

**MINERA IRL LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



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## CHAIRMAN'S STATEMENT

In 2021, our attention has remained focused on advancing our projects amid a second year of challenges linked to COVID-19, and the uncertainties surrounding the election of a new Peruvian President. Notwithstanding this, during this year we were able to achieve the following objectives: the formalization of our settlement with Corporación Financiera de Desarrollo - COFIDE, and the completion and filing of both the Mineral Resource Estimate for our Corihuarmi Gold Mine ("Corihuarmi") and the Preliminary Economic Assessment ("PEA") for our flagship Ollachea Gold Project ("Ollachea"), according to National Instrument 43-101.

Gold production continued to trend upwards in all quarters of 2021, exceeding the figures reported in our financial statements for the same periods in 2020, and surpassing the annual target of 22,500 ounces by 11%, with a total of 24,917 ounces produced. This resulted in a new sales record of US\$ 44 million at Corihuarmi, the highest since 2012. This increased production is mostly attributed to optimization programs that have been initialized through the fiscal year and our plan is to continue to identify and undertake further optimizations as we move forward into 2022.

We have continued to implement and maintain safety protocols intended to protect the health of our entire workforce and their families against COVID-19. Further investment was allocated to upgrade and expand the current campsite, canteen, and other facilities at Corihuarmi, along with extra expenditure for cleaning and disinfection. Both Corihuarmi and Ollachea have continued to operate normally throughout the year without any significant disruptions reported. We have successfully maintained our social responsibility programs despite the challenges faced under the strict protocols that were imposed to control the spread of COVID-19. We are now seeing the results of the successful vaccination strategy in Peru and have begun preparations to resume some of the social programs that were put on hold over the past two years. We are very proud our relationships with our neighbours and our commitment to these communities remains at the core of our company culture.

Our accomplishments in 2021 have allowed us to expand our approach to advancing Ollachea. In particular, the PEA, which we filed late in Q3, opened the door to alternatives to the traditional approaches of straight debt and equity. In Q4, following completion of the PEA, we were approached by, and began active engagement with, parties interested in joining our effort to advance Ollachea. This dialogue continues, and we are actively exploring opportunities with strategic operators and institutions. In support of these efforts, we updated our Corporate Presentation and are in the process of launching a new initiative intended to raise investor awareness in our various markets.

Finally, on behalf of the Board of Directors, I would like to thank each one of our shareholders, directors, and employees for their continuous support during what was another challenging year. As we now focus on the opportunities of a new year, our goals for 2022 include meeting our production targets while continuing to optimize operating costs, continuing to keep our workers and communities safe from COVID-19, and advancing Ollachea.



Gerardo Perez  
Chairman  
Minera IRL Limited  
30 March 2022

## DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Minera IRL Group is the development and operation of gold mines in Peru.

The Group operates the Corihuarmi Gold Mine through its subsidiary Minera IRL SA and owns a project, the Ollachea Project, through Compañía Minera Kuri Kullu S.A., Minera IRL SA's subsidiary. The Ollachea Project has a completed feasibility study and environmental and construction permits.

A summary of the financial risk management policies and objectives is contained in the notes to the financial statements and the Group's Annual Information Form.

## RESULTS AND DIVIDENDS

The total comprehensive loss after tax for the year was \$384,000 (2020: gain of \$22,250,000). No dividend was paid during the year and no final dividend is proposed. A loss of \$384,000 (2020: gain of \$22,250,000) is to be transferred to retained earnings.

## DIRECTORS

M Mount was appointed to the Board on 14 December 2021. M Iannacone resigned from the Board on 27 January 2022.

The names of the directors who served during the year and their interests in the share capital of the Group at the start and the end of the year are:

Director	Ordinary shares of no par value	
	31-Dec-2021	31-Dec-2020
G Perez	165,100	110,100
D Benavides	3,128,147	2,566,147
M Iannacone	-	-
J Lema	100,000	-
S Valverde	116,065	-
M Mount (appointed 14 December 2021)	-	-

## DONATIONS

The Group made no charitable donations outside of the areas in which it operates and hopes to establish mines. However, extensive work is done to help the local communities of Peru where the Group is mining or is intending to establish mines, and where the relationship with the local communities is extremely important. No political donations were made during the past year or the previous year.

## SUBSTANTIAL SHAREHOLDERS

As at 30 March 2022, the Group has been notified of the following substantial shareholdings in addition to those of the directors:

	Number of Shares	Percentage of Issued Share Capital
Rio Tinto Mining and Exploration Limited	44,126,780	19.1
Compañía Inversora en Minas S.A.	9,146,341	4.0

## SUBSEQUENT EVENTS

Details of subsequent events between the end of the period date and the date of filing of the Directors' report are disclosed in Note 25 to the consolidated financial statements.

## DISCLOSURE OF INFORMATION

So far as each of the directors is aware, there is no information needed by the Group's auditor in connection with the preparation of their report, which they have not been made aware of, and the directors have taken all the steps that they ought to have taken to discover any relevant audit information and to establish that the Group's auditor has been made aware of that information.

By order of the Board



Gerardo Perez  
Chairman  
Minera IRL Limited  
30 March 2022

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law in Jersey requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Under Company Law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as issued by the IASB; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, to disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Jersey governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINERA IRL LIMITED**

### **Opinion**

We have audited the financial statements of Minera IRL Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise of the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements concerning the group's and parent company's ability to continue as a going concern. In March 2017 the group was informed by COFIDE that it had revoked the mandate to structure the senior debt for the development of the Ollachea Gold Project, and required repayment of the US\$70 million Bridge Loan in June 2017. The group suspended any enforcement proceedings by COFIDE regarding repayment of the Bridge Loan, and entered into an arbitration process. The group submitted a claim for damages against COFIDE and on 13 September 2019 the Court of Arbitration issued its Final Arbitration Award in favour of the group. The Award provides that COFIDE must pay to the group an aggregate amount of \$34.2 million and that COFIDE is the creditor of the Bridge Loan. As disclosed in note 1 to the financial statements, the group reached agreement with COFIDE in November 2020 in terms of the amounts payable and receivable by each party, including interest, together with a right of offset on settlement. The group is required to settle the net liability within 36 months and, as part of the agreement reached, has implemented Corporate Trust contracts over the Ollachea Project's mineral concessions and over future cash flows from the Project. Following implementation of the Corporate Trust contracts, COFIDE withdrew its legal claim for annulment of the arbitration award.

The group is seeking financing for the Ollachea Project. The cash generated from gold production at the Corihuarmi Mine is required to fund the working capital requirements of the group in the meantime.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the group's and parent company's

ability to continue as a going concern. These financial statements do not include the adjustments that would result if the group and parent company were unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the key audit matter
<p><b>Carrying value and assessment of impairment of intangible assets and mining assets &amp; deferred development costs, including the eligibility of expenditure capitalised under IFRS 6 (refer to notes 11 and 13). (group only)</b></p> <p>The carrying value of the Ollachea Gold Project within intangible assets is \$145.981m. The carrying value of Corihuarmi mining assets &amp; deferred development costs within Property, Plant and Equipment is \$4.497m and within intangible assets is \$0.560m.</p> <p>There is a risk that the carrying value of the assets are impaired and that additional exploration expenditure capitalised during 2021 is not in accordance with IFRS 6.</p> <p>Recoverability is dependent on upon the discovery of economically recoverable ore reserves, continuing compliance with the terms of relevant agreements, the ability of the group to obtain the necessary financing to complete development of ore reserves, future profitable production or profitable disposal of the area of interest.</p> <p>The carrying value of the Ollachea Gold Project is assessed in conjunction with the following criteria:</p> <ul style="list-style-type: none"> <li>▪ The Group has sufficient title to the exploration licence in respect of the area known as Ollachea.</li> <li>▪ The Group has planned/budgeted further substantive expenditure for mineral resource in the area.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▪ A review of the cash flow forecast and impairment assessments prepared by management in relation to the Corihuarmi Mine and Ollachea Project, with a focus on the key assumptions and sensitivity to change.</li> <li>▪ An evaluation of whether the model used to calculate value in use complies with the requirements of IAS 36 'Impairment of Assets'.</li> <li>▪ An assessment of the accuracy of management budgets and forecasts used in the prior year value in use calculations to actual results achieved in the current year.</li> <li>▪ Validating the key assumptions and inputs applied and agreeing, where applicable, to independently prepared reports.</li> <li>▪ Subjecting the key assumptions to sensitivity analysis.</li> <li>▪ Substantive testing of capitalised expenditure during 2021.</li> <li>▪ Reviewing the Preliminary Economic Assessment report for Ollachea and the Mineral Resource Estimate for Corihuarmi, and assessing the qualifications and independence of management's experts.</li> </ul> <p>As disclosed in note 1 to the financial statements, the group has reached an agreement with COFIDE, following the revocation of the mandate to structure the senior debt for the development of the Ollachea Gold Project, together with the award of damages to the group under the Final</p>



Key Audit Matter	How the scope of our audit responded to the key audit matter
<ul style="list-style-type: none"> <li>▪ Exploration work undertaken to date has indicated the existence of commercially viable quantities of mineral resource, supported by an independently prepared NI 43-101 Technical Report (Preliminary Economic Assessment).</li> <li>▪ The carrying value of the exploration asset is likely to be fully recovered from successful development or by sale.</li> <li>▪ The ability to fulfil the agreement with COFIDE regarding repayment of the Bridge Loan plus interest, offset by the damages awarded to the group under the Arbitration Award.</li> </ul> <p>The carrying value of the Corihuarmi mine is assessed for impairment in accordance with IAS 36. An updated NI 43-101 Technical Report (Mineral Resource Estimate) was prepared for Corihuarmi during the year.</p>	<p>Arbitration hearing, and is seeking new sources of financing to be able to repay the net liability and obtain the necessary investment to develop the Ollachea Gold Project.</p> <p>Failure to repay the net liability to COFIDE within the agreed 36 month period, or failure to secure new financing on acceptable terms, could result in relinquishing control of the subsidiary, Compañía Minera Kuri Kullu S.A. and therefore the Ollachea Gold Project, together with full impairment to carrying values at that date. The carrying value of the investment in subsidiary, including intra group receivable, within the Parent Company would similarly require full impairment of their carrying values.</p>
<p><b>Recognition, valuation and disclosure of capital commitments, contingent liabilities and provisions (refer note 23).</b> <b>(group and company)</b></p> <p>The Group has a rehabilitation provision in respect of the Corihuarmi Mine and the Ollachea Gold Project exploration tunnel, in the event the Group does not progress into commercial production regarding the latter. Management uses their judgement and experience to provide for and amortise the estimated costs for decommissioning and site rehabilitation over the life of the mine. The ultimate cost of decommissioning and site rehabilitation are uncertain and can vary significantly. The Group uses an external expert to assist in the calculation, in conjunction with its own team of geologists.</p> <p>In addition, there are a number of additional contingent liabilities disclosed in the financial statements e.g. environmental law obligations, tax assessments and supply contracts.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▪ Reviewing contracts, Board minutes and other relevant documents to assess the status of the contingencies/provisions and ensure the accuracy and completeness of disclosures.</li> <li>▪ Reviewing management experts' reports and verifying the key estimates and assumptions to supporting documentation or through benchmarking, as applicable.</li> <li>▪ An assessment of the qualifications and independence of management's experts.</li> <li>▪ Testing the method of measurement and assumptions used by management.</li> <li>▪ Discussions with management and legal counsel.</li> </ul> <p>Based on the procedures performed, we consider management's estimates and judgements to be reasonable and the related disclosures appropriate.</p>
<p><b>Revenue recognition</b> <b>(group only)</b></p> <p><b>The accounting policy for revenue recognition is set out in note 1 to the financial statements. Under ISA 240 there is a presumption that revenue recognition is a fraud risk.</b></p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▪ Substantive test of detail on a sample of transactions to ensure revenue was accurately recorded and recognised in accordance with the accounting policy.</li> <li>▪ Detailed analytical review procedures.</li> <li>▪ Cut-off procedures to ensure revenue recognised relates to the accounting period.</li> <li>▪ A review of component auditor audit files and responses to our component auditor instructions.</li> </ul>

