



## **MINERA IRL LIMITED**

### **Interim Consolidated Financial Statements For the Third Quarter ended 30 September 2018**

*All figures are in United States ("US") dollars unless otherwise noted.  
References to "C\$" are to Canadian dollars and to "£" are to British pound sterling.*

#### **NOTICE TO READER**

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management. The Group's independent auditor has not performed a review of these financial statements.

# Minera IRL Limited

## Quarterly Consolidated Statement of Comprehensive Income and Results

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	Three Months Ended		Nine Months Ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
Revenue		\$ 7,133	\$ 7,486	\$ 21,281	\$ 23,487
Cost of sales		(5,913)	(6,197)	(17,704)	(17,360)
<b>Gross profit</b>		<b>1,220</b>	1,289	<b>3,577</b>	6,127
Administrative expenses		(1,065)	(1,277)	(3,963)	(3,322)
Exploration costs		(84)	(78)	(170)	(108)
Gain on sale of property plant and equipment		-	11	-	465
Write-off of intangible asset		-	-	(173)	(266)
<b>Operating (loss) profit</b>		<b>71</b>	(55)	<b>(729)</b>	2,896
Finance expense	3	(1,893)	(1,903)	(5,733)	(7,830)
<b>Loss before tax</b>		<b>(1,822)</b>	(1,958)	<b>(6,462)</b>	(4,934)
Income tax expense		-	-	-	(300)
<b>Loss for the period attributable to the equity shareholders of the parent</b>		<b>(1,822)</b>	(1,958)	<b>(6,462)</b>	(5,234)
<b>Total comprehensive loss for the period attributable to the equity shareholders of the parent</b>		<b>\$ (1,822)</b>	<b>\$ (1,958)</b>	<b>\$ (6,462)</b>	<b>\$ (5,234)</b>
<b>Loss per ordinary share (US cents)</b>					
Basic and diluted		(0.8)	(0.8)	(2.8)	(2.3)

# Minera IRL Limited

## Consolidated Statement of Financial Position

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	30 September 2018 US\$000	31 December 2017 US\$000
<b>Assets</b>			
Property, plant and equipment	5	11,300	10,985
Intangible assets	6	142,784	142,324
<b>Total non-current assets</b>		<b>154,084</b>	<b>153,309</b>
Inventory	8	2,302	2,769
Other receivables and prepayments	7	9,665	9,492
Current tax recoverable		897	1,036
Cash and cash equivalents	9	2,709	3,276
<b>Total current assets</b>		<b>15,573</b>	<b>16,573</b>
<b>Total assets</b>		<b>\$ 169,657</b>	<b>\$ 169,882</b>
<b>Equity</b>			
Share capital	10	159,012	159,012
Share option reserve	10	479	479
Accumulated losses		(91,905)	(85,443)
<b>Total equity attributable to equity shareholders of the parent</b>		<b>\$ 67,586</b>	<b>\$ 74,048</b>
<b>Liabilities</b>			
Trade and other payables	15	-	707
Finance lease liabilities	11	-	147
Provisions	14	7,903	7,269
<b>Total non-current liabilities</b>		<b>7,903</b>	<b>8,123</b>
Finance lease liabilities	11	280	530
Interest bearing loans	12	81,351	76,483
Trade and other payables	15	12,537	10,698
<b>Total current liabilities</b>		<b>94,168</b>	<b>87,711</b>
<b>Total liabilities</b>		<b>\$ 102,071</b>	<b>\$ 95,834</b>
<b>Total equity and liabilities</b>		<b>\$ 169,657</b>	<b>\$ 169,882</b>

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 14 November 2018.

“Gerardo Pérez”

Gerardo Pérez  
Chairman  
Lima, Peru  
14 November 2018

“Carlos Ruiz de Castilla”

Carlos Ruiz de Castilla  
Chief Financial Officer  
Lima, Peru  
14 November 2018

# Minera IRL Limited

## Consolidated Statement of Changes in Equity

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	Share capital		Reserves		Total equity
		Number of Shares	Amount	Share option	Accumulated losses	
<b>Balance at 1 January 2017</b>		231,135,028	\$ 159,012	\$ 663	\$ (86,439)	\$ 73,236
Loss for the period		-	-	-	(5,234)	(5,234)
Total comprehensive loss		-	-	-	(5,234)	(5,234)
Expiry/lapse of share options		-	-	(184)	184	-
<b>Balance at 30 September 2017</b>		231,135,028	159,012	479	(91,489)	68,002
Profit for the period		-	-	-	6,046	6,046
Total comprehensive income		-	-	-	6,046	6,046
<b>Balance at 31 December 2017</b>		<b>231,135,028</b>	<b>\$ 159,012</b>	<b>\$ 479</b>	<b>\$ (85,443)</b>	<b>\$ 74,048</b>
Loss for the period	5	-	-	-	(6,462)	(6,462)
Total comprehensive loss		-	-	-	(6,462)	(6,462)
<b>Balance at 30 September 2018</b>		<b>231,135,028</b>	<b>\$ 159,012</b>	<b>\$ 479</b>	<b>\$ (91,905)</b>	<b>\$ 67,586</b>

