Interim Consolidated Financial Statements
(Unaudited)

For the three and nine month periods ended 30 September 2020

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 nine month periods ended 30 September 2020 and 2019

		Three months ended		Nine months ended	
	Notes	**30 September 2020**	30 September 2019	**30 September 2020**	30 September 2019
Revenue from contracts with customers		$ **10,665**	$ 9,331	$ **27,217**	$ 23,098
Cost of sales		**(6,661)**	(6,654)	**(18,482)**	(18,191)
Gross profit		**4,004**	2,677	**8,735**	4,907
Administrative expenses		**(3,065)**	(1,274)	**(5,478)**	(3,148)
Exploration costs		**(78)**	(92)	**(150)**	(224)
Gain (loss) on disposal of property, plant and equipment		**18**	(63)	**18**	(63)
Write-off of assets		**-**	(69)	**(28)**	(69)
Operating profit		**879**	1,179	**3,097**	1,403
Finance expense	**3**	**(2,197)**	(2,166)	**(6,345)**	(6,449)
Loss before tax		**(1,318)**	(987)	**(3,248)**	(5,046)
Income tax expense	**6**	**(620)**	-	**(4,420)**	(200)
Loss for the period attributable to the equity shareholders of the parent		**(1,938)**	(987)	**(7,668)**	(5,246)
Total comprehensive loss for the period attributable to the equity shareholders of the parent		$ **(1,938)**	$ (987)	$ **(7,668)**	$ (5,246)
Loss per ordinary share (US cents)					
Basic and diluted		**(0.8)**	(0.4)	**(3.3)**	(2.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2020 and 31 December 2019

	Notes	**30 September 2020 US$000**	31 December 2019 US$000
Assets			
Property, plant and equipment	**7**	**7,125**	7,872
Right-of-use assets	**8**	**6,555**	3,772
Intangible assets	**9**	**145,450**	144,695
Other receivables and prepayments	**10**	**7,541**	8,128
Total non-current assets		**166,671**	164,467
Inventory	**11**	**2,187**	2,262
Other receivables and prepayments	**10**	**1,815**	1,641
Cash and cash equivalents	**12**	**2,483**	2,791
Total current assets		**6,485**	6,694
Total assets		**$ 173,156**	**$** 171,161
Equity			
Share capital	**13**	**159,012**	159,012
Share option reserve	**13**	**433**	433
Accumulated losses		**(110,532)**	(102,864)
Total equity attributable to the equity shareholders of the parent		**$ 48,913**	**$** 56,581
Liabilities			
Interest bearing loans	**14**	**472**	-
Trade and other payables	**17**	**863**	977
Lease liabilities	**15**	**2,943**	1,057
Provisions	**16**	**4,769**	4,456
Total non-current liabilities		**9,047**	6,490
Interest bearing loans	**14**	**96,665**	89,500
Trade and other payables	**17**	**11,284**	10,710
Income tax payable		**552**	2,710
Lease liabilities	**15**	**6,695**	5,170
Total current liabilities		**115,196**	108,090
Total liabilities		**$ 124,243**	**$** 114,580
Total equity and liabilities		$ **173,156**	**$** 171,161

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 16 November 2020.

Gerardo Pérez
Chairman

Carlos Ruiz de Castilla
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the periods between 1 January 2019 and 30 September 2020

	Share capital		Reserves		
	Number of Shares	**Amount**	**Share option**	**Accumulated losses**	**Total equity**
Balance at 1 January 2019	231,135,028	$ 159,012	$ 433	$ (91,377)	$ 68,068
Loss for the period		-	-	(5,246)	(5,246)
Total comprehensive Loss		-	-	(5,246)	(5,246)
Balance at 30 September 2019	231,135,028	159,012	433	(96,623)	62,822
Loss for the period		-	-	(6,241)	(6,241)
Total comprehensive loss		-	-	(6,241)	(6,241)
Balance at 31 December 2019	**231,135,028**	**159,012**	**433**	**(102,864)**	**56,581**
Loss for the period		-	-	**(7,668)**	**(7,668)**
Total comprehensive Loss		-	-	**(7,668)**	**(7,668)**
Balance at 30 September 2020	**231,135,028**	**159,012**	**$ 433**	**$ (110,532)**	**$ 48,913**

