising amounted to €137,239,552. Upon the issue, an amount of €130,016,418 was credited to the Company's share premium reserve.

On 21 October 2015, following the Company's EGM on 13 October 2015, Atalaya Mining proceeded with the consolidation of its ordinary shares. All qualifying shareholders, at the time, received one new ordinary share of nominal value 7.5p for every 30 existing ordinary shares of nominal value 0.25p. Following the consolidation, the number of new ordinary shares of nominal value 7.5p each, in issue and admitted to trading, totals 116,679,555.

Details on authorised and issued share capital are disclosed in Note 20 of the consolidated financial statements.

Capital structure

At 31 December 2015, the Company had the following shares outstanding and commitments to issue shares:

	No. of shares
Ordinary shares	116,679,555
Warrants	473,061
Options	931,654
Fully diluted	118,084,270

Directors

The names and particulars of the qualifications and experience of each director are set out below. All directors held office from the start of the financial year to the date of this report, except Mr. Jesus Fernandez who was appointed as Non-Executive Director on 23 June 2015, and Dr. Hussein Barma, Mr. Stephen Scott, Mr. Damon Barber and Mr. Jonathan Lamb who were appointed as Non-Executive Directors on 9 September 2015. In accordance with the Company's Articles of Association, one-third of the board of directors must resign each year. All the directors will retire at the AGM and offer themselves for re-election.

Roger Davey – Non-Executive Chairman of the Board

Mr. Davey is a member of the Audit and Financial Risk, Physical Risk and Corporate Governance, Nominating and Compensation Committees of the Company.

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

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

Alberto Lavandeira – Managing Director and Chief Executive Officer

Mr. Lavandeira brings over 38 years of experience operating and developing mining projects. As a Director of Samref Overseas S.A. from 2007 to early 2014, he represented one of the shareholder's interests in the JV that developed the world-class Mutanda Copper-Cobalt Mine in the Democratic Republic of Congo. From 1995 to 2007, he worked for Rio Narcea Gold Mines starting as COO and later working as President and CEO and Director. During this period, RNG took three projects from exploration stage into production. Prior to that, Mr. Lavandeira held different positions within the Spanish mining subsidiaries of Rio Tinto, Anglo American and Cominco.

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

Damon Barber – Non-Executive Director

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

Directors' report (continued)

Directors (continued)

Damon Barber – Non-Executive Director (continued)
Mr. Barber is the Senior Managing Director of Liberty Metals & Mining Holdings, LLC. He formerly held management positions with several mining companies, served as the Head of Deutsche Bank's Metals & Mining Investment Banking practice in the Asia-Pacific region and was an investment banker in Credit Suisse's Energy Group.

Mr. Barber is currently a director of Yara Dallol B.V., Cockatoo Coal Limited and Ram River Coal Corp. and holds a B.S. degree in Mining Engineering from the University of Kentucky and an MBA in Finance from the Wharton School of Business.

Dr. Hussein Barma – Non-Executive Director
Dr. Barma is the Chairman of the Audit and Financial Risk Committee and a member of the Corporate Governance, Nominating and Compensation Committee of the Company.

Dr. Barma is a principal of Barma Advisory. He was formerly CFO (UK) of Antofagasta Plc from 1998 to 2014 and possesses a deep knowledge of governance practices at board level, as well as accounting and reporting, investor relations and regulatory requirements of the London market. He previously worked as an auditor at Price Waterhouse (now PwC) and is a steering group member of the UK Financial Reporting Council's Financial Reporting Lab. Dr Barma has no other directorships in publicly listed companies.

Jesus Fernandez – Non-Executive Director
Mr. Fernandez is head of the M&A team for Trafigura. He joined Trafigura in 2004 and has 15 years of experience in mining investments and financing. He is currently a director of Cadillac Ventures and Mawson West Limited. Previously, he was a director of Tiger Resources Limited, Anvil Mining Limited and Iberian Minerals Corp. plc.

Harry Liu, BSc. Economics – Non-Executive Director
Mr. Liu is a Vice President of XGC, one of the world's largest copper smelting, refining and processing groups located in the Shandong province of China.

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

Mr. Liu graduated with a Bachelor´s Degree in Economics from Zhejiang University in Zhejiang Province, China. Mr. Liu has no other directorships.

Jonathan Lamb – Non-Executive Director
Mr. Lamb is Investment Manager at Orion Mine Finance and formerly Investment Manager for Red Kite Group's Mine Finance business. He was previously with Deutsche Bank's Metals & Mining Investment Banking group in New York, where he worked on a variety of debt and equity financings and M&A transactions. Mr. Lamb has no other directorships.

Dr. Jose Sierra Lopez – Non-Executive Director
Dr. Sierra is Chairman of the Physical Risks Committee of the Company.

Dr. Sierra brings to the Company extensive experience as a mining and energy leader in the business and government sectors. He spent 15 years on mineral exploration, becoming COO of the National Exploration Company of Spain. His experience includes being Spain's national Director General of Mines and Construction Industries and EU Director for Fossil Fuels for the European Commission. Most recently he was Commissioner at the National Energy Commission of Spain and Deputy Independent Member of the SEMC (Single Electricity Market Committee of the Island of Ireland). He was a member of the Board of TIGF (Transport et Infrastructures Gaz France).

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

Stephen Scott – Non-Executive Director
Mr. Scott is the Chairman of the Corporate Governance, Nominating and Compensation Committee, and a member of the Audit and Financial Risk and Physical Risks Committees of the Company.

Mr. Scott is President and CEO of Minenet Advisors, advising clients on corporate development, project management, strategy and business restructuring. He previously held several executive positions with Rio Tinto Plc, including General Manager Commercial for Rio Tinto Copper (2005 to 2014).

He is currently a director of Reservoir Minerals Inc., Rathdowney Resources Ltd and Shore Gold Inc.

Directors' report (continued)

Indemnification of Directors and officers

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

Directors' interests

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

2015

Name	No of existing ordinary shares	% of issued share capital
R. Davey	–	–
A. Lavandeira	100,000*	0.09%
D. Barber[(1)]	16,315,789**	13.98%
H. Barma	–	–
J. Fernández[(2)]	25,684,344**	22.01%
H. Liu[(3)]	26,033,238***	22.31%
J. Lamb[(4)]	16,986,609**	14.56%
J. Sierra Lopez	26,666	0.02%
S. Scott	–	–

2014 (post share consolidation figures)

Name	No of existing ordinary shares	% of issued share capital
R. Davey	–	–
A. Lavandeira	100,000*	0.2%
H. Liu[(3)]	6,862,172**	21.67%
J. Sierra Lopez	–	–

(1) Liberty Metals & Mining Holdings LLC
(2) Urion Holdings (Malta) Ltd
(3) Yanggu Xiangguang Copper Co. Ltd
(4) Orion Mine Finance (Master) Fund I LP

* 66,666 shares held in escrow
** Shares held by the companies the directors represent
*** includes 444,711 shares held personally by Mr. Liu

The Directors to whom options over Ordinary Shares have been granted and the number of Ordinary Shares subject to such Options (post share consolidation figures) as at the date of this report are as follows:

Grant date	Expiration date	Exercise price	R. Davey	A. Lavandeira	J. Sierra
01 Oct 2011	30 Sep 2016	270 p	–	–	33,000
28 Dec 2011	27 Dec 2016	300 p	13.000	–	–
14 April 2014	19 Mar 2019	360 p	–	200,000	–
			13,000	200,000	33,000

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

On 1 October 2011, 33,333 options were issued to Dr. J. Sierra Lopez, a Non-Executive Director. These options are exercisable at Stg £2.70 and expire five years after the date of issue.

On 28 December 2011, 13,333 options were issued to R. Davey, Non-Executive Chairman. These options are exercisable at Stg £3.00, expire five years after the date of issue, vest in equal instalments from the date of grant of administrative standing over the lesser of three years or the time remaining to the expiry of the option.

On 14 April 2014, 200,000 options were issued to A. Lavandeira, CEO. These options are exercisable at Stg £3.60, expire 5 years after the date of issue and vest in three equal instalments from the date of grant.

Directors' emoluments

In compliance with the disclosure requirements of the listing requirements of AIM and TSX, the aggregate remuneration paid to the directors and executive officers of Atalaya Mining for the year ended 31 December 2015 is set out below.

(Euro 000's)	Short term benefits	Share based payments		
31 Dec 2015	Salary & fees	Incentive options*	Bonus shares**	Total
Executive Directors				
A. Lavandeira	350	56	101	507
Non-Executive Directors				
R. Davey	84	–	–	84
D. Barber	13	–	–	13
H. Barma	13	–	–	13
J. Fernández	22	–	–	22
J. Lamb	13	–	–	13
H. Liu	42	–	–	42
J. Sierra Lopez	42	–	–	42
S. Scott	13	–	–	13
	592	56	101	749

* There were no new options granted during 2015. The amount relates to options granted in 2014 which vest over a three year period.

Directors' report (continued)

Directors' emoluments (continued)

** There were no new shares granted during 2015. The amount relates to shares issued in 2014 and held in escrow, which vest over a two year period.

(Euro 000's)	Short term benefits		Share based payments		
31 Dec 2014	Salary & fees	Other comp.	Incentive options	Bonus shares	Total
Executive Directors					
A. Lavandeira	251	–	56	51	358
I. Querub (retired)	274	700[(1)]	56	201	1,231
R. Halliday (retired)	161	197	–	–	358
Non-Executive Directors					
R. Davey	37	–	4	–	41
H. Liu	37	–		–	37
J. Sierra Lopez	37	–		–	37
R. Beevor (retired)	152	–	7	–	159
R. Francis (retired)	71	–	–	–	71
A. Mehra (retired)	76	–	4	–	80
	1,096	897	127	252	2,372

(1) Mr. Isaac Querub retired during 2014 and this was his contractual entitlement upon his resignation.

Substantial share interests

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

	Ordinary shares 000's	%
Urion Holdings (Malta) Ltd (subsidiary of Trafigura)	25,684	22.01
Yanggu Xiangguang Copper Co. Ltd	25,589	21.93
Orion Mine Finance (Master) Fund I LP	16,987	14.56
Liberty Metals & Mining Holdings LLC	16,316	13.98
Majedie Asset Management Limited	6,466	5.54

Corporate governance

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

Board of directors

The Board is responsible for approving Company policy and strategy. The Board holds approximately 11 formal meetings in each calendar year, or as determined by the Board, and is supplied with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new Directors and other Directors as necessary. A number of the Group's key strategic and operational decisions are reserved exclusively for the decision of the Board.

