



## **MINERA IRL LIMITED**

### **Interim Consolidated Financial Statements For the three and six month periods ended 30 June 2019**

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

#### **NOTICE TO READER**

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

**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**For the three and six month periods ended 30 June 2019 and 2018**

	Notes	Three Months Ended		Six Months Ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
Revenue		\$ 7,338	\$ 7,216	\$ 13,767	\$ 14,148
Cost of sales		(5,954)	(6,185)	(11,537)	(11,791)
<b>Gross profit</b>		<b>1,384</b>	<b>1,031</b>	<b>2,230</b>	<b>2,357</b>
Administrative expenses		(907)	(1,688)	(1,874)	(2,898)
Exploration costs		(77)	(48)	(132)	(86)
Write-off of intangible asset		-	(173)	-	(173)
<b>Operating profit</b>		<b>400</b>	<b>(878)</b>	<b>224</b>	<b>(800)</b>
Finance expense	3	(2,339)	(1,939)	(4,283)	(3,840)
<b>Loss before tax</b>		<b>(1,939)</b>	<b>(2,817)</b>	<b>(4,059)</b>	<b>(4,640)</b>
Income tax expense		(100)	-	(200)	-
<b>Loss and comprehensive loss for the period attributable to the equity shareholders of the parent</b>		<b>(2,039)</b>	<b>(2,817)</b>	<b>(4,259)</b>	<b>(4,640)</b>
<b>Total comprehensive loss for the period attributable to the equity shareholders of the parent</b>		<b>\$ (2,039)</b>	<b>\$ (2,817)</b>	<b>\$ (4,259)</b>	<b>\$ (4,640)</b>
<b>Loss per ordinary share (US cents)</b>					
Basic and diluted		(0.9)	(1.2)	(1.8)	(2.0)

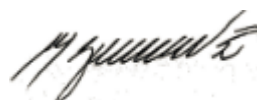
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2019 and 31 December 2018**

	Notes	30 June 2019 US\$000	31 December 2018 US\$000
<b>Assets</b>			
Property, plant and equipment	6	8,489	9,829
Right-of-use assets	7	5,709	-
Intangible assets	8	144,149	143,393
Other receivables and prepayments	9	8,132	7,839
<b>Total non-current assets</b>		<b>166,479</b>	161,061
Inventory	10	2,253	2,181
Other receivables and prepayments	9	1,418	1,441
Current tax recoverable		748	127
Cash and cash equivalents	11	1,647	2,299
<b>Total current assets</b>		<b>6,066</b>	6,048
<b>Total assets</b>		<b>\$ 172,545</b>	\$ 167,109
<b>Equity</b>			
Share capital	12	159,012	159,012
Share option reserve	12	433	433
Accumulated losses		(95,636)	(91,377)
<b>Total equity attributable to equity shareholders of the parent</b>		<b>\$ 63,809</b>	\$ 68,068
<b>Liabilities</b>			
Right-of-use liabilities	15	1,271	-
Provisions	16	4,299	3,800
<b>Total non-current liabilities</b>		<b>5,570</b>	3,800
Finance lease liabilities	13	15	147
Interest bearing loans	14	86,219	82,992
Trade and other payables	17	10,859	12,102
Right-of-use liabilities	15	6,073	-
<b>Total current liabilities</b>		<b>103,166</b>	95,241
<b>Total liabilities</b>		<b>\$ 108,736</b>	\$ 99,041
<b>Total equity and liabilities</b>		<b>\$ 172,545</b>	\$ 167,109

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 14 Aug 2019.