CONSOLIDATED CASH FLOW STATEMENT
For the three and nine month periods ended 30 September 2020 and 2019

		Three months ended		Nine months ended	
		30 September	30 September	**30 September**	30 September
	Notes	**2020**	2019	**2020**	2019
Cash flows from operating activities					
Loss before tax		**$ (1,318)**	$ (987)	**$ (3,248)**	$ (5,046)
Finance expense	**3**	**2,197**	2,166	**6,345**	6,449
Depreciation	**7,8**	**1,867**	2,109	**5,774**	6,279
(Gain) loss on sale of property, plant and equipment		**(18)**	63	**(18)**	63
Write-off of assets		**-**	69	**28**	69
(Increase) decrease in inventory	**11**	**(257)**	(78)	**75**	(150)
Decrease (increase) in other receivables and prepayments		**329**	(68)	**413**	(337)
Increase (decrease) in trade and other payables		**894**	(630)	**419**	(1,826)
Payment of mine closure costs		**(32)**	(139)	**(52)**	(205)
Cash generated from operations		**4,176**	2,505	**9,736**	5,296
Income tax paid (net)		**(2,828)**	(243)	**(6,780)**	(1,057)
Net cash from operating activities		**1,348**	2,262	**2,956**	4,239
Cash flows from investing activities					
Acquisition of property, plant and equipment	**7**	**(565)**	(352)	**(980)**	(702)
Deferred exploration and development expenditures	**9**	**(246)**	(302)	**(755)**	(1,058)
Disposal of property, plant and equipment		**18**	32	**18**	32
Net cash outflow from investing activities		**(793)**	(622)	**(1,717)**	(1,728)
Cash flows from financing activities					
Net proceeds from loan	**14**	**1,400**	-	**3,380**	-
Repayment of loan		**(60)**	-	**(420)**	-
Payment of lease liabilities	**15**	**(1,173)**	(764)	**(3,697)**	(2,057)
Payment of finance expenses		**(647)**	(91)	**(810)**	(189)
Payment of finance lease liabilities		**-**	-	**-**	(132)
Net cash inflow (outflow) from financing activities		**(480)**	(855)	**(1,547)**	(2,378)
Net increase (decrease) in cash and cash equivalents		**75**	785	**(308)**	133
Cash and cash equivalents at beginning of period		**2,408**	1,647	**2,791**	2,299
Cash and cash equivalents at end of period		**$ 2,483**	$ 2,432	**$ 2,483**	$ 2,432

NOTES TO THE 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 September 2020, the Group had a working capital deficit of $108,711,000 (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. The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Group's subsidiary, Compañia Minera Kuri Kullu S.A., which holds the Ollachea Project. The assets of the Corihuarmi Mine are not included as a guarantee of the Bridge Loan.

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 provides 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. To date, no amount for the damages awarded of $34.2 million has been recognised in the financial statements given the uncertainty over its recoverability.

On 31 December 2019 the Group signed a Memorandum of Understanding ("MOU") with COFIDE which was valid until 31 March 2020. During this period both the collection of damages by the Group and the collection of the debt and/or interests by COFIDE remain suspended. The objective of the MOU is 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 the Bridge Loan repayment. The Group is aware that COFIDE has filed a lawsuit for annulment of the Arbitration Award. The MOU provides that COFIDE will take the necessary steps to desist from this legal process if the parties reach a definitive agreement within the timeframe of the MOU.

On 30 June 2020 the Group announced that it had signed the first amendment to the MOU with COFIDE. Both parties agreed to extend the validity of the MOU until 28 September 2020. Afterwards it was announced that the MOU had been extended to 7 November 2020. For further information please see Note 21 "Subsequent events".

The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Group's subsidiary, Compañia Minera Kuri Kullu S.A., which holds the Ollachea Project. If the parties do not finalize the agreement described in the previous paragraph or the Group is not able to secure an alternative source of funds to refinance the debt with COFIDE, the Group may have to relinquish its ownership of the subsidiary, Campañia 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 1 – Basis of preparation and going concern (continued)

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 the agreement described in previous paragraphs will be finalized and that alternative funding will be obtained to repay the Bridge Loan 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.