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Management's responsibility for the group and parent company financial statements**

Management is responsible for the preparation of the group and parent company financial statements in accordance with IFRSs, 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.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the group and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's or company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

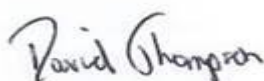
- Conclude on the appropriateness of managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the group and parent company financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is David Thompson.



**David Thompson (Engagement Partner)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**  
**London, UK**

15 Westferry Circus  
 Canary Wharf  
 London E14 4HD

30 March 2022

**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**For the years ended 31 December 2021 and 2020**

	Notes	2021 US\$000	2020 US\$000
Revenue from contracts with customers	3	44,434	39,082
Cost of sales	4	(30,623)	(24,466)
<b>Gross Profit</b>		<b>13,811</b>	14,616
Administration expenses	4	(5,971)	(7,593)
Exploration costs		(300)	(239)
Gain on disposal of property, plant and equipment		7	18
Write-off of assets	11	(112)	(28)
<b>Operating Profit</b>		<b>7,435</b>	6,774
Finance expense	6	(7,819)	(17,204)
Gain from Arbitration Award	10	-	34,213
Interest receivable on Arbitration Award	10	-	787
<b>Profit (loss) before tax</b>		<b>(384)</b>	24,570
Income tax expense	9	-	(2,320)
<b>Profit (loss) for the year attributable to the equity shareholders of the parent</b>		<b>(384)</b>	22,250
<b>Total comprehensive income for the year attributable to the equity shareholders of the parent</b>		<b>(384)</b>	22,250
<b>Earnings per ordinary share (US cents)</b>			
Basic and diluted	8	(0.2)	9.6

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2021 and 2020**

	Notes	2021 US\$000	2020 US\$000
<b>Assets</b>			
Property, plant and equipment	11	6,274	7,178
Right-of-use assets	12	4,626	7,492
Intangible assets	13	146,541	145,711
Other receivables and prepayments	14	6,982	7,507
<b>Total non-current assets</b>		<b>164,423</b>	<b>167,888</b>
Inventory	15	4,164	3,054
Other receivables and prepayments	14	1,825	2,002
Current tax recoverable		3,740	2,160
Cash and cash equivalents	16	4,483	2,932
<b>Total current assets</b>		<b>14,212</b>	<b>10,148</b>
<b>Total assets</b>		<b>178,635</b>	<b>178,036</b>
<b>Equity</b>			
Share capital	17	159,012	159,012
Share option reserve	17	433	433
Accumulated losses		(80,998)	(80,614)
<b>Total equity attributable to the equity shareholders of the parent</b>		<b>78,447</b>	<b>78,831</b>
<b>Liabilities</b>			
Interest bearing loans	18	74,132	68,549
Lease liabilities	19	719	2,612
Provisions	20	4,892	4,895
Trade and other payables	21	1,397	2,895
<b>Total non-current liabilities</b>		<b>81,140</b>	<b>78,951</b>
Interest bearing loans	18	1,516	2,505
Lease liabilities	19	6,187	7,553
Trade and other payables	21	11,345	10,196
<b>Total current liabilities</b>		<b>19,048</b>	<b>20,254</b>
<b>Total liabilities</b>		<b>100,188</b>	<b>99,205</b>
<b>Total equity and liabilities</b>		<b>178,635</b>	<b>178,036</b>

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Gerardo Pérez  
Chairman  
30 March 2022

Carlos Ruiz de Castilla  
Chief Financial Officer  
30 March 2022

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the years ended 31 December 2021 and 2020**

	Note	Share capital US\$000	Share option reserve US\$000	Accumulated losses US\$000	Total US\$000
Balance at 1 January 2020		159,012	433	(102,864)	56,581
Profit for the year		-	-	22,250	22,250
Total comprehensive loss		-	-	22,250	22,250
Balance 31 December 2020	17	159,012	433	(80,614)	78,831

	Note	Share capital US\$000	Share option reserve US\$000	Accumulated losses US\$000	Total US\$000
Balance at 1 January 2021	17	159,012	433	(80,614)	78,831
Loss for the year		-	-	(384)	(384)
Total comprehensive income		-	-	(384)	(384)
Balance 31 December 2021	17	159,012	433	(80,998)	78,447

## CONSOLIDATED CASH FLOW STATEMENT

### For the years ended 31 December 2021 and 2020

	Note	2021 US\$000	2020 US\$000
<b>Cash flows from operating activities</b>			
Profit (loss) before tax		(384)	24,570
Finance expense, net	6,10	7,819	16,417
Gain from Arbitration Award	10	-	(34,213)
Depreciation	11,12	9,466	7,322
Gain on disposal of property, plant and equipment		(7)	(18)
Write-off of assets	11,13	112	28
Increase in inventory		(1,110)	(792)
Decrease in other receivables and prepayments		334	260
Increase in trade and other payables		254	1,471
Payment of mine closure costs	20	(146)	(218)
<b>Cash generated from operations</b>		<b>16,338</b>	<b>14,827</b>
Income tax paid		(1,839)	(7,354)
<b>Net cash from operating activities</b>		<b>14,499</b>	<b>7,473</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	11	(1,926)	(1,502)
Deferred exploration and development expenditures	13	(1,791)	(1,016)
Disposal of property, plant and equipment		25	18
<b>Net cash outflow from investing activities</b>		<b>(3,692)</b>	<b>(2,500)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from loans	18	700	3,380
Repayment of loans	18	(2,200)	(1,900)
Payment of lease liabilities	19	(7,389)	(5,302)
Payment of finance expenses		(367)	(1,010)
<b>Net cash outflow from financing activities</b>		<b>(9,256)</b>	<b>(4,832)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,551</b>	<b>141</b>
Cash and cash equivalents at beginning of year		2,932	2,791
<b>Cash and cash equivalents at end of year</b>	<b>16</b>	<b>4,483</b>	<b>2,932</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the year ended 31 December 2021**

#### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

Minera IRL Limited (the “Group”) is registered in Jersey and its registered office is at Hawksford House, 15 Esplanade, St. Helier, Jersey, JE1 1RB, Channel Islands.

The principal activity of the Group and its subsidiaries is the exploration, development and operation of mines for the extraction of metals.

The consolidated financial statements of the Group for the year ended 31 December 2021 comprise the Group and its subsidiaries (together referred to as the “Group”).

The financial statements were authorised for issue by the directors on 30 March 2022.

#### **Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) in force at the reporting date and their interpretations issued by the International Accounting Standards Board (“IASB”).

#### **New and amended standards**

##### **Interpretations and amendments to published standards effective in 2021**

The following amendments to standards were adopted by the Group and Parent Company during the year, none of which had a material impact:

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16: Leases – Covid 19 Related Rent Concessions

##### **Standards, amendments and interpretations to published standards not yet effective and not early adopted**

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IFRS 3: Business Combinations – Reference to Conceptual Framework (effective 1 January 2022)
- Amendments to IAS 16: Property, Plant and Equipment (effective 1 January 2022)
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (effective 1 January 2022)

The Directors do not anticipate that the adoption of the standards and interpretations will have a material effect on the reported results or net assets of the Group and the Parent Company.



## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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 31 December 2021, the Group had a working capital deficit of \$4,836,000 (defined as current assets less current liabilities).

In 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 facility of up to \$240,000,000 described in a letter of mandate signed by COFIDE and Minera IRL. This senior project credit 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. The Bridge Loan was due for repayment in 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.

On 16 September 2019 the Group announced that the Court of Arbitration had issued its Arbitration Award. The Award provided that COFIDE must pay an aggregate amount of \$34.2 million for damages. The Court of Arbitration declared that it did not have jurisdiction to require repayment of the Bridge Loan because the Bridge Loan facility expressly provides that it is subject to the jurisdiction of the courts of New York, United States. Subsequently, COFIDE filed a lawsuit for annulment of the Arbitration Award. No amount for the damages awarded was recognised in the 2019 financial statements given the uncertainty at that year-end over its recoverability.

On 31 December 2019 the Group signed a Memorandum of Understanding ("MOU") with COFIDE which was extended several times until 7 November 2020. During this period both the collection of damages by the Group and the collection of the debt and/or interest by COFIDE remained suspended. The objective of the MOU was to allow both parties to reach an agreement in settlement of the obligations imposed by the Arbitration Award announced on 16 September 2019 as well as related matters, including repayment of the Bridge Loan.

On 12 November 2020 the Group announced it had settled its dispute with COFIDE. The summary of the settlement agreement is that the Group owes COFIDE US\$70 million in principal and US\$31.9 million of accrued interest (calculated to 10 November 2020), however, COFIDE has yet to provide the invoices to support the tax deductibility of these interests. Also, it was agreed that COFIDE owed the Group US\$34.2 million pursuant to the September 2019 Arbitration Award, plus interest from 17 July 2017 to 10 November 2020. The amounts due and receivable have been offset and the Group will pay the net balance to COFIDE within 36 months. To guarantee the full repayment of the balance owed to COFIDE, Corporate Trust contracts have been assigned over the Ollachea Project's mineral concessions, the shares of the Peruvian subsidiary Compañía Minera Kuri Kullu S.A. and over future cash flows from the same Project. COFIDE withdrew its legal claim for annulment of the Arbitration Award once the Trust contracts were registered at the public registry. Also, as per the terms of this agreement, certain penalties are applicable while the balance of the debt owed to COFIDE is not fully repaid. These penalties are based on percentages applicable over the amount of the Arbitration Award according the following timetable:

- \$2,053,000 (6% on the Arbitration Award amount) if the balance of the debt is not repaid before 15 November 2021. This amount was accrued in the third quarter of 2021.
- An additional penalty of \$1,368,000 (4% on the Arbitration Award amount) if the balance of the debt is

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

not repaid before 15 November 2022. These penalties shall be added to the amount owed to COFIDE and will be paid within the 36 months term established for the full payment of any outstanding debt with COFIDE.