Gerardo Pérez  
Chairman  
Lima, Peru  
14 Aug 2019



Carlos Ruiz de Castilla  
Chief Financial Officer  
Lima, Peru  
14 Aug 2019

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the periods between 1 January 2018 and 30 June 2019**

	Notes	Share capital		Reserves		Total equity
		Number of Shares	Amount	Share option	Accumulated losses	
<b>Balance at 1 January 2018</b>		231,135,028	\$ 159,012	\$ 479	\$ (85,443)	\$ 74,048
Loss for the period		-	-	-	(4,640)	(4,640)
Total comprehensive loss		-	-	-	(4,640)	(4,640)
Expiry/lapse of share options		-	-	-	-	-
<b>Balance at 30 June 2018</b>		231,135,028	159,012	479	(90,083)	69,408
Loss for the period		-	-	-	(1,340)	(1,340)
Total comprehensive loss		-	-	-	(1,340)	(1,340)
Expiry/lapse of share options		-	-	(46)	46	-
<b>Balance at 31 December 2018</b>		<b>231,135,028</b>	<b>\$ 159,012</b>	<b>\$ 433</b>	<b>\$ (91,377)</b>	<b>\$ 68,068</b>
Loss for the period	5				(4,259)	(4,259)
Total comprehensive loss					(4,259)	(4,259)
<b>Balance at 30 June 2019</b>		<b>231,135,028</b>	<b>\$ 159,012</b>	<b>\$ 433</b>	<b>\$ (95,636)</b>	<b>\$ 63,809</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the three and six month periods ended 30 June 2019 and 2018**

	Notes	Three Months Ended		Six Months Ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
<b>OPERATING ACTIVITIES</b>					
Loss before tax		\$ (1,939)	\$ (2,817)	\$ (4,059)	\$ (4,640)
Finance expense	3	2,339	1,939	4,283	3,840
Depreciation property, plant and equipment	6-7	3,328	755	4,170	1,508
Write-off of intangible asset		-	173	-	173
<b>Variations in working capital items other than cash:</b>					
Decrease (increase) in inventory	10	24	271	(72)	431
Decrease (increase) in other receivables and prepayments	9	(131)	174	(269)	320
Increase (decrease) in trade and other payables		(1,343)	1,314	(1,196)	522
Payment of mine closure costs		(63)	(11)	(66)	(22)
Net cash from operations		2,215	1,798	2,791	2,132
Corporation tax recovered (paid), net		(414)	488	(814)	337
<b>Net cash provided by operating activities</b>		<b>1,801</b>	<b>2,286</b>	<b>1,977</b>	<b>2,469</b>
<b>INVESTING ACTIVITIES</b>					
Acquisition of property, plant and equipment	6	(236)	(638)	(350)	(926)
Deferred exploration and development expenditures	8	(409)	(848)	(756)	(1,500)
<b>Net cash used in investing activities</b>		<b>(645)</b>	<b>(1,486)</b>	<b>(1,106)</b>	<b>(2,426)</b>
<b>FINANCING ACTIVITIES</b>					
Payment of finance expenses		(41)	(118)	(98)	(165)
Payment of finance lease liabilities	13	-	(133)	(132)	(265)
Payment of liabilities for right of use	15	(1,293)	-	(1,293)	-
<b>Net cash used in financing activities</b>		<b>(1,334)</b>	<b>(251)</b>	<b>(1,523)</b>	<b>(430)</b>
Change in cash		(178)	549	(652)	(387)
Cash at beginning of period		1,825	2,340	2,299	3,276
<b>Cash and cash equivalents at end of period</b>		<b>\$ 1,647</b>	<b>\$ 2,889</b>	<b>\$ 1,647</b>	<b>\$ 2,889</b>

## **Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
Three and six month periods ended 30 June 2019 and 2018  
(Unaudited – Expressed in United States Dollars)

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### **Note 1 – Basis of preparation and going concern**

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

These consolidated financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies. They include the financial statements of the Parent and its subsidiaries (the “Group”).

At 30 June 2019, the Group had a working capital deficit of \$97,100,000 (defined as current assets less current liabilities). On 8 June 2015, the Group announced that it had arranged a \$70,000,000 secured finance facility (the "Bridge Loan") structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE") and syndicated through Goldman Sachs Bank USA. The Bridge Loan was part of a senior project credit finance facility of up to \$240,000,000 described in a letter of mandate signed by COFIDE and Minera IRL (“Senior Project Debt Facility”). The Senior Project Debt Facility was to be structured by COFIDE, in conjunction with Minera IRL, to build the Ollachea Gold Project (the “Ollachea Project”).