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.

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

These interim consolidated financial statements have been prepared by management and reported in thousands of United States dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The disclosures provided below are incremental to those included with the annual Financial Statements, accordingly, these interim consolidated financial statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2019.

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 nine month period ended 30 September 2020			
Revenue	**27,217**	**-**	**27,217**
Administration expenses	**4,698**	**780**	**5,478**
Operating profit (loss)	**3,877**	**(780)**	**3,097**
After tax loss	**(6,888)**	**(780)**	**(7,668)**
For the nine month period ended 30 September 2019			
Revenue	23,098	-	23,098
Administration expenses	2,245	903	3,148
Operating profit (loss)	2,306	(903)	1,403
After tax Loss	(4,343)	(903)	(5,246)

Group's Assets	Peru US$000	Jersey US$000	Total US$000
As at 30 September 2020			
Non-current assets	**157,320**	**9,351**	**166,671**
Current	**6,460**	**25**	**6,485**
Total assets	**163,780**	**9,376**	**173,156**
As at 31 December 2019			
Non-current assets	155,116	9,351	164,467
Current	6,674	20	6,694
Total assets	161,790	9,371	171,161

Group's Liabilities	Peru US$000	Jersey US$000	Total US$000
As at 30 September 2020			
Non-current liabilities	**9,047**	**-**	**9,047**
Current	**114,956**	**240**	**115,196**
Total liabilities	**124,003**	**240**	**124,243**
As at 31 December 2019			
Non-current liabilities	6,490	-	6,490
Current	107,794	296	108,090
Total liabilities	114,284	296	114,580

Note 3 – Finance expense

The following table details the finance expenses incurred during the three and nine month periods ended 30 September 2020 and 2019.

	Three months ended		Nine months ended	
	30 September 2020 ($'000)	30 September 2019 ($'000)	**30 September 2020 ($'000)**	30 September 2019 ($'000)
COFIDE Bridge Loan interest	**1,640**	1,639	**4,885**	4,867
Other loans interest	**170**	-	**314**	-
Other finance expenses	**387**	527	**1,146**	1,582
	2,197	2,166	**6,345**	6,449

Note 4 – Remuneration of key management personnel

	Salary & Fees US$000	**Other Benefits US$000**	**Total Remuneration US$000**
Cumulative to 30 September 2020			
Directors [(1)]	**645**	**40**	**685**
Non-Directors [(2)]	**213**	**-**	**213**
TOTAL	**858**	**40**	**898**

[(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.

	Salary & Fees US$000	Other Benefits US$000	Total Remuneration US$000
Cumulative to 30 September 2019			
Directors [(1)]	645	53	698
Non-Directors [(2)]	216	-	216
TOTAL	861	53	914

[(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 nine month period ended 30 September 2020 of $7,668,000 (30 September 2019: loss of $5,246,000) and the weighted average number of ordinary shares in issue during the nine month period ended 30 September 2020 of 231,135,028 (30 September 2019: 231,135,028). The calculation is as follows:

	2020 Loss US$000	**2020 Number of shares US$000**	**2020 Earnings per share (cents)**	2019 Loss US$000	2019 Number of shares US$000	2019 Earnings per share (cents)
Basic earnings (losses)	**(7,668)**	**231,135**	**(3.3)**	(5,246)	231,135	(2.3)
Dilutive effects-options	**-**	**-**	-	-	-	-
Diluted earnings (losses)	**(7,668)**	**231,135**	**(3.3)**	(5,246)	231,135	(2.3)

Note 6 – Income tax expense

	2020 US$000	2019 US$000
Current tax	**2,100**	200
Adjustment to prior years' tax expense	**2,320**	-
Income tax expense	**4,420**	200

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 an appeal 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 the full amount of the tax reassessment plus penalties and interest since 2013, a total of $2,320,000. The Group will continue litigation in the Civil Courts.