The Board currently consists of one executive director who holds an operating position in the Company (the CEO) and eight Non-Executive Directors, who bring a breadth of experience and knowledge, all of whom are independent of management and four of whom are independent of any business or other relationship which could interfere with the exercise of their independent judgment. As a result of the equity raising in June 2015 and the offtake agreements with the cornerstone investors, each of the four cornerstone investors had the right and appointed a director on the board (the four non-independent directors). The Board regularly reviews key business risks including the financial risks facing the Group in the operation of its business.

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

Board committees

Audit and Financial Risk Committee

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

The AFRC comprises three members all of whom are Non-Executive and Independent. The current membership of the committee is Dr. H. Barma (Chairman), Mr. R. Davey and Mr. S. Scott.

Corporate Governance, Nominating and Compensation Committee

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

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

Directors' report (continued)

Board committees (continued)

Physical Risks Committee

The Company's Physical Risks Committee ("PRC") is responsible for reviewing the compliance with regulatory and industry standards for environmental performance and occupational health and safety of personnel and the communities affected by the Company.

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

Internal controls

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

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

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

Directors' responsibilities for the financial statements

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

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

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

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

Going concern

After making enquires, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements. See Note 2.1 for further information.

Creditors' payment terms

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

Political and charitable donations

The Group made no political and no charitable donations during the year ended 31 December 2015 (2014: €Nil).

Directors' report (continued)

Corporate Social Responsibility

Our communities

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

Our strategy is to ensure that relations with institutions, society and the environment are led by transparency in our commercial activities, the appropriate degree of interaction with stakeholders and the maximum responsibility and accountability in all our operations.

Sustainable development

Atalaya Mining is committed to achieving development that provides benefits for those regions where it operates, without compromising the ability of future generations to meet their own needs both economically and environmentally. Atalaya will endeavour to achieve excellence in environmental performance abiding by environmental standards beyond those set by international regulations.

Our people

Atalaya operates within a favourable framework for labour relations based on a non-discriminatory, equal opportunities system that respects diversity and facilitates communication at all levels. The Company provides a healthy and safe working environment by implementing the best available international practices and procedures.

Communication

Atalaya Mining advocates the establishment of broad communication channels and seeks opportunities for conversation with the various stakeholders to ensure that business objectives remain in tune with social needs and expectations. The Company will always seek to provide relevant, transparent and accurate information about its activities and encourage continuous improvement.

Auditors

The statutory auditors, MOORE STEPHENS STYLIANOU & CO, have expressed their willingness to continue in office and a resolution approving their reappointment and giving authority to the board of directors to fix their remuneration will be proposed at the next Annual General Meeting.

The auditors for the purposes of Canadian securities laws, MNP LLP, have expressed their willingness to continue in office and a resolution approving their appointment and giving authority to the board of directors to fix their remuneration will be proposed at the next Annual General Meeting.

By order of the board

Inter Jura CY (Services) Limited,
Secretary
Nicosia, Cyprus
22 April 2016

Independent Auditors' Report

To the shareholders of Atalaya Mining Plc (formerly EMED Mining Public Limited)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Atalaya Mining Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statements of financial position as at 31 December 2015 and 2014, and the consolidated income statements, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atalaya Mining Plc and its subsidiaries as at 31 December 2015 and 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
22 April 2016

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Independent auditor's report

To the Members of ATALAYA MINING PLC (ex EMED MINING PUBLIC LIMITED)

Report on the consolidated financial statements

We have audited the accompanying consolidated and Company's separate financial statements of ATALAYA MINING PLC (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 15 to 57 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and Company's separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and Company's separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the board of directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Constantinos Schizas
Certified Public Accountant and Registered Auditor
for and on behalf of
MOORE STEPHENS STYLIANOU & CO
CERTIFIED PUBLIC ACCOUNTANTS & REGISTERED AUDITORS

Nicosia, 22 April 2016

Consolidated income statements

(Euro 000's)	Note	Years ended 31 December 2015	2014
Exploration expenses		**(124)**	(135)
Care and maintenance expenses		**(1,641)**	(5,815)
Gross loss		**(1,765)**	(5,950)
Administrative expenses		**(4,480)**	(5,606)
Other income	5	**135**	9
Operating loss		**(6,110)**	(11,547)
Net foreign exchange loss		**(4,721)**	(409)
Gain on available-for-sale investments	18	**–**	1,186
Finance income	8	**38**	1,909
Finance costs	9	**(4,332)**	(2,369)
Profit on disposal of subsidiaries	18	**53**	–
Profit on disposal of subsidiary/associate	15	**92**	–
Loss before tax		**(14,980)**	(11,230)
Tax charge	10	**(30)**	(18)
Loss for the year		**(15,010)**	(11,248)
Loss attributable to:			
– Owners of the parent		**(15,010)**	(11,246)
– Non-controlling interests		**–**	(2)
		(15,010)	(11,248)
Loss per share from operations attributable to owners of the parent during the year :			
Basic and fully diluted loss per share (expressed in cents per share)	11	**(17.9)**	(25.5)
Loss for the year		**(15,010)**	(11,248)
Other comprehensive income:			
Change in value of available-for-sale investments	18	**(682)**	(202)
Total comprehensive loss for the year		**(15,692)**	(11,450)
Attributable to:			
– Owners of the parent		**(15,692)**	(11,448)
– Non-controlling interests		**–**	(2)
Total comprehensive loss for the year		**(15,692)**	(11,450)

The notes on pages 21 to 57 are an integral part of these consolidated financial statements.

Statements of financial position

(Euro 000's)	Note	As at 31 December The Group 2015	The Company 2015	As at 31 December The Group 2014	The Company 2014
Assets					
Non-current assets					
Property, plant and equipment	12	**168,424**	**41**	65,314	58
Intangible assets	13	**20,158**	**–**	17,655	–
Investment in subsidiaries	14	**–**	**3,572**	–	3,576
Investment in associate	15	**10**	**4**	–	–
		188,592	**3,617**	82,969	3,634
Current assets					
Trade and other receivables	17	**16,632**	**130,081**	2,226	22,606
Available-for-sale investments	18	**302**	**302**	984	984
Cash and cash equivalents	19	**18,618**	**4,246**	21,050	19,391
		35,552	**134,629**	24,260	42,981
Total assets		**224,144**	**138,246**	107,229	46,615
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	20	**11,632**	**11,632**	4,409	4,409
Share premium	20	**277,238**	**277,238**	149,823	149,823
Other reserves	21	**5,508**	**5,508**	5,815	5,815
Accumulated losses		**(118,012)**	**(156,349)**	(103,002)	(146,829)
		176,366	**138,029**	57,045	13,218
Non-controlling interests		**–**	**–**	(116)	–
Total equity		**176,366**	**138,029**	56,929	13,218
Liabilities					
Non-current liabilities					
Trade and other payables	22	**1,896**	**–**	4,631	–
Provisions	23	**3,971**	**–**	–	–
		5,867	**–**	4,631	–
Current liabilities					
Convertible note – debt component	24	**–**	**–**	13,952	13,952
Convertible note – derivative component	24	**–**	**–**	130	130
Bridge loan facility	25	**–**	**–**	18,547	18,547
Trade and other payables	22	**41,911**	**217**	13,040	768
		41,911	**217**	45,669	33,397
Total liabilities		**47,778**	**217**	50,300	33,397
Total equity and liabilities		**224,144**	**138,246**	107,229	46,615

The notes on pages 21 to 57 are an integral part of these consolidated financial statements.

The consolidated financial statements were authorised for issue by the board of directors on 22 April 2016 and were signed on its behalf.

Roger Davey
Chairman

Alberto Lavandeira
Managing Director

Consolidated statements of changes in equity

Years ended 31 December 2015 and 2014

	Attributable to owners of the parent						
(Euro 000's)	Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interest	Total equity
At 1 January 2014	3,830	134,316	5,724	(91,951)	51,919	(114)	51,805
Total comprehensive loss for the year	–	–	–	(11,246)	(11,246)	(2)	(11,248)
Issue of share capital	566	15,845	–	–	16,411	–	16,411
Share issue costs	–	(338)	–	–	(338)	–	(338)
Bonus shares issued in escrow	13	–	239	–	252	–	252
Bonus shares released from escrow	–	–	(195)	195	–	–	–
Change in value of available-for-sale investments	–	–	(202)	–	(202)	–	(202)
Recognition of share based payments	–	–	249	–	249	–	249
At 31 December 2014/ 1 January 2015	**4,409**	**149,823**	**5,815**	**(103,002)**	**57,045**	**(116)**	**56,929**
Total comprehensive loss for the year	**–**	**–**	**–**	**(15,010)**	**(15,010)**	**–**	**(15,010)**
Issue of share capital	**7,223**	**130,017**	**–**	**–**	**137,240**	**–**	**137,240**
Share issue costs	**–**	**(2,920)**	**–**	**–**	**(2,920)**	**–**	**(2,920)**
Derivative element of conversion of convertible note	**–**	**440**	**–**	**–**	**440**	**–**	**440**
Purchase of minority interest shares	**–**	**–**	**–**	**–**	**–**	**116**	**116**
Bonus shares issued in escrow	**–**	**–**	**101**	**–**	**101**	**–**	**101**
Change in value of available-for-sale investments	**–**	**–**	**(682)**	**–**	**(682)**	**–**	**(682)**
Recognition of share based payments	**–**	**–**	**152**	**–**	**152**	**–**	**152**
Warrants issue costs	**–**	**(122)**	**122**	**–**	**–**	**–**	**–**
At 31 December 2015	**11,632**	**277,238**	**5,508**	**(118,012)**	**176,366**	**–**	**176,366**

The notes on pages 21 to 57 are an integral part of these consolidated financial statements.