On 24 June 2021 the Group announced that through formalizing the terms agreed on 12 November 2020, four inter-related agreements between COFIDE and the Group had been signed:

- A Cash Flow Trust Agreement, which creates a trust over the cash flows generated from the Ollachea Project, to guarantee the payment obligations of the Group to COFIDE by channeling those cash flows through a revenue account to be managed by La Fiduciaria;
- An Asset Trust Agreement, which creates a trust over the shares held by the Group in its Peruvian subsidiary Compañía Minera Kuri Kullu S.A., as well as the Ollachea Project's concessions owned by the subsidiary to guarantee the payment obligations of the Group to COFIDE by transferring ownership of the securities and mortgages to La Fiduciaria in trust;
- A Refinancing of the Credit Agreement, which establishes the terms and conditions for the payment of the principal and accrued and accruing interest on the Group's debt with COFIDE; and
- A Compensation Agreement, which establishes the terms and conditions for the payment of consequential damages to the Group by COFIDE pursuant to the September 2019 Arbitration Award, plus accrued and accruing interest.

Neither the assets of nor the cash flows generated by the Corihuarmi mine are included in these Trust Agreements.

If the Group is not able to secure an alternative source of funds to repay the debt with COFIDE, the Group will have to relinquish its ownership of the subsidiary, Compañía 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.

Notwithstanding that there can be no guarantee that an alternative source of funding will be secured within the required timescale or on acceptable terms, the Directors consider that an alternative funding will be obtained to fully repay the debt with COFIDE plus interest and to develop the Ollachea Project. The cash generated from gold production at the Corihuarmi Mine is required to fund the working capital requirements of the Group in the meantime.

## **Impact of COVID-19**

It is impossible to predict with certainty the final impact of COVID-19 at this stage. According to the opinion of most experts, we believe that the impact of the virus outbreak on the worldwide economy will be material. Accordingly, this might have negative impacts for the operations of the Group in the future. Management is constantly evaluating the impact of COVID-19, however, given the fluidity and volatility of the situation, it is not possible to make predictions on future outcomes.

In early March 2020, the Group reinforced the application of its health and safety protocols, which encapsulated the operations of the Corihuarmi mine and Ollachea project as far as possible against the worldwide crisis caused by COVID-19. To date, no significant disruptions on mining operations, gold production or sales have occurred; and gold prices have increased. The Peruvian government has approved the Corihuarmi mine's COVID-19 surveillance, prevention and control plan which allows the continuation of its mining operations. Although there might be certain difficulties on the supply chain and gold transportation, the Group is confident it will overcome these difficulties. In this sense, the Group considers that it has taken appropriate measures in contemplation of the impact of COVID-19 and, as of the date of filing of these financial statements, the Group considers that there are no material impacts that may affect the application of the going concern principle or any item of the financial statements. During the year ended 31 December 2021 a total of \$389,000 was expensed on COVID-19 related issues.

The Group's cash flow is sufficient to meet its commitments and to fund its working capital requirements in the face of this crisis. The Group has not made, nor plans to make, any wage or job cuts. Meanwhile, it is constantly re-evaluating mine workers' mobilization and demobilization plans, prioritizing their health and safety.

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.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. These policies have been applied consistently for all the years presented, unless otherwise stated:

#### (a) Principles of Consolidation

The consolidated financial statements incorporate the statements of the Group and enterprises controlled by the Group (its subsidiaries) made up to 31 December each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recognised as separately identifiable intangibles and goodwill.

Any excess of the fair value of assets acquired over the cost of acquisition is recognised directly in the consolidated statement of comprehensive income.

The results of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### Subsidiaries

These consolidated financial statements include the financial statements of the Parent and its subsidiaries as follows:

	Location	Ownership
Minera IRL Limited	Jersey	-
Minera IRL S.A.	Peru	100%
Compañía Minera Kuri Kullu S.A.	Peru	100%
Minera IRL Argentina S.A.	Argentina	100%
Minera IRL Chile S.A.	Chile	100%

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(b) Revenue Recognition**

The Group enters into contracts for the sale of gold. Revenue arising from gold sales under these contracts is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales price is reasonably assured. These criteria are assessed to have occurred once the gold has been despatched to the customer and a sale price has been agreed for the contained gold.

A receivable is recognised when the goods are despatched, since this is the point in time that the consideration is unconditional.

### **(c) Income Tax**

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation. Deferred tax is expected to be payable or recoverable on differences between the carrying value amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be realised.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

### **(d) Foreign Currency**

The Group's presentation currency is the US Dollar and has been selected based on the currency of the primary economic environment in which the Group as a whole operates. In addition, the significant entities in the Group have a functional currency of the US Dollar.

Transactions in currencies other than the functional currency of a company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each statement of financial position date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the statement of financial position date and any gains or losses arising are recognised in profit or loss.

### **(e) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits and money market investments readily converted to cash and have an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities. For the purposes of the cash flow statements, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts. Restricted cash, comprising cash set aside to cover rehabilitation obligations, is not available for use by the Group and is excluded from cash and cash equivalents.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

#### *(1) Financial assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through Other Comprehensive Income, or fair value through profit and loss. The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. IFRS 9.5.4 The Group's financial assets at amortised cost include other receivables and cash and cash equivalents.

### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

### *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

### *(2) Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

#### *Loans and borrowings and trade and other payables*

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.



## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

This category generally applies to trade and other payables.

### *Derecognition*

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

### *(3) Financial liabilities*

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit and loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

## **(g) Intangible Assets**

### *Deferred exploration costs*

Once legal title is obtained, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area. Accumulated costs in relation to an abandoned area are written off in full against the results in the year in which the decision to abandon the area is made. No amortisation is charged during the exploration and evaluation phase. Expenditure is transferred from 'Deferred Exploration Costs' to 'Mining Assets' in property, plant and equipment once the work completed to date supports the technical and commercial feasibility of the project, the appropriate permits have been issued and financing has been secured. Additional exploration and evaluation expenditure subsequent to transfer is capitalised within 'Mining Assets and Deferred Development Costs' within property, plant and equipment.

The recoverability of the deferred exploration cost is dependent upon the discovery of economically recoverable ore reserves, continuing compliance with the terms of relevant agreements, the ability of the Group to obtain the necessary financing to complete the development of ore reserves, and the future profitable production or profitable disposal of the area of interest.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Property, Plant and Equipment

#### *(i) Owned asset*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i below).

#### *(ii) Subsequent costs*

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive income.

#### *(iii) Depreciation*

Depreciation on these assets is calculated by the straight-line method to allocate their cost over their estimated useful lives, as follows:

- vehicles - 5 years;
- computer equipment - 4 years;
- furniture and fixtures, and other equipment - 10 years;
- buildings - 25 years; and
- land is not depreciated.

The residual values and useful economic lives of all assets are reviewed annually. Mining assets are depreciated over the expected life of the mine. The amount of ore remaining and the expected future life of the mine are reviewed each year.

#### *(iv) Mining assets and Deferred development costs*

When the technical and commercial feasibility of an area of interest has been demonstrated, financing has been secured and the appropriate permits have been issued, the area of interest enters its development phase. The accumulated costs are transferred from exploration and evaluation expenditure within intangible assets and reclassified as mining assets and deferred development costs. When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either recognised as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements to mineable reserve development.

Once mining commences the asset is amortised on a unit-of-production basis over the expected life of the mine. Provisions are made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

#### *(v) Assets derecognition*

The carrying amount of an item of property, plant and equipment shall be derecognized on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized. The gain or loss from derecognition is calculated as the net disposal proceeds, if any, less the carrying amount of the item.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell.

Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

- i. sufficient data exists that render the resource uneconomic and unlikely to be developed
- ii. title to the asset is compromised
- iii. budgeted or planned expenditure is not expected in the foreseeable future
- iv. insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

- i. a significant deterioration in the spot price of gold
- ii. a significant increase in production costs
- iii. a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(j) Inventory**

Inventory of consumables is valued at the lower of cost and net realisable value. The value of metal on the leach pads is calculated by applying the estimated cost of production incurred to place the metal on the leach pads to the number of ounces estimated to remain on the leach pads. The value of metal in process is calculated by applying the total cost of production per ounce to the number of ounces which have been extracted from the ore, but not yet been converted into doré bars.

### **(k) 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, responsible for allocating resources and assessing performance of operating segments, has been identified as the Executive Chairman together with the Board of Directors.

### **(l) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated. 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 the passage of time is recognised as interest expense.

### **(m) Share Based Payments**

The Group rewards directors, senior executives and certain consultants with share options. These instruments are stated at fair value at the date of grant, using the Black-Scholes valuation model, and are expensed to the consolidated statement of comprehensive income over the vesting period of the options. The valuation model requires assumptions to be made about the future, including the length of time the options will be held before they are exercised, the number of option holders who will leave the Group without exercising their options, the volatility of the share price, the risk-free interest rate and the dividend yield on the Group's shares. The resulting valuation does not necessarily reflect the value attributed to the options by the option holders.

### **(n) Borrowings and Borrowings Costs**

Interest bearing borrowings are recognised initially at fair value, less attributable transactions costs. Subsequent to initial recognition they are stated at amortised cost with any difference between cost and redemption value being recognised as a finance cost over the period of the borrowings on an effective interest basis. Interest expense is capitalized once a development decision on an asset is made. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(o) Exceptional items**

Exceptional items are disclosed separately in the Financial Statements, where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material, either because of their size or their nature, or that are non-recurring.

### **(p) Lease liabilities**

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or the rate as at the commencement date;
- The exercise price of a purchase option; and
- Payment of penalties for terminating the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### **(q) Significant Accounting Estimates and Judgements**

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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Key sources of estimation uncertainty**

#### **Impairment**

In undertaking an impairment review for the operating mine or advanced exploration projects an economic model is prepared which includes full details of the mining and processing schedule, head grade, strip ratios of waste to ore, operating costs and capital costs. From this information the amount of gold production is calculated and revenues estimated. Operating costs, including royalties and refining charges, and capital costs are entered and a cash flow model is produced, which is used to calculate the net present value of the pre-tax cash flow from the operation or project. This net present value is then compared to the carrying value of the operation or project on the statement of financial position and an assessment is made regarding impairment.

