Interim Consolidated Financial Statements (Unaudited)

For the three and six month periods ended 30 June 2022

All figures are in United States dollars ($) unless otherwise noted.
References to "C$" are to Canadian dollars.

NOTICE TO READER

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

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the three and six month periods ended 30 June 2022 and 2021

		Three Months Ended		Six Months Ended	
	Notes	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Revenue from contracts with customers		$ **9,675**	$ 10,776	$ **19,100**	$ 21,154
Cost of sales		**(8,695)**	(7,814)	**(16,827)**	(15,073)
Gross profit		**980**	2,962	**2,273**	6,081
Administrative expenses		**(2,058)**	(1,508)	**(2,837)**	(2,838)
Exploration costs		**(131)**	(58)	**(251)**	(110)
Gain on disposal of property, plant and equipment		**13**	-	**13**	-
Write-off of asset		**-**	-	**(15)**	-
Operating profit		**(1,196)**	1,396	**(817)**	3,133
Finance recovery (expense)	**3**	**(1,848)**	395	**(3,309)**	(2,661)
Interest receivable on Arbitration Award			(21)	**-**	-
Income (loss) before tax		**(3,044)**	1,770	**(4,126)**	472
Income tax recovery	**6**	**-**	-	**-**	117
Income (loss) for the period attributable to the equity shareholders of the parent		**(3,044)**	1,770	**(4,126)**	589
Total comprehensive Income (loss) for the period attributable to the equity shareholders of the parent		$ **(3,044)**	$ 1,770	$ **(4,126)**	$ 589
Earnings (loss) per ordinary share (US cents)					
Basic and diluted	**5**	**(1.3)**	0.8	**(1.8)**	0.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022 and 31 December 2021

	Notas	30 June 2022 US$000	31 December 2021 US$000
Assets			
Property, plant and equipment	**7**	**6,431**	6,274
Right-of-use assets	**8**	**8,542**	4,626
Intangible assets	**9**	**147,192**	146,541
Other receivables and prepayments	**10**	**7,319**	6,982
Total non-current assets		**169,484**	164,423
Inventory	**12**	**4,606**	4,164
Other receivables and prepayments	**10**	**1,851**	1,825
Current tax recoverable	**11**	**3,720**	3,740
Cash and cash equivalents	**13**	**4,136**	4,483
Total current assets		**14,313**	14,212
Total assets		**$ 183,797**	**$** 178,635
Equity			
Share capital	**14**	**159,012**	159,012
Share option reserve	**14**	**472**	433
Accumulated losses		**(85,124)**	(80,998)
Total equity attributable to the equity shareholders of the parent		**$ 74,360**	**$** 78,447
Liabilities			
Interest bearing loans	**15**	**76,513**	74,132
Lease liabilities	**16**	**495**	719
Provisions	**17**	**4,992**	4,892
Trade and other payables	**18**	**1,369**	1,397
Total non-current liabilities		**83,369**	81,140
Interest bearing loans	**15**	**3,516**	1,516
Lease liabilities	**16**	**11,234**	6,187
Trade and other payables	**18**	**11,318**	11,345
Total current liabilities		**26,068**	19,048
Total liabilities		**$ 109,437**	$ 100,188
Total equity and liabilities		**$ 183,797**	$ 178,635

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 12 August 2022.

Gerardo Pérez
Chairman

Carlos Ruiz de Castilla
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the periods between 1 January 2020 and 30 June 2021

	Share capital		Reserves		
	Number of Shares	Amount	Share option	Accumulated losses	Total equity
Balance at 1 January 2021	231,135,028	$ 159,012	$ 433	$ (80,614)	$ 78,831
Income for the period	-	-	-	589	589
Total comprehensive income	-	-	-	589	589
Balance at 30 June 2021	231,135,028	159,012	433	(80,025)	79,420
Loss for the period	-	-	-	(973)	(973)
Total comprehensive loss	-	-	-	(973)	(973)
Balance at 31 December 2021	**231,135,028**	**159,012**	**433**	**(80,998)**	**78,447**
Options granted	**-**	**-**	**39**	**-**	**39**
Loss for the period	**-**	**-**	**-**	**(4,126)**	**(4,126)**
Total comprehensive loss	**-**	**-**	**-**	**(4,126)**	**(4,126)**
Balance at 30 June 2022	**231,135,028**	**159,012**	**$ 472**	**(85,124)**	**74,360**