Company statements of changes in equity

Years ended 31 December 2015 and 2014

(Euro 000's)	Share capital	Share premium	Other reserves	Accumulated losses	Total
At 1 January 2014	3,830	134,316	5,724	(143,399)	471
Total comprehensive loss for the year	–	–	–	(3,625)	(3,625)
Issue of share capital	566	15,845	–	–	16,411
Share issue costs	–	(338)	–	–	(338)
Bonus shares issued in escrow	13	–	239	–	252
Bonus shares released from escrow	–	–	(195)	195	–
Change in value of available-for-sale investments	–	–	(202)	–	(202)
Recognition of share based payments	–	–	249	–	249
At 31 December 2014/ 1 January 2015	**4,409**	**149,823**	**5,815**	**(146,829)**	**13,218**
Total comprehensive loss for the year	**–**	**–**	**–**	**(9,520)**	**(9,520)**
Issue of share capital	**7,223**	**130,017**	**–**	**–**	**137,240**
Share issue costs	**–**	**(2,920)**	**–**	**–**	**(2,920)**
Derivative element of conversion of convertible note	**–**	**440**	**–**	**–**	**440**
Bonus shares issued in escrow	**–**	**–**	**101**	**–**	**101**
Change in value of available-for-sale investments	**–**	**–**	**(682)**	**–**	**(682)**
Recognition of share based payments	**–**	**–**	**152**	**–**	**152**
Warrants issue cost	**–**	**(122)**	**122**	**–**	**–**
At 31 December 2015	**11,632**	**277,238**	**5,508**	**(156,349)**	**138,029**

The notes on pages 21 to 57 are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

Years ended 31 December 2015 and 2014

(Euro 000's)	Note	2015	2014
Cash flows from operating activities			
Loss before tax		**(14,980)**	(11,230)
Adjustments for:			
Depreciation of property, plant and equipment	12	**152**	110
Amortisation of intangible assets	13	**123**	–
Share-based payments	21	**152**	249
Bonus share issue		**101**	252
Gain on available-for-sale investments	18	**–**	(1,186)
Interest income	8	**(38)**	(5)
Interest expense	9	**239**	369
Loss / (gain) on fair value on the conversion feature of the convertible note	8/9	**310**	(1,904)
Accretion expense on convertible note	9	**31**	691
Convertible note interest expense	9	**1,178**	1,309
Bridge loan interest expense	9	**1,232**	–
Bridge loan financing expenditure	9	**1,342**	–
Foreign exchange loss on repayment of borrowings		**5,304**	–
(Profit) / loss on disposal of property, plant and equipment		**(1)**	4
Profit on disposal of subsidiaries	18	**(53)**	–
Profit on disposal of subsidiary/associate	15	**(92)**	–
Profit on disposal of investment		**–**	(37)
Unrealised foreign exchange loss on financing activities		**286**	685
Cash outflows from operating activities before working capital changes		**(4,714)**	(10,693)
Changes in working capital:			
Trade and other receivables		**(14,406)**	(1,502)
Trade and other payables		**26,127**	5,562
Cash flows from/(used in) operations		**7,007**	(6,633)
Interest paid		**(768)**	(369)
Financing expenditure paid		**(164)**	–
Tax paid		**(21)**	(34)
Net cash from/(used in) operating activities		**6,054**	(7,036)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(99,290)**	(12,384)
Purchases of intangible assets	13	**(2,503)**	(2,834)
Proceeds from sale of property, plant and equipment		**1**	8
Proceeds from sale of subsidiaries		**88**	–
Proceeds from sale of investment		**–**	37
Interest received	8	**38**	5
Net cash used in investing activities		**(101,666)**	(15,168)
Cash flows from financing activities			
Proceeds from issue of share capital		**90,435**	16,411
Listing and issue costs	20	**(2,920)**	(338)
Proceeds from bridge loan – net		**5,665**	18,547
Net cash from financing activities		**93,180**	34,620
Net increase in cash and cash equivalents		**(2,432)**	12,416
Cash and cash equivalents:			
At beginning of the year	19	**21,050**	8,634
At end of the year	19	**18,618**	21,050

The notes on pages 21 to 57 are an integral part of these consolidated financial statements.

Company statements of cash flows

Years ended 31 December 2015 and 2014

(Euro 000's)	Note	2015	2014
Cash flows from operating activities			
Loss before tax		**(9,520)**	(3,625)
Adjustments for:			
Depreciation of property, plant and equipment	12	**18**	24
Share-based payments		**39**	249
Bonus share issue		**–**	252
Gain on available-for-sale investments	18	**–**	(157)
Interest income		**(2)**	(4)
Loss / (gain) on fair value on the conversion feature of the convertible note		**310**	(1,904)
Accretion expense on convertible note		**31**	691
Convertible note interest expense		**1,178**	1,309
Bridge loan interest expense		**1,232**	–
Bridge loan financing expenditure		**1,342**	–
Foreign exchange loss on repayment of borrowings		**5,304**	–
Zero coupon interest rate		**(1,411)**	(1,311)
Intercompany balances previously impaired		**451**	–
Impairment of receivables from subsidiaries		**–**	81
Impairment of investment in subsidiaries		**8**	895
Profit on sale of investments		**–**	(9)
Profit on disposal of property, plant and equipment		**(1)**	–
Unrealised foreign exchange loss on financing activities		**(78)**	685
Cash outflows used in operating activities before working capital changes		**(1,099)**	(2,824)
Changes in working capital:			
Trade and other receivables		**(106,064)**	(21,027)
Trade and other payables		**(552)**	390
Cash flows used in operations		**(107,715)**	(23,461)
Interest paid		**(529)**	–
Financing expenditure paid		**(164)**	
Net cash used in operating activities		**(108,408)**	(23,461)
Cash flows from investing activities			
Purchases of property, plant and equipment	12	**(1)**	(1)
Proceeds from disposal of property, plant and equipment		**1**	–
Purchase of investment		**(7)**	–
Proceeds from sale of subsidiaries		**88**	–
Proceeds from sale of investment		**–**	37
Interest received		**2**	4
Net cash from / (used in) investing activities		**83**	40
Cash flows from financing activities			
Proceeds from issue of share capital		**90,435**	16,411
Listing and issue costs	20	**(2,920)**	(338)
Proceeds from bridge loan – net		**5,665**	18,547
Net cash from financing activities		**93,180**	34,620
Net (decrease)/increase in cash and cash equivalents		**(15,145)**	11,199
Cash and cash equivalents:			
At beginning of the year	19	**19,391**	8,192
At end of the year	19	**4,246**	19,391

The notes on pages 21 to 57 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

1. Incorporation and principal activities

Country of incorporation

Atalaya Mining Plc 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 and on the TSX on 20 December 2010.

Change of name and share consolidation

Following the Company's 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 principal activity of the Group is to operate the recently commissioned Proyecto Riotinto and 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 metals mineralisation in the European region.

2. Summary of significant accounting policies

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

2.1 Basis of preparation and going concern

The consolidated financial statements of Atalaya Mining have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. The consolidated financial statements have been prepared under the historical cost convention.

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Company's available cash and cash equivalents will be sufficient for the Company to continue operating for the ensuing twelve months. These consolidated financial statements do not give effect to any adjustment, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

Changes in accounting policy and disclosures

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015. This adoption did not have a material effect on the accounting policies of the Company.

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Issued by the IASB and adopted by the European Union

Amendments

- IAS 19 (Amendments) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs 2010–2012 Cycle (issued on 12 December 2013), (effective for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs 2012–2014 Cycle (issued on 25 September 2014) (effective for annual periods beginning on or after 1 January 2016).
- IAS 1 (Amendments) Disclosure initiative (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 (Amendments) "Accounting for Acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after 1 January 2016).

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation and going concern (continued)

Changes in accounting policy and disclosures (continued)

(i) Issued by the IASB and adopted by the European Union (continued)

Amendments (continued)

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (Amendments) “Equity method in separate financial statements”' (effective for annual periods beginning on or after 1 January 2016).

(ii) Issued by the IASB but not yet adopted by the European Union

New standards

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019).

Amendments

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the consolidation exception (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 12 – Recognition of deferred tax asset for unrealised losses (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IAS 7 – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017).

The Company is currently evaluating the effect of these standards or interpretations on its consolidated financial statements.

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes goodwill identified on acquisition.

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

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

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

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

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Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.3 Investments in subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified. This policy only applies to the "Company" financial statements.

2.4 Interest in joint arrangements

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

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'.

2.7 Property, plant and equipment

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

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

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of the associated mine ("LOM"), field or lease.

Depreciation commences when the asset is available for use. Land is not depreciated.

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

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

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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

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

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

Pre-commissioning sales are offset against the cost of constructing the asset.

(a) Mineral rights

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

(b) Deferred mining costs – stripping costs

Mainly comprises of certain capitalised costs related to pre-production and in-production stripping activities as outlined below.

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

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

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

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

(c) Restoration, rehabilitation and decommissioning

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

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

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

2.8 Intangible assets

(a) Goodwill

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

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

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Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(b) Permits

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

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 2.13 and 2.14).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities classified as available for sale are recognised in other comprehensive income.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not subsequently reversed. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.13 Trade and other receivables (continued)

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

At Company level, other receivables include intercompany balances.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and in bank including deposits held at call with banks.

2.15 Share capital

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

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

2.16 Trade and other payables

Trade and other payables are obligations to pay for goods, assets or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

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

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

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

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

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.18 Derivatives

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the Black Scholes valuation method. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value through profit or loss are transferred to profit or loss.

2.19 Current and deferred income tax

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

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

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.19 Current and deferred income tax (continued)

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

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

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

2.20 Share-based payments

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

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

2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Rehabilitation provision

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

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.21 Provisions (continued)

Rehabilitation provision (continued)

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the consolidated statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 'Property, Plant and Equipment'. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated income statement.

If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and to test for impairment in accordance with IAS 36. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in the consolidated income statement. Also, rehabilitation obligations that arise as a result of the production phase of a mine are expensed as incurred.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.23 Revenue recognition

Sales of goods

Revenue is recognised when Atalaya has transferred to the buyer all significant risks and rewards of ownership of the goods sold. Revenue excludes any applicable sales taxes and is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to Atalaya and the revenues and costs can be reliably measured. In most instances sales revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises.

For certain commodities, the sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 90 days after initial booking. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices. Pre-commissioning sales are offset against the cost of constructing the asset.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

2. Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

Sales of services

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

2.24 Interest income

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

2.25 Dividend income

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

2.26 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. No dividend has been paid by the Company since its incorporation.

2.27 Exploration costs

The Company expenses exploration expenditure as incurred.

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

2.28 Amendment of financial statements after issue

The board of directors has the power to amend the financial statements after issue.

3. Financial Risk Management

3.1 Financial risk factors

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

(a) Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows. A breakdown of the balances is shown in Notes 22, 23, 24 and 25.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Liquidity risk (continued)

(Euro 000's)	Carrying amounts	Contractual cash flows	Less than 3 months	Between 3 – 12 months	Between 1 – 2 years	Between 2 – 5 years
31 December 2015						
Social security	4,608	4,608	718	2,149	1,741	–
Land options and mortgages	944	944	–	789	80	75
Provisions	3,971	5,536	–	–	25	5,511
Trade and other payables	38,231	38,231	38,231	–	–	–
	47,754	49,319	38,949	2,938	1,846	5,586
31 December 2014						
Bridge loan facility	19,764	19,764	19,764	–	–	–
Convertible note	13,952	13,980	13,980	–	–	–
Social security	7,679	7,679	772	2,042	3,180	1,685
Land options and mortgages	731	731	731	–	–	–
Trade and other payables	9,246	9,246	9,246	–	–	–
	51,372	51,400	44,493	2,042	3,180	1,685

(b) Currency risk

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

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

(Euro 000's)	**Liabilities 2015**	Liabilities 2014	**Assets 2015**	Assets 2014
United States dollar	–	(18,547)	**6,711**	13,616
Great Britain pound	–	(13,952)	**285**	29

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2015 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on profit or loss and other equity.