In assessing the carrying amounts of deferred exploration costs, the Directors have used an updated financial model based upon the original Definitive Feasibility Study prepared in conjunction with a number of independent experts. The study has been approved by the Directors.

Should any key parameters differ from the assumptions contained within the technical economic model, such as tonnes of ore mined, grade of ore mined, recovery profile or gold price, the net present value will be affected either positively or negatively. If the impact is negative, an impairment charge may be required that has not been recognised in these financial statements. Further information on the year end carrying values is disclosed in Note 11, “Property, Plant and Equipment”, and Note 13, “Intangibles”.

#### **Depreciation**

Mining assets are depreciated on a unit-of-production basis over the expected life of the mine. The amount of ore remaining and the expected future life of the mine are reviewed and estimated each year. Additional information on the depreciation of mining assets and the charge for the year is provided in Note 11, “Property, Plant and Equipment”.

#### **Environmental provisions**

Management uses its judgement and experience, together with independently prepared reports by qualified valuers, to provide for and 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 estimated which could affect future financial results. Additional information on environmental provisions and the year-end carrying values is provided under “Provisions” in Note 20.

#### **Estimation of recoverable gold contained on the leach pads**

Valuations of gold on the leach pads require estimations of the amount of gold contained on the heaps. These estimations are based on the analysis of samples, historical operating data and prior experience. In addition, it requires an estimation of the costs associated with the gold on the leach pads. The value of gold on leach pads included in inventory at 31 December 2021 is \$1,350,000 (2020: \$1,350,000).

## 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.

During 2021 the Group had two customers. The following table sets out the income and expenditure of the Group according to these reporting segments:

<b>2021</b>	<b>Peru US\$000</b>	<b>Jersey US\$000</b>	<b>Total US\$000</b>
Mining revenue	44,434	-	44,434
Mining cost of sales	(27,061)	-	(27,061)
Mining gross profit	17,373	-	17,373
Exploration costs expensed	(300)	-	(300)
Administrative expenses	(4,358)	(1,579)	(5,937)
Net income	12,715	(1,579)	11,136
Exploration of properties - deferred	(1,791)	-	(1,791)
Capital expenditure	(1,926)	-	(1,926)
<b>Reconciliations</b>			
Segmental Revenue			
Customer A	30,212	-	30,212
Customer B	14,222	-	14,222
Group revenues	44,434	-	44,434
<b>Segment Result</b>			
Segmental net income	12,715	(1,579)	11,136
Depreciation and amortisation	(3,596)	-	(3,596)
Gain on disposal of PPE	7	-	7
Write-off of assets	(112)	-	(112)
Group operating profit	9,014	(1,579)	7,435
Finance expense, net	(7,819)	-	(7,819)
Group profit/(loss) before tax	1,195	(1,579)	(384)
<b>Group Assets</b>			
(not allocated for internal reporting)			
Non-current assets	155,072	9,351	164,423
Inventory	4,164	-	4,164
Other receivables and prepayments	1,795	30	1,825
Current tax recoverable	3,740	-	3,740
Cash and cash equivalents	4,483	-	4,483
Group total assets	169,254	9,381	178,635
<b>Group Liabilities</b>			
(not allocated for internal reporting)			
Non-current liabilities	81,140	-	81,140
Interest bearing loans – current	1,516	-	1,516
Lease liabilities – current	6,187	-	6,187
Trade and other payables – current	11,114	231	11,345
Group total liabilities	99,957	231	100,188

## NOTE 2 - SEGMENT REPORTING (continued)

2020	Peru US\$000	Jersey US\$000	Total US\$000
Mining revenue	39,082	-	39,082
Mining cost of sales	(22,247)	-	(22,247)
Mining gross profit	16,835	-	16,835
Exploration costs expensed	(239)	-	(239)
Administrative expenses	(6,226)	(1,321)	(7,547)
Net income	10,370	(1,321)	9,049
Exploration of properties - deferred	(1,016)	-	(1,016)
Capital expenditure	(1,502)	-	(1,502)
Reconciliations			
Segmental Revenue			
Customer A	32,381	-	32,381
Customer B	2,687	-	2,687
Customer C	4,014	-	4,014
Group revenues	39,082	-	39,082
Segment Result			
Segmental net income	10,370	(1,321)	9,049
Depreciation and amortisation	(2,265)	-	(2,265)
Gain on disposal of PPE	18	-	18
Write-off of assets	(28)	-	(28)
Group operating profit	8,095	(1,321)	6,774
Finance expense, net	(16,417)	-	(16,417)
Gain from Arbitration Award	34,213	-	34,213
Group profit before tax	25,891	(1,321)	24,570
Group Assets (not allocated for internal reporting)			
Non-current assets	158,537	9,351	167,888
Inventory	3,054	-	3,054
Other receivables and prepayments	1,977	25	2,002
Current tax recoverable	2,160	-	2,160
Cash and cash equivalents	2,932	-	2,932
Group total assets	168,660	9,376	178,036
Group Liabilities (not allocated for internal reporting)			
Non-current liabilities	78,951	-	78,951
Lease liabilities – current	7,553	-	7,553
Interest bearing loans – current	2,505	-	2,505
Trade and other payables – current	9,890	306	10,196
Group total liabilities	98,899	306	99,205



**NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS**

	2021 US\$000	2020 US\$000
<b>Type of goods</b>		
Doré gold bars	44,434	39,082
<b>Total revenue from contracts with customers</b>	<b>44,434</b>	<b>39,082</b>

All revenue from Doré gold bars is recognised at a point in time.

**NOTE 4 – EXPENSES BY NATURE**

	2021 US\$000	2020 US\$000
Site operating costs	21,343	17,176
Community and environmental costs	2,946	2,435
Depreciation and amortisation	3,562	2,219
Royalties, taxes and selling costs	2,772	2,636
<b>Cost of sales for the years</b>	<b>30,623</b>	<b>24,466</b>
Depreciation and amortisation	34	46
Foreign exchange	818	547
Public company expenses	296	255
Legal, professional and consulting fees	1,409	1,156
Arbitration costs	393	2,432
Remuneration expenses	2,468	2,014
Property costs and utilities	388	375
Travel costs	207	170
Other	(42)	598
<b>Administration expenses for the years</b>	<b>5,971</b>	<b>7,593</b>
<b>Total cost of sales and administration expenses for the years</b>	<b>36,594</b>	<b>32,059</b>

**Auditor's remuneration:**

Fees payable to the Group's auditor and its associates for the audit of the consolidated and subsidiaries' financial statements	91	90
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## NOTE 5 - STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees 2021</b>	Number of employees 2020
Corporate finance and administration	<b>43</b>	37
Technical	<b>13</b>	14
Construction and production	<b>338</b>	319
	<b>394</b>	370

The aggregate payroll costs of these persons were as follows:

	<b>2021 US\$000</b>	2020 US\$000
Wages and salaries	<b>4,934</b>	5,036
Social security	<b>794</b>	816
	<b>5,728</b>	5,852

## NOTE 6 - FINANCE EXPENSE

	<b>2021 US\$000</b>	2020 US\$000
COFIDE Bridge Loan interest and penalties payable	<b>5,859</b>	15,276
Other loans interest	<b>236</b>	438
Other finance expenses (includes unwinding of discount on environmental provisions and lease liabilities)	<b>1,724</b>	1,490
Finance expenses for the years	<b>7,819</b>	17,204

On 12 November 2020 the Group announced it had settled its dispute with COFIDE. As per the settlement terms the Group owes COFIDE \$70,000,000 in principal and \$31,936,000 of accrued interest calculated to 10 November 2020. As at 31 December 2020 the amount of interest owed increased to \$33,260,000 therefore the Group recorded an interest charge payable of \$15,276,000 during 2020.

On 24 June 2021 the Group announced that a Compensation Agreement with COFIDE had been signed, which establishes the terms and conditions for the payment of the net balance owed to COFIDE, including accrued interest and damages to the Group. According to this agreement, as of 10 November 2020 the \$70,000,000 debt is subject only to the LIBOR interest rate plus a 6.17% margin.

As per the terms of the agreement signed on 12 November 2020, certain penalties are applicable while the balance of the debt owed to COFIDE is not fully repaid. These penalties are based on percentages applicable over the amount of the Arbitration Award. As at 15 November 2021 the debt has not been repaid, therefore the Group has accrued during the third quarter 2021 a penalty of \$2,053,000 (6% on the Arbitration Award amount).

## NOTE 7 - REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Salary & Fees US\$000	Other Benefits US\$000	Total Remuneration US\$000
<b>Year 2021</b>			
<b>Directors</b> <sup>1</sup>	<b>875</b>	<b>65</b>	<b>940</b>
<b>Non-Directors:</b> <sup>2</sup>	<b>281</b>	<b>-</b>	<b>281</b>
<b>TOTAL</b>	<b>1,156</b>	<b>65</b>	<b>1,221</b>

Notes:

1. Directors include Messrs. Gerardo Perez, Diego Benavides, Michael Iannaccone, Jesus Lema and Santiago Valverde.
2. Non-Directors include the CFO and the Corihuarmi Mine Manager.

	Salary & Fees US\$000	Other Benefits US\$000	Total Remuneration US\$000
<b>Year 2020</b>			
<b>Directors</b> <sup>1</sup>	<b>875</b>	<b>57</b>	<b>932</b>
<b>Non-Directors:</b> <sup>2</sup>	<b>302</b>	<b>-</b>	<b>302</b>
<b>TOTAL</b>	<b>1,177</b>	<b>57</b>	<b>1,234</b>

Notes:

1. Directors include Messrs. Gerardo Perez, Diego Benavides, Michael Iannaccone, Jesus Lema and Santiago Valverde.
2. Non-Directors include the CFO and the Corihuarmi Mine Manager.

## NOTE 8 – EARNINGS PER SHARE

The calculation of the basic earnings or (losses) per share is based on the loss attributable to ordinary shareholders during the year ended 31 December 2021 of \$752,000 (2020: gain of \$22,250,000) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2021 of 231,135,028 (2020: 231,135,028).

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

	2021 Loss US\$000	2021 Number of shares '000	2021 Earnings per share US cents	2020 Loss US\$000	2020 Number of shares '000	2020 Earnings per share US cents
<b>Continuing Operation</b>						
Basic earnings (losses)	(384)	231,135	(0.2)	22,250	231,135	9.6
Dilutive effects-options	-	-	-	-	-	-
Diluted profit/(loss)	(384)	231,135	(0.2)	22,250	231,135	9.6

As at 31 December 2021 and 2020, all share options were excluded from the calculation of diluted loss per share because they were non-dilutive.

