



**Interim Consolidated Financial Statements
(Unaudited)**

**For the three and six month periods ended
30 June 2023**

*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 2023 and 2022

	Notes	Three Months Ended		Six Months Ended	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
Revenue from contracts with customers		\$ 7,421	\$ 9,675	\$ 14,905	\$ 19,100
Cost of sales		(8,547)	(8,695)	(16,097)	(16,827)
Gross profit		(1,126)	980	(1,192)	2,273
Administrative expenses		(1,012)	(2,058)	(2,374)	(2,837)
Exploration costs		(56)	(131)	(126)	(251)
Gain on disposal of property, plant and equipment		-	13	-	13
Write-off of asset		-	-	-	(15)
Operating (Loss) profit		(2,194)	(1,196)	(3,692)	(817)
Finance recovery (expense)	3	(2,700)	(1,848)	(5,400)	(3,309)
Interest receivable on Arbitration Award		-	-	-	-
Income (loss) before tax		(4,894)	(3,044)	(9,092)	(4,126)
Income tax recovery	6	-	-	-	-
Income (loss) for the period attributable to the equity shareholders of the parent		(4,894)	(3,044)	(9,092)	(4,126)
Total comprehensive Income (loss) for the period attributable to the equity shareholders of the parent		\$ (4,894)	\$ (3,044)	\$ (9,092)	\$ (4,126)
Earnings (loss) per ordinary share (US cents)		-	-	-	-
Basic and diluted	5	(2.1)	(1.3)	(3.9)	(1.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023 and 31 December 2022

	Notes	30 June 2023 US\$000	31 December 2022 US\$000
Assets			
Property, plant and equipment	6	4,543	4,393
Right-of-use assets	7	7,079	10,864
Intangible assets	8	148,392	148,427
Other receivables and prepayments	9	7,743	7,392
Total non-current assets		167,757	171,076
Inventory	10	3,549	3,906
Other receivables and prepayments	9	3,323	1,851
Current tax recoverable		3,844	4,278
Cash and cash equivalents	11	1,566	2,861
Total current assets		12,282	12,896
Total assets		180,039	183,972
Equity			
Share capital	12	159,012	159,012
Share option reserve	12	543	532
Accumulated losses		(106,089)	(96,997)
Total equity attributable to the equity shareholders of the parent		53,466	62,547
Liabilities			
Lease liabilities	14	634	3,165
Provisions	15	4,877	4,691
Total non-current liabilities		5,511	7,856
Interest bearing loans	13	88,570	84,416
Lease liabilities	14	15,393	14,065
Trade and other payables	16	17,099	15,088
Total current liabilities		121,062	113,569
Total liabilities		126,573	121,425
Total equity and liabilities		180,039	183,972

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 14 August 2023.



Gerardo Pérez
Chairman



Jorge Armas Rodríguez
Interim Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the periods between 1 January 2022 and 30 June 2023

	Share capital		Reserves		Total equity
	Number of Shares	Amount	Share option	Accumulated losses	
Balance at 1 January 2022	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
Options granted	-	-	60	-	60
Loss for the period	-	-	-	(11,873)	(11,873)
Total comprehensive gain	-	-	-	(11,873)	(11,873)
Balance at 31 December 2022	231,135,028	159,012	532	(96,997)	62,547
Options granted	-	-	11	-	11
Loss for the period	-	-	-	(9,092)	(9,092)
Total comprehensive Loss	-	-	-	(9,092)	(9,092)
Balance at 30 June 2023	231,135,028	159,012	543	(106,089)	53,466