(Euro 000's)	**Equity 2015**	Equity 2014	**(Profit) or loss 2015**	(Profit) or loss 2014
United States dollar	**(671)**	615	**(671)**	615
Great Britain pound	**(29)**	1,392	**(29)**	1,392

(c) Credit risk

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

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

(Euro 000's)	**2015**	2014
Cash and cash equivalents	**18,618**	21,050

There are no collaterals held in respect of these financial instruments and there are no financial assets that are past due or impaired as at 31 December 2015.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk

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

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

(Euro 000's)	2015	2014
Variable rate instruments		
Financial assets	**18,618**	21,050

An increase of 100 basis points in interest rates at 31 December 2015 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
(Euro 000's)	2015	2014	2015	2014
Variable rate instruments	**186**	211	**186**	211

(e) Operational risk

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

(f) Compliance risk

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

(g) Litigation risk

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

3.2 Capital risk management

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

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

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

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

(Euro 000's)	2015	2014
Net debt	**29,160**	29,250
Total equity	**176,366**	56,929
Total capital	**205,526**	86,179
Gearing ratio	**14.2%**	33.9%

The decrease in the gearing ratio during 2015 resulted primarily from the equity raising and the subsequent repayment of the Bridge Loan and Convertible Note.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

3. Financial Risk Management (continued)

3.3 Fair value estimation

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

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting date.

Fair value measurements recognised in the consolidated statement of financial position

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).

(Euro 000's)	Level 1	Level 2	Level 3	Total
31 December 2015				
Financial assets				
Available for sale financial assets	302	–	–	302
Total	**302**	**–**	**–**	**302**
31 December 2014				
Financial assets				
Available for sale financial assets	984	–	–	984
Total	984	–	–	984

3.4 Critical accounting estimates and judgements

The fair values of the Groups' financial assets and liabilities approximate to their carrying amounts at the reporting date. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Income taxes

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

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

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

3. Financial Risk Management (continued)

3.4 Critical accounting estimates and judgements (continued)

(a) Income taxes (continued)

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

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

(b) Capitalisation of exploration and evaluation costs

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

(c) Impairment review of asset carrying values

Events or changes in circumstances can give rise to significant impairment charges or impairment reversals in a particular year. The Group assesses each cash-generating unit annually to determine whether any indications of impairment exist. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of the fair value less cost to sell and value-in-use. These assessments require the use of estimates and assumptions such as commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted at an appropriate discount rate to determine the net present value. For the purpose of calculating the impairment of any asset, management regards an individual mine or works site as a cash-generating unit.

(d) Contingencies

Material contingencies facing the Group are set out in Note 29 of the consolidated financial statements. A contingent liability arises where a past event has taken place for which the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain events outside of the control of the Group, or a present obligation exists but is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A provision is made when a loss to the Group is likely to crystallise. The assessment of the existence of a contingency and its likely outcome, particularly if it is considered that a provision might be necessary, involves significant judgment taking all relevant factors into account.

(e) Share-based compensation benefits

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

(f) Provisions for rehabilitation costs

Management uses its judgement and experience to provide for and (in the case of capitalised rehabilitation costs) amortise the estimated costs for decommissioning and site rehabilitation over the life of the mine. The ultimate cost of decommissioning and site rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which could affect future financial results.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

3. Financial Risk Management (continued)

3.4 Critical accounting estimates and judgements (continued)

(g) Going Concern

Determining whether there exists material uncertainty that casts significant doubt about the Company's ability to continue as a going concern requires management to exercise its judgement, in particular about its ability to obtain funds to continue operations.

(h) Ore reserves and resource estimates

Ore Reserves are estimates of the amount of ore that can be economically and legally extracted from the group's mines, based on Proven and Probable Ore Reserves. The group estimates its Ore Reserves and Mineral Resources based on information compiled by appropriately qualified persons, relating to the geological data on the size, depth and shape of the orebody, and require complex geological judgements to interpret the data. Changes in the Reserve or Resource estimates may impact the carrying value of exploration and mining assets in terms of depreciation charged and possible impairment.

(i) Stripping costs

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

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

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

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

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

4. Business and geographical segments

Business segments

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

Geographical segments

The Group's mining and exploration activities are located in Spain and its administration is based in Cyprus.

2015

(Euro 000's)	Cyprus	Spain	Other	Total
Operating (loss)/profit	**(1,140)**	**(5,048)**	**78**	**(6,110)**
Finance income	**2**	**36**	**–**	**38**
Net foreign exchange loss	**(4,602)**	**(116)**	**(3)**	**(4,721)**
Finance costs	**(4,093)**	**(239)**	**–**	**(4,332)**
(Loss)/profit before tax and disposal of subsidiaries	**(9,833)**	**(5,367)**	**75**	**(15,125)**
Profit on disposal of subsidiaries				**53**
Profit on disposal of subsidiary/associate				**92**
Tax charge				**(30)**
Loss for the year				**(15,010)**
Total assets	**17,000**	**207,138**	**6**	**224,144**
Total liabilities	**219**	**47,520**	**39**	**47,778**
Depreciation of property, plant and equipment	**18**	**134**	**–**	**152**
Total additions of non-current assets	**125**	**105,763**	**–**	**105,888**

2014

(Euro 000's)	Cyprus	Spain	Other	Total
Operating loss	(2,478)	(8,977)	(92)	(11,547)
Gain on available-for-sale investments	1,186	–	–	1,186
Finance income	1,909	–	–	1,909
Net foreign exchange loss	(369)	(39)	(1)	(409)
Finance costs	(2,000)	(369)	–	(2,369)
Loss before tax	(1,752)	(9,385)	(93)	(11,230)
Tax charge				(18)
Loss for the year				(11,248)
Total assets	20,835	86,386	8	107,229
Total liabilities	(33,407)	(16,861)	(32)	(50,300)
Depreciation of property, plant and equipment	24	83	3	110
Total additions of non-current assets	1	15,217	–	15,218

5. Other income

(Euro 000's)	2015	2014
Other income	**86**	–
Sales of services	**49**	9
	135	9

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

6. Expenses by nature

(Euro 000's)	2015	2014
Employee benefit expense (Note 7)	**11,702**	5,275
Compensation of key management personnel (Note 28.1)	**1,585**	3,010
Auditors' remuneration – audit	**164**	131
– prior year audit	**7**	7
– other	**8**	4
Other accountants' remuneration	**45**	47
Consultants' remuneration	**282**	776
Depreciation of property, plant and equipment (Note 12)	**152**	110
Travel costs	**103**	107
Share option-based employee benefits	**71**	95
Shareholders' communication expense	**331**	157
On-going listing costs	**347**	266
Legal costs	**656**	794
Other (capitalisation)/expenses	**(9,208)**	777
Total cost of exploration, care and maintenance and administration expenses	**6,245**	11,556

7. Employee benefit expense

(Euro 000's)	2015	2014
Wages and salaries	**9,014**	4,474
Social security and social contributions	**2,358**	697
Employees' other allowances	**330**	104
	11,702	5,275

8. Finance income

(Euro 000's)	2015	2014
Gain on fair value on the conversion feature of the convertible note	**–**	1,904
Interest income	**38**	5
	38	1,909

9. Finance costs

(Euro 000's)	2015	2014
Interest expense:		
Debt to department of social security	**239**	369
Convertible note	**1,178**	1,309
Bridge loan	**1,232**	–
Accretion expense on convertible note	**31**	691
Bridge loan financing expenditure	**1,342**	–
Loss on fair value on conversion of the convertible note	**310**	–
	4,332	2,369

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

10. Tax charge

(Euro 000's)	2015	2014
Income tax	**(24)**	(15)
Under provision previous years	**(6)**	(3)
	(30)	(18)

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

(Euro 000's)	2015	2014
Loss before tax	**(14,980)**	(11,230)
Tax calculated at the applicable tax rates	**(2,448)**	(2,490)
Tax effect of expenses not deductible for tax purposes	**815**	177
Tax effect of tax loss for the year	**1,726**	2,473
Tax effect of allowances and income not subject to tax	**(123)**	(175)
Tax effect of utilization of tax losses brought forward that are deferred over the next five years	**–**	(3)
Tax charge	**(30)**	(18)

Due to tax losses sustained in the current and previous years, no tax liability arises on the Group. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following years. As at 31 December 2015, the balance of tax losses which is available for offset against future taxable profits amounted to €50.4 million (2014: €52.6 million).

(Euro 000's) Tax year	Cyprus	Spain	Total
Losses b/f	–	–	–
2007	–	1,763	1,763
2008	–	5,175	5,175
2009	–	3,498	3,498
2010	–	5,641	5,641
2011	2,023	7,171	9,194
2012	2,456	1,967	4,423
2013	5,175	2,381	7,556
2014	4,110	3,517	7,627
2015	4,855	640	5,495
	18,619	31,753	50,372

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

10. Tax charge (continued)

Cyprus

The corporation tax rate is 12.5% (2012: 10%). Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2012: 15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter. Due to tax losses sustained in the year and previous years, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

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

Spain

The corporation tax rate is between 25% and 30%. The recent Spanish tax reform approved in 2014 reduces the general corporation tax rate from 30% to 28% in 2015 and to 25% in 2016, and introduces, among other changes, a 10% reduction in the tax base subject to equity increase and other requirements. Due to tax losses sustained in the current and previous years, no tax liability arises in the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the eighteen succeeding years.