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

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

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

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

On 24 September 2018 the Group released an update on the arbitration process against COFIDE. From February to August 2018, three documents have been submitted to the Arbitration Panel:

- 1.- The Group’s Complaints submitted in February
- 2.- COFIDE’s jurisdictional objections, Answer and Counterclaim submitted in May, and
- 3.- The Group’s Reply submitted in August.

Up to this date, the Arbitration Process is following its normal course and should conclude by September 2019.

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

## **Minera IRL Limited**

Notes to Interim Consolidated Financial Statements  
Three and six month periods ended 30 June 2019 and 2018  
(Unaudited – Expressed in United States Dollars)

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

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

The Directors consider that an alternative source of funding will be secured to be able to repay the Bridge Loan and obtain the necessary investment to develop the Ollachea Project. There can be no guarantee however that alternative funding will be obtained within the required timescale or on acceptable terms. The cash generated from gold production at the Corihuarmi Mine is required to fund the working capital requirements of the Group in the meantime.

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

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

These interim consolidated financial statements have been prepared by management and reported in thousands of United States dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and have been prepared following the same accounting policies and method of computation as the annual Financial Statements for the year ended 31 December 2018. The disclosures provided below are incremental to those included with the annual Financial Statements. Certain information and disclosures normally included in the notes to the annual Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2018 prepared in accordance with IFRS as issued by the IASB.

The Group has adopted IFRS 16, which is effective for annual reporting periods beginning on or after 1 January 2019.

The objective of IFRS 16 is to report information that properly represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities from a lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

### **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.

## Minera IRL Limited

Notes to Interim Consolidated Financial Statements  
Three and six month periods ended 30 June 2019 and 2018  
(Unaudited – Expressed in United States Dollars)

### Note 2 – Segment reporting (continued)

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
<b>For the six months ended 30 June 2019</b>			
Revenue	13,767	-	13,767
Administration expenses	1,247	627	1,874
Operating profit (loss)	851	(627)	224
After tax Loss	(3,632)	(627)	(4,259)
<b>For the six months ended 30 June 2018</b>			
Revenue	14,148	-	14,148
Administration expenses	(2,181)	(717)	(2,898)
Operating profit (loss)	(83)	(717)	(800)
After tax Loss	(3,923)	(717)	(4,640)

Group's Assets	Peru US\$000	Jersey US\$000	Total US\$000
<b>As at 30 June 2019</b>			
Non-current assets	157,128	9,351	166,479
Current	6,046	20	6,066
Total assets	163,174	9,371	172,545
<b>As at 31 December 2018</b>			
Non-current assets	151,710	9,351	161,061
Current	6,015	33	6,048
Total assets	157,725	9,384	167,109

Group's Liabilities	Peru US\$000	Jersey US\$000	Total US\$000
<b>As at 30 June 2019</b>			
Non-current liabilities	5,570	-	5,570
Current	102,865	301	103,166
Total liabilities	108,435	301	108,736
<b>As at 31 December 2018</b>			
Non-current liabilities	3,800	-	3,800
Current	94,939	302	95,241
Total liabilities	98,739	302	99,041



## Minera IRL Limited

Notes to Interim Consolidated Financial Statements

Three and six month periods ended 30 June 2019 and 2018

(Unaudited – Expressed in United States Dollars)

### Note 3 – Finance expense

The following table details the finance expenses incurred during the three and six month periods ended 30 June 2019 and 2018.