Note 7 – Property, plant and equipment

	Mining assets & deferred development costs	Land & Buildings	Motor Vehicles	Computers & Other Equipment	Total
	US$000	US$000	US$000	US$000	US$000
Cost					
Balance – 1 January 2019	60,498	524	2,335	3,806	67,163
Additions	929	-	2,280	46	3,255
Adjustment to mine closure provision (1)	420	-	-	-	420
Other adjustment (2)	-	-	-	(546)	(546)
Disposals	(31)	-	(1,670)	-	(1,701)
Write-off (3)	(14,973)	-	-	-	(14,973)
Reclassifications	(25)	-	-	25	-
Balance – 31 December 2019	46,818	524	2,945	3,331	53,618
Balance – 1 January 2020	**46,818**	**524**	**2,945**	**3,331**	**53,618**
Additions	**710**	**-**	**-**	**270**	**980**
Write-off (4)	**(4,144)**	**-**	**-**	**(5)**	**(4,149)**
Disposals	**-**	**-**	**(64)**	**-**	**(64)**
Reclassifications	**79**	**-**	**-**	**(79)**	**-**
Balance – 30 September 2020	**43,463**	**524**	**2,881**	**3,517**	**50,385**
Accumulated Depreciation					
Balance – 1 January 2019	52,727	369	1,264	2,974	57,334
Depreciation for the year	2,369	35	608	117	3,129
Disposals	(31)	-	(897)	-	(928)
Write-off (3)	(13,789)	-	-	-	(13,789)
Balance – 31 December 2019	41,276	404	975	3,091	45,746
Balance – 1 January 2020	**41,276**	**404**	**975**	**3,091**	**45,746**
Depreciation for the period	**1,164**	**13**	**443**	**79**	**1,699**
Write-off (4)	**(4,116)**	**-**	**-**	**(5)**	**(4,121)**
Disposals	**-**	**-**	**(64)**	**-**	**(64)**
Balance – 30 September 2020	**38,324**	**417**	**1,354**	**3,165**	**43,260**
Carrying Amounts					
Balance - 1 January 2019	7,771	155	1,071	832	9,829
Balance – 31 December 2019	5,542	120	1,970	240	7,872
Balance – 30 September 2020	**5,139**	**107**	**1,527**	**352**	**7,125**

(1) At the end of 2019 the Group reassessed the mine closure provisions of the Corihuarmi Mine and the Ollachea Project. The result of the reassessment was a net increase of $420,000 in the carrying value of the correspondent asset account.

(2) In 2019 the Group recorded a reversal of $546,000 of electrical equipment intended for the Ollachea Project.

(3) In 2019, 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 $1,184,000 in the carrying value of the correspondent asset account that was recorded as an operating loss.

(4) 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.

Note 8 – Right-of-use assets

The Group adopted IFRS16 effective 1 January 2019. The initial recognition of right-of-use assets resulted in an increase of $8,378,000. These 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 2019	5,707	1,161	1,510	8,378
Additions	-	458	-	458
Balance - 31 December 2019	5,707	1,619	1,510	8,836
Balance - 1 January 2020	**5,707**	**1,619**	**1,510**	**8,836**
Additions	**6,239**	**-**	**1,299**	**7,538**
Write-off[1]	**(3,033)**	**(10)**	**(944)**	**(3,987)**
Adjustment[2]	**(285)**	**(458)**	**(122)**	**(865)**
Balance - 30 September 2020	**8,628**	**1,151**	**1,743**	**11,522**
Accumulated Depreciation				
Balance - 1 January 2019	-	-	-	-
Depreciation for the year	3,781	330	953	5,064
Balance - 31 December 2019	3,781	330	953	5,064
Balance - 1 January 2020	**3,781**	**330**	**953**	**5,064**
Depreciation for the period	**3,198**	**265**	**612**	**4,075**
Write-off[1]	**(3,033)**	**(10)**	**(944)**	**(3,987)**
Other adjustments	**(82)**	**(75)**	**(28)**	**(185)**
Balance - 30 September 2020	**3,864**	**510**	**593**	**4,967**
Carrying amounts				
Balance - 1 January 2019	5,707	1,161	1,510	8,378
Balance - 1 January 2020	1,926	1,289	557	3,772
Balance - 30 September 2020	**4,764**	**641**	**1,150**	**6,555**

(1) In 2020, the Group terminated certain lease agreements. The result of these write-offs was a reduction of $3,987,000 in the carrying value of the Right-of-use assets and the correspondent accumulated depreciation accounts.