11. Loss per share

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

(Euro 000's)	2015	2014
Parent company	**(9,675)**	(4,127)
Subsidiaries	**(5,335)**	(7,119)
Loss attributable to owners of the parent	**(15,010)**	(11,246)
Weighted number of ordinary shares for the purposes of basic loss per share ('000)	**83,658**	44,072*
Basic loss per share:		
Basic and fully diluted loss per share (cents)	**(17.9)**	(25.5)

* Adjusted for the 30:1 share consolidation which took place in October 2015

There are 473,061 warrants and 931,654 options which have been excluded when calculating the weighted average number of shares because they have an antidilutive effect.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

12. Property, plant and equipment

THE GROUP

(Euro 000's)	Land and buildings	Plant and equipment	Mineral rights	Assets under construction[4]	Deferred mining costs[3]	Other assets[2]	Total
2015							
Cost							
At 1 January 2015	**35,797**	**29,087**	**–**	**–**	**–**	**1,086**	**65,970**
Reclassifications	**(707)**	**(5,883)**	**950**	**5,640**	**–**	**–**	**–**
Additions	**3,971**[1]	**–**	**–**	**88,885**	**10,334**	**72**	**103,262**
Disposals	**–**	**(158)**	**–**	**–**	**–**	**(132)**	**(290)**
At 31 December 2015	**39,061**	**23,046**	**950**	**94,525**	**10,334**	**1,026**	**168,942**
Depreciation							
At 1 January 2015	**–**	**158**	**–**	**–**	**–**	**498**	**656**
Charge for the year	**–**	**–**	**–**	**–**	**–**	**152**	**152**
Disposals	**–**	**(158)**	**–**	**–**	**–**	**(132)**	**(290)**
At 31 December 2015	**–**	**–**	**–**	**–**	**–**	**518**	**518**
Net book value at 31 December 2015	**39,061**	**23,046**	**950**	**94,525**	**10,334**	**508**	**168,424**
2014							
Cost							
At 1 January 2014	35,549	17,268	–	–	–	905	53,722
Additions	248	11,819	–	–	–	317	12,384
Disposals	–	–	–	–	–	(136)	(136)
At 31 December 2014	35,797	29,087	–	–	–	1,086	65,970
Depreciation							
At 1 January 2014	–	158	–	–	–	512	670
Charge for the year	–	–	–	–	–	110	110
Disposals	–	–	–	–	–	(124)	(124)
At 31 December 2014	–	158	–	–	–	498	656
Net book value at 31 December 2014	35,797	28,929	–	–	–	588	65,314

[1] Rehabilitation provision (Note 23: Provisions).

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

[3] Stripping costs

[4] Net of pre-commissioning sales

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

12. Property, plant and equipment (continued)

THE COMPANY

(Euro 000's)	Plant and equipment	Other assets(2)	Total
2015			
Cost			
At 1 January 2015	**158**	**235**	**393**
Additions	**–**	**1**	**1**
Disposals	**(158)**	**(127)**	**(285)**
At 31 December 2015	**–**	**109**	**109**
Depreciation			
At 1 January 2015	**158**	**177**	**335**
Charge for the year	**–**	**18**	**18**
Disposals	**(158)**	**(127)**	**(285)**
At 31 December 2015	**–**	**68**	**68**
Net book value at 31 December 2015	**–**	**41**	**41**
2014			
Cost			
At 1 January 2014	158	234	392
Additions	–	1	1
At 31 December 2014	158	235	393
Depreciation			
At 1 January 2014	158	153	311
Charge for the year	–	24	24
At 31 December 2014	158	177	335
Net book value at 31 December 2014	–	58	58

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

The above fixed assets are located in Cyprus and Spain.

In 2012, the Group was granted options by Inland and Construcciones Zeitung, S.L. ("Zeitung") to acquire additional plots of land in the surrounding district (the "Option Lands"), exercisable within four years at an aggregate price of €9 million.

Certain land plots required for Proyecto Riotinto (the "Project Lands") are affected by pre-existing liens and embargos derived from unpaid obligations of former Project operators or owners (the "Pre-Existing Debt"). In May 2010 the Group signed an agreement with the Department of Social Security in which it undertook to repay, over a period of 5 years, the €16.9 million Pre-Existing Debt to the Department of Social Security in exchange for a stay of execution proceedings for recovery of this debt against these Project Lands (the "Social Security Agreement").

The Group has met all of its obligations to date under the Social Security Agreement, having paid as at 31 December 2015 a total of €12.3 million, with a remainder of €4.6 million to be paid in accordance with the Agreement that finalizes on 30 June 2017. The Project Lands are also subject to a lien in the amount of €5 million created in 1979 to secure the repayment of certain government grants that were in all likelihood paid at the relevant time by former operators. Relevant court proceedings have been followed to strike this lien from title, given that in the opinion of the Company the right of the government to reclaim this Pre-Existing Debt has expired due to the relevant statute of limitations and the Company is currently waiting for the court decision to be issued. The Project Lands are also affected by the following Pre-Existing Debt liens: A €400,000 mortgage to Oxiana Limited (that will be paid in due course) and a mortgage of €222,000 pre-existing on lands acquired by the Company in August 2012 which has been paid in full.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

12. Property, plant and equipment (continued)

Other land plots owned by the Company, but not required for Proyecto Riotinto (the "Non-Project Lands"), are affected by a Pre-Existing Debt lien of €10 million registered by the Junta de Andalucía. In the event execution proceedings were commenced against the Non-Project Lands, the Company would either negotiate a settlement or allow the execution to proceed in total satisfaction of the Pre-Existing Debt in question.

13. Intangible assets

THE GROUP

(Euro 000's)	Permits of Rio Tinto Project	Acquisition of mineral rights	Goodwill	Total
2015				
Cost				
On 1 January 2015	**17,655**	**310**	**10,023**	**27,988**
Additions	**2,503**	**–**	**123**	**2,626**
Disposals/closure of subsidiaries	**–**	**(310)**	**(813)**	**(1,123)**
At 31 December 2015	**20,158**	**–**	**9,333**	**29,491**
Provision for impairment				
On 1 January 2015	**–**	**310**	**10,023**	**10,333**
Charge for the year	**–**	**–**	**123**	**123**
Disposal/closure of subsidiaries	**–**	**(310)**	**(813)**	**(1,123)**
At 31 December 2015	**–**	**–**	**9,333**	**9,333**
Net book value at 31 December 2015	**20,158**	**–**	**–**	**20,158**
2014				
Cost				
On 1 January 2014	14,821	310	10,023	25,154
Additions	2,834	–	–	2,834
At 31 December 2014	17,655	310	10,023	27,988
Provision for impairment				
On 1 January 2014	–	310	10,023	10,333
Charge for the year	–	–	–	–
At 31 December 2014	–	310	10,023	10,333
Net book value at 31 December 2014	17,655	–	–	17,655

The useful life of the intangible assets is estimated to be not less than fourteen years from the start of production. The ultimate recoupment of balances carried forward in relation to areas of interest or all such assets including intangibles is dependent on successful development, and commercial exploitation, or alternatively sale of the respective areas. The Company conducts impairment testing on an annual basis unless indicators of impairment are 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 Company assessed the carrying values having regard to (a) the current recovery value (less costs to sell) and (b) the net present value of potential cash flows from operations. In both cases, the estimated net realisable values exceeded current carrying values and thus no impairment has been recognised.

Goodwill of €9,333,000 arose on the acquisition of the remaining 49% of the issued share capital of ARM back in September 2008. This amount was fully impaired on acquisition, in the absence of the mining license back in 2008.

On 21 January 2015, the Company completed the purchase of the remaining 5% of the issued share capital of Eastern Mediterranean Minerals (Cyprus) Ltd ("EMM"), held by Hellenic Mining Public Company Ltd, for a consideration of €7,500. The purchase of the non-controlling interest resulted in a goodwill of €123,490. This goodwill was immediately impaired. The Company currently holds only 10% of the issued share capital of EMM following the sale of 90% of the issued share capital of EMM on 8 September 2015 (Note 18).

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

14. Investment in subsidiaries

(Euro 000's)	2015	2014
THE COMPANY		
Opening amount at cost	**3,576**	4,471
Transfer to investment in associate (Note 15)	**(4)**	–
Impairment of investments	**–**	(895)
Closing amount at cost	**3,572**	3,576

Subsidiary companies	Date of incorporation/ acquisition	Country of incorporation	Effective proportion of shares held
EMED Mining Spain S.L.U.	12 Apr 2007	Spain	100%
Atalaya Riotinto Minera S.L.	12 Apr 07/30 Sep 08	Spain	100%
EMED Marketing Ltd	08 Sep 2008	Cyprus	100%
EMED Holdings (UK) Ltd	10 Sep 2008	United Kingdom	100%
Eastern Mediterranean Exploration and Development S.L.U.	3 Dec 2012	Spain	100%

As security for the obligation on ARM to pay the deferred consideration to Astor, EMED Holdings (UK) Limited has granted a pledge to Astor Resources AG over the issued capital of ARM and granted a pledge to Astor over the issued share capital of Eastern Mediterranean Exploration and Development S.L.U. and the Company has provided a parent company guarantee.

15. Investment in associate

(Euro 000's)	2015	2014
THE GROUP		
At 1 January	**–**	–
Profit on disposals from subsidiary/associate	**256**	–
Transfer from investment in subsidiaries (Note 14)	**4**	–
Share of results of associate before tax	**(250)**	–
At 31 December	**10**	–
THE COMPANY		
At 1 January	**–**	1,058
Partial disposal	**–**	(29)
Transfer from investment in subsidiaries (Note 14)	**4**	–
Transfer to available-for-sale investments (Note 18)	**–**	(1,029)
At 31 December	**4**	–

In December 2014, Atalaya entered into a conditional Earn-in Agreement with Prospech Ltd ("Prospech"), a private Australian exploration company, in relation to two exploration licences held by Atalaya's 100% owned Slovak subsidiary, Slovenske Kovy s.r.o. ("SLOK"). The agreement became effective in March 2015.

Prospech will invest up to a €1 million over a three-year period in return for an 81% interest in SLOK. An amount of €86,000 was paid to the Company as consideration. As at 31 December 2015, Prospech invested €400,000, earning them a conditional 51% interest. As a result, during 2015 the Group lost control over SLOK and reclassified it from investment in subsidiary to investment in associate. The parties will enter into a joint venture agreement, which will provide that, in the event that the Company dilutes to 5% or less in SLOK and a Bankable Feasibility Study of a discovery recommends commencement of mining, the Company will have the option to convert its interest to a net smelter royalty at the rate of 1.0% for a 5% interest.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

15. Investment in associate (continued)

Company name	Principal activities	Country of incorporation	Effective proportion of shares held at 31 December 2015
Slovenske Kovy s.r.o.	Exploration and development	Slovakia	49%

The Group's significant aggregate amounts in respect of the investment in associate are as follows:

(Euro 000's)	2015	2014
Non-current assets	**9**	–
Current assets	**21**	–
Current liabilities	**(89)**	–
Net liabilities (100%)	**(59)**	–
Group's share of net liabilities (49%)	**(29)**	–
Carrying amount of interest in associate	**(29)**	–
Loss from continuing operations (100%)	**(305)**	–
Total comprehensive loss (100%)	**(305)**	–
Total comprehensive loss (100%, 70% and 49%)	**(250)**	–
Group's share of loss and total comprehensive loss	**(250)**	–

The transfer of the 51% interest in SLOK resulted in a consolidated profit on the disposal of the subsidiary of €342,000, giving a net profit after deducting the share of loss in the associate of €92,000.