	Three Months Ended		Six Months Ended	
	30 June 2019 (\$'000)	30 June 2018 (\$'000)	30 June 2019 (\$'000)	30 June 2018 (\$'000)
COFIDE bridge loan interest	1,623	1,622	3,227	3,227
Other	716	317	1,056	613
	2,339	1,939	4,283	3,840

### Note 4 – Remuneration of key management personnel

	Salary & Fees US\$000	Other Benefits US\$000	Total Remuneration US\$000
Cumulative to 30 June 2019			
Directors <sup>(1)</sup>	414	41	455
Non-Directors <sup>(2)</sup>	141	5	146
<b>TOTAL</b>	<b>555</b>	<b>46</b>	<b>601</b>

<sup>(1)</sup> Directors include Messrs. Gerardo Perez, Diego Benavides, Michael Iannacone, Jesus Lema and Santiago Valverde.

<sup>(2)</sup> 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 2018			
Directors <sup>(1)</sup>	411	11	422
Non-Directors <sup>(2)</sup>	190	8	198
<b>TOTAL</b>	<b>601</b>	<b>19</b>	<b>620</b>

<sup>(1)</sup> Directors include Messrs. Gerardo Perez, Diego Benavides, Michael Iannacone, Jesus Lema and Santiago Valverde.

<sup>(2)</sup> Non-Directors include the CFO and the Corihuarmi Mine Manager.

### Note 5 – Earnings (loss) per share

The calculation of the earnings (loss) per share is based on the earnings (losses) attributable to ordinary shareholders for the three month period ended 30 June 2019 of \$2,039,000 (30 June 2018: loss of \$2,817,000) and the weighted average number of ordinary shares in issue during the three month period ended 30 June 2019 of 231,135,028 (30 June 2018: 231,135,028).

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

**Minera IRL Limited**

Notes to Interim Consolidated Financial Statements

Three and six month periods ended 30 June 2019 and 2018

(Unaudited – Expressed in United States Dollars)

**Note 5 – Earnings per share (continued)**

	<b>2019 Loss US\$000</b>	<b>2019 Number of shares '000</b>	<b>2019 Earnings per share (US\$ cents)</b>	<b>2018 Loss US\$000</b>	<b>2018 Number of shares '000</b>	<b>2018 Earnings per share (US\$ cents)</b>
Basic earnings (losses)	<b>(2,039)</b>	<b>231,135</b>	<b>(0.9)</b>	(2,817)	231,135	(1.2)
Dilutive effects-options				-	-	-
Diluted earnings (losses)	<b>(2,039)</b>	<b>231,135</b>	<b>(0.9)</b>	(2,817)	231,135	(1.2)

As at 30 June 2019 and 2018, all options were excluded from the calculation of diluted loss per share because they were non-dilutive.

## Minera IRL Limited

Notes to Interim Consolidated Financial Statements  
Three and six month periods ended 30 June 2019 and 2018  
(Unaudited – Expressed in United States Dollars)

### Note 6 – 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
<b>Cost</b>					
Balance – 1 January 2018	61,189	427	2,359	4,208	68,183
Additions	1,609	97	43	47	1,796
Adjustment to mine closure provision <sup>(1)</sup>	(3,776)	-	-	-	(3,776)
Other adjustment <sup>(2)</sup>	-	-	-	(449)	(449)
Reclassification from intangibles (see note 7)	1,476	-	-	-	1,476
Disposal	-	-	(67)	-	(67)
Balance – 31 December 2018	60,498	524	2,335	3,806	67,163
<b>Balance – 1 January 2019</b>	<b>60,498</b>	<b>524</b>	<b>2,335</b>	<b>3,806</b>	<b>67,163</b>
<b>Additions</b>	<b>346</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>350</b>
<b>Balance – 30 June 2019</b>	<b>60,844</b>	<b>524</b>	<b>2,335</b>	<b>3,810</b>	<b>67,513</b>
<b>Accumulated Depreciation</b>					
Balance – 1 January 2018	53,183	350	806	2,859	57,198
Depreciation for the year	2,356	19	525	115	3,015
Adjustment to mine closure provision <sup>(1)</sup>	(2,812)	-	-	-	(2,812)
Disposals	-	-	(67)	-	(67)
Balance – 31 December 2018	52,727	369	1,264	2,974	57,334
<b>Balance – 1 January 2019</b>	<b>52,727</b>	<b>369</b>	<b>1,264</b>	<b>2,974</b>	<b>57,334</b>
<b>Depreciation</b>	<b>1,407</b>	<b>17</b>	<b>207</b>	<b>58</b>	<b>1,689</b>
<b>Other adjustment</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Balance – 30 June 2019</b>	<b>54,135</b>	<b>386</b>	<b>1,471</b>	<b>3,032</b>	<b>59,024</b>
<b>Carrying Amounts</b>					
Balance - 1 January 2018	8,006	77	1,553	1,349	10,985
Balance – 31 December 2018	7,771	155	1,071	832	9,829
<b>Balance – 30 June 2019</b>	<b>6,709</b>	<b>138</b>	<b>864</b>	<b>778</b>	<b>8,489</b>