(2) In 2020, the Group adjusted the initial recognition of certain leases of mining assets. The result of these adjustments was a net reduction of $865,000 in the carrying value of the Right-of-use assets and the correspondent Right-of-use liability account.

Note 9 – Intangible assets

Carrying values of deferred exploration	Ollachea US$000	Other Peru US$000	Total US$000
Balance – 1 January 2019	142,497	896	143,393
Additions	1,154	217	1,371
Write-off of intangible assets	-	(69)	(69)
Balance – 31 December 2019	**143,651**	**1,044**	**144,695**
Additions	**619**	**136**	**755**
Balance - 30 September 2020	**144,270**	**1,180**	**145,450**

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 September 2020 have been assessed for indications of impairment and the results of these assessments have been sufficiently encouraging to justify the retention of the deferred exploration and development assets on the consolidated statements of financial position.

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

Note 10 – Other receivables and prepayments

	30 September 2020 US$000	31 December 2019 US$000
Non-current assets		
Other receivables	**7,541**	8,128
	7,541	8,128
Current assets		
Other receivables	**1,318**	1,078
Prepayments	**497**	563
	1,815	1,641

Included in other receivables and prepayments is an amount of $8,196,000 (2019: $8,920,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the $8,196,000 sales tax recoverable, $7,541,000 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 a year, therefore this element has been included in non-current assets.

Note 11 - Inventory

	30 September 2020 US$000	31 December 2019 US$000
Gold in process	**1,371**	1,430
Mining materials	**816**	832
	2,187	2,262

Note 12 – Cash and cash equivalents

	30 September 2020 US$000	31 December 2019 US$000
	2,483	2,791

Note 13 – Capital and reserves

As at 30 September 2020 and 31 December 2019, Minera IRL Limited's share capital is made up of no par shares. There is no upper limit on the value of shares to be issued.

Issued share capital	**Ordinary Shares**	**US$000**
Shares in issue 31 December 2019	231,135,028	159,012
Shares in issue 30 September 2020	**231,135,028**	**159,012**

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. 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 30 September 2020.

Other Share Options

	30 September 2020		31 December 2019	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**11,556,751**	**0.16**	11,556,751	0.16
Outstanding – end of period	**11,556,751**	**0.15**	11,556,751	0.16
Exercisable – end of period	-	-	-	-

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 ($0.15) 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. 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.

Note 13 – Capital and reserves (continued)

All outstanding share options have an exercise price of $0.15 (2019: $0.16).

Share Option Reserve

The share option reserve includes a credit of $433,000 (31 December 2019: $433,000) based on the fair value of the share options that Sherpa is entitled to, as part of the fees paid in connection with the Bridge Loan.

Accumulated losses

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

Note 14 –Interest bearing loans

	30 September 2020 US$000	31 December 2019 US$000
Non-Current liabilities		
Other loans	**472**	-
	472	-
Current liabilities		
Promissory note	**1,516**	1,516
COFIDE Bridge Loan	**92,869**	87,984
Other loans	**2,280**	-
	96,665	89,500

The increase in the carrying value of the COFIDE Bridge Loan during the nine month period ended 30 September 2020 is due to accrued interest of $4,885,000 (see Note 3).

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

The 0.9% net smelter return royalty granted to Sherpa is subject to a buyback at the Group's option. Details on the royalty buyback are provided in Note 19, "Capital commitments and contingent liabilities".

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

Note 14 –Interest bearing loans (continued)

The net proceeds from the Bridge Loan were applied towards the repayment of the $30,000,000 Macquarie Bank debt facility and the payment of $12,000,000 of the $14,190,000 outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract. The remaining $2,190,000 outstanding to Rio Tinto has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. The promissory note was recorded as an interest bearing loan on the statement of financial position under current liabilities. The Group had negotiated the option of settling the $2,190,000 promissory note with cash or the issuance of Minera IRL Limited ordinary shares, subject to shareholder approval. However, the resolution to approve the issuance of ordinary shares in settlement of the promissory note at the annual general meeting, held on 27 August 2015, was not approved by shareholders. The Group repaid $700,000 of the principal plus interest during 2016. The balance of $1,516,000 as at 30 September 2020 is $1,490,000 of principal and $26,000 of interest.