# Minera IRL Limited

## Consolidated Statement of Cash Flows

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	Three Months Ended		Nine Months Ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
<b>Cash flows from operating activities</b>					
Loss before tax		\$ (1,822)	\$ (1,958)	\$ (6,462)	\$ (4,934)
Finance expense	3	1,893	1,903	5,733	7,830
Gain on sale of property, plant and equipment		(4)	(11)	(4)	(465)
Depreciation	5	1,123	802	2,631	1,786
Write-off of intangible asset	6	-	-	173	266
Decrease (increase) in inventory	8	36	(44)	467	(58)
(Increase) in other receivables and prepayments		(487)	(299)	(167)	(258)
Increase in trade and other payables		610	1,735	1,132	364
Payment of mine closure costs	14	(16)	(21)	(38)	(60)
<b>Net cash generated from operations</b>		<b>1,333</b>	<b>2,107</b>	<b>3,465</b>	<b>4,471</b>
Income tax paid, net		(203)	(93)	134	20
<b>Net cash from operating activities</b>		<b>1,130</b>	<b>2,014</b>	<b>3,599</b>	<b>4,491</b>
<b>Cash flows from investing activities</b>					
Acquisition of Property, plant and equipment	5	(553)	(870)	(1,479)	(2,113)
Disposal of Property, plant and equipment		4	11	4	471
Deferred exploration and development expenditures	6	(601)	(904)	(2,101)	(3,324)
<b>Net cash outflow from investing activities</b>		<b>(1,150)</b>	<b>(1,763)</b>	<b>(3,576)</b>	<b>(4,966)</b>
<b>Cash flows from financing activities</b>					
Payment of finance lease liabilities	11	(132)	(132)	(397)	(372)
Payment of finance expenses		(28)	(68)	(193)	(1,805)
<b>Net cash outflow from financing activities</b>		<b>(160)</b>	<b>(200)</b>	<b>(590)</b>	<b>(2,177)</b>
Net change in cash		(180)	51	(567)	(2,652)
Cash at beginning of period		2,889	4,154	3,276	6,857
<b>Cash at end of period</b>	9	<b>\$ 2,709</b>	<b>\$ 4,205</b>	<b>\$ 2,709</b>	<b>\$ 4,205</b>

## **Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
Three Months Ended 30 September 2018 and 2017  
(Unaudited – Expressed in United States Dollars)

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### **Note 1 – Basis of Preparation and Going Concern**

The financial statements are presented in United States dollars, rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies.

At 30 September 2018, the Group had a working capital deficit of \$78,595,000 (defined as current assets less current liabilities). On 8 June 2015, the Group announced that it had arranged a \$70,000,000 secured finance facility (the "Bridge Loan") structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE") and syndicated through Goldman Sachs Bank USA. The Bridge Loan was part of a senior project credit finance facility of up to \$240,000,000 described in a letter of mandate signed by COFIDE and Minera IRL ("Senior Project Debt Facility"). The Senior Project Debt Facility was to be structured by COFIDE, in conjunction with Minera IRL, to build the Ollachea Gold Project (the "Ollachea Project").

In March 2017 COFIDE terminated the letter of mandate without providing any reason for their decision.

On 6 June 2017 the Group announced it had obtained an order from the Superior Court of Justice of Lima as a precautionary measure to protect its assets and investments in the Ollachea Project; and its intention to initiate an arbitration process. The order temporarily suspends any enforcement proceedings against the Group regarding non repayment of the \$70,000,000 Bridge Loan granted by COFIDE as well as the last interest instalment of approximately \$1,240,000, both of which were due for payment on 5 June 2017.

On 20 June 2017 the Group announced it had filed a request for an arbitration against COFIDE with the Arbitration Centre of the Lima Chamber of Commerce. The intention to commence the Arbitration had been previously announced by the press release on 6 June 2017.

On 4 October 2017 the Group announced the Superior Council of Arbitration of the Chamber of Commerce of Lima rejected the arguments submitted by COFIDE in opposition to beginning the Arbitration requested in June, 2017. The Council admitted the Group's claims despite COFIDE's objections, and decided that the Arbitration should continue.

The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Group's subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the arbitration ruling is not in favour of the Group, or the Group is not able to secure an alternative source of funds to refinance the debt with COFIDE it may have to relinquish its ownership of the subsidiary, Campaña Minera Kuri Kullu S.A. and therefore the Ollachea Project. All net assets associated with the Ollachea Project would be fully impaired as a result. The assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

The Group is currently evaluating its options and seeking an alternative source of financing its Ollachea Project.

The Directors consider that an alternative source of funding will be secured to be able to repay the Bridge Loan and obtain the necessary investment to develop the Ollachea Project. There can be no guarantee however that alternative funding will be obtained within the required timescale or on acceptable terms.

The cash generated from gold production at the Corihuarmi mine is required to fund the working capital requirements of the Group in the meantime. In addition, the Group intends to accelerate the process for recovering VAT in connection with its exploration activities on the Ollachea Project, together with other cost cutting measures, if required.

**Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
 Three Months Ended 30 September 2018 and 2017  
 (Unaudited – Expressed in United States Dollars)

**Note 1 – Basis of Preparation and Going Concern (continued)**

The Directors have therefore prepared the financial statements on the assumption that the Group will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Group is not expected to continue operations for the foreseeable future.

The financial information contained in these interim consolidated financial statements does not constitute statutory accounts as defined by the Companies (Jersey) Law 1991. No statutory accounts for the period have been delivered to the Jersey Registrar of Companies.

These interim consolidated financial statements have been prepared by management and reported in thousands of United States dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and have been prepared following the same accounting policies and method of computation as the annual Financial Statements for the year ended 31 December 2017. The disclosures provided below are incremental to those included with the annual Financial Statements. Certain information and disclosures normally included in the notes to the annual Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2017 prepared in accordance with IFRS as issued by the IASB.

**Note 2 – Segment Reporting**

IFRS 8 requires operating segments to be identified on the basis of internal reports on the performance of the managerial units of the Group for decision making. The Group identifies these units primarily according to the country of operation. Within the countries of operation the managerial functions are divided into mining operations, the exploration activities related to the individual properties which the Group has the rights to explore, the activities related to the acquisition of properties and the administration of the Group. The assessment of exploration activities is dependent principally on non-financial data.

The following table sets out the income and expenditure of the Group according to these reporting segments:

	<b>Peru US\$000</b>	<b>Jersey US\$000</b>	<b>Total US\$000</b>
<b>For the nine month period Ended 30 September</b>			
Revenue	21,281	-	21,281
Administration expenses	(2,909)	(1,054)	(3,963)
Operating profit (loss)	325	(1,054)	(729)
Loss	(5,408)	(1,054)	(6,462)
<b>For the nine month period Ended 30 September</b>			
Revenue	23,487	-	23,487
Administration Expenses	(2,417)	(905)	(3,322)
Operating profit (loss)	3,801	(905)	2,896
Loss	(3,981)	(1,253)	(5,234)

**Note 2 – Segment Reporting (continued)**

## Minera IRL Limited

Notes to Interim Consolidated Financial Statements  
Three Months Ended 30 September 2018 and 2017  
(Unaudited – Expressed in United States Dollars)

	Peru US\$000	Jersey US\$000	Total US\$000
<b>As at 30 September 2018</b>			
Non-current assets	154,084	-	154,084
Current assets	15,553	20	15,573
<b>Total assets</b>	<b>169,637</b>	<b>20</b>	<b>169,657</b>
<b>As at 31 December 2017</b>			
Non-current assets	153,309	-	153,309
Current assets	16,540	33	16,573
<b>Total assets</b>	<b>169,849</b>	<b>33</b>	<b>169,882</b>

### Note 3 – Finance Expense

The following table details the finance expenses incurred during the three and nine month periods ended 30 September 2018 and 2017.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018</b>	<b>30 September 2017</b>	<b>30 September 2018</b>	<b>30 September 2017</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
Macquarie Bank royalty buyback provision	-	232	-	224
Sherpa royalty buyback provision	-	158	-	153
COFIDE bridge loan interest	<b>1,640</b>	1,297	<b>4,867</b>	6,360
Other bridge loan finance costs	-	-	-	539
Other	<b>253</b>	216	<b>866</b>	554
	<b>1,893</b>	1,903	<b>5,733</b>	7,830

### Note 4 – Loss per Share

The calculation of the loss per share is based on the loss attributable to ordinary shareholders for the three months ended 30 September 2018 of \$1,822,000 (30 September 2017: loss of \$1,958,000) and the weighted average number of ordinary shares in issue during the three month period ended 30 September 2018 of 231,135,028 (30 September 2017: 231,135,028).

Diluted loss per share assumes that dilutive options have been converted into ordinary shares. The calculation is as follows:

	<b>2018 Loss US\$000</b>	<b>Number of shares US\$000</b>	<b>2018 Loss per share (cents)</b>	<b>2017 Loss US\$000</b>	<b>Number of shares US\$000</b>	<b>2017 Loss per share (cents)</b>
Basic loss	<b>(1,822)</b>	<b>231,135</b>	<b>(0.8)</b>	(1,958)	231,135	(0.8)
Dilutive effects-options	-	-	-	-	-	-
<b>Diluted loss</b>	<b>(1,822)</b>	<b>231,135</b>	<b>(0.8)</b>	(1,958)	231,135	(0.8)

As at 30 September 2018 and 2017, all options were excluded from the calculation of diluted loss per share because they were non-dilutive.