<sup>(1)</sup> At the end of 2018, 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 \$964,000 in the carrying value of the correspondent asset account.

<sup>(2)</sup> During the last quarter of 2018 the Group terminated an agreement with a supplier of electrical equipment intended for the Ollachea Project. As a result the Group recorded a reversal of \$449,000.

## Minera IRL Limited

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

### Note 7 – Right-of-use assets

	Mining Assets	Land & Buildings	Motor Vehicles	Total
	US\$000	US\$000	US\$000	US\$000
<b>Cost</b>				
Balance - 1 January 2019	5,619	1,046	1,525	8,190
Additions	-	-	-	-
Balance - 30 June 2019	5,619	1,046	1,525	8,190
<b>Accumulated Depreciation</b>				
Balance - 1 January 2019	-	-	-	-
Depreciation for the year	1,865	134	482	2,481
Balance - 30 June 2019	1,865	134	482	2,481
<b>Carrying amounts</b>				
Balance - 1 January 2019	5,619	1,046	1,525	8,190
Balance - 30 June 2019	3,754	912	1,043	5,709

The Group adopted IFRS16 effective 1 January 2019. The initial recognition of right-of-use assets resulted in an increase of \$8,190,000. These assets are depreciated during the life of their respective lease agreements.

### Note 8 – Intangible assets

	Ollachea	Other Peru	Total
Carrying values of the deferred exploration	US\$000	US\$000	US\$000
Balance – 1 January 2018	140,272	2,052	142,324
Additions	2,225	493	2,718
Reclassifications (see note 6)	-	(1,476)	(1,476)
Write-off of intangible assets	-	(173)	(173)
<b>Balance – 31 December 2018</b>	<b>142,497</b>	<b>896</b>	<b>143,393</b>
<b>Additions</b>	<b>626</b>	<b>130</b>	<b>756</b>
<b>Balance - 30 June 2019</b>	<b>143,123</b>	<b>1,026</b>	<b>144,149</b>

The Ollachea property will require significant project financing in order to bring it into production and convert it into mining assets. The carrying values of the deferred exploration and development costs for the Ollachea property and the Group's other exploration properties in Peru at 31 December 2018 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.

## Minera IRL Limited

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

### Note 9 – Other receivables and prepayments

	30 June 2019 US\$000	31 December 2018 US\$000
<b>Non-current assets</b>		
Other receivables	8,132	7,839
Balance as at 30 June 2019 and 31 December 2018	8,132	7,839
<b>Current assets</b>		
Other receivables	1,128	1,070
Prepayments	290	371
Balance as at 30 June 2019 and 31 December 2018	1,418	1,441

Included in other receivables and prepayments is an amount of \$8,664,000 (31 December 2018: \$8,425,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the \$8,664,000 sales tax recoverable, \$8,132,000 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 in 2020, therefore this element has been included in non-current assets.