CONSOLIDATED CASH FLOW STATEMENT
For the three and six month periods ended 30 June 2022 and 2021

		Three months ended		Six months ended	
		30 June	30 June	**30 June**	30 June
	Notes	**2022**	2021	**2022**	2021
Cash flows from operating activities					
Income (loss) before tax		**$ (3,044)**	$ 1,770	**$ (4,126)**	$ 472
Finance expense	**3**	**1,848**	(374)	**3,309**	2,661
Depreciation	**7,8**	**2,580**	2,230	**4,862**	4,252
Share-based payments	**14**	**39**	-	**39**	-
Gain on sale of property, plant and equipment		**(12)**	-	**(12)**	-
Write-off of assets		**-**	-	**15**	-
(Increase) decrease in inventory	**12**	**(706)**	(156)	**(441)**	(217)
Decrease (increase) in other receivables and prepayments		**461**	(79)	**(364)**	168
Increase (decrease) in trade and other payables		**(4)**	(979)	**(253)**	(298)
Payment of mine closure costs		**(118)**	(73)	**(225)**	(74)
Cash generated from operations		**1,044**	2,339	**2,804**	6,964
Income tax paid (net)		**375**	(364)	**195**	(1,066)
Net cash from operating activities		**1,419**	1,975	**2,999**	5,898
Cash flows from investing activities					
Acquisition of property, plant and equipment	**7**	**(612)**	(459)	**(1,039)**	(722)
Deferred exploration and development expenditures	**9**	**(441)**	(378)	**(892)**	(786)
Proceeds on sale of property, plant and equipment		**12**	-	**20**	-
Net cash outflow from investing activities		**(1,041)**	(837)	**(1,911)**	(1,508)
Cash flows from financing activities					
Net proceeds from loan	**15**	**2,000**	700	**2,000**	700
Repayment of loan		**-**	(600)	**-**	(1,900)
Payment of lease liabilities	**16**	**(1,176)**	(1,108)	**(3,240)**	(3,063)
Payment of finance expenses		**(145)**	(137)	**(195)**	(188)
Net cash inflow (outflow) from financing activities		**679**	(1,145)	**(1,435)**	(4,451)
Net increase (decrease) in cash and cash equivalents		**1,057**	(7)	**(347)**	(61)
Cash and cash equivalents at beginning of period		**3,079**	2,878	**4,483**	2,932
Cash and cash equivalents at end of period		**$ 4,136**	$ 2,871	**$ 4,136**	$ 2,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of preparation and going concern

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

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

At 30 June 2022, the Group had a working capital deficit of $11,755,000 (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:

Note 1 – Basis of preparation and going concern (continued)

• $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.

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. This pandemic 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.

The Group complies with the guidelines of the surveillance, prevention and control plan laid down by the Peruvian government which allows the continuation of its mining operations. To date, no disruptions on mining operations, gold production or sales have occurred. The Group considers that as at the date of the filing of these financial statements there are no material impacts that may affect the application of the going concern principle or any item of the financial statements.

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 2 – Segment reporting

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

The following table sets out the income and expenditure, as well as the assets and liabilities of the Group according to these reporting segments:

	Peru US$000	**Jersey US$000**	**Total US$000**
For the Six Months Ended 30 June 2022			
Revenue	**19,100**	**-**	**19,100**
Administration expenses	**(1,860)**	**(977)**	**(2,837)**
Operating profit (loss)	**160**	**(977)**	**(817)**
After tax profit (loss)	**(3,149)**	**(977)**	**(4,126)**
For the Six Months Ended 30 June 2021			
Revenue	21,154	-	21,154
Administration expenses	(2,227)	(611)	(2,838)
Operating profit (loss)	3,744	(611)	3,133
After tax Loss	1,200	(611)	589