In March 2017 COFIDE terminated the letter of mandate without providing any reason for their decision. The Bridge Loan was due for repayment in June 2017. The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Group's subsidiary, Compañia Minera Kuri Kullu S.A., which holds the Ollachea Project. The assets of the Corihuarmi Mine are not included as a guarantee of the Bridge Loan.

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 provides 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.

On 31 December 2019 the Group signed a Memorandum of Understanding ("MOU") with COFIDE which was valid until 31 March 2020. During this period both the collection of damages by the Group and the collection of the debt and/or interests by COFIDE remain suspended. The objective of the MOU is 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 the Bridge Loan repayment. The Group is aware that COFIDE has filed a lawsuit for annulment of the Arbitration Award. The MOU provides that COFIDE will take the necessary steps to desist from this legal process if the parties reach a definitive agreement within the timeframe of the MOU.

On 30 June 2020 the Group announced that it had signed the first amendment to the MOU with COFIDE. Both parties agreed to extend the validity of the MOU until 28 September 2020. Afterwards it was announced that the MOU had been extended to 7 November 2020. For further information s please see Note 21 "Subsequent events"

The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Group's subsidiary, Compañia Minera Kuri Kullu S.A., which holds the Ollachea Project. If the parties do not finalize the agreement described in the previous paragraph or the Group is not able to secure an alternative source of funds to refinance the debt with COFIDE the Group may have to relinquish its ownership of the subsidiary, Campañia 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 14 –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 is payable in 24 monthly instalments and includes a $20,000 structuring commission and interest at 12% interest per annum. All interest for the duration of the loan is payable during the first 4 months at $120,000 per month, with the principal repayable from the fifth month onwards at $100,000 per month. The total cost of the loan including the structuring commission is being expensed over the 24 months period on an effective interest basis. As at 30 September 2020, $236,000 of the total cost has been expensed as financial expense.

On 7 July 2020 the Group entered into a secured 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 is payable during a year after the disbursement and includes a $20,000 structuring commission and interest of 3% monthly applicable to the unpaid balance. As at 30 September 2020, $78,000 of the total cost has been expensed as financial expense.

Group – Net debt reconciliation	**Cash**	**Finance leases due within 1 year**	**Borrowings due within 1 year**	**Borrowings due after 1 year**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**
Net debt as at 1 January 2019	2,299	(147)	(82,992)	-	(80,840)
Cash flows	492	147	-	-	639
Accrued interest	-	-	(6,508)	-	(6,508)
Net debt as at 31 December 2019	**2,791**	**-**	**(89,500)**	**-**	**(86,709)**
Cash flows	**(308)**	**-**	**(1,855)**	**(500)**	**(2,663)**
Accrued interest	**-**	**-**	**(5,310)**	**28**	**(5,282)**
Net debt as at 30 September 2020	**2,483**	**-**	**(96,665)**	**(472)**	**(94,654)**

Note 15 – 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 contract.

Lease Obligations	30 September 2020 US$000	31 December 2019 US$000
Balance - 1 January	**6,227**	8,378
Additions	**7,538**	458
Unwinding of the discount	**493**	744
Paid during the period	**(3,697)**	(3,369)
Adjustment to initial recognition (as per note 8) [1]	**(865)**	-
Foreign exchange adjustment	**(58)**	16
	9,638	6,227

[1] In 2020, the Group adjusted the initial recognition of certain leases of mining assets. The result of these adjustments was a net reduction of $865,000 in the carrying value of the Right-of-use asset and the correspondent Right-of-use liability account.

The current and non-current portions are as follows:

	30 September 2020 US$000	31 December 2019 US$000
Non-current portion	**2,943**	1,057
Current portion	**6,695**	5,170
	9,638	6,227

Note 16 – Provisions

The Group has a provision of $4,769,000 (2019: $4,456,000) against the present value of the cost of restoring the Corihuarmi Mine site and Ollachea exploration tunnel site. This provision is an estimate of the cost of reversing the alterations to the environment that had been made to date. The timing and cost of this rehabilitation is uncertain and depends upon the duration of the mine life and the quantity of ore that will be extracted from the mine. At 31 December 2019, management estimates that the remaining mine life at Corihuarmi was approximately 40 months. The directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 9 years' time on the assumption that commercial production does not proceed.