CONSOLIDATED CASH FLOW STATEMENT

For the three and six month periods ended 30 June 2023 and 2022

	Notes	Three months ended		Six months ended	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
Cash flows from operating activities					
Income (loss) before tax		\$ (4,894)	\$ (3,044)	\$ (9,092)	\$ (4,126)
Finance expense	3	2,700	1,848	5,400	3,309
Depreciation	7,8	2,657	2,580	5,615	4,862
Share-based payments	12	-	39	11	39
Gain on sale of property, plant and equipment		-	(12)	-	(12)
Write-off of assets		-	-	-	15
(Increase) decrease in inventory	10	(23)	(706)	357	(441)
Decrease (increase) in other receivables and prepayments		(1,794)	461	(1,823)	(364)
Increase (decrease) in trade and other payables		2,834	(4)	1,637	(253)
Payment of mine closure costs		(102)	(118)	(143)	(225)
Cash generated from operations		1,378	1,044	1,962	2,804
Income tax paid (net)		705	375	652	195
Net cash from operating activities		2,083	1,419	2,614	2,999
Cash flows from investing activities					
Acquisition of property, plant and equipment	6	(295)	(612)	(610)	(1,039)
Deferred exploration and development expenditures	8	(238)	(441)	(541)	(892)
Proceeds on sale of property, plant and equipment		-	12	-	20
Net cash outflow from investing activities		(533)	(1,041)	(1,151)	(1,911)
Cash flows from financing activities					
Net proceeds from loan	13	-	2,000	250	2,000
Payment of lease liabilities	14	(1,255)	(1,176)	(2,525)	(3,240)
Payment of finance expenses		(223)	(145)	(483)	(195)
Net cash inflow (outflow) from financing activities		(1,478)	679	(2,758)	(1,435)
Net increase (decrease) in cash and cash equivalents		72	1,057	(1,295)	(347)
Cash and cash equivalents at beginning of period		1,494	3,079	2,861	4,483
Cash and cash equivalents at end of period		\$ 1,566	\$ 4,136	\$ 1,566	\$ 4,136

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 2023, the Group had a working capital deficit of \$108,780,000 (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").

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 2023 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.

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 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 not repaid before 15 November 2022. This amount was accrued in the third quarter of 2022.

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.

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 2023			
Revenue	14,905	-	14,905
Administration expenses	(1,201)	(1,173)	(2,374)
Operating profit (loss)	(2,519)	(1,173)	(3,692)
After tax Loss	(7,919)	(1,173)	(9,092)
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 Loss	(3,149)	(977)	(4,126)

Group's Assets	Peru US\$000	Jersey US\$000	Total US\$000
As at 30 June 2023			
Non-current assets	158,406	9,351	167,757
Current	12,252	30	12,282
Total assets	170,658	9,381	180,039
As at 31 December 2022			
Non-current assets	161,725	9,351	171,076
Current	12,841	55	12,896
Total assets	174,566	9,406	183,972

Group's Liabilities	Peru US\$000	Jersey US\$000	Total US\$000
As at 30 June 2023			
Non-current liabilities	5,511	-	5,511
Current	120,525	537	121,062
Total liabilities	126,036	537	126,573
As at 31 December 2022			
Non-current liabilities	7,856	-	7,856
Current	113,240	329	113,569
Total liabilities	121,096	329	121,425

Note 3 – Finance expense

The following table details the finance expenses incurred during the three and six months ended 30 June 2023 and 2022.

	Three months ended		Six months ended	
	30 June 2023 (\$'000)	30 June 2022 (\$'000)	30 June 2023 (\$'000)	30 June 2022 (\$'000)
COFIDE Loan interest	1,985	1,246	3,904	2,381
Other loans interest	194	100	428	100
Other finance expenses	521	502	1,068	828
	2,700	1,848	5,400	3,309

Note 4 – Remuneration of key management personnel

	Salary & Fees US\$000	Other Benefits US\$000	Total Remuneration US\$000
Cumulative to 30 June 2023			
Directors ⁽¹⁾	412	42	454
Non-Directors ⁽²⁾	129	-	129
TOTAL	541	42	583

⁽¹⁾ Directors include Messrs. Gerardo Perez, Diego Benavides, 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 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.

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 2023 of \$9,092,000 (30 June 2022: loss of \$4,126,000) and the weighted average number of ordinary shares in issue during the six month period ended 30 June 2023 of 231,135,028 (30 June 2022: 231,135,028).