## NOTE 9 - INCOME TAX EXPENSE

	2021 US\$000	2020 US\$000
Current tax	-	-
Adjustment to prior years' tax expense	-	2,320
<b>Income tax expense</b>	<b>-</b>	<b>2,320</b>

During 2013, the Group was issued tax reassessments by the Peruvian Tax Authority 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 Authority was unsuccessful. The Group subsequently filed appeals with the Tax Court. In August 2020 the Group reconsidered its appeal corresponding to the tax reassessment for the year ended 31 December 2011 and decided to accrue and pay during 2020 the full amount of the tax reassessment plus penalties and interest since 2013, a total of \$2,320,000. The Group continues litigation in the Civil Courts.

The income tax on the Group's profit/(loss) differs from the amount that would arise using the weighted average tax rate. The differences are explained below:

	2021 US\$000	2020 US\$000
<b>Tax reconciliation</b>		
Profit (loss) for the year	(469)	22,250
Adjustment to prior years' income tax	-	2,320
Profit (Loss) before tax	(469)	24,570
Tax at 29.5% (2020: 29.5%)	(138)	7,248
<b>Effects at 29.5% (2020: 29.5%) of:</b>		
Non-taxable gain on arbitration award	-	(5,973)
Expenses not deductible for tax purposes and losses carried forward on which no deferred tax asset is recognised	138	(1,275)
<b>Income tax expense - current</b>	<b>-</b>	<b>-</b>

The Group has estimated tax losses of approximately \$12,723,000 (2020: \$15,228,000) available to carry forward for offset against future profits.

A potential deferred tax asset of \$3,753,000 (2020: \$4,492,000) has not been recognised because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

## NOTE 10 – GAIN FROM ARBITRATION AWARD

On 12 November 2020 the Group announced it had settled its dispute with COFIDE. As per the settlement terms the Group has recognized on the date of the settlement agreement a gain of \$34,213,000 at the date of the agreement plus accrued interest from 17 July 2017. As at 31 December 2020 the Group has recorded interest receivable of \$787,000.

## NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	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 at 1 January 2020	46,818	524	2,945	3,331	53,618
Additions	1,183	-	79	240	1,502
Adjustment to mine closure provision <sup>(1)</sup>	170	-	-	-	170
Disposals	-	-	(64)	-	(64)
Write off <sup>(2)</sup>	(4,143)	-	-	(5)	(4,148)
<b>Balance - 31 December 2020</b>	<b>44,028</b>	<b>524</b>	<b>2,960</b>	<b>3,566</b>	<b>51,078</b>
Balance at 1 January 2021	<b>44,028</b>	<b>524</b>	<b>2,960</b>	<b>3,566</b>	<b>51,078</b>
Additions	<b>1,371</b>	-	<b>206</b>	<b>349</b>	<b>1,926</b>
Adjustment to mine closure provision <sup>(3)</sup>	<b>(417)</b>	-	-	-	<b>(417)</b>
Disposals	-	-	<b>(60)</b>	-	<b>(60)</b>
Write off	<b>(61)</b>	-	<b>(174)</b>	-	<b>(235)</b>
Reclassifications <sup>(4)</sup>	<b>961</b>	-	-	-	<b>961</b>
<b>Balance - 31 December 2021</b>	<b>45,882</b>	<b>524</b>	<b>2,932</b>	<b>3,915</b>	<b>53,253</b>
<b>Depreciation</b>					
Balance - 1 January 2020	41,276	404	975	3,091	45,746
Depreciation for the year	1,744	24	451	119	2,338
Disposals	-	-	(64)	-	(64)
Write off <sup>(2)</sup>	(4,115)	-	-	(5)	(4,120)
<b>Balance - 31 December 2020</b>	<b>38,905</b>	<b>428</b>	<b>1,362</b>	<b>3,205</b>	<b>43,900</b>
Balance - 1 January 2021	<b>38,905</b>	<b>428</b>	<b>1,362</b>	<b>3,205</b>	<b>43,900</b>
Depreciation for the period	<b>2,909</b>	<b>26</b>	<b>470</b>	<b>207</b>	<b>3,612</b>
Adjustment to mine closure provision <sup>(3)</sup>	<b>(368)</b>	-	-	-	<b>(368)</b>
Disposals	-	-	<b>(42)</b>	-	<b>(42)</b>
Write off	<b>(61)</b>	-	<b>(62)</b>	-	<b>(123)</b>
<b>Balance - 31 December 2021</b>	<b>41,385</b>	<b>454</b>	<b>1,728</b>	<b>3,412</b>	<b>46,979</b>
<b>Carrying amounts</b>					
Balance - 1 January 2020	5,542	120	1,970	240	7,872
<b>Balance - 31 December 2020</b>	<b>5,123</b>	<b>96</b>	<b>1,598</b>	<b>361</b>	<b>7,178</b>
<b>Balance - 31 December 2021</b>	<b>4,497</b>	<b>70</b>	<b>1,204</b>	<b>503</b>	<b>6,274</b>

<sup>(1)</sup> At the end of 2020 the Group reassessed the mine closure provisions of the Corihuarmi Mine. The result of the reassessment was a net increase of \$170,000 in the carrying value of the corresponding asset account.

<sup>(2)</sup> In 2020, the Group wrote off certain assets which were not expected to produce future economic benefits or were in use. The result of this write off was a net reduction of \$28,000 in the carrying value of the correspondent asset account that was recorded as an operating loss.

<sup>(3)</sup> At the end of 2021 the Group reassessed the mine closure provisions of the Corihuarmi Mine and the Ollachea Project. The result of the reassessment was a net reduction of \$49,000 in the carrying value of the corresponding asset account.

<sup>(4)</sup> During 2021 the Group reclassified \$961,000 from intangibles, see note 13.

## NOTE 12 – RIGHT-OF-USE ASSETS

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

	Mining Assets US\$000	Land & Buildings US\$000	Motor Vehicles US\$000	Total US\$000
<b>Cost</b>				
Balance - 1 January 2020	5,707	1,619	1,510	8,836
Additions	9,130	-	1,299	10,429
Adjustments <sup>(1)</sup>	(6,228)	(735)	(1,554)	(8,517)
Balance - 31 December 2020	8,609	884	1,255	10,748
<b>Balance - 1 January 2021</b>	<b>8,609</b>	<b>884</b>	<b>1,255</b>	<b>10,748</b>
<b>Additions</b>	<b>-</b>	<b>41</b>	<b>2,632</b>	<b>2,673</b>
<b>Adjustments<sup>(1)</sup></b>	<b>586</b>	<b>(715)</b>	<b>(223)</b>	<b>(352)</b>
<b>Balance – 30 December 2021</b>	<b>9,195</b>	<b>210</b>	<b>3,664</b>	<b>13,069</b>
<b>Accumulated Depreciation</b>				
Balance - 1 January 2020	3,781	330	953	5,064
Depreciation for the year	4,068	277	639	4,984
Adjustments <sup>(1)</sup>	(5,648)	(56)	(1,088)	(6,792)
Balance - 31 December 2020	2,201	551	504	3,256
<b>Balance - 1 January 2021</b>	<b>2,201</b>	<b>551</b>	<b>504</b>	<b>3,256</b>
<b>Depreciation for the year</b>	<b>4,185</b>	<b>270</b>	<b>1,399</b>	<b>5,854</b>
<b>Adjustments<sup>(1)</sup></b>	<b>306</b>	<b>(715)</b>	<b>(258)</b>	<b>(667)</b>
<b>Balance - 30 December 2021</b>	<b>6,692</b>	<b>106</b>	<b>1,645</b>	<b>8,443</b>
<b>Carrying amounts</b>				
Balance - 1 January 2020	1,926	1,289	557	3,772
Balance - 31 December 2020	6,408	333	751	7,492
<b>Balance - 30 December 2021</b>	<b>2,503</b>	<b>104</b>	<b>2,019</b>	<b>4,626</b>

<sup>(1)</sup> The adjustments during 2021 and 2020 correspond to terminations and changes in the terms of lease contracts.

## NOTE 13 - INTANGIBLE ASSETS

<b>Deferred Exploration Costs</b>	<b>Ollachea US\$000</b>	<b>Other Peru US\$000</b>	<b>Total US\$000</b>
Balance – 1 January 2020	143,651	1,044	144,695
Additions	841	175	1,016
<b>Balance – 31 December 2020</b>	<b>144,492</b>	<b>1,219</b>	<b>145,711</b>
<b>Additions</b>	<b>1,489</b>	<b>302</b>	<b>1,791</b>
<b>Reclassifications to property, plant and equipment (see note 11)</b>	<b>-</b>	<b>(961)</b>	<b>(961)</b>
<b>Balance - 31 December 2021</b>	<b>145,981</b>	<b>560</b>	<b>146,541</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 2021 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 Group has signed an Asset Trust Agreement transferring the ownership in trust over the shares held by the Group in its Peruvian subsidiary Compañía Minera Kuri Kullu S.A., as well as the Ollachea Project's mining concessions own by the subsidiary. For additional information please refer to Note 1.

## NOTE 14 - OTHER RECEIVABLES AND PREPAYMENTS

	<b>2021 US\$000</b>	<b>2020 US\$000</b>
<b>Non-current assets</b>		
Other receivables	<b>6,982</b>	7,507
Balance as at 31 December	<b>6,982</b>	7,507
<b>Current assets</b>		
Other receivables	<b>1,602</b>	1,664
Prepayments	<b>223</b>	338
Balance as at 31 December	<b>1,825</b>	2,002

Included in other receivables and prepayments is an amount of \$7,851,000 (2020: \$8,199,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the \$7,851,000 sales tax recoverable, \$6,982,000 relates to purchases for the Ollachea project which is only recoverable upon commencement of metal sales from that project. Commercial production is not expected to commence within the next 12 months, therefore this element has been included in non-current assets.

## NOTE 15 - INVENTORY

	2021 US\$000	2020 US\$000
Gold in process	2,943	1,873
Mining materials	1,221	811
Dore gold bar	-	370
Balance as at 31 December	4,164	3,054

## NOTE 16 - CASH AND CASH EQUIVALENTS

	2021 US\$000	2020 US\$000
Bank balances as at 31 December	4,483	2,932

## NOTE 17 - CAPITAL AND RESERVES

As at 31 December 2021 and 2020, Minera IRL Limited's share capital is made up of shares with no par value. There is no upper limit on the value of shares to be issued.

	Ordinary shares	US\$000
<b>Issued and fully paid share capital</b>		
Shares in issue 31 December 2020	231,135,028	159,012
<b>Shares in issue 31 December 2021</b>	<b>231,135,028</b>	<b>159,012</b>

All fully paid shares entitle the holder to one vote and equal rights to dividends declared.

### Share Options

#### Group Share Option Scheme

Minera IRL Limited had a share option scheme for the benefit of directors, employees and certain consultants of the Group. The purpose of the scheme was 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 were fully aligned with the interests of shareholders.

There are no outstanding options as at 31 December 2021.