Group's Assets	**Peru US$000**	**Jersey US$000**	**Total US$000**
As at 30 June 2022			
Non-current assets	**160,133**	**9,351**	**169,484**
Current	**14,283**	**30**	**14,313**
Total assets	**174,416**	**9,381**	**183,797**
As at 31 December 2021			
Non-current assets	155,072	9,351	164,423
Current	14,182	30	14,212
Total assets	169,254	9,381	178,635

Group's Liabilities	**Peru US$000**	**Jersey US$000**	**Total US$000**
As at 30 June 2022			
Non-current liabilities	**83,369**	**-**	**83,369**
Current	**25,913**	**155**	**26,068**
Total liabilities	**109,282**	**155**	**109,437**
As at 31 December 2021			
Non-current liabilities	81,140	-	81,140
Current	18,817	231	19,048
Total liabilities	99,957	231	100,188

Note 3 – Finance expense

The following table details the finance expenses incurred during the three and six month periods ended 30 June 2022 and 2021.

	Three months ended		Six months ended	
	30 June 2022 ($'000)	30 June 2021 ($'000)	**30 June 2022 ($'000)**	30 June 2021 ($'000)
COFIDE Loan interest	**1,246**	(883)	**2,381**	1,554
Other loans interest	**100**	33	**100**	224
Other finance expenses	**502**	455	**828**	883
	1,848	(395)	**3,309**	2,661

Note 4 – Remuneration of key management personnel

	Salary & Fees US$000	**Other Benefits US$000**	**Total Remuneration US$000**
Cumulative to 30 June 2022			
Directors (1)	**414**	**31**	**445**
Non-Directors (2)	**136**	**-**	**136**
TOTAL	**550**	**31**	**581**

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

	Salary & Fees US$000	Other Benefits US$000	Total Remuneration US$000
Cumulative to 30 June 2021			
Directors (1)	414	33	447
Non-Directors (2)	137	-	137
TOTAL	551	33	584

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

Note 5 – Earnings per share

The calculation of the earnings (loss) per share is based on the loss attributable to ordinary shareholders for the six months ended 30 June 2022 of $4,126,000 (30 June 2021: gain of $589,000) and the weighted average number of ordinary shares in issue during the six month period ended 30 June 2022 of 231,135,028 (30 June 2021: 231,135,028).

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

	30 June 2022 Loss US$000	**Number of shares '000**	**30 June 2021 Earnings per share (cents)**	30 June 2021 Gain US$000	Number of shares '000	30 June 2021 Earnings per share (cents)
Basic earnings (losses)	**(4,126)**	**231,135**	**(1.8)**	589	231,135	0.3
Dilutive effects-options	**-**	**-**	-	-	-	-
Diluted earnings (losses)	**(4,126)**	**231,135**	**(1.8)**	589	231,135	0.3

As at 30 June 2022 and 2021, all options were excluded from the calculation of diluted loss per share because they were non-dilutive.

Note 6 – Income tax (recovery) expense

	30 June 2022 US$000	30 June 2021 US$000
Tax recovery	**-**	(117)
Income tax (recovery) expense	**-**	(117)

Note 7 – 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
Cost					
Balance at 1 January 2021	44,028	524	2,960	3,566	51,078
Additions	1,371	-	206	349	1,926
Adjustment to mine closure provision (1)	(417)	-	-	-	(417)
Disposals	-	-	(60)	-	(60)
Write off	(61)	-	(174)	-	(235)
Reclassifications (2)	982	-	-	(21)	961
Balance - 31 December 2021	45,903	524	2,932	3,894	53,253
Balance at 1 January 2022	**45,903**	**524**	**2,932**	**3,894**	**53,253**
Additions	**824**	**-**	**138**	**77**	**1,039**
Disposals	**-**	**-**	**(35)**	**-**	**(35)**
Write off	**-**	**-**	**(264)**	**-**	**(264)**
Reclassifications from intangibles	**241**	**-**	**-**	**-**	**241**
Balance - 30 June 2022	**46,968**	**524**	**2,771**	**3,971**	**54,234**
Depreciation					
Balance - 1 January 2021	38,905	428	1,362	3,205	43,900
Depreciation for the year	2,909	26	470	207	3,612
Adjustment to mine closure provision (1)	(368)	-	-	-	(368)
Disposals		-	(42)	-	(42)
Write off	(61)	-	(62)	-	(123)
Balance - 31 December 2021	41,385	454	1,728	3,412	46,979
Balance - 1 January 2022	**41,385**	**454**	**1,728**	**3,412**	**46,979**
Depreciation for the period	**766**	**11**	**223**	**100**	**519**
Disposals	**-**	**-**	**(27)**	**-**	**(27)**
Write off	**-**	**-**	**(249)**	**-**	**(249)**
Balance - 30 June 2022	**42,151**	**465**	**1,675**	**3,512**	**47,803**
Carrying amounts					
Balance - 1 January 2021	5,123	96	1,598	361	7,178
Balance - 31 December 2021	4,497	70	1,204	503	6,274
Balance - 30 June 2022	**4,817**	**59**	**1,096**	**459**	**6,431**