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

	2023	Number	2023		Number	2022
	Loss	of shares	Earnings	2022	of shares	Earnings
	US\$000	US\$000	per share	Loss	US\$000	per share
			(cents)	US\$000		(cents)
Basic earnings (losses)	(9,092)	231,135	(3.9)	(4,126)	231,135	(1.8)
Dilutive effects-options	-	-	-	-	-	-
Diluted earnings (losses)	(9,092)	231,135	(3.9)	(4,126)	231,135	(1.8)

As at 30 Junio 2023 and 2022, all options were excluded from the calculation of diluted loss per share because they were non-dilutive.

Note 6 – 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 2022	45,903	524	2,932	3,894	53,253
Additions	1,352	-	138	119	1,609
Adjustment to mine closure provision ⁽¹⁾	(183)	-	-	-	(183)
Disposals	-	-	(2,109)	-	(2,109)
Write off	-	-	(273)	-	(273)
Reclassifications from intangibles ⁽²⁾	240	-	-	-	240
Balance - 31 December 2022	47,312	524	688	4,013	52,537
Balance at 1 January 2023	47,312	524	688	4,013	52,537
Additions	591	-	-	19	610
Reclassifications from intangibles ⁽³⁾	576	-	-	-	576
Balance - 30 June 2023	48,479	524	688	4,032	53,723
Depreciation					
Balance - 1 January 2022	41,385	454	1,728	3,412	46,979
Depreciation for the year	2,244	23	11	210	2,488
Disposals	-	-	(1,065)	-	(1,065)
Write off	-	-	(258)	-	(258)
Balance - 31 December 2022	43,629	477	416	3,622	48,144
Balance - 1 January 2023	43,629	477	416	3,622	48,144
Depreciation for the period	906	13	31	86	1,036
Balance - 30 June 2023	44,535	490	447	3,708	49,180
Carrying amounts					
Balance - 1 January 2022	4,497	70	1,204	503	6,274
Balance - 31 December 2022	3,683	47	272	391	4,393
Balance - 30 June 2023	3,944	34	241	324	4,543

⁽¹⁾ At the end of 2022 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 \$183,000 in the carrying value of the corresponding asset account.

⁽²⁾ During 2022 the Group reclassified \$240,000 from intangibles, see note 8.

⁽³⁾ During 2023 the Group reclassified \$576,000 from intangibles, see note 8.

Note 7 – 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 2022	9,195	210	3,664	13,069
Additions	6,291	993	14,126	21,410
Adjustments ⁽¹⁾	(9,393)	-	(8,214)	(17,557)
Balance – 31 December 2022	6,143	1,203	9,576	16,922
Balance - 1 January 2023	6,143	1,203	9,576	16,922
Additions	559	-	906	1,465
Adjustments⁽¹⁾	(3,347)	225	(1,145)	(4,267)
Balance – 30 June 2023	3,355	1,428	9,337	14,120
Accumulated Depreciation				
Balance - 1 January 2022	6,692	106	1,645	8,443
Depreciation for the year	5,297	379	3,572	9,248
Adjustments ⁽¹⁾	(9,233)	-	(2,400)	(11,633)
Balance - 31 December 2022	2,756	485	2,817	6,058
Balance - 1 January 2023	2,756	485	2,817	6,058
Depreciation for the period	2,115	247	2,217	4,579
Adjustments⁽¹⁾	(3,191)	-	(405)	(3,596)
Balance - 30 June 2023	1,680	732	4,629	7,041
Carrying amounts				
Balance - 1 January 2022	2,503	104	2,019	4,626
Balance - 31 December 2022	3,387	718	6,759	10,864
Balance – 30 June 2023	1,675	696	4,708	7,079

⁽¹⁾ The adjustments during 2022 and 2023 correspond to terminations and changes in the terms of lease contracts.