### Note 5 – Property, Plant and Equipment



## Minera IRL Limited

Notes to Interim Consolidated Financial Statements  
Three Months Ended 30 September 2018 and 2017  
(Unaudited – Expressed in United States Dollars)

	Mining Assets & Deferred Development Costs US\$000	Land & Buildings US\$000	Motor Vehicles US\$000	Computers & Other Equipment US\$000	Total US\$000
<b>Cost</b>					
Balance – 1 January 2017	58,377	427	2,569	3,083	64,456
Additions	2,852	-	1,703	1,085	5,640
Disposal	-	-	(1,913)	-	(1,913)
Reclassifications	(40)	-	-	40	-
<b>Balance – 31 December 2017</b>	<b>61,189</b>	<b>427</b>	<b>2,359</b>	<b>4,208</b>	<b>68,183</b>
<b>Balance – 1 January 2018</b>	<b>61,189</b>	<b>427</b>	<b>2,359</b>	<b>4,208</b>	<b>68,183</b>
Additions	1,359	97	-	23	1,479
Reclassifications (see note 6)	1,468	-	-	-	1,468
Disposal	-	-	(67)	(1)	(68)
<b>Balance – 30 September 2018</b>	<b>64,016</b>	<b>524</b>	<b>2,292</b>	<b>4,230</b>	<b>71,062</b>
<b>Accumulated Depreciation</b>					
Balance – 1 January 2017	51,276	347	2,442	2,789	56,854
Disposal	-	-	(1,886)	-	(1,886)
Depreciation	1,907	3	250	70	2,230
<b>Balance – 31 December 2017</b>	<b>53,183</b>	<b>350</b>	<b>806</b>	<b>2,859</b>	<b>57,198</b>
<b>Balance – 1 January 2018</b>	<b>53,183</b>	<b>350</b>	<b>806</b>	<b>2,859</b>	<b>57,198</b>
Depreciation	2,159	2	388	82	2,631
Disposal	-	-	(67)	-	(67)
<b>Balance – 30 September 2018</b>	<b>55,342</b>	<b>352</b>	<b>1,127</b>	<b>2,941</b>	<b>59,762</b>
<b>Carrying Amounts</b>					
Balance - 1 January 2017	7,101	80	127	294	7,602
Balance – 31 December 2017	8,006	77	1,553	1,349	10,985
<b>Balance – 30 September 2018</b>	<b>8,674</b>	<b>172</b>	<b>1,165</b>	<b>1,289</b>	<b>11,300</b>

**Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
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(Unaudited – Expressed in United States Dollars)

**Note 6 – Intangible Assets**

Carrying values of the deferred exploration	Ollachea US\$000	Other Peru US\$000	Total US\$000
Balance – 1 January 2017	136,705	1,551	138,256
Additions	3,567	767	4,334
Write-off of intangible assets	-	(266)	(266)
Balance – 31 December 2017	140,272	2,052	142,324
Additions	1,694	407	2,101
Reclassifications (see note 5)	-	(1,468)	(1,468)
Write-off of intangible assets	-	(173)	(173)
<b>Balance - 30 September 2018</b>	<b>141,966</b>	<b>818</b>	<b>142,784</b>

The Ollachea property will require significant project financing in order to bring it into production and convert it into mining assets. The carrying values of the deferred exploration and development costs for the Ollachea property and the Group's other exploration properties in Peru at 31 December 2017 have been assessed for indications of impairment and the results of these assessments have been sufficiently encouraging to justify the retention of the deferred exploration and development assets on the consolidated statements of financial position.

As disclosed in Note 1 'Basis of Preparation and Going Concern', the Ollachea property is pledged as security for the Bridge Loan which was due for repayment in June 2017. For additional information please refer to Note 1.

In June 2018 the Group decided to discontinue paying mineral rights related to the Quilavira project in order to preserve cash. In consequence the Group recorded a write off charge of \$173,000 related to this project during the second quarter 2018.

**Note 7 – Other Receivables and Prepayments**

	30 September 2018 US\$000	31 December 2017 US\$000
<b>Current assets</b>		
Other receivables	8,865	9,204
Prepayments	800	288
	<b>9,665</b>	<b>9,492</b>

Included in other receivables and prepayments is an amount of \$8,532,000 (2017: \$8,460,000) relating to sales tax paid on the purchase of goods and services in Peru.

**Note 8 - Inventory**

	30 September 2018 US\$000	31 December 2017 US\$000
Gold in process	1,489	1,476
Mining materials	813	1,293
	<b>2,302</b>	<b>2,769</b>

**Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
 Three Months Ended 30 September 2018 and 2017  
 (Unaudited – Expressed in United States Dollars)

**Note 9 – Cash and cash equivalents**

	<b>30 September 2018 US\$000</b>	<b>31 December 2017 US\$000</b>
Bank balances	<b>2,709</b>	3,276

**Note 10 – Capital and Reserves**

As at 30 September 2018 and 31 December 2017, Minera IRL Limited's share capital is made up of no par shares. There is no upper limit on the value of shares to be issued.

<b>Issued share capital</b>	<b>Ordinary Shares</b>
Shares in issue 1 January 2017	231,135,028
Shares in issue 31 December 2017	231,135,028
<b>Shares in issue 30 September 2018</b>	<b>231,135,028</b>

Share Options

Minera IRL Limited has a share option scheme for the benefit of directors, employees and certain consultants of the Group. The purpose of the scheme is to provide incentives to those people whose efforts and skills are most important to the success of the Group, and to ensure that the interests of the management of the Group are fully aligned with the interests of shareholders. The terms of the scheme allow the directors to decide at the date of grant when the option becomes exercisable. Options granted before 17 November 2009 allow for the exercise of half of the options after one year from the date of grant and half after two years. Options granted on or after 17 November 2009 allow immediate exercise. The options lapse on the fifth anniversary of the date of grant and have no performance conditions.