	30 September 2020 US$000	31 December 2019 US$000
Balance brought forward	**4,456**	3,800
Unwinding of the discount	**365**	469
Additional provision	**-**	420
Amounts used	**(52)**	(233)
	4,769	4,456

At the end of 2019, the Group hired an independent consultant to reassess the mine closure provisions of the Corihuarmi Mine and the Ollachea Project. The result of the reassessment was an increase of $420,000 in the carrying value of the provision and in the carrying value of the correspondent asset account.

Note 17 – Trade and other payables

	30 September 2020 US$000	31 December 2019 US$000
Non-current liabilities		
Trade payables	**863**	977
	863	977
Current		
Trade payables	**8,176**	7,276
Other payables	**3,108**	3,434
	11,284	10,710

Note 18 – 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 September 2020 US$000	31December 2019 US$000
Peruvian nuevos soles	**-**	143
United States dollars	**2,483**	2,648
	2,483	2,791

Note 18 – Financial instruments and financial risk management (continued)

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

	30 September 2020	31 December 2019
	US$000	US$000
Pounds sterling	**(1)**	(101)
Canadian dollars	**(2)**	(5)
Peruvian nuevos soles	**(2,546)**	(3,785)
United States dollars	**(95,401)**	(88,018)
	(97,950)	(91,909)

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 September 2020	31 December 2019
	US$000	US$000
10% weakening of the US dollar	**(255)**	(389)
20% weakening of the US dollar	**(510)**	(778)
10% strengthening of the US dollar	**255**	389
20% strengthening of the US dollar	**510**	778

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, as disclosed in Accounting Policies, paragraph (p) Borrowings and Borrowing costs, interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost on an effective interest basis. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

Note 18 – Financial instruments and financial risk management (continued)

30 September 2020 **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	**1,309**	**-**	**7,542**	**8,851**
Cash and cash equivalents	**2,483**	**-**	**-**	**2,483**
Total	**3,792**	**-**	**7,542**	**11,334**

31 December 2019 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	1,069	-	8,128	9,197
Cash and cash equivalents	2,791	-	-	2,791
Total	3,860	-	8,128	11,988

30 September 2020 **Pasivos financieros valorado a costo amortizado**	**Due in less Than 3 months US$000**	**Due between 3 months to 1 year US$000**	**Due between 1 to 5 years S$000**	**Total US$000**
Trade payables	**7,972**	**204**	**863**	**9,039**
Other payables	**3,108**	**-**	**-**	**3,108**
Interest bearing loan	**95,622**	**1,043**	**472**	**97,137**
	106,702	**1,247**	**1,335**	**109,284**

31 December 2019 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	7,276	-	977	8,253
Other payables	3,434	-	-	3,434
Interest bearing loan	89,500	-	-	89,500
	100,210	-	977	101,187

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 as detailed in Note 14. However, the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in Note 9, by the government of Peru.

Note 18 – Financial instruments and financial risk management (continued)

Interest rate risk
The Group has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 6.17% over LIBOR. 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 19 – Capital commitments and contingent liabilities

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

During 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 Bridge Loan. If the Group is unsuccessful in this appeal, an aggregate amount of $5,000,000 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.

Note 19 – Capital commitments and contingent liabilities (continued)

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 20 – Related parties

During the quarter ended 30 September 2020, the Group did not enter into transactions with related parties with the exception of directors and key management as disclosed in Note 4. As at 30 September 2020, the Group owed $117,000 to directors and key management.

Note 21 – Subsequent events

On 12 November 2020 the Group announced it has settled its dispute with COFIDE. The summary of the settlement is that the Group owes COFIDE US$70 million in principal and US$ 31.9 million of accrued interest (calculated to November 10, 2020) and COFIDE owes the Group US$34.2 million in principal pursuant to the September 2019 Arbitration Award, plus interest from July 17, 2017 to the date of payment. The amounts due will be offset. The Group will pay the net balance to COFIDE within 36 months and COFIDE will withdraw its legal claim for annulment of the Arbitration Award.

By order of the Board

Gerardo Perez
Chairman
Minera IRL Limited
16 November 2020