### Note 10 - Inventory

	30 June 2019 US\$000	31 December 2018 US\$000
Gold in process	1,580	1,408
Mining materials	673	773
Balance as at 30 June 2019 and 31 December 2018	2,253	2,181

### Note 11 – Cash and cash equivalents

	30 June 2019 US\$000	31 December 2018 US\$000
Bank balances as at 30 June 2019 and 31 December 2018	1,647	2,299

### Note 12 – Capital and reserves

As at 30 June 2019 and 31 December 2018, 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.

	Ordinary Shares	US\$000
<b>Issued share capital</b>		
Shares in issue 31 December 2018	231,135,028	159,012
<b>Shares in issue 30 June 2019</b>	<b>231,135,028</b>	<b>159,012</b>

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

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### Note 12 – Capital and reserves (continued)

#### Share Options

##### Group Share Option Scheme

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

	30 June 2019		31 December 2018	
	Number of Options	Weighted Average Exercise Price (£)	Number of Options	Weighted Average Exercise Price (£)
Outstanding – beginning of period	-	-	700,000	0.15
Expired	-	-	(700,000)	(0.15)
Outstanding, end of period	-	-	-	-
Exercisable, end of period	-	-	-	-

On the expiry and lapsing of 700,000 options during the year ended 31 December 2018, a total of \$46,000 was transferred from share option reserve to accumulated losses.

#### Other Share Options

	30 June 2019		31 December 2018	
	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	0.16	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 (\$0.16) per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Project. During the Annual General Meeting held on 30 November 2016 the resolution granting the directors the authority to allot shares was not passed. Consequently these options have not yet been granted however the entitlement remains.

All outstanding share options have an exercise price of \$0.16 (2018: \$0.16).

#### **Share Option Reserve**

The share option reserve includes a credit of \$433,000 (31 December 2018: \$433,000) based on the fair value of share options issued and remaining in issue at 30 June 2019.

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### Note 12 – Capital and reserves (continued)

#### Accumulated losses

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

#### Capital Maintenance

The directors manage the capital resources of the Group to ensure that there are sufficient funds available to continue in business. There are no externally imposed capital requirements. No requirements are incorporated into the management of capital.

	30 June 2019 US\$000	31 December 2018 US\$000
Total interest bearing debt	86,219	82,992
Total equity	63,809	68,068
Debt-to-equity ratio as at 30 June 2019 and 31 December 2018	135.1%	121.9%

### Note 13 – Finance lease obligations

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

Motor vehicles includes amounts where the Group is a lessee under a finance lease. Assets held under finance lease have a net book value of \$766,000 at 30 June 2019 (31 December 2018: \$929,000).

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

Lease Obligations	30 June 2019 US\$000	31 December 2018 US\$000
Balance - 1 January	147	677
Paid during the period	(132)	(530)
Balance as at 30 June 2019 and 31 December 2018	15	147

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

	30 June 2019 US\$000	31 December 2018 US\$000
Present value	15	144
Interest	-	3
Total gross future minimum lease payments	15	147

## Minera IRL Limited

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### Note 13 – Finance lease obligations (continued)

The following is the presentation Statement of Financial Position Presentation:

	30 June 2019 US\$000	31 December 2018 US\$000
Lease obligations – not later than one year	15	147

### Note 14 – Interest bearing loans

	30 June 2019 US\$000	31 December 2018 US\$000
<b>Current liabilities</b>		
Promissory note	1,516	1,516
Bank Loan	84,703	81,476
Balance as at 30 June 2019 and 31 December 2018	86,219	82,992

The increase in the carrying value of the Bank Loan during the six month period ended 30 June 2019 is due to accrued interest on the COFIDE Bridge Loan of \$3,227,000 (see Note 3).

#### COFIDE Bridge Loan

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

The length of the loan was for 24 months, at an interest rate of LIBOR plus 6.17%. 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.