(1) 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.
(2) During 2021 the Group reclassified $961,000 from intangibles, see note 9.

Note 8 – 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
Cost				
Balance - 1 January 2021	8,609	884	1,255	10,748
Additions	-	41	2,632	2,673
Adjustments[1]	586	(715)	(223)	(352)
Balance – 31 December 2021	9,195	210	3,664	13,069
Balance - 1 January 2022	**9,195**	**210**	**3,664**	**13,069**
Additions	**3,460**	**813**	**4,654**	**8,928**
Adjustments[1]	**(4,967)**	**-**	**(3,481)**	**(8,448)**
Balance – 30 June 2022	**7,689**	**1,023**	**4,837**	**13,549**
Accumulated Depreciation				
Balance - 1 January 2021	2,201	551	504	3,256
Depreciation for the year	4,185	270	1,399	5,854
Adjustments[1]	306	(715)	(258)	(667)
Balance - 31 December 2021	6,692	106	1,645	8,443
Balance - 1 January 2022	**6,692**	**106**	**1,645**	**8,443**
Depreciation for the period	**2,580**	**159**	**1,023**	**3,762**
Adjustments[1]	**(5,154)**	**-**	**(2,043)**	**(7,197)**
Balance - 30 June 2022	**4,118**	**266**	**624**	**5,007**
Carrying amounts				
Balance - 1 January 2021	6,408	333	751	7,492
Balance - 31 December 2021	2,503	104	2,019	4,626
Balance - 30 June 2022	**3,571**	**758**	**4,213**	**8,542**

[1] The adjustments during 2021 and 2022 correspond to terminations and changes in the terms of lease contracts

Note 9 – Intangible assets

Deferred Exploration Costs	Ollachea US$000	Other Peru US$000	Total US$000
Balance – 1 January 2021	144,492	1,219	145,711
Additions	1,489	302	1,791
Reclassifications to property, plant and equipment (see note 11)	-	(961)	(961)
Balance – 31 December 2021	**145,981**	**560**	**146,541**
Additions	**757**	**135**	**892**
Reclassifications to intangibles	**-**	**(241)**	**(241)**
Balance - 30 June 2022	**146,738**	**454**	**147,192**

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 30 June 2022 have been assessed for indications of impairment. The Group have determined that at the end of the reporting period there are no material indications of impairment.

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 10 – Other receivables and prepayments

	30 June 2022 US$000	31 December 2021 US$000
Non-current assets		
Other receivables	**7,319**	6,982
	7,319	6,982
Current assets		
Other receivables	**1,551**	1,602
Prepayments	**300**	223
	1,851	1,825

Included in other receivables and prepayments is an amount of $7,822,000 (2021: $7,879,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the $7,822,000 sales tax recoverable, $7,319,000 relates to purchases for the Ollachea project which is only recoverable upon commencement of metal sales from that project. Commercial production is not expected within the next 12 months, therefore this element has been included in non-current assets.

Note 11 - Current tax recoverable

	30 June 2022 US$000	31 December 2021 US$000
Income tax recoverable 2020	**1,732**	1,665
Income tax recoverable 2021	**1,195**	1,148
Income tax recoverable - other	**793**	927
	3,720	3,740

Note 12 - Inventory

	30 June 2022 US$000	31 December 2021 US$000
Gold in process	**2,503**	2,943
Mining materials	**1,501**	1,221
Doré gold bar	**602**	-
	4,606	4,164

Note 13 – Cash and cash equivalents

	30 June 2022 US$000	31 December 2021 US$000
Bank balances as at	**4,136**	4,483

Note 14 – Capital and reserves

As at 30 June 2022 and 31 December 2021, 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.