16. Investment in joint venture

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

ARM has entered into a 50/50 joint venture with Rumbo to evaluate and exploit the potential of the class B resources in the tailings dam and waste areas at Proyecto Riotinto. 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 million. Costs are then borne by the joint venture partners in accordance with their respective ownership interests. Half of the costs paid by ARM in connection with the feasibility study can be deducted from any royalty which may fall due to be paid.

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

(Euro 000's)	2015	2014
Intangible assets	**94**	94
Trade and other receivables	**21**	20
Cash and cash equivalents	**1**	3
Trade and other payables	**(114)**	(115)
Net assets	**2**	2
Revenue	**–**	94
Expenses	**(1)**	(95)
Net loss after tax	**(1)**	(1)

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

17. Trade and other receivables

(Euro 000's)	2015	2014
THE GROUP		
Receivables from related parties (Note 28.3 and 28.4)	**6,596**	56
Deposits and prepayments	**1,114**	156
VAT	**7,970**	1,852
Other receivables	**952**	162
	16,632	2,226
THE COMPANY		
Receivables from own subsidiaries	**225,634**	129,074
Impairment of receivables from own subsidiaries	**(97,243)**	(106,784)
Deposits and prepayments	**508**	2
VAT	**336**	302
Other receivables	**846**	12
	130,081	22,606

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

18. Available-for-sale investments

(Euro 000's)	2015	2014
THE GROUP		
At 1 January	**984**	–
Gain on reclassification from investment in associate to available-for-sale investment	**–**	1,186
Loss transferred to reserves (Note 21)	**(682)**	(202)
At 31 December	**302**	984
THE COMPANY		
At 1 January	**984**	–
Transfer from investment in associates (Note 15)	**–**	1,029
Gain on reclassification from investment in associate to available-for-sale investment	**–**	157
Loss transferred to reserves (Note 21)	**(682)**	(202)
At 31 December	**302**	984

Company name	Principal activities	Country of incorporation	Effective proportion of shares held at 31 December 2015
Mining Group Slovakia s.r.o	Holder of exploration licence in Slovakia	Slovakia	30%
Eastern Mediterranean Minerals Ltd	Holder of exploration licences in Cyprus	Cyprus	10%
KEFI Minerals Plc	Exploration and development mining company listed on AIM	UK	2.7%

In July 2015, Atalaya Mining sold 70% of its holding in Mining Group Slovakia,s.r.o. (ex.EMED Slovakia s.r.o.), holder of the Biely Vrch Exploration Licence that hosts a gold resource to FDP Real Estate & Investments a. s. ("FDP"), a private Slovak company. FDP has undertaken all of the running costs of Mining Group Slovakia, whilst Atalaya Mining retained a 30% free-carried equity in Mining Group Slovakia and a director. The sale consideration was €3,000 resulting to a consolidated profit of €3,000. Atalaya Mining does not exercise significant influence over the company.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

18. Available-for-sale investments (continued)

On 25 August 2015, the Company sold 90% of the shares in Eastern Mediterranean Minerals Group ("EMM") – Eastern Mediterranean Minerals (Cyprus) Limited and its subsidiaries; Tredington Ventures Limited and Winchcombe Ventures Limited – owners of a geo-scientific database and holder of ten Exploration Licences in Cyprus, to Semarang Enterprises Ltd, a Cyprus company. The sale consideration was €100,000 resulting in a consolidated profit of €49,950. 50% of the purchase consideration was paid on sign off and the remaining 50% is to be paid by 25 August 2017. In the event that a bankable feasibility study of any discovery recommends commencement of mining, each party shall contribute their pro-rata share of project expenditure and the Company may or may not elect to contribute and, instead, convert its 10% equity to a 1.5% Net Smelter Royalty.

During 2014, the Board of Directors of Atalaya classified the investment in KEFI Minerals Plc ("KEFI") as an available-for-sale investment given that Atalaya's shareholding percentage ownership was reduced and it no longer exercises significant influence over KEFI.

19. Cash and cash equivalents

(Euro 000's)	2015	2014
THE GROUP		
Cash at bank and in hand	**18,618**	21,050
Cash and cash equivalents denominated in the following currencies:		
Euro – functional and presentation currency	**18,163**	7,405
Great Britain Pound	**285**	29
United States Dollar	**170**	13,616
	18,618	21,050
THE COMPANY		
Cash at bank and on hand	**4,246**	19,391
Cash and cash equivalents denominated in the following currencies:		
Euro – functional and presentation currency	**3,951**	5,746
Great Britain Pound	**285**	29
United States Dollar	**10**	13,616
	4,246	19,391

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

20. Share capital

Authorised					No. of Shares* '000's	Share capital Stg £000's	Share Premium Stg £000's	Total Stg £000's
Ordinary shares of Stg £0.075 each*					200,000	15,000	–	5,500
Issued and fully paid					000's**	Euro 000's	Euro 000's	Euro 000's
Balance at 1 January 2014					41,822	3,830	134,316	138,146
Issue Date	Price (Stg £)	Details						
20 Aug 14	2.175**	Share placement	a)		6,040	566	15,845	16,411
5 Sep 14	0.075**	Bonus share issue	b)		133	13	–	13
		Share issue costs			–	–	(338)	(338)
Balance at 31 December 2014					**47,995**	**4,409**	**149,823**	**154,232**
25 June 15	1.425**	Share placement	c)		**68,684**	**7,223**	**130,017**	**137,240**
		Share issue costs			**–**	**–**	**(2,920)**	**(2,920)**
		Warrant issue costs			**–**	**–**	**(122)**	**(122)**
		Derivative element of conversion of convertible note			**–**	**–**	**440**	**440**
Balance at 31 December 2015					**116,679**	**11,632**	**277,238**	**288,870**

Authorised capital

On 23 June 2015, the shareholders approved the increase of the authorised share capital of the Company from Stg £5,500,000 to Stg £15,000,000 by the creation of 3,800,000,000 new ordinary shares of Stg £0.0025 each in the capital of the Company ranking pari passu with the existing ordinary shares of Stg £0.0025 each in the capital of the Company.

*Following the Company's EGM on 13 October 2015, the consolidation of ordinary shares came into effect on 21 October 2015, 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. As a result, the Company's authorised share capital is now 200,000,000 ordinary shares of Stg £0.075 each.

Issued capital

2014

a) On 20 August 2014, 6,040,000 shares at Stg £0.075 were issued at a price of Stg £2.175. Upon the issue an amount of €15,844,853 was credited to the Company's share premium reserve

b) On 5 September 2014, 133,332 shares at Stg £0.075 were issued at a price of Stg £0.075. Mr. Isaac Querub (CEO) and Mr. Alberto Lavandeira (COO) were each issued 66,666 ordinary shares in the Company at par (7.5p per share). These shares would be held in escrow and released to Mr. Querub and Mr. Lavandeira once they have been employed by the Company for two years or if their service agreements are terminated for certain specified reasons. The 66,666 shares for Mr. Querub were released following his departure on 24 December 2014.

2015

c) On 25 June 2015, 68,684,020 shares at Stg £0.075 were issued at a price of Stg £1.425. Upon the issue an amount of €130,017,000 was credited to the Company's share premium reserve.

** Post share consolidation figures

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

20. Share capital (continued)

Warrants

2015

During the year, the Company issued 262,569 warrants, at exercise price Stg £1.425, to Group's advisers. Warrants, noted below, expire three or five years after the grant date and have exercise prices ranging from Stg £1.425 to Stg £3.150.

2014

No warrants were issued in 2014.

Details of share warrants outstanding as at 31 December 2015:

Grant date	Expiry date	Exercise price – Stg £*	Number of warrants*
02 July 2012	01 July 2017	3.150	33,332
22 August 2012	21 August 2017	2.550	69,453
23 December 2013	23 December 2016	2.400	107,707
24 June 2015	24 June 2018	1.425	262,569
			473,061

	Weighted average exercise price Stg £*	Number of warrants*
Outstanding warrants at 1 January 2015	2.5 68	210,492
– granted during the year	1.425	262,569
Outstanding warrants at 31 December 2015	1.934	**473,061**

* Post share consolidation figures

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

Grant date	Weighted average share price Stg £	Weighted average exercise price Stg £	Expected volatility	Expected life (years)	Risk free rate	Expected dividend yield	Estimated fair value Stg £
02 Jul 2012	3.150	3.150	71.46%	5	2.0%	Nil	0.840
22 Aug 2012	2.550	2.550	85.50%	5	2.0%	Nil	0.900
23 Dec 2013	2.400	2.400	62.44%	3	0.87%	Nil	0.525
24 June 2015	1.425	1.425	64.40%	3	2.0%	Nil	0.330

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

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Years ended 31 December 2015 and 2014

21. Other reserves

THE GROUP AND THE COMPANY

(Euro 000's)	Share option	Bonus share	Available-for-sale investments	Total
At 1 January 2014	5,724	–	–	5,724
Bonus shares issued in escrow	–	239	–	239
Recognition of share based payments	249	–	–	249
Change in value of available-for-sale investments (Note18)	–	–	(202)	(202)
Bonus shares released from escrow	–	(195)	–	(195)
At 31 December 2014	**5,973**	**44**	**(202)**	**5,815**
Bonus shares issued in escrow	**–**	**101**	**–**	**101**
Recognition of share based payments	**152**	**–**	**–**	**152**
Change in value of available-for-sale investments (Note18)	**–**	**–**	**(682)**	**(682)**
Warrants issue costs	**122**	**–**	**–**	**122**
At 31 December 2015	**6,247**	**145**	**(884)**	**5,508**

Details of share options outstanding as at 31 December 2015:

Grant date	Expiry date	Exercise price – Stg £*	Share options*
01 Oct 2011	30 Sep 2016	2.70	33,333
01 Dec 2011	30 Nov 2016	2.70	33,333
28 Dec 2011	27 Dec 2016	3.00	166,658
28 Dec 2011	27 Dec 2016	3.00	131,664
21 Apr 2012	20 Apr 2017	3.15	33,333
5 Nov 2012	4 Nov 2017	3.63	33,333
20 Mar 2014	19 Mar 2019	3.60	200,000
20 Mar 2014	19 Mar 2019	3.60	200,000
1 June 2014	31 May 2019	2.70	100,000
Total			**931,654**

* Post share consolidation figures

	Weighted average exercise price Stg £	Share options
At 1 January/31 December 2015	3.23	**931,654**

2015

No options were issued in 2015.