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

The net proceeds from the Bridge Loan were applied towards the repayment of the \$30,000,000 Macquarie Bank debt facility and the payment of \$12,000,000 of the \$14,190,000 outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract. The remaining \$2,190,000 outstanding to Rio Tinto has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of



## **Minera IRL Limited**

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### **Note 14 – Interest bearing loans (continued)**

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 June 2019 is comprised of \$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.

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

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

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

On 24 September 2018 the Group released an update on the arbitration process against COFIDE. From February to August of this year, three documents have been submitted to the Arbitration Panel:

- 1.- The Group's Complaints submitted in February
- 2.- Answer to COFIDE's jurisdictional objections and Counterclaim submitted in May, and
- 3.- The Group's Reply submitted in August.

Up to this date, the Arbitration Process is following its normal course and should conclude by September 2019.

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

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

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### Note 14 – Interest bearing loans (continued)

Group – Net debt reconciliation	Cash	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Total
	US\$000	US\$000	US\$000	US\$000	US\$000
Net debt as at 1 January 2018	3,276	(530)	(147)	(76,483)	(73,884)
Cash flows	(977)	530	-	-	(447)
Accrued interest	-	-	-	(6,509)	(6,509)
Other changes	-	(147)	147	-	-
<b>Net debt as at 31 December 2018</b>	<b>2,299</b>	<b>(147)</b>	<b>-</b>	<b>(82,992)</b>	<b>(80,840)</b>
<b>Cash flows</b>	<b>(652)</b>	<b>132</b>	<b>-</b>	<b>-</b>	<b>(520)</b>
<b>Accrued interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,227)</b>	<b>(3,227)</b>
<b>Net debt as at 30 June 2019</b>	<b>1,647</b>	<b>(15)</b>	<b>-</b>	<b>(86,219)</b>	<b>(84,587)</b>

### Note 15 – Right-of-use liabilities

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

Lease Obligations	30 June 2019	31 December 2018
	US\$000	US\$000
Balance - 1 January	8,190	-
Unwinding of the discount	439	-
Paid during the period	(1,293)	-
Foreign exchange adjustment	8	-
<b>Balance as at 30 June 2019 and 31 December 2018</b>	<b>7,344</b>	<b>-</b>

The current and non-current portion is as follows:

	2019	2018
	US\$000	US\$000
Current portion	6,073	-
Non-current portion	1,271	-
	<b>7,344</b>	<b>-</b>

The Group adopted IFRS16 effective 1 January 2019. The initial recognition of right-of-use assets resulted in \$8,190,000 recorded as liabilities.

### Note 16 – Provisions

The Group has a provision of \$4,299,000 (31 December 2018: \$3,800,000) against the present value of the cost of restoring the Corihuarmi Mine site and Ollachea exploration tunnel site. This provision is an estimate of the cost of reversing the alterations to the environment that had been made to date. The timing and cost of this rehabilitation is uncertain and depends upon the duration of the mine life and the quantity of ore that will be extracted from the mine. At the end of 2018, management estimated that the remaining

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### Note 16 – Provisions (continued)

mine life at Corihuarmi is approximately 31 months. The directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 10 years' time on the assumption that commercial production does not proceed.

	30 June 2019 US\$000	31 December 2018 US\$000
Balance brought forward	3,800	7,269
Unwinding of the discount	565	895
Unused amounts reversed	-	(4,316)
Amounts used	(66)	(48)
Balance as at 30 June 2019 and 31 December 2018	4,299	3,800

At the end of 2018, 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 a reduction of \$4,316,000 in the carrying value of the provision and a net reduction of \$964,000 in the carrying value of the correspondent asset account (see Note 6). The reduction in the carrying value was due mainly to lower budgeted closure costs in order to fulfil the Group's obligations at the Corihuarmi Mine and an extension of the period until expected closure of the Ollachea Project, following an extension to that projects Environmental Impact Assessment. The combined effect of a gain due to the decrease in the provision and a loss due to the decrease in net assets was recorded within the Statement of Comprehensive Income as at 31 December 2018 as a gain on adjustment of the mine closure provisions of \$3,351,000.