Issued and fully paid share capital	**Ordinary shares**	**US$000**
Shares in issue 31 December 2021	231,135,028	159,012
Shares in issue 30 June 2022	**231,135,028**	**159,012**

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

Share Options

Share options granted to directors and employees
Minera IRL Limited does not have a share option scheme for the benefit of directors and employees of the Group. All share options granted to directors and employees during the past years have lapsed.

Note 14 – Capital and reserves (continued)

Share Options granted to consultants

On 1 April 2022, Minera IRL Limited granted 4,600,000 stock options to Maxwell Mercantile Inc. at an exercise price of C$0.085 ($0.066). The options vest over a period of thirteen months upon being granted. The options were fair valued with a Black-Scholes option pricing model using the following assumptions:

Date of Grant	1 April 2022
Share price on date of grant	C$0.085
Exercise price	C$0.085
Expected volatility	73.1%
Expected option life	1.5 yrs
Risk-free rate of return	0.75%
Expected dividends	Nil
Fair Value	C$0.03

The fair value of this option grant resulted in a total share based payment expense of $110,000 of which, according the vesting schedule, $39,000 have been recognized in the financial statements as at 30 June 2022.

	2022	
	Number of share options	**Weighted average exercise price ($)**
Outstanding - beginning of year	**-**	**-**
Granted on 1 April 2022	**4,600,000**	**0.066**
Outstanding as at 30 June 2022	**4,600,000**	**0.066**
Exercisable as at 30 June 2022	**-**	**-**

Other Share Options

	30 June 2022		31 December 2021	
	Number of share options	**Weighted average exercise price ($)**	Number of share options	Weighted average exercise price ($)
Outstanding entitlement - beginning of year	**11,556,751**	**0.16**	11,556,751	0.16
Outstanding entitlement - end of the year	**11,556,751**	**0.16**	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. 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. These options have not yet been granted however the entitlement remains.

Share Option Reserve

The share option reserve includes a credit of $433,000 (31 December 2021: $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; and a credit of $39,000 based on the fair value of the share options granted to Maxwell Mercantile Inc. on 1 April 2022.

Note 15 –Interest bearing loans

	30 June 2021 US$000	31 December 2021 US$000
Non-Current liabilities		
COFIDE Loan payable	**76,513**	74,132
Current liabilities		
Promissory note	**1,516**	1,516
Other loans	**2,000**	-
	3,516	1,516

COFIDE Loan payable

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 30 June 2022 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 15 –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 15 –Interest bearing loans (continued)

Other loans

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.

On 13 May 2022 the Group entered into an unsecured loan arrangement with an unrelated party for $2,000,000 to afford its working capital needs, which includes advancing potential mineralized areas and current processing infrastructure at Corihuarmi. The loan is payable within a year after disbursement and includes a $40,000 structuring commission and interest of 3% monthly applicable to the unpaid balance. As at 30 June 2022, $100,000 has been expensed as finance expenses.

	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 2021	2,932	(2,505)	(68,549)	(68,122)
Net cash flows	1,551	1,618	-	3,169
Accrued interest	-	(340)	(3,806)	(4,146)
Accrued penalty	-	-	(2,053)	(2,053)
Adjustment to prior year	-	-	(13)	(13)
Reclassification	-	(289)	289	-
Net debt as at 31 December 2021	**4,483**	**(1,516)**	**(74,132)**	**(71,165)**
Net cash flows	**(347)**	**(1,948)**	**-**	**(2,295)**
Accrued interest	**-**	**(52)**	**(2,381)**	**(2,433)**
Net debt as at 30 June 2022	**4,136**	**(3,516)**	**(76,513)**	**(75,893)**

Note 16 – Lease liabilities

From 1 January 2019, leases are recognised as a right of use asset (see Note 8) 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.