2014

On 20 March 2014, 200,000 options were issued to Isaac Querub (former MD and CEO). These options are exercisable at Stg £3.60, expire 5 years after the date of issue and have a vesting of one third at the end of twelve months from the date of issue, one third at the end of twenty four months from the date of issue and the balance at the end of thirty six months from the date of issue. On 14 April 2014, 200,000 options were issued to Alberto Lavandeira (MD and CEO). These options are exercisable at Stg £3.60, expire on 19 March 2019 and have a vesting of one third at the end of twelve months from the date of issue, one third at the end of twenty four months from the date of issue and the balance at the end of thirty six months from the date of issue.

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Years ended 31 December 2015 and 2014

21. Other reserves (continued)

On 1 June 2014, Julian Sanchez (management) was granted options to subscribe for an aggregate total of 100,000 Ordinary Shares at an exercise price per Ordinary Share of Stg £2.70. These options expire five years after the date of issue and have a vesting of one-third at the end of twelve months from the date of issue, one-third at the end of twenty four months from the date of issue and the balance at the end of thirty six months from the date of issue.

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.

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

Grant Date	Weighted average share price Stg £	Weighted average exercise price Stg £	Expected volatility	Expected life (years)	Risk Free rate	Expected dividend yield	Estimated Fair Value Stg £
1 June 2014	2.700	2.700	62.9%	5	2.0%	Nil	0.597
20 Mar 2014	3.600	3.600	64.2%	5	2.0%	Nil	0.705
5 Nov 2012	3.619	3.618	60.8%	5	2.0%	Nil	0.780
21 Apr 2012	3.150	3.150	69.4%	5	2.0%	Nil	0.921
28 Dec 2011	3.000	3.000	73.6%	5	2.0%	Nil	0.663
01 Dec 2011	2.700	2.700	80.0%	5	2.0%	Nil	0.705
01 Oct 2011	2.700	2.700	76.2%	5	2.0%	Nil	0.501

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

22. Trade and other payables

(Euro 000's)	2015	2014
THE GROUP		
Non-current trade and other payables		
Social security*	**1,741**	4,631
Land options	**155**	–
	1,896	4,631
Current trade and other payables		
Trade payables	**37,106**	7,181
Social security*	**2,867**	3,048
Land options and mortgage	**789**	731
Accruals	**1,124**	2,047
Tax liability	**24**	15
Other	**1**	18
	41,911	13,040

(Euro 000's)	2015	2014
THE COMPANY		
Current trade and other payables		
Accruals	**217**	754
Other payables	**–**	14
	217	768

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

22. Trade and other payables (continued)

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

* On 25 May 2010 ARM recognised a debt with the Social Security's General Treasury in Spain amounting to €16.9 million that was incurred by a previous owner in order to stop the execution process by Public Auction of the land over which Social Security had a lien. €12.3 million has been repaid to date. Originally payable over 5 years, the repayment schedule was renegotiated in July 2013 with the General Treasury in Spain and was extended until June 2017.

23. Provisions

THE GROUP

(Euro 000's)	Rehabilitation costs
1 January 2015	–
Additions	3,971
31 December 2015	3,971

(Euro 000's)	**2015**	2014
Non-Current	**3,971**	–
Current	**–**	–
Total	**3,971**	–

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.

24. Convertible note

THE GROUP AND THE COMPANY

	2015		2014	
(Euro 000's)	**Debt component**	**Derivative component**	Debt component	Derivative component
1 January	**13,952**	**130**	11,267	2,034
Accrued interest	**1,178**	**–**	1,309	–
Accretion expense	**31**	**–**	691	–
Foreign exchange	**894**	**–**	685	–
Fair value of the derivative component	**–**	**(130)**	–	(1,904)
Repayment	**(16,055)**	**–**	–	–
31 December	**–**	**–**	13,952	130

(Euro 000's)	**2015**	2014
Current		
Derivative component	**–**	130
Debt component	**–**	13,952
Total	**–**	14,082

On 12 July 2013 the Company issued Convertible Notes (the "Notes") in the amount of GBP 9,582,000 of which GBP 7,026,800 was subscribed by XGC and Stg £2,555,200 was subscribed by Orion. The Notes had an original term of 18 months to 12 January 2015 (the "Maturity Date"). As part of the Loan agreed on 24 December 2014 with the Note holders and others, the Maturity Date of the Notes was extended to be the earlier of 30 March 2015 and the date on which the Loan was due for payment. On 27 March 2015, by virtue of the extension of the maturity date of the Loan, the maturity date was extended to be the earlier of 30 June 2015 and the date of which the Loan was due for repayment. The Notes carried a coupon of 9% per annum in the first 12 months and 11% thereafter. Interest was capitalised every three months and rolled up, payable either on the Maturity Date or the earlier conversion or redemption of the Notes.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

24. Convertible note (continued)

Within the period of 10 business days prior to the Maturity Date, the Note holders could have elected to convert all outstanding principal and accrued interest of their Notes into ordinary shares of 0.25 pence each in the Company ("Ordinary Shares"). Note holders could also have elected to convert their Notes following the Company seeking to redeem the Notes or a potential business sale or change of control of the Company. In addition, the Notes would have automatically converted into new Ordinary Shares at the time the Company (or any of its subsidiaries) made its first drawdown (the "Drawdown Date") from a facility made available by senior financial institutions for the restart of operations at the Company's Proyecto Riotinto in Andalucía, Spain. Where the Notes automatically converted on funds being made available under a senior secured debt facility, the conversion price of the Notes was the lower of 9 pence per share and the VWAP of a Company share on AIM for the 20 immediately preceding trading days immediately preceding the Drawdown Date. In all other cases, the Notes would have converted at 9 pence per share.

The Company may have elected to redeem for cash the principal and accrued interest of the Notes at any time between 12 July 2014 (first anniversary of the date of issue) and the first to occur of the Drawdown Date or Maturity Date upon giving the holders of the Notes not less than 15 business days' notice. A Note holder could have chosen to convert their Notes into Ordinary Shares rather than have them redeemed but if they did so it would have been at a price of 9 pence per share and was not conditional on the Drawdown Date occurring. The Notes benefited from security interests granted by the Company over the share capital of EMED Holdings (UK) Limited and EMED Marketing Limited as well as certain intra-group debts owing to the Company. In addition, the Company and certain of its subsidiaries had undertaken not to further encumber their assets or share capital, save in certain circumstances, including in connection with the proposed senior debt facility required in order to restart operations at Proyecto Riotinto.

The Notes were subject to certain standard events of default following which Note holders could have elected to immediately redeem their Notes and accrued interest.

Assuming that the Notes converted in full at a conversion price of 9 pence per share (including the conversion of 21 months' accrued interest) the Note Holders would have received 125,494,668 shares. The Company paid intermediary fees of Stg £192,000 on the issuance of these Notes. The Notes were considered hybrid financial instruments comprising a Note liability and a conversion feature for Ordinary Shares ("the Conversion Feature"). As the conversion price (9 pence) was denominated in a currency other than the Company's functional currency, the Conversion Feature was considered to be a derivative financial instrument and was measured at fair value through profit or loss.

On 25 June 2015, in connection with the Subscription, Placing and Open Offer to raise Stg £64.9 million announced on 28 May 2015, the liability to pay the outstanding principal of the Notes together with accrued interest up to and including 15 May 2015 was satisfied by the issue of 241,668,731 shares for the conversion of the Notes at 4.75 pence per share.

25. Bridge loan facility

THE GROUP AND THE COMPANY

(Euro 000's)	2015	2014
Current		
Bridge Loan	–	19,764
Bridge Loan – Financing costs	–	(1,217)
	–	18,547

On 24 December 2014, the Company agreed an unsecured bridging finance facility for up to US$30 million (the "Loan") with Trafigura, Orion and Hong Kong Xiangguang, an affiliate of XGC (Trafigura, Orion and Hong Kong Xiangguang being the "Lenders"). The initial instalment of the Loan of US$24 million was drawn down on 30 December 2014, with the remaining US$6 million drawn down in early April 2015. The Loan was repayable on the earliest of three months following the receipt of the initial Loan funds, a change of control of the Company or the Company raising debt or equity funding in an amount equal to or greater than the amounts outstanding under the loan agreement.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

25. Bridge loan facility (continued)

The Company paid interest on the outstanding amount of the Loan at a rate of 10% per annum and there were no penalties for early repayment of the Loan, but in the event of a payment default the interest rate would have risen to 12% per annum. Each Lender was paid an arrangement fee of 2.5% of the amount of the Loan advanced by that Lender and the Company reimbursed the due diligence and associated costs of the Lenders in connection with the Loan and other historic costs up to an aggregate amount of US$1.5 million, of which US$1 million was paid out of the proceeds of the Loan and the balance of US$ 0.5 million was added to the Loan and repaid at the time the Loan was repaid. Any additional costs of the Lenders were not reimbursed at that time and were deferred until such time as further finance was raised in excess of amounts outstanding under the loan agreement or, if earlier, 15 April 2015. The arrangement fees and costs deducted amounted to US$ 1.5 million (€1.2 million). Trafigura was also granted the right to appoint an observer to attend meetings of the Board of Directors of the Company for such time as Trafigura held not less than 15% of the issued share capital of the Company. This was in addition to the existing rights of Orion and XGC who each had the right to appoint a Director to the Board.

On 27 March 2015, the Company agreed with the Lenders to extend the Maturity Date of the Loan by three months to 30 June 2015. In consideration for extending the term of the Loan, should a meeting of shareholders not be called by 30 April 2015 in order to approve a long term funding package, the Company had agreed to pay an extension fee of 0.5% on all outstanding amounts (including accrued interest and costs) owed to the Lenders pursuant to the Loan and the Convertible Notes. Additionally, a further fee equal to 1% would have been payable should a meeting of shareholders not be called by 31 May 2015. All other repayment terms of the Loan remained unchanged.

On 25 June 2015, in connection with the Subscription, Placing and Open Offer to raise GBP 64.9 million announced on 28 May 2015, the liability to pay the outstanding principal of the Loan together with accrued interest up to and including 15 May 2015 was satisfied by the issue of 452,648,133 shares for the conversion of the Notes at 4.75 pence per share.

26. Acquisition and disposals of subsidiaries

There were no acquisitions during 2015 and 2014.