	<b>30 September 2018</b>		<b>31 December 2017</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (£)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (£)</b>
Outstanding – beginning of period	<b>700,000</b>	<b>0.15</b>	2,000,000	0.51
Expired	-	-	(1,300,000)	0.71
Outstanding, end of period	<b>700,000</b>	<b>0.15</b>	700,000	0.15
Exercisable, end of period	<b>700,000</b>	<b>0.15</b>	700,000	0.15

The average remaining contractual life of the outstanding options as at 30 September 2018 was 0.1 years (2017: 0.9 years).

On the expiry and lapsing of 1,300,000 options during the year ended 31 December 2017, a total of \$184,000 was transferred from share option reserve to accumulated losses.

The following table details the incentive stock options outstanding as at 30 September 2018:

<b>Number of share options</b>	<b>Exercise price</b>	<b>Expiry date</b>
700,000	£0.15	15 November 2018

**Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
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**Note 10 – Capital and Reserves (continued)**Other Share Options

	<b>30 September 2018</b>		<b>31 December 2017</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of period	<b>11,556,751</b>	<b>0.16</b>	11,556,751	0.16
Outstanding – end of period	<b>11,556,751</b>	<b>0.16</b>	11,556,751	0.16
Exercisable – end of period	-	-	-	-

As part of the fees paid in connection with the Bridge Loan, Minera IRL Limited was required to grant 11,556,751 options to Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”), the financial advisor, subject to receipt of all regulatory and shareholder approvals. Each option would be exercisable to purchase one ordinary share of the Group at a price of C\$0.20 (\$0.16) per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Project. During the Annual General Meeting held on 30 November 2016 the resolution granting the directors the authority to allot shares was not passed. Consequently these options have not been granted.

**Share Option Reserve**

The share option reserve includes a credit based on the fair value of share options issued and remaining in issue at 30 September 2018.

**Accumulated losses**

The accumulated losses reserve represents the groups accumulated losses since incorporation.

**Capital Maintenance**

The directors manage the capital resources of the Group to ensure that there are sufficient funds available to continue in business. The Group monitors capital on the basis of the gearing ratio.

	<b>30 September 2018 US\$000</b>	<b>31 December 2017 US\$000</b>
Total interest bearing debt	<b>81,351</b>	76,483
Total equity	<b>67,586</b>	74,048
Debt-to-equity ratio	<b>120.4%</b>	103.3%

**Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
Three Months Ended 30 September 2018 and 2017  
(Unaudited – Expressed in United States Dollars)

**Note 11 –Finance Lease Obligations**

During the second quarter of 2017 the Group replaced a significant part of its dump truck fleet (10 units) at the Corihuarmi mine through a leasing contract. The acquisition cost of the new units was \$1,501,000 and the old units were sold for \$458,000. The balance was financed through a two year lease term with an interest rate of 14.33%. These assets are pledged as security against lease obligations.

Motor vehicles on Note 5 include amounts where the Group is a lessee under a finance lease. Assets held under finance lease have a net book value of \$1,011,000 at 30 September 2018.

The following is a schedule of future lease payments due under the capital lease contract.

<b>Lease Obligations</b>	<b>30 September 2018 US\$000</b>	<b>31 December 2017 US\$000</b>
Balance - 1 January	677	-
Additions	-	1,501
Proceeds from disposals	-	(458)
Deferred interest	-	139
Paid during the period	(397)	(505)
	<b>280</b>	<b>677</b>

The following is a reconciliation between present value and gross future minimum lease payments:

	<b>30 September 2018 US\$000</b>	<b>31 December 2017 US\$000</b>
Present value	270	620
Interest	10	57
<b>Total gross future minimum lease payments</b>	<b>280</b>	<b>677</b>

The following is the presentation Statement of Financial Position Presentation:

	<b>30 September 2018 US\$000</b>	<b>31 December 2017 US\$000</b>
Lease obligations – not later than one year	280	530
Lease obligations – between two and five years	-	147
	<b>280</b>	<b>677</b>

**Minera IRL Limited**

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**Note 12 –Interest Bearing Loans**

	<b>30 September 2018 US\$000</b>	<b>31 December 2017 US\$000</b>
<b>Current liabilities</b>		
Promissory note	<b>1,516</b>	1,516
Bank Loan	<b>79,835</b>	74,967
	<b>81,351</b>	76,483

**COFIDE Bridge Loan**

On 8 June 2015, the Group announced that it had arranged a \$70,000,000 secured finance facility (the “Bridge Loan”) structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. (“COFIDE”) and syndicated through Goldman Sachs Bank USA. The Bridge Loan was part of a senior project credit finance facility of up to \$240,000,000, described in a Mandate Letter signed by COFIDE and Minera IRL (“Senior Project Debt Facility”). The Senior Project Debt Facility was to be structured by COFIDE, in conjunction with Minera IRL, to build the Ollachea Project.

