Management's Discussion and Analysis
For the Year Ended 31 December 2014

*The following Management's Discussion and Analysis ("MD&A"), prepared as of 19 June 2015, should be read together with the audited consolidated financial statements (the "Financial Statements") and related notes thereto of Minera IRL Limited ("**Minera IRL**", the "**Group**" or the "**Company**") for the fiscal year ended 31 December 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information about Minera IRL, including the Company's most recently filed Annual Information Form and the risks and uncertainties discussed therein, may be found at the Company's website at www.minera-irl.com and within the Company's SEDAR profile at www.sedar.com. 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.*

Background and Business of the Company

Minera IRL Limited is a Jersey registered company and together with its subsidiaries is a Latin American precious metals mining, development and exploration company. The Company was privately funded from inception in 2000 until an initial public offering and admission of its ordinary shares on the AIM Market of the London Stock Exchange plc ("AIM") in April 2007. Subsequently, the Company listed on the Lima Stock Exchange in Peru, Bolsa de Valores Lima ("BVL"), in December 2007 under the trading symbol of "MIRL". In April 2010, the shares of the Company were listed on the Toronto Stock Exchange ("TSX") under the trading symbol "IRL".

The Company operates the Corihuarmi Gold Mine and is advancing the Ollachea Gold Project, the Company's flagship project, towards production. Both properties are located in Peru. At Ollachea, the Company has completed a post-definitive feasibility study ("DFS") optimization and received the Environmental and Social Impact Assessment ("ESIA") and the Construction Permit from the Peruvian authorities. Subsequent to 31 December 2014, the Company announced that it had secured a $70 million bridge loan from a Peruvian state-owned development and promotion bank. The loan is expected to be the first component of a senior debt facility of up to $240 million, and this initial component is being used to repay existing debt, including the $30 million Macquarie Bank debt facility and the remaining Ollachea property payment due to Rio Tinto, and to advance many aspects of the project's development needed to commence major site construction. Additional detail on the bridge loan is provided below under the section entitled, "Ollachea Project, Peru – Development". The Company also has a number of other gold exploration prospects in Peru.

In Argentina, the Company had a 51% equity stake in Minera IRL Patagonia S.A. ("Minera IRL Patagonia"). Minera IRL Patagonia had a completed DFS, received approval of its Environmental Impact Assessment ("EIA"), been granted a development permit for the Don Nicolás Gold Project in Santa Cruz Province, arranged project financing and had commenced construction. In July 2014, the Company sold its remaining equity stake in Minera IRL Patagonia to a joint venture partners for which it has received proceeds of $10 million.

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine, Peru

The Company's 100% owned Corihuarmi Gold Mine ("Corihuarmi") is located approximately 160 kilometres ("km") southeast of Lima, Peru, in the Central Andes at an altitude of almost 5,000 metres ("m"). The Company acquired the Corihuarmi leases in 2002, and it was brought into production in March 2008. There is no hedging in place and all the gold is sold at spot prices.

Below is a summary of the key operating statistics for Corihuarmi for the three and twelve months ended 31 December 2014 and 2013:

Operating Parameters	Three Month Period Ended 31 December		Year Ended 31 December	
	2014	2013	2014	2013
Waste (tonnes)	77,228	76,034	291,609	286,588
Ore mined & stacked on heaps (tonnes)	656,387	633,495	2,660,039	2,375,630
Ore grade, mined and stacked (g/t)	0.34	0.39	0.32	0.45
Gold produced (ounces)	6,114	6,446	23,321	25,223
Gold sold (ounces)	6,166	6,184	23,654	25,220
Realized gold price ($ per ounce)	1,194	1,266	1,260	1,412
Site operating cash costs ($ per ounce)[1]	638	684	705	677
Total cash costs ($ per ounce)[1]	831	951	874	904

1. Refer to Non-IFRS Measures at the end of this MD&A.

<u>Three months ended 31 December 2014</u>

Gold production during the fourth quarter of 2014 was 6,114 ounces, compared to 6,446 ounces produced in the same period of the prior year, a decrease of 5%. The decrease in gold production was largely the result of lower grade that was partially offset by an increase in the tonnes of ore mined and stacked on the heaps.