During 2015, there were three disposals of subsidiaries – see Notes 14, 15 and 18 (2014: nil).

27. Wind-up of subsidiaries

There were no operations wound-up during 2015 and 2014.

28. Related party transactions

The following transactions were carried out with related parties:

28.1 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)	2015	2014
Directors' fees	**592**	1,096
Directors' other benefits	**–**	197
Directors' bonus shares	**101**	252
Contractual entitlements upon resignation	**292**	700
Share option-based benefits to directors	**56**	127
Key management personnel fees	**505**	513
Share option-based and other benefits to key management personnel	**39**	125
	1,585	3,010

Share-based benefits

The directors and key management personnel have not been granted options or bonus shares during 2015 (Note 21). Charges in 2015 relate to options issued in prior years which vest over a three-year period.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

28. Related party transactions (continued)

28.2 Transactions with shareholders

(Euro 000's)	2015	2014
XGC – Convertible note issue	–	–
XGC – Convertible note accrued interest	–	960
XGC – Bridge loan	–	6,588
XGC – Bridge loan deferred financing expenditure	–	(439)
Orion – Convertible note accrued Interest	–	349
Orion – Bridge loan	–	6,588
Orion – Bridge loan deferred financing expenditure	–	(339)
Trafigura – Bridge loan	–	6,588
Trafigura – Bridge loan deferred financing expenditure	–	(439)
Trafigura – Sales of goods (pre commissioning sales offset against the cost of constructing assets)*	**10,954**	–
	10,954	19,856

* XGC has been granted an offtake over 49.12% of life of mine reserves as per the NI 43-101 report issued in February 2013. Similarly, Orion has been granted an offtake over 31.54% and Trafigura 19.34% respectively of life of mine reserves as per the same NI 43-101 report.

28.3 Year-end balances arising from sales of services

(Euro 000's)	2015	2014
Receivable from related party (Note 17):		
Recursos Cuenca Minera S.L.	**55**	56

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

28.4 Year-end balances with shareholders

(Euro 000's)	2015	2014
XGC – Convertible note debt component	–	10,232
XGC – Derivative component	–	95
XGC Bridge loan	–	6,588
Orion – Convertible note debt component	–	3,720
Orion – Derivative component	–	35
Orion bridge loan	–	6,588
Trafigura bridge loan	–	6,588
Trafigura – Debtor balance (Note 17)	**6,541**	–
	6,541	33,846

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

29. Contingent liabilities

Deferred consideration

In September 2008, the Group moved to 100% ownership of ARM (and thus full ownership of Proyecto Riotinto) by acquiring the remaining 49% of the issued capital of ARM. The cost of the acquisition was satisfied by issuing 39,140,000 Ordinary Shares to MRI Trading AG ("MRI") at an issue price of 21p per Ordinary Share and a deferred cash settlement of up to €53 million ("Deferred Consideration"), (including loans of €9,116,617.30 owed to companies related to MRI incurred in relation to the operation of Proyecto Riotinto). The obligation to pay the Deferred Consideration is subject to the satisfaction of the following conditions (the "Conditions"): (a) all authorisations to restart mining activities in Proyecto Riotinto having been granted by the Junta de Andalucía ("Permit Approval"); and (b) the Group securing a senior debt finance facility for a sum sufficient to restart mining operations at Proyecto Riotinto ("Senior Debt Facility") and being able to draw down funds under the Senior Debt Facility.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

29. Contingent liabilities (continued)

Originally the Group was obliged to pay the Deferred Consideration in instalments commencing on the date of drawdown under the Senior Debt Facility until the second anniversary of commercial production at Proyecto Riotinto. On 31 March 2009, pursuant to a deed of amendment, MRI consented to the Group paying the Deferred Consideration over a period of six or seven years following satisfaction of the Conditions (the “Payment Period”). In return, the Company agreed to potentially pay further Deferred Consideration of up to €15,900,000 in regular instalments over the Payment Period depending upon the price of copper. Any such additional Deferred Consideration would only be payable if, during the relevant period, the average price of copper per tonne is US$6,614 or more (US$3.00/lb). On 11 November 2011 MRI novated its right to be paid the Deferred Consideration to Astor Management AG (“Astor”).

As security, inter alia, for the obligation to pay the Deferred Consideration to Astor, EMED Holdings (UK) Limited has granted a pledge to Astor Resources AG over the issued capital of ARM and the Company has provided a parent company guarantee.

As at the date of this report, the Permit Approval condition has been satisfied. However, the Group has not entered into arrangements in connection with a Senior Debt Facility and, in the absence of drawdown of funds by the Group pursuant to a Senior Debt Facility, there is significant doubt concerning the legal obligation on the Company to pay any of the Deferred Consideration.

On 2 November 2015, the Company announced that it was in receipt of a formal claim from Astor (the “Claim”). The Claim was made in the High Court of Justice in London against the Company and certain other members of the Group. In its Claim, Astor is claiming, inter alia, that the Conditions have been satisfied and the first instalment of the Deferred Consideration is due (together with damages). The Company is disputing this and it is defending the proceedings vigorously.

Judicial and administrative cases

On 23 September 2010, ARM was notified that the Andalucían Water Authority (“AWA”) had initiated a Statement of Objections and Opening of File (the “Administrative File 2010”) following allegations by third parties of unauthorised industrial discharges from the Tailings Management Facility (“TMF”) at the Rio Tinto Copper Mine in the winter months of late 2010 and early 2011. These assertions are judicial (alleging negligence) and administrative (alleging damage to the environment) in nature. At that time, the Company owned 33% of the TMF and the owners of the remaining 67% are co-defendants (Rumbo and Zeitung).

In December 2011 the judicial claims were dismissed in the initial discovery phase by the appeals Court (upholding a lower court decision) finding that the controlled discharges of excess rainwater were force majeure events carried out to protect the stability of the TMF, thereby ensuring public safety and protection of the environment (the “Court Decisions”). Given that all judicial claims were dismissed in the very early stages of the court´s investigation, no formal charges were ever made against ARM or against any of its Directors or Officers.

Now that the Court Decisions are final, the Administrative File 2010, which can only result in a monetary sanction against the co-defendants, was re-opened. The defence arguments successfully used in a later case which has been dismissed on 11 February 2015 will be used in the Administrative 2010 and the management is positive that they will be accepted.

On January 2, 2013 ARM, Rumbo and Zeitung were notified of a Resolution of Fine and Damages (in a total amount of €1,867,958.39). In February 2013 ARM appealed this Resolution and the Court has agreed that the Fine and Damages amount be secured by a mortgage over certain properties owned by the Company until the final decision on the alleged discharges is known.

In the Company’s view, no “industrial discharge” took place, but rather a force majeure controlled discharge of excess rainwater accumulated in the TMF since industrial operations ceased in the early 2000´s with no actual damage to the environment having taken place.

In the Company’s view it is unlikely that any fine or sanction will be imposed against ARM once the Administrative File 2010 reaches its final conclusion after all appeals are exhausted in approximately 3-5 years. On 9 February 2016, the Court ruled in favour of ARM, Rumbo and Zeitung. Although AWA reserves the right to appeal to the Supreme Court, the likelihood of overturning the decision is very low.

Notes to the consolidated financial statements

Years ended 31 December 2015 and 2014

29. Contingent liabilities (continued)

On 28 January 2014, ARM was notified that the Huelva Territorial Delegation of the Ministry of Environment (which has absorbed the former AWA) had initiated another disciplinary proceeding for unauthorised discharge (the "Administrative File 2013") of administrative nature following allegations by the administration of alleged unauthorised industrial discharges from the TMF at the Rio Tinto Copper Mine during the heavy rains occurred from 7 March to 25 April 2013. The Administration has proposed the amount of €726,933.30 as compensation for alleged damages to the environment ("Public Water Domain") and a fine of between €300,507 to €601,012. On 11 February 2015, the Huelva Territorial Delegation of the Ministry of Environment dismissed the case. This outcome is especially relevant as it can now be used as a precedent for defence of any other proceedings of a similar nature.

On 19 February 2015, ARM was notified that the Huelva Territorial Delegation of the Ministry of Environment had initiated another disciplinary proceeding for unauthorised discharge (the "Administrative File 2014") which has proposed a fine of between €300,507 to €601,012. On 10 March 2015 the Company submitted the relevant defence arguments.

In the Company´s view, it is unlikely that any fine or sanction will be imposed against ARM once the Administrative files reach their final conclusion and taking into account the already accepted allegations and mentioned arguments of defence.

30. Commitments

Spain

There are no minimum exploration requirements at Proyecto Riotinto. However, the Group is obliged to pay municipal land taxes which currently are approximately €110,000 per year in Spain and the Group is required to maintain the Riotinto site in compliance with all applicable regulatory requirements.

As part of the consideration for the purchase of land from Rumbo, ARM has agreed to pay a royalty to Rumbo subject to commencement of production of $250,000 in each quarter where the average price of LME copper or the average copper sale price achieved by the Group is at least $2.60/lb. No royalty is payable in respect of any quarter where the average copper price for that quarter is below this amount and in certain circumstances any quarterly royalty payment can be deferred until the following quarter. The royalty obligation terminates 10 years after commencement of production.

Commencement of production is defined as being the first to occur of processing of ore at a rate of nine million tonnes per annum for a continuous period of six months or the date that is 18 months after the first product sales from Proyecto Riotinto. Additionally, if after seven years from the date of the land purchase, the Group has not obtained all necessary licenses to open and operate Proyecto Riotinto, the land will be sold back to Rumbo for €1. Should the Group sell the land prior to this date to a third party, Rumbo shall be paid €5.5 million and the above mentioned royalty novated to the third party.

ARM has entered into a 50/50 joint venture with Rumbo to evaluate and exploit the potential of the class B resources in the tailings dam and waste areas at Proyecto Riotinto. 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 million. Costs are then borne by the joint venture partners in accordance with their respective ownership interests. Half of the costs paid by ARM in connection with the feasibility study can be deducted from any royalty which may fall due to be paid.

At Proyecto Riotinto, the Group has four year options with each of Zeitung and Inland for the purchase of certain land plots adjacent to the mine at a purchase price of €4.202 million (expiry date 31 July 2016) and €4.648 million (expiry date 2 August 2016) respectively. The Zeitung option requires an annual option payment from the Group of €119,500 and the Inland option requires an annual payment of €130,500 which is deductible from the purchase price. In each case, half of the purchase price can be made by the issue of shares in the Company based on a weighted average market price at the time of the purchase.

31. Events after the reporting period

There were no other events after the reporting period, which would have a material effect on the consolidated financial statements.