The length of the loan was for 24 months, at an interest rate of LIBOR plus 6.17%, LIBOR plus a 2% interest surcharge after the date the Bridge Loan was due. The Bridge Loan terms included financing fees of 2.25% (\$1,575,000) paid to COFIDE along with an upfront fee of \$300,000 to Goldman Sachs. In addition, the Group paid certain fees to the financial advisor, Sherpa, including a 3% fee (\$2,100,000) paid in cash as well as a 0.9% net smelter return royalty on the Ollachea Project. Sherpa would also be entitled to 11,556,751 share options, each of which is exercisable to purchase one ordinary share of Minera IRL Limited at a price of C\$0.20 per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Project (subject to receipt of all regulatory and shareholder approval). During the Annual General Meeting held on 30 November 2016 the resolution granting the directors the authority to allot shares was not passed, consequently, these options have not been granted.

The 0.9% net smelter return royalty granted to Sherpa is subject to a buyback at the Group’s option. Details on the royalty buyback are provided in Note 13, “Royalty Buyback Liabilities”.

The total cost of the Bridge Loan, including the estimated value of the share options and the Sherpa Royalty Buyback, was deferred and expensed over the two-year life of the loan on an effective interest basis.

The net proceeds from the Bridge Loan were applied towards the repayment of the \$30,000,000 Macquarie Bank debt facility and the payment of \$12,000,000 of the \$14,190,000 outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract. The remaining \$2,190,000 outstanding to Rio Tinto has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. The promissory note was recorded as an interest bearing loan on the statement of financial position under current liabilities. The Group had negotiated the option of settling the \$2,190,000 promissory note with cash or the issuance of Minera IRL Limited ordinary shares, subject to shareholder approval. However, the resolution to approve the issuance of ordinary shares in settlement of the promissory note at the annual general meeting, held on 27 August 2015, was not approved by shareholders. The Group repaid \$700,000 of the principal plus interest during 2016. The balance of \$1,516,000 as at 30 September 2018 is \$1,490,000 of principal and \$26,000 of interest.

In March 2017 COFIDE terminated the letter of mandate without providing any reason for their decision.

## Minera IRL Limited

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### Note 12 –Interest Bearing Loans (continued)

On 6 June 2017 the Group announced it had obtained an order from the Superior Court of Justice of Lima as a precautionary measure to protect its assets and investments in the Ollachea Project; and its intention to initiate an arbitration process. The order temporarily suspends any enforcement proceedings against the Group regarding the repayment of the \$ 70,000,000 Bridge Loan granted by COFIDE as well as the last interest instalment of approximately \$1,240,000, both of which were due on 5 June 2017.

On 20 June 2017 the Group announced it had filed a request for an arbitration against COFIDE with the Arbitration Centre of the Lima Chamber of Commerce. The intention to commence the Arbitration had been previously announced by the press release of 6 June 2017.

On 4 October 2017 the Group announced that the Superior Council of Arbitration of the Chamber of Commerce of Lima rejected the arguments submitted by COFIDE in opposition to beginning the Arbitration requested in June, 2017. The Council admitted the Group's claims despite COFIDE's objections, and decided that the Arbitration should continue. The Group is currently awaiting the outcome of the Arbitration process.

The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Group's subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Group is unsuccessful in the Arbitration process or not able to secure an alternative source of funds to refinance the debt with COFIDE, it may have to relinquish its ownership of the subsidiary, Campaña Minera Kuri Kullu S.A. and therefore the Ollachea Project. All net assets associated with the Ollachea Project would be fully impaired as a result. The assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

The Group is currently evaluating its options for the repayment of the Bridge Loan and accrued interests as well as seeking alternative sources of financing its Ollachea Project.

### Note 13 –Royalty Buyback Liabilities

The Group has granted royalties on the Ollachea Project to Sherpa related to the COFIDE Bridge Loan and to Macquarie Bank under the Finance Facility terms amended in 2013 that can be bought out at the Group's option by paying buyback fees. The Group initially intended to exercise those options and accrued the present value of the corresponding buyback fees, with interest being unwound through finance costs.

A reconciliation of the royalty buyback provision is as follows:

	<b>Sherpa Royalty US\$000</b>	<b>Macquarie Royalty US\$000</b>	<b>Total US\$000</b>
Balance 1 January 2017	4,544	3,362	7,906
Finance expense recorded	316	473	789
Write back to profit or loss	(4,860)	(3,835)	(8,695)
Balance 31 December 2017	-	-	-
<b>Balance 30 September 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Sherpa Royalty Buyback Liability

In June 2015, the Group secured a \$70,000,000 Bridge Loan from COFIDE. The financial structuring costs related to the Bridge Loan included a 0.9% net smelter return royalty on gold production from the Ollachea Project. The Group would have the right to buyback and cancel this royalty by paying a buy-back fee of \$5,566,000. During the year 2017 the Group increased this provision by \$316,000 to a balance of \$4,860,000. The increase to the provision was accounted for within finance expenses.