Note 8 – Intangible assets

Deferred Exploration Costs	Ollachea US\$000	Other Peru US\$000	Total US\$000
Balance – 1 January 2022	145,981	560	146,541
Additions	1,536	590	2,126
Reclassifications to intangibles (see note 6)	-	(240)	(240)
Balance – 31 December 2022	147,517	910	148,427
Additions	432	109	541
Reclassifications to intangibles (see note 6)	-	(576)	(576)
Balance - 30 June 2023	147,949	443	148,392

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 2023 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 9 – Other receivables and prepayments

	30 June 2023 US\$000	31 December 2022 US\$000
Non-current assets		
Other receivables	7,743	7,392
	7,743	7,392
Current assets		
Other receivables	2,720	1,733
Prepayments	603	118
	3,323	1,851

Included in other receivables and prepayments is an amount of \$8,246,000 (2022: \$7,822,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the \$8,246,000 sales tax recoverable, \$7,743,000 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 10 - Inventory

	30 June 2023 US\$000	31 December 2022 US\$000
Gold in process	2,516	2,210
Mining materials	1,033	1,696
	3,549	3,906

Note 11 – Cash and cash equivalents

	30 June 2023 US\$000	31 December 2022 US\$000
Bank balances as at	1,566	2,861

Note 12 – Capital and reserves

As at 30 June 2023 and 31 December 2022, 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
Issued and fully paid share capital		
Shares in issue 31 December 2022	231,135,028	159,012
Shares in issue 30 June 2023	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.

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 (\$0.063). 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 which has been fully recognized in the financial statements as at 30 June 2023.

	2023	
	Number of share options	Weighted average exercise price (\$)
Outstanding - beginning of year	4,600,000	0.063
Outstanding as at 30 June 2023	4,600,000	0.063
Exercisable as at 30 June 2023	4,600,000	-

Other Share Options

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 (\$0.15) 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.

	30 June 2023		31 December 2022	
	Number of share options	Weighted average exercise price (\$)	Number of share options	Weighted average exercise price (\$)
Outstanding entitlement - beginning of year	11,556,751	0.15	11,556,751	0.16
Outstanding entitlement - end of the period	11,556,751	0.15	11,556,751	0.15
Exercisable - end of the period	-	-	-	-

Share Option Reserve

The share option reserve includes a credit of \$543,000 (31 December 2022: \$532,000) which includes a credit of \$110,000 corresponding to the fair value of the share options granted to Maxwell Mercantile Inc. and a credit of \$433,000 corresponding to the fair value of the share options that Sherpa is entitled to.

Accumulated losses

The accumulated losses reserve represents the Group’s accumulated losses since incorporation.

Note 13 –Interest bearing loans

	30 June 2023 US\$000	31 December 2022 US\$000
Non-Current liabilities		
COFIDE Loan payable	-	-
Current liabilities		
COFIDE Loan payable	85,004	81,100
Promissory note	1,516	1,516
Other loans	2,050	1,800
	88,570	84,416

COFIDE Loan payable

Please refer to Note 1 – Basis of preparation and going concern on page 6.

Other loans

On 13 May 2022 the Group entered into an unsecured loan arrangement with an unrelated party for \$2,000,000 and into a line of credit agreement for up to \$300,000 to afford its working capital needs. 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. During 2022 a total of \$200,000 was repaid from principal. An amount of \$250,000 was drawn from the line of credit in February 2023, therefore the outstanding balance as at 30 June 2023 was \$2,050,000.

	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 2022	4,483	(1,516)	(74,132)	(71,165)
Net cash flows	(1,622)	(1,696)	-	(3,318)
Accrued interest	-	(104)	(5,599)	(5,703)
Accrued penalty	-	-	(1,369)	(1,369)
Reclassification	-	(81,100)	81,100	-
Net debt as at 31 December 2022	2,861	(84,416)	-	(81,555)
Net cash flows	(1,295)	(198)	-	(1,493)
Accrued interest	-	(3,956)	-	(3,956)
Net debt as at 30 June 2023	1,566	(88,570)	-	(87,004)

Note 14 – Lease liabilities

From 1 January 2019, leases are recognised as a right of use asset (see Note 7) 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 2023 US\$000	31 December 2022 US\$000
Balance - 1 January	17,230	6,906
Additions	1,465	21,410
Unwinding of the discount	633	1,065
Paid during the period	(2,525)	(6,241)
Adjustments	(776)	(5,910)
	16,027	17,230

The current and non-current portions are as follows:

	30 June 2023 US\$000	31 December 2022 US\$000
Current portion	15,393	3,165
Non-current portion	634	14,065
	16,027	17,230

Note 15 – Provisions

The Group has a provision of \$4,691,000 (2022: \$4,691,000) 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 2023 management estimates that the remaining mine life at Corihuarmi was approximately 23 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.