## NOTE 17 - CAPITAL AND RESERVES (continued)

### Other Share Options

	2021	Weighted average exercise price (\$)	2020	Weighted average exercise price (\$)
	Number of share options		Number of share options	
Outstanding entitlement - beginning of year	<b>11,556,751</b>	<b>0.16</b>	11,556,751	0.15
Outstanding entitlement - end of the year	<b>11,556,751</b>	<b>0.16</b>	11,556,751	0.16
Exercisable - end of the year	-	-	-	-

As part of the fees paid in connection with the Bridge Loan to structuring agent Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”), Minera IRL Limited was required to grant 11,556,751 options (subject to receipt of all regulatory 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 yet been granted however the entitlement remains.

All outstanding share options have an exercise price of \$0.16 (2020: \$0.16).

### **Share Option Reserve**

The share option reserve includes a credit of \$433,000 (31 December 2020: \$433,000) based on the fair value of the share options that Sherpa is entitled to, as part of the fees in connection with the Bridge Loan.

### **Accumulated losses**

The accumulated losses reserve represents the Group’s 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. There are no externally imposed capital requirements. No requirements are incorporated into the management of capital.

	2021 US\$000	2020 US\$000
Total interest bearing debt	<b>75,648</b>	71,054
Total equity	<b>78,447</b>	78,831
Debt-to-equity ratio as at 31 December	<b>96.4%</b>	90.1%

## NOTE 18 – INTEREST BEARING LOANS

	2021 US\$000	2020 US\$000
<b>Non-Current liabilities</b>		
COFIDE Bridge Loan payable	74,132	103,260
Net of: Arbitration Award receivable	-	(34,213)
Net of: Interest receivable on Arbitration Award	-	(787)
Other loans	-	289
	<b>74,132</b>	<b>68,549</b>
<b>Current liabilities</b>		
Promissory note	1,516	1,490
Other loans	-	1,015
	<b>1,516</b>	<b>2,505</b>

### COFIDE Bridge Loan

In 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 facility of up to \$240,000,000 described in a letter of mandate signed by COFIDE and Minera IRL. This senior project credit facility was to be structured by COFIDE, in conjunction with Minera IRL, to build the Ollachea Gold Project (the "Ollachea Project").

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 quarterly interest. The balance as at 31 December 2021 is \$1,516,000.

In March 2017 COFIDE terminated the letter of mandate without providing any reason for their decision. The Bridge Loan was originally due for repayment in 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.

On 16 September 2019 the Group announced that the Court of Arbitration had issued its Arbitration Award. The Award provided that COFIDE must pay an aggregate amount of \$34.2 million for damages. The Court of Arbitration declared that it did not have jurisdiction to require repayment of the Bridge Loan because the Bridge Loan facility expressly provides that it is subject to the jurisdiction of the courts of New York, United States. Subsequently, COFIDE filed a lawsuit for annulment of the Arbitration Award. No amount for the damages awarded was recognised in the 2019 financial statements given the uncertainty at that year-end over its recoverability.

## NOTE 18 – INTEREST BEARING LOANS (continued)

On 31 December 2019 the Group signed a Memorandum of Understanding (“MOU”) with COFIDE which was extended several times until 7 November 2020. During this period both the collection of damages by the Group and the collection of the debt and/or interests by COFIDE remained suspended. The objective of the MOU was to allow both parties to reach an agreement in settlement of the obligations imposed by the Arbitration Award announced on 16 September 2019 as well as related matters, including repayment of the Bridge Loan.

On 12 November 2020 the Group announced it had settled its dispute with COFIDE. The summary of the settlement agreement is that the Group owes COFIDE US\$70 million in principal and US\$31.9 million of accrued interest (calculated to 10 November 2020), however, COFIDE has yet to provide the invoices to support the tax deductibility of these interests. Also, it was agreed that COFIDE owed the Group US\$34.2 million pursuant to the September 2019 Arbitration Award, plus interest from 17 July 2017 to 10 November 2020. The amounts due and receivable have been offset and the Group will pay the net balance to COFIDE within 36 months. To guarantee the full repayment of the balance owed to COFIDE, Corporate Trusts contracts have been assigned over the Ollachea Project’s mineral concessions, the shares of the Peruvian subsidiary Compañía Minera Kuri Kullu S.A. and over future cash flows from the same Project. COFIDE withdrew its legal claim for annulment of the Arbitration Award once the Trust contracts were registered at the public registry. Also, as per the terms of this agreement certain penalties are applicable while the balance of the debt owed to COFIDE is not fully repaid. These penalties are based on percentages applicable over the amount of the Arbitration Award according the following timetable:

- \$2,053,000 (6% on the Arbitration Award amount) if the balance of the debt is not repaid before 15 November 2021. This amount was accrued in the third quarter of 2021.
- An additional penalty of \$1,368,000 (4% on the Arbitration Award amount) if the balance of the debt is not repaid before 15 November 2022. These penalties shall be added to the amount owed to COFIDE and will be paid within the 36 months term established for the full payment of any outstanding debt with COFIDE.

On 24 June 2021 the Group announced that through formalizing the terms agreed on 12 November 2020, four inter-related agreements between COFIDE and the Group had been signed:

- A Cash Flow Trust Agreement, which creates a trust over the cash flows generated from the Ollachea Project, to guarantee the payment obligations of the Group to COFIDE by channeling those cash flows through a revenue account to be managed by La Fiduciaria;
- An Asset Trust Agreement, which creates a trust over the shares held by the Group in its Peruvian subsidiary Compañía Minera Kuri Kullu S.A., as well as the Ollachea Project’s concessions owned by the subsidiary to guarantee the payment obligations of the Group to COFIDE by transferring ownership of the securities and mortgages to La Fiduciaria in trust;
- A Refinancing of the Credit Agreement, which establishes the terms and conditions for the payment of the principal and accrued and accruing interest on the Group’s debt with COFIDE; and
- A Compensation Agreement, which establishes the terms and conditions for the payment of consequential damages to the Group by COFIDE pursuant to the September 2019 Arbitration Award, plus accrued and accruing interest.

Neither the assets of nor the cash flows generated by the Corihuarmi mine are included in these Trust Agreements.

If the Group is not able to secure an alternative source of funds to repay the debt with COFIDE, the Group will have to relinquish its ownership of the subsidiary, Compañía 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.

## NOTE 18 – INTEREST BEARING LOANS (continued)

### Other loans

On 18 February 2020 the Group entered into a secured loan arrangement with an unrelated party for \$2,000,000 in order to be able to pay tax reassessments for the years ended 31 December 2008 and 2009. The loan was repaid during the second quarter of 2021, including a \$20,000 structuring commission and interest of \$480,000 paid during the first 4 months. The total cost of the loan including the structuring commission was expensed over the loan period on an effective interest basis.

On 7 July 2020 the Group entered into an unsecured loan arrangement with an unrelated party for \$1,400,000 in order to be able to pay the tax reassessments for the year ended 31 December 2011. The loan was repaid during 2020, including a \$20,000 structuring commission and interest of 3% monthly applicable to the outstanding balance.

On 29 April 2021 the Group entered into an unsecured loan arrangement with an unrelated party for \$700,000 in order to be able to reduce a significant amount owed to its former arbitration lawyers. The loan is payable within a year after disbursement and includes a \$30,000 structuring commission and interest of 4% monthly applicable to the unpaid balance. The loan was repaid during 2021 and \$40,000 of interest has been expensed as finance expense.

	Cash	Borrowings due within 1 year	Borrowings due after 1 year	Total
Group – Net debt reconciliation	US\$000	US\$000	US\$000	US\$000
Net debt as at 1 January 2020	2,791	(89,500)	-	(86,709)
Cash flows	141	(731)	-	(590)
Accrued interest	-	(15,823)	-	(15,823)
Reclassification	-	103,549	(103,549)	-
Arbitration Award	-	-	35,000	35,000
<b>Net debt as at 31 December 2020</b>	<b>2,932</b>	<b>(2,505)</b>	<b>(68,549)</b>	<b>(68,122)</b>
<b>Net cash flows</b>	<b>1,551</b>	<b>1,618</b>	<b>-</b>	<b>3,169</b>
<b>Accrued interest</b>	<b>-</b>	<b>(340)</b>	<b>(3,806)</b>	<b>(4,146)</b>
<b>Accrued penalty</b>	<b>-</b>	<b>-</b>	<b>(2,053)</b>	<b>(2,053)</b>
<b>Adjustment to prior year</b>	<b>-</b>	<b>-</b>	<b>(13)</b>	<b>(13)</b>
<b>Reclassification</b>	<b>-</b>	<b>(289)</b>	<b>289</b>	<b>-</b>
<b>Net debt as at 31 December 2021</b>	<b>4,483</b>	<b>(1,516)</b>	<b>(74,132)</b>	<b>(71,165)</b>

## NOTE 19 – LEASE LIABILITIES

From 1 January 2019, leases are recognised as a right of use asset (see Note 12) and a corresponding liability at the date at which the leased asset is available for use by the Group. The following is a schedule of future lease payments due under the capital lease contracts.

<b>Lease Obligations</b>	<b>2021 US\$000</b>	<b>2020 US\$000</b>
Balance - 1 January	<b>10,165</b>	6,227
Additions	<b>2,673</b>	10,429
Unwinding of the discount	<b>776</b>	601
Paid during the period	<b>(7,389)</b>	(5,302)
Adjustments	<b>681</b>	(1,790)
Balance as at 31 December	<b>6,906</b>	10,165

The current and non-current portions are as follows:

	<b>2021 US\$000</b>	<b>2020 US\$000</b>
Current portion	<b>719</b>	2,612
Non-current portion	<b>6,187</b>	7,553
Balance as at 31 December	<b>6,906</b>	10,165

## NOTE 20 - PROVISIONS

The Group has a provision of \$4,892,000 (2020: \$4,895,000) 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 have 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 31 December 2021 management estimates that the remaining mine life at Corihuarmi was approximately 32 months. The directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 8 years' time on the assumption that commercial production does not proceed.

	<b>2021 US\$000</b>	<b>2020 US\$000</b>
Balance brought forward	<b>4,895</b>	4,456
Unwinding of the discount	<b>560</b>	487
Additional provision	<b>(417)</b>	170
Amounts used	<b>(146)</b>	(218)
Balance as at 31 December	<b>4,892</b>	4,895

At the end of 2021, the Group hired an independent consultant to reassess the mine closure provision of the Corihuarmi Mine and the Ollachea Project. The result of the reassessment was a net decrease of \$417,000 in the carrying value of the provision and in the carrying value of the corresponding asset account.