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**Note 13 – Royalty Buyback Liabilities (continued)**Macquarie Royalty Buyback Liability

In August 2013, the Macquarie Finance Facility was amended to increase the amount available by \$10,000,000. As a condition of drawing down these funds the Group awarded a 1% royalty on gold production from the Ollachea Project. The Group would have the right to buyback and cancel this royalty by paying a buyback fee of \$5,000,000. During the year 2017 the Group increased this provision by \$473,000 to a balance of \$3,835,000. The increase to the provision was accounted for within finance expenses.

At the end of the 2017, the Group reviewed the feasibility and probability of settling both royalty buyback options and concluded that, given current cash constraints and the arbitration process in relation to the COFIDE loan described in Note 1, it was not in the position to determine with reasonable certainty if and when these royalties could be settled. Consequently, both provisions have been derecognised as at 31 December 2017.

**Note 14 – Provisions**

The Group has a provision of \$7,903,000 (2017: \$7,269,000) against the present value of the cost of restoring the Corihuarmi mine site and Ollachea exploration tunnel site. This provision is an estimate of the cost of reversing the alterations to the environment that had been made to date. The timing and cost of this rehabilitation is uncertain and depends upon the duration of the mine life and the quantity of ore that will be extracted from the mine. At the year end, management estimates that the remaining mine life at Corihuarmi is approximately 36 months. The directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 2 years' time on the assumption that commercial production does not proceed.

	30 September 2018 US\$000	31 December 2017 US\$000
Balance brought forward	7,269	6,738
Accretion expense	672	528
Provision increase	-	82
Paid during the year	(38)	(79)
	<b>7,903</b>	<b>7,269</b>

**Note 15 – Trade and other payables**

	30 September 2018 US\$000	31 December 2017 US\$000
<b>Non-current</b>		
Other payables	-	707
<b>Current</b>		
Trade payables	8,342	7,693
Other payables	4,195	3,005
	<b>12,537</b>	<b>10,698</b>

**Note 16 – Financial Instruments and Financial Risk Management**



## Minera IRL Limited

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### Financial instruments

The Group's principal financial assets comprise of available cash and cash equivalents, and other receivables. The Group's financial assets are classified as loans and receivables and initially recognised at fair value. After initial measurement, such financial assets are measured at amortised cost using the effective interest method, less provision for impairment.

The Group's financial liabilities include trade and other payables, interest bearing loans and other long term liabilities. All financial liabilities are recognised initially at fair value and, in the case of interest bearing loans, net of directly attributable transaction costs. Trade and other payables and interest bearing loans are subsequently measured at amortised cost using the effective interest method.

### Risk management

The Group is exposed to certain financial risks due to its business activities. The potential adverse effects of these risks are constantly assessed by the management of the Group with a view to minimising them, and the directors consider whether it is appropriate to make use of financial instruments for this purpose. The following are major financial risks which the Group is exposed to:

#### *Exchange rate risk*

The functional currency of the significant entities within the Group is deemed to be the US dollar because the revenues from the sale of minerals are denominated in US dollars and the costs of the Group are likewise predominantly in US dollars. However, some transactions are denominated in currencies other than US dollars. These transactions comprise operating costs and capital expenditure in the local currencies of the countries in which the Group operates.

The balances of cash and cash equivalents held in various currencies were:

	<b>30 September 2018 US\$000</b>	<b>31 December 2017 US\$000</b>
Peruvian nuevos soles	<b>93</b>	222
United States dollars	<b>2,616</b>	3,054
	<b>2,709</b>	3,276

The table below shows an analysis of net financial assets and liabilities by currency:

	<b>30 September 2018 US\$000</b>	<b>31 December 2017 US\$000</b>
Pounds sterling	<b>(74)</b>	(115)
Canadian dollars	<b>(13)</b>	(33)
Peruvian nuevos soles	<b>(1,601)</b>	408
United States dollars	<b>(87,112)</b>	(82,290)
	<b>(88,800)</b>	(82,030)

## Note 16 – Financial Instruments and Financial Risk Management (continued)

## Minera IRL Limited

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The table below shows the profit (loss) effect on the Group's results of a 10% and 20% weakening or strengthening of the US dollar against the net monetary liabilities shown in the table above:

	30 September 2018 US\$000	31 December 2017 US\$000
10% weakening of the US dollar	(169)	26
20% weakening of the US dollar	(338)	52
10% strengthening of the US dollar	169	(26)
20% strengthening of the US dollar	338	(52)

### Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents as well as an adequate amount of committed credit facilities. Management of the Group safeguards its cash resources and makes regular forecasts of the requirements to use those resources. If necessary, management adapts its plans to suit the resources available.