	30 June 2023 US\$000	31 December 2022 US\$000
Balance brought forward	4,691	4,892
Unwinding of the discount	329	649
Additional provision	-	(183)
Amounts used	(143)	(667)
	4,877	4,691

At the end of 2022, 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 \$183,000 in the carrying value of the provision and in the carrying value of the corresponding asset account.

Note 16 – Trade and other payables

	30 June 2023 US\$000	31 December 2022 US\$000
Non-current		
Trade payables	-	-
Current		
Trade payables	10,312	10,189
Other payables	6,787	4,899
	17,099	15,088

Note 17 – 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 2023	31 December 2022
	US\$000	US\$000
Peruvian nuevos soles	36	90
United States dollars	1,530	2,771
	1,566	2,861

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

	30 June 2023	31 December 2022
	US\$000	US\$000
Pounds sterling	(28)	(96)
Canadian dollars	(24)	(6)
Peruvian nuevos soles	(6,062)	(3,894)
United States dollars	(87,525)	(83,547)
	(93,639)	(87,543)

Note 17 – Financial instruments and financial risk management (continued)

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 2023	31 December 2022
	US\$000	US\$000
10% weakening of the US dollar	(611)	(400)
20% weakening of the US dollar	(1,223)	(799)
10% strengthening of the US dollar	611	400
20% strengthening of the US dollar	1,223	799

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 2023	Due in less than 3 months	Due between 3 months to 1 year	Due between 1 to 5 years	Total
Financial assets measured at amortised cost	US\$000	US\$000	US\$000	US\$000
Receivables	2,721	-	7,743	10,464
Cash and cash equivalents	1,566	-	-	1,566
	4,287	-	7,743	12,030

31 December 2022	Due in less than 3 months	Due between 3 months to 1 year	Due between 1 to 5 years	Total
Financial assets measured at amortised cost	US\$000	US\$000	US\$000	US\$000
Receivables	1,733	-	7,392	9,125
Cash and cash equivalents	2,861	-	-	2,861
	4,594	-	7,392	11,986

Note 17 – Financial instruments and financial risk management (continued)

30 June 2023	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
Financial Liabilities measured at amortised cost				
Trade payables	10,312	-	-	10,312
Other payables	6,787	-	-	6,787
Interest bearing loan	3,566	85,004	-	88,570
	20,665	85,004	-	105,669

31 December 2022	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
Financial Liabilities measured at amortised cost				
Trade payables	10,189	-	-	10,189
Other payables	4,899	-	-	4,899
Interest bearing loan	1,516	82,900	-	84,416
	16,604	82,900	-	99,504

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 13 Interest bearing loans on page 16.

Note 18 – 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. 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 \$1,369,000 (4% on the Arbitration Award amount) if the balance of the debt is not repaid before 15 November 2022. This amount was accrued in the third quarter of 2022. These penalties are 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 \$4,710,000 would be payable, including tax, penalties and interest.

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 \$5,585,000 would be payable, including tax, penalties and interest.

During 2023, the Group was issued a tax reassessment by the Peruvian Tax Authority for the year ended 31 December 2016 related to the deductibility of expenses and interest relative to the COFIDE Bridge Loan. If the Group is unsuccessful in this appeal, an aggregate amount of \$4,636,000 would be payable, including tax, penalties and interest.

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 19 – Related parties

During the quarter ended 30 June 2023, the Group entered into transactions with directors and key management as disclosed on Note 4 of these consolidated financial statements (unaudited) for the quarter ended 30 June 2023. As at 30 June 2023, the Group owed \$409,000 to directors and key management. Also, during the quarter ended 30 June 2023, certain related parties of directors and key management received \$64,000 as salary (\$112,000 during the six month period ended 30 June 2023) and professional fees on normal commercial terms.

Note 20 – 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
14 August 2023