The revised rehabilitation provisions are subject to agreement by the Ministry of Mines.

### Note 17 – Trade and other payables

	30 June 2019 US\$000	31 December 2018 US\$000
<b>Current</b>		
Trade payables	6,836	7,783
Other payables	4,023	4,319
Balance as at 30 June 2019 and 31 December 2018	10,859	12,102

### 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.

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

#### 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 2019	31 December 2018
	US\$000	US\$000
Peruvian nuevos soles	29	255
United States dollars	1,618	2,044
Balance as at 30 June 2019 and 31 December 2018	1,647	2,299

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

	30 June 2019	31 December 2018
	US\$000	US\$000
Pounds sterling	(70)	(109)
Canadian dollars	(20)	(22)
Peruvian nuevos soles	(251)	(2,172)
United States dollars	(89,106)	(85,032)
Balance as at 30 June 2019 and 31 December 2018	(89,447)	(87,335)

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 2019	31 December 2018
	US\$000	US\$000
10% weakening of the US dollar	(34)	(230)
20% weakening of the US dollar	(68)	(461)
10% strengthening of the US dollar	34	230
20% strengthening of the US dollar	68	461

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

#### 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 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.

<b>30 June 2019</b>	<b>Due in less than 3 months US\$000</b>	<b>Due between 3 months to 1 year US\$000</b>	<b>Due between 1 to 5 years US\$000</b>	<b>Total US\$000</b>
Financial assets measured at amortised cost				
Receivables	1,118	-	8,132	9,250
Cash and cash equivalents	1,647	-	-	1,647
Total	2,765	-	8,132	10,897

<b>31 December 2018</b>	<b>Due in less than 3 months US\$000</b>	<b>Due between 3 months to 1 year US\$000</b>	<b>Due between 1 to 5 years US\$000</b>	<b>Total US\$000</b>
Financial assets measured at amortised cost				
Receivables	1,063	-	7,839	8,902
Cash and cash equivalents	2,299	-	-	2,299
Total	3,362	-	7,839	11,201

<b>30 June 2019</b>	<b>Due in less than 3 months US\$000</b>	<b>Due between 3 months to 1 year US\$000</b>	<b>Due between 1 to 5 years US\$000</b>	<b>Total US\$000</b>
Financial Liabilities measured at amortised cost				
Trade payables	6,836	-	-	6,836
Other payables	4,023	-	-	4,023
Finance lease liabilities	15	-	-	15
Interest bearing loan	86,219	-	-	86,219
	97,093	-	-	97,093

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

31 December 2018	Due in less than 3 months US\$000	Due between 3 months to 1 year US\$000	Due between 1 to 5 years US\$000	Total US\$000
Financial Liabilities measured at amortised cost				
Trade payables	7,783	-	-	7,783
Other payables	4,319	-	-	4,319
Finance lease liabilities	147	-	-	147
Interest bearing loan	82,992	-	-	82,992
	95,241	-	-	95,241

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 8, by the government of Peru.

#### *Interest rate risk*

The Group has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 6.17% over LIBOR. 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 2013, the Group was issued tax reassessments by the Peruvian tax authorities for the years ended 31 December 2008, 2009 and 2011 related to the deductibility of depreciation claimed by the Group. The appeal filed by the Group with the tax authorities was unsuccessful and the Group subsequently filed an appeal with the Peruvian Tax Court. If the Group is unsuccessful in its appeal of the reassessments, taxes in the amount of approximately \$1,403,000 would be payable.

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### **Note 19 – Capital commitments and contingent liabilities (continued)**

The Group entered into contracts with a legal firm in connection with the Arbitration process described in Note 1 and with a legal advisor in connection with legal processes related to the COFIDE outstanding loan, also described in Note 1.

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

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

### **Note 20 – Related parties**

During the quarter ended 30 June 2019, 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 June 2019, the Group owed \$99,000 to directors and key management.

### **Note 21 – 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 Aug 2019