An analysis of the financial liabilities presented by maturity is detailed below. The contractual amounts disclosed in the maturity analysis are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. Moreover, as disclosed in Accounting Policies, paragraph (p) Borrowings and Borrowing costs, interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost on an effective interest basis. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

30 September 2018	Due in less than 3 months US\$000	Due between 3 months to 1 year US\$000	Due between 1 to 5 years US\$000	Total US\$000
<b>Financial Liabilities</b>				
Trade payables	8,342	-	-	8,342
Other payables	3,376	819	-	4,195
Finance lease liabilities	133	147	-	280
Interest bearing Promissory Note	1,516	-	-	1,516
Interest bearing loan	79,835	-	-	79,835
	93,202	966	-	94,168

  

31 December 2017	Due in less than 3 month US\$000	Due between 3 months to 1 year US\$000	Due between 1 to 5 years US\$000	Total US\$000
<b>Financial Liabilities</b>				
Trade payables	7,694	-	707	8,401
Other payables	2,813	191	-	3,004
Finance lease liabilities	132	398	147	677
Interest bearing Promissory Note	1,516	-	-	1,516
Interest bearing loan	74,967	-	-	74,967
	87,122	589	854	88,565

## Note 16 – Financial Instruments and Financial Risk Management (continued)

## **Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
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### *Market price of minerals risk*

The Group's business exposes it to the effects of changes in the market price of minerals, primarily gold. Severe changes in the market price of gold may affect the recoverability of the Group's investments in its mine, exploration assets and mining rights, and of the Group's intercompany receivables. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold including governmental reserves, and stability of exchange rates can all cause significant fluctuations in the market price of gold. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

### *Credit risk*

The Group is exposed to credit risk in so far as it deposits cash with its banks as detailed in Note 9. However, the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in Note 7, by the government of Peru.

### *Interest rate risk*

The Group has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 6.17% over LIBOR plus a 2% interest surcharge after the date the Bridge Loan was due. A change in LIBOR of +/- 1% would not have a material effect on the financial results of the Group. It is the policy of the Group to settle trade payables within agreed terms so that no interest is incurred on those liabilities.

Additionally, there are risks specifically related to the COFIDE Bridge Loan. For further information, please refer to Note 1 Basis of Preparation and Going Concern on page 6.

## **Note 17 – Capital Commitments and Contingent Liabilities**

The Group is subject to various laws and regulations governing its mining, development and exploration activities. These laws and regulations are continually changing and generally becoming more restrictive. The Group has made, and expects to make in the future, expenditures to comply with such laws and regulations.

During 2013, the Group was issued tax reassessments by the Peruvian tax authorities for the years ended 31 December 2008, 2009 and 2011 related to the deductibility of depreciation claimed by the Group. The appeal filed by the Group with the tax authorities was unsuccessful and the Group subsequently filed an appeal with the Peruvian Tax Court. If the Group is unsuccessful in its appeal of the reassessments, taxes in the amount of approximately \$1,456,000 would be payable.

The Group entered into contracts with a legal firm in connection with the Arbitration process described in Note 1 and with a legal advisor in connection with legal processes related to the COFIDE outstanding loan, also described in Note 1. These contracts include success fees for an aggregate amount of \$300,000.

## **Note 17 – Capital Commitments and Contingent Liabilities (continued)**

**Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
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The Group entered into a contract with Empresa de Generacion Electrica San Gaban S.A. for the supply of power during the construction and operation stages of the Ollachea Project. This contract included certain minimum power usages for each of the construction and operation stages. In March 2017 the Group entered into an amended power contract extending the term to start the construction stage for sixty months from 1 March 2017. If the contract is terminated due to the construction stage not commencing within the sixty months term, the Group would have to pay a penalty for an amount equivalent to approximately \$2,400,000. Otherwise, the Group agreed to pay a fixed monthly compensation for an amount equivalent to approximately \$11,000 for a period of nine and a half years starting on the seventh month after Ollachea commencing the operation stage.

In June 2015, the Group secured a \$70,000,000 Bridge Loan from COFIDE. The financial structuring costs related to the Bridge Loan included a 0.9% net smelter return royalty on gold production from the Ollachea Project granted to Sherpa. The Group would have the right to buyback and cancel this royalty from Sherpa by paying a buy-back fee of \$5,566,000. In August 2013, the Macquarie Finance Facility was amended to increase the amount available by \$10,000,000. As a condition of drawing down these funds the Group awarded a 1% royalty on gross revenue minus refining costs on gold sales from the Group's Ollachea Project. The Group would have the right to buyback and cancel this royalty from Macquarie Bank by paying a buyback fee of \$5,000,000. For additional details please refer to Note 13.

**Note 18 – Related Parties**

During the quarter ended 30 September 2018, the Group did not enter into transactions with related parties with the exception of directors and key management. As at 30 September 2018, the Group owed \$102,000 to directors and key management.

During the year ended 31 December 2017, the Group did not enter into transactions with related parties with the exception of directors and key management. As at 31 December 2017, the Group owed \$169,000 to directors and key management.

**Note 19 – Subsequent events**

There have been no subsequent events between the end of the period date and the date of filing of the financial statements.

**By order of the Board**

“Gerardo Pérez”

Gerardo Pérez  
Chairman  
Minera IRL Limited  
14 November 2018