Lease Obligations	**30 June 2022 US$000**	31 December 2021 US$000
Balance - 1 January	**6,906**	10,165
Additions	**8,928**	2,673
Unwinding of the discount	**372**	776
Paid during the period	**(3,240)**	(7,389)
Adjustments	**(1,237)**	681
	11,729	6,906

The current and non-current portions are as follows:

	30 June 2022 US$000	31 December 2021 US$000
Current portion	**495**	719
Non-current portion	**11,234**	6,187
	11,729	6,906

Note 17 – Provisions

The Group has a provision of $4,992,000 (2021: $4,892,000) 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 30 June 2022 management estimates that the remaining mine life at Corihuarmi was approximately 26 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.

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	30 June 2022 US$000	31 December 2021 US$000
Balance brought forward	**4,892**	4,895
Unwinding of the discount	**325**	560
Additional provision	**-**	(417)
Amounts used	**(225)**	(146)
	4,992	4,892

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

Note 18 – Trade and other payables

	30 June 2022 US$000	31 December 2021 US$000
Non-current		
Trade payables	**1,369**	1,397
Current		
Trade payables	**7,967**	7,855
Other payables	**3,351**	3,490
	11,318	11,345

Note 19 – 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.

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

	30 June 2021 US$000	31 December 2021 US$000
Peruvian nuevos soles	**53**	118
United States dollars	**4,083**	4,365
	4,136	4,483

Note 19 – Financial instruments and financial risk management (continued)

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

	30 June 2022 US$000	31 December 2021 US$000
Pounds sterling	**(1)**	(109)
Canadian dollars	**(18)**	(10)
Peruvian nuevos soles	**(2,277)**	(2,059)
United States dollars	**(77,415)**	(73,160)
	(79,711)	(75,338)

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:

	30 June 2022 US$000	31 December 2021 US$000
10% weakening of the US dollar	**(230)**	(218)
20% weakening of the US dollar	**(459)**	(435)
10% strengthening of the US dollar	**230**	218
20% strengthening of the US dollar	**459**	435

Liquidity risk

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

An analysis of the financial 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, interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost on an effective interest basis. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

30 June 2022 **Financial assets measured at amortised cost**	**Due in less than 3 months US$000**	**Due between 3 months to 1 year US$000**	**Due between 1 to 5 years US$000**	**Total US$000**
Receivables	**1,549**	**-**	**7,319**	**8,868**
Cash and cash equivalents	**4,136**	**-**	**-**	**4,136**
	5,685	**-**	**7,319**	**13,005**

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

Note 19 – Financial instruments and financial risk management (continued)

30 June 2022 **Financial Liabilities measured at amortised cost**	**Due in less than 3 months** **US$000**	**Due between 3 months to 1 year** **US$000**	**Due between 1 to 5 years** **US$000**	**Total** **US$000**
Trade payables	**7,763**	**204**	**1,369**	**9,336**
Other payables	**3,351**	**-**	**-**	**3,351**
Interest bearing loan	**1,516**	**2,000**	**76,513**	**80,029**
	12,630	**2,204**	**77,882**	**92,716**

31 December 2021 Financial Liabilities measured at amortised cost	Due in less than 3 months US$000	Due between 3 months to 1 year US$000	Due between 1 to 5 years US$000	Total US$000
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

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.

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 6.

Note 20 – 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 interest relative to the COFIDE Bridge Loan and the write off of leaching pads. The Group has appealed this tax reassessment before the Tax Court. If the Group is unsuccessful in this appeal, an aggregate amount of $5,400,000 would be payable, including tax, penalties and interest calculated as at 30 June 2022.

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. The Group has appealed this tax reassessment before the Tax Court. If the Group is unsuccessful in this appeal, an aggregate amount of $5,100,000 would be payable, including tax, penalties and interest calculated as at 30 June 2022.

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 21 – Related parties

During the quarter ended 30 June 2022, the Group entered into transactions with directors and key management as disclosed on Note 7 of these consolidated financial statements (unaudited) for the quarter ended 30 June 2022. As at 30 June 2022, the Group owed $74,000 to directors and key management. Also, during the quarter ended 30 June 2022, certain related parties of directors and key management received $44,000 as salary and professional fees on normal commercial terms.

Note 22 – Subsequent events

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

By order of the Board

Gerardo Perez
Chairman
Minera IRL Limited
12 August 2022