## NOTE 21 – TRADE AND OTHER PAYABLES

	<b>2021</b>	<b>2020</b>
--	-------------	-------------

	US\$000	US\$000
<b>Non-current</b>		
Trade payables	1,397	2,895
<b>Current</b>		
Trade payables	7,855	6,412
Other payables	3,490	3,784
Balance as at 31 December	11,345	10,196

## NOTE 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### 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.

**NOTE 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

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

	<b>2021</b>	<b>2020</b>
	<b>US\$000</b>	<b>US\$000</b>
Peruvian nuevos soles	<b>118</b>	33
United States dollars	<b>4,365</b>	2,899
Balance as at 31 December	<b>4,483</b>	2,932

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

	<b>2021</b>	<b>2020</b>
	<b>US\$000</b>	<b>US\$000</b>
Pounds sterling	<b>(109)</b>	(98)
Canadian dollars	<b>(10)</b>	(11)
Peruvian nuevos soles	<b>(2,059)</b>	(1,141)
United States dollars	<b>(73,160)</b>	(70,801)
Balance as at 31 December	<b>(75,338)</b>	(72,051)

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 assets shown in the table above:

	<b>2021</b>	<b>2020</b>
	<b>US\$000</b>	<b>US\$000</b>
10% weakening of the US dollar	<b>(218)</b>	(125)
20% weakening of the US dollar	<b>(435)</b>	(250)
10% strengthening of the US dollar	<b>218</b>	125
20% strengthening of the US dollar	<b>435</b>	250

*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.

**NOTE 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

An analysis of the financial assets and 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 may 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 (n) 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.

<b>2021</b>	<b>Due in less</b>	<b>Due between</b>	<b>Due between</b>	
<b>Financial assets measured at amortised cost</b>	<b>than 3</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
	<b>months</b>			
	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>
Receivables	1,587	-	6,982	8,569
Cash and cash equivalents	4,483	-	-	4,483
	6,070	-	6,982	13,052

<b>2020</b>	<b>Due in less</b>	<b>Due between</b>	<b>Due between</b>	
<b>Financial assets measured at amortised cost</b>	<b>than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>
Receivables	1,655	-	7,507	9,162
Cash and cash equivalents	2,932	-	-	2,932
Total	4,587	-	7,507	12,094

<b>2021</b>	<b>Due in less</b>	<b>Due between</b>	<b>Due between</b>	
<b>Financial Liabilities measured at amortised cost</b>	<b>than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>
Trade payables	7,651	204	1,397	9,252
Other payables	3,490	-	-	3,490
Interest bearing loan	1,516	-	74,132	75,648
	12,657	204	75,529	88,390

<b>2020</b>	<b>Due in less</b>	<b>Due between</b>	<b>Due between</b>	
<b>Financial Liabilities measured at amortised cost</b>	<b>than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>
Trade payables	6,208	204	2,895	9,307
Other payables	3,785	-	-	3,785
Interest bearing loan	1,723	781	68,549	71,053
	11,716	985	71,444	84,145

All financial assets and liabilities are measured at amortized costs. No financial assets or liabilities are measured at fair value therefore no gain or losses have been recorded through other comprehensive income.



## **NOTE 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

### *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. However, the banks used are institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax.

### *Interest rate risk*

The Group has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. 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 17.

## **NOTE 23 - 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.

On 12 November 2020 the Group announced it had settled its dispute with COFIDE. As per the terms of this settlement the Group owed COFIDE US\$31.9 million of accrued interest at that date. However, COFIDE has yet to provide the invoices to support the tax deductibility of these interest expenses. As a consequence, in case of a tax audit, the tax authority might object the tax deductibility of these interests. Also, as per the terms of this agreement certain penalties are applicable while the balance of the debt owed to COFIDE is not fully repaid. These penalties are based on percentages applicable over the amount of the Arbitration Award according the following timetable:

- \$2,053,000 (6% on the Arbitration Award amount) if the balance of the debt is not repaid before 15 November 2021. This amount was accrued in the third quarter of 2021.
- An additional penalty of \$1,368,000 (4% on the Arbitration Award amount) if the balance of the debt is not repaid before 15 November 2022. These penalties shall be added to the amount owed to COFIDE and will be paid within the 36 months term established for the full payment of any outstanding debt with COFIDE.

During 2019, the Group was issued a tax reassessment by the Peruvian Tax Authority for the year ended 31 December 2017 related to the deductibility of expenses and interest relative to the COFIDE Bridge Loan and the write off of certain leach pads. If the Group is unsuccessful in this appeal, an aggregate amount of \$4,700,000 would be payable, including tax, penalties and interest calculated as at 31 December 2021.

## **NOTE 23 - CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

During 2021, the Group was issued a tax reassessment by the Peruvian Tax Authority for the year ended 31 December 2015 related to the deductibility of expenses and interest relative to the COFIDE Bridge Loan and the write off of intangible assets. If the Group is unsuccessful in this appeal, an aggregate amount of \$4,600,000 would be payable, including tax, penalties and interest calculated as at 31 December 2021.

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 has 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 has the right to buyback and cancel this royalty from Macquarie Bank by paying a buyback fee of \$5,000,000.

## **NOTE 24 - RELATED PARTIES**

During the year ended 31 December 2021, the Group entered into transactions with directors and key management as disclosed on Note 7. As at 31 December 2021, the Group owed \$66,000 to directors and key management. Also, during the year ended 31 December 2021, certain related parties of directors and key management received \$207,000 as salary and professional fees on normal commercial terms.

During the year ended 31 December 2020, the Group entered into transactions with directors and key management as disclosed on Note 7. As at 31 December 2020, the Group owed \$66,000 to directors and key management. Also, during the year ended 31 December 2020 certain related parties of directors and key management received \$379,000 as salary and professional fees on normal commercial terms.

## **NOTE 25 - SUBSEQUENT EVENTS**

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

**STAND ALONE ACCOUNTS OF  
MINERA IRL LIMITED**

**FOR THE YEAR ENDED  
31 DECEMBER 2021**



**COMPANY STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**For the years ended 31 December 2021 and 2020**

	Notes	2021 US\$000	2020 US\$000
Administration expenses	3	(1,579)	(1,321)
<b>Operating loss</b>		<b>(1,579)</b>	<b>(1,321)</b>
Intercompany interest	4	(177)	(72)
<b>Loss for the year attributable to the equity shareholders of the parent</b>		<b>(1,756)</b>	<b>(1,393)</b>
<b>Total comprehensive loss for the year attributable to the equity shareholders of the parent</b>		<b>(1,756)</b>	<b>(1,393)</b>

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2021 and 2020**

		2021	2020
	Notas	US\$000	US\$000
<b>Assets</b>			
Other receivables and pre-payments		30	25
Intercompany receivables	5	7,438	7,438
<b>Total current assets</b>		<b>7,468</b>	<b>7,463</b>
Intangible assets	6	9,351	9,351
Investment in Subsidiaries	7	66,317	66,317
<b>Total non-current assets</b>		<b>75,668</b>	<b>75,668</b>
<b>Total assets</b>		<b>83,136</b>	<b>83,131</b>
<b>Liabilities</b>			
Trade and other payables	11	231	306
<b>Total current liabilities</b>		<b>231</b>	<b>306</b>
Intercompany liabilities	10	3,636	1,800
<b>Total non-current liabilities</b>		<b>3,636</b>	<b>1,800</b>
<b>Total liabilities</b>		<b>3,867</b>	<b>2,106</b>
<b>Equity</b>			
Share Capital	8	159,012	159,012
Share options reserve	9	433	433
Accumulated losses		(80,176)	(78,420)
<b>Total equity attributable to the equity shareholders of the parent</b>		<b>79,269</b>	<b>81,025</b>
<b>Total equity and liabilities</b>		<b>83,136</b>	<b>83,131</b>

The stand alone financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



Gerardo Pérez  
 Presidente del Directorio  
 30 March 2022



Carlos Ruiz de Castilla  
 Chief Executive Officer  
 30 March 2022

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the years ended 31 December 2021 and 2020**

	Number of shares	Share Capital US\$000	Share options reserve US\$000	(Accumulated Losses ) Retained Earnings US\$000	Total US\$000
Balance as at 1 January 2020	231,135,028	159,012	433	(77,027)	82,418
Loss for the year	-	-	-	(1,393)	(1,393)
Total comprehensive loss	-	-	-	(1,393)	(1,393)
Balance as at 31 December 2020	231,135,028	159,012	433	(78,420)	81,025

	Number of shares	Share Capital US\$000	Share options reserve US\$000	(Accumulated Losses ) Retained Earnings US\$000	Total US\$000
<b>Balance as at 1 January 2021</b>	<b>231,135,028</b>	<b>159,012</b>	<b>433</b>	<b>(78,420)</b>	<b>81,025</b>
Loss for the year	-	-	-	(1,756)	(1,756)
Total comprehensive loss	-	-	-	(1,756)	(1,756)
<b>Balance as at 31 December 2021</b>	<b>231,135,028</b>	<b>159,012</b>	<b>433</b>	<b>(80,176)</b>	<b>79,269</b>

**COMPANY CASH FLOW STATEMENT**  
**For the years ended 31 December 2021 and 2020**

	Notes	2021 US\$000	2020 US\$000
<b>Cash flows from operating activities:</b>			
Loss		(1,756)	(1,393)
Intercompany interest	4	177	72
Increase in prepayments		(5)	(5)
Decrease in accounts payable		(75)	10
<b>Cash used in operating activities</b>		<b>(1,659)</b>	<b>(1,316)</b>
<b>Cash flows from financing activities</b>			
Funds transferred from subsidiary	11	1,659	1,316
<b>Net changes in cash balance</b>		<b>-</b>	<b>-</b>
<b>Cash balance at beginning of year</b>		<b>-</b>	<b>-</b>
<b>Cash balance at end of year</b>		<b>-</b>	<b>-</b>

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS**

### **For the year ended 31 December 2021**

#### **Note 1 – Nature and Continuance of Operations**

Minera IRL Limited (the “Company”) is registered in Jersey and its registered office is at Hawksford House, 15 Esplanade, St. Helier, Jersey, JE1 1RB, Channel Islands. The principal activity of the Company and its subsidiaries is the exploration for and development of mines for the extraction of gold.

The financial statements have been prepared on the assumption that the Company 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 Company is not expected to continue operations for the foreseeable future.

At 31 December 2021, the Company had a working capital balance of \$7,237,000. Working capital is defined as current assets less current liabilities. The Company has no operations by itself and does not generate revenue, does not have a bank account and carries out its operations through its subsidiaries. All payments are made through Minera IRL SA, one of its Peruvian subsidiaries.

In June 2015, the Company 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 facility of up to \$240,000,000 described in a letter of mandate signed by COFIDE and Minera IRL. This senior project credit 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. The Bridge Loan was due for repayment in June 2017.

On 20 June 2017 the Company announced it had filed a request for an arbitration against COFIDE with the Arbitration Centre of the Lima Chamber of Commerce.

On 16 September 2019 the Company announced that the Court of Arbitration had issued its Arbitration Award. The Award provided that COFIDE must pay an aggregate amount of \$34.2 million for damages. The Court of Arbitration declared that it did not have jurisdiction to require repayment of the Bridge Loan because the Bridge Loan facility expressly provides that it is subject to the jurisdiction of the courts of New York, United States. Subsequently, COFIDE filed a lawsuit for annulment of the Arbitration Award. No amount for the damages awarded was recognised in the 2019 financial statements given the uncertainty at that year-end over its recoverability.

On 31 December 2019 the Company signed a Memorandum of Understanding (“MOU”) with COFIDE which was extended several times until 7 November 2020. During this period both the collection of damages by the Company and the collection of the debt and/or interests by COFIDE remained suspended. The objective of the MOU was to allow both parties to reach an agreement in settlement of the obligations imposed by the Arbitration Award announced on 16 September 2019 as well as related matters, including repayment of the Bridge Loan.



## **Note 1 – Nature and Continuance of Operations (continued)**

On 12 November 2020 the Company announced it had settled its dispute with COFIDE. The summary of the settlement agreement is that the Company owes COFIDE US\$70 million in principal and US\$31.9 million of accrued interest (calculated to 10 November 2020), however, COFIDE has yet to provide the invoices to support the tax deductibility of these interests. Also, it was agreed that COFIDE owed the Company US\$34.2 million pursuant to the September 2019 Arbitration Award, plus interest from 17 July 2017 to 10 November 2020. The amounts due and receivable have been offset and the Company will pay the net balance to COFIDE within 36 months. To guarantee the full repayment of the balance owed to COFIDE, Corporate Trusts contracts have been assigned over the Ollachea Project's mineral concessions, the shares of the Peruvian subsidiary Compañía Minera Kuri Kullu S.A. and over future cash flows from the same Project. COFIDE withdrew its legal claim for annulment of the Arbitration Award once the Trust contracts were registered at the public registry. Also, as per the terms of this agreement certain penalties are applicable while the balance of the debt owed to COFIDE is not fully repaid. These penalties are based on percentages applicable over the amount of the Arbitration Award according the following timetable:

- \$2,053,000 (6% on the Arbitration Award amount) if the balance of the debt is not repaid before 15 November 2021. This amount was accrued in the third quarter of 2021.
- An additional penalty of \$1,368,000 (4% on the Arbitration Award amount) if the balance of the debt is not repaid before 15 November 2022. These penalties shall be added to the amount owed to COFIDE and will be paid within the 36 months term established for the full payment of any outstanding debt with COFIDE.

On 24 June 2021 the Company announced that through formalizing the terms agreed on 12 November 2020, four inter-related agreements between COFIDE and the Company had been signed:

- A Cash Flow Trust Agreement, which creates a trust over the cash flows generated from the Ollachea Project, to guarantee the payment obligations of the Company to COFIDE by channeling those cash flows through a revenue account to be managed by La Fiduciaria;
- An Asset Trust Agreement, which creates a trust over the shares held by the Company in its Peruvian subsidiary Compañía Minera Kuri Kullu S.A., as well as the Ollachea Project's concessions owned by the subsidiary to guarantee the payment obligations of the Company to COFIDE by transferring ownership of the securities and mortgages to La Fiduciaria in trust;
- A Refinancing of the Credit Agreement, which establishes the terms and conditions for the payment of the principal and accrued and accruing interest on the Company's debt with COFIDE; and
- A Compensation Agreement, which establishes the terms and conditions for the payment of consequential damages to the Company by COFIDE pursuant to the September 2019 Arbitration Award, plus accrued and accruing interest.

Neither the assets of nor the cash flows generated by the Corihuarmi mine are included in these Trust Agreements.

If the Company is not able to secure an alternative source of funds to repay the debt with COFIDE, the Company will have to relinquish its ownership of the subsidiary, Compañía 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.

Notwithstanding that there can be no guarantee that an alternative source of funding will be secured within the required timescale or on acceptable terms, the Directors consider that an alternative funding will be obtained to fully repay the debt with COFIDE plus interest and to develop the Ollachea Project. The cash generated from gold production at the Corihuarmi Mine is required to fund the working capital requirements of the Company in the meantime.

## **Impact of COVID-19**

It is impossible to predict with certainty the final impact of COVID-19 at this stage. According to the opinion of most experts, we believe that the impact of the virus outbreak on the worldwide economy will be material. Accordingly, this might have negative impacts for the operations of the Company in the future. Management is constantly evaluating the impact of COVID-19, however, given the fluidity and volatility of the situation, it is not possible to make predictions on future outcomes.

In early March 2020, the Company reinforced the application of its health and safety protocols, which encapsulated the operations of the Corihuarmi mine and Ollachea project as far as possible against the worldwide crisis caused by COVID-19. To date, no significant disruptions on mining operations, gold production or sales have occurred; and gold prices have increased. The Peruvian government has approved the Corihuarmi mine's COVID-19 surveillance, prevention and control plan which allows the continuation of its mining operations. Although there might be certain difficulties on the supply chain and gold transportation, the Company is confident it will overcome these difficulties. In this sense, the Company considers that it has taken appropriate measures in contemplation of the impact of COVID-19 and, as of the date of filing of these financial statements the Company considers that there are no material impacts that may affect the application of the going concern principle or any item of the financial statements.

The Company's cash flow is sufficient to meet its commitments and to fund its working capital requirements in the face of this crisis. The Company has not made, nor plans to make, any wage or job cuts. Meanwhile, it is constantly re-evaluating mine workers' mobilization and demobilization plans, prioritizing their health and safety.

The Directors have therefore prepared the financial statements on the assumption that the Company 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 Company is not expected to continue operations for the foreseeable future.

## Note 2 – Basis of Preparation

These Stand Alone Financial Statements of Minera IRL Limited are presented in United States dollars, rounded to the nearest thousand. This Report has been prepared under the historical cost convention unless otherwise specified.

According the Companies (Jersey) Law of 1991 this report is not mandatory and has not been filed with the Companies Registry in Jersey. This report has been prepared by management at request of the Peruvian securities regulator in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") except for IFRS 10 Consolidated Financial Statements. This standard requires a controlling entity to prepare Consolidated Financial Statements of a Group in which the assets, liabilities, equity, income and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

## Note 3 – Administrative expenses

	2021 US\$000	2020 US\$000
Director fees	120	120
Salaries and other benefits	919	680
Professional fees	479	497
Other	61	24
Administrative expenses for the years	1,579	1,321

## Note 4 – Finance expense

	2021 \$000	2020 \$ 000
Intercompany interests	177	72

## Note 5 – Intercompany receivables

	2021 US\$ 000	2020 US\$000
Intercompany receivable from Compañía Minera Kuri Kullu SA	7,438	7,438
Balance at 31 December	7,438	7,438

All amounts due are interest free and repayable on demand.

## Note 6 – Intangible Assets

The balance of intangible assets is the amount invested on the Ollachea Gold Project which is owned by the Company's subsidiary Compañía Minera Kuri Kullu S.A. There were no changes to the amount invested during the years ended 31 December 2021 and 2020.

## Note 7 – Investment in Subsidiaries

	2021 US\$000	2020 US\$000
Balance at 1 January	66,317	66,317
Balance at 1 December	66,317	66,317

The Company holds investments in the following subsidiaries:

	Location	Ownership
Minera IRL S.A. (“MIRLSA”) – MIRLTD’s subsidiary	Peru	100%
Compañía Minera Kuri Kullu S.A. (“MKKSA”) – MIRLSA’s subsidiary	Peru	100%
Minera IRL Argentina S.A. – MIRLTD’s subsidiary	Argentina	100%
Minera IRL Chile S.A. – MIRLTD’s subsidiary	Chile	100%

## Note 8 - Share Capital

The Company has an authorized share capital of an unlimited number of Common Shares without par value, of which 231,135,028 have been issued as of the date of this report. Each share grants its holder the right to one vote. All shares of the Company have the same rank in terms of dividends, number of votes and participation in the assets at the time of dissolution or liquidation of the Company.

There was no share capital issuances during the year ended 31 December 2021.

## Note 9 – Share options reserve

Minera IRL Limited had a share option scheme for the benefit of directors, employees and certain consultants of the Company. The purpose of the scheme was to provide incentives to those people whose efforts and skills are most important to the success of the Company, and to ensure that the interests of the management of the Company were fully aligned with the interests of shareholders. The terms of the scheme allowed the directors to decide at the date of grant when the option becomes exercisable. Options granted before 17 November 2009 allowed 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 allowed immediate exercise. The options lapsed on the fifth anniversary of the date of grant and had no performance conditions. There are no outstanding options as at 31 December 2021.

### Other Share Options

	2021 Number of share options	Weighted average exercise price (\$)	2020 Number of share options	Weighted average exercise price (\$)
Outstanding - beginning of year	11,556,751	0.16	11,556,751	0.15
Outstanding - end of the year	11,556,751	0.16	11,556,751	0.16
Exercisable - end of the year	-	-	-	-

## **Note 9 – Share options reserve (continued)**

As part of the fees paid in connection with the Bridge Loan to the financial advisor Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”), Minera IRL Limited would be required to grant 11,556,751 options (subject to the approvals of regulatory entities and shareholders). Each option would be exercisable to purchase one ordinary share of the Company 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 Gold Project. During the General Shareholders' meeting held on 30 November 2016, the resolution granting the directors the authorization to issue shares was rejected, so these stock options have not been granted.

The share option reserve includes a credit of \$433,000 (31 December 2020: \$433,000) based on the fair value of the share options that Sherpa is entitled to, as part of the fees in connection with the Bridge Loan.

## **Note 10 – Intercompany liabilities**

	<b>2021</b>	<b>2020</b>
	<b>US\$000</b>	<b>US\$000</b>
Intercompany payable to Minera IRL S.A.	<b>3,636</b>	1,800
Balance as at 31 December	<b>3,636</b>	1,800

During the year ended at 31 December 2021 the balance payable by Minera IRL Limited to its subsidiary Minera IRL SA increased by \$1,836,000 due to payments of \$1,659,000 made by the subsidiary on behalf of the Parent Company, as well as an increase of \$177,000 in interest payable to Minera IRL SA.

## **Note 11 – Trade and other payables**

	<b>2021</b>	<b>2020</b>
	<b>US\$000</b>	<b>US\$000</b>
Fees and services	<b>161</b>	164
Other	<b>70</b>	142
Balance at 31 December	<b>231</b>	306

## **Note 12 – Contingent liabilities**

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 Company awarded a 1% royalty on gross revenue minus refining costs on gold production from the Company's Ollachea Project. The Company has the right to buyback and cancel this royalty by paying a buyback fee of \$5,000,000.