Site operating cash costs were $638 per ounce of gold produced, compared to $684 per ounce of gold produced in the same period of the prior year, a decrease of 7%. The decrease in per ounce costs is largely due to higher metallurgical recovery of gold and lower site operating costs. At Corihuarmi, site operating costs were lower in the fourth quarter of 2014 versus the comparative quarter in 2013 despite the year-over-year increase in tonnes of ore mined and stacked. This was due to a focus on cost control along with the impact of a weakening Peruvian sol relative to the U.S. dollar.

Total cash costs, which includes site operating cash costs and reflects certain non-site costs such as royalties and workers' profit participation cost and community and environmental costs, was $831 per ounce of gold sold in the fourth quarter of 2014, a decrease of 13% relative to the comparable period in 2013. The decrease was the result of lower site operating cash costs along with lower community and environmental costs.

Year ended 31 December 2014
Gold production during the year ended 31 December 2014 decreased to 23,321 ounces, versus the 25,223 ounces produced in 2013, a drop of 8%. The decrease in production was due to the average grade of ore mined and stacked on the heaps, which was 29% lower in 2014 when compared with 2013. This was partially offset by an increase in tonnes mined and stacked and a higher metallurgical recovery of gold.

Site operating cash costs of $705 per ounce of gold produced were 4% higher in 2014, compared to site operating cash costs of $677 per ounce of gold produced in 2013. The increase in per ounce cost is primarily due to lower grade material being mined and stacked on the heaps, relative to 2013, resulting in fewer ounces being produced. This was partially offset by lower actual site operating costs in 2014, compared with 2013. The lower site operating costs were due to a focus on cost control along with the impact of a weakening Peruvian sol relative to the U.S. dollar.

Total cash costs were $874 per ounce of gold sold in 2014, a decrease of 3% from total cash costs of $904 per ounce in 2013. The higher site operating cash costs were offset by lower royalty and Special Mining Taxes that was a result of lower realized gold prices on lower production relative to 2013. Total cash costs also benefited from lower environmental and community costs relative to the prior year.

Ollachea Project, Peru - Development
Minera IRL's flagship Ollachea Gold Project is located in southern Peru, approximately 250km north of Lake Titicaca, on the eastern escarpment of the Andes Mountains. Infrastructure in close proximity to the project is excellent and well serviced with paved roads, transmission lines, and electricity generating facilities.

In June 2012, the Company announced that the 2007 5-year Surface Rights Agreement with the nearby Community of Ollachea had been extended for a period of 30 years. As part of this agreement, Minera IRL agreed to continue to sponsor community health, education, sustainability and community enterprise programs. The 2012 agreement also ratifies the commitment in the original 2007 Surface Rights Agreement to grant the Community of Ollachea a 5% equity participation in the subsidiary company Minera Kuri Kullu SA ("MKK"), which holds the Ollachea leases, upon the commencement of commercial production.

Between 2008, when drilling commenced, and the last drill hole in early 2013, the Company has completed 82,275m of drilling in 211 holes over a strike length of approximately 2km, resulting in the delineation of significant gold mineral resources at Ollachea. All defined zones of mineralization remain open-ended both along strike and down-dip at Ollachea.

In November 2012, the Company published a National Instrument 43-101 compliant technical report summarizing the results of a Definitive Feasibility Study ("Ollachea DFS") for a robust underground mining operation on the Minapampa Zone on the Ollachea Project that was prepared by AMEC (now Amec Foster Wheeler), a leading global mining consultancy firm. In June 2014, the Company completed an optimization study on Ollachea DFS in anticipation of the development of the Ollachea Gold Mine (the "Ollachea Optimization Study") that included an updated Mineral Reserve and Resource Statement for the Minapampa Zone, updated cost estimates, and an accelerated production profile.

The Ollachea Optimization Study reported an Indicated Mineral Resource (at a 2.0g/t Au cut-off) of 10.1 million tonnes grading 4.0g/t Au for approximately 1.3 million ounces of contained gold. Within the Indicated Mineral Resource, there is a Probable Mineral Reserve (at a 2.1g/t Au cut-off) of 9.2 million tonnes grading 3.4g/t Au for 1.0 million contained ounces of gold. In addition, there is an Inferred Mineral Resource (at a 2.0g/t Au cut-off) of 1.7 million tonnes grading 4.0g/t Au for 0.2 million contained ounces of gold at Minapampa.

The Ollachea Optimization Study has scheduled production of 930,000 ounces over an initial nine-year mine life at an average total cash cost of $587 per ounce of gold produced (from $583 per ounce in the Ollachea DFS). The projected capital costs required to construct the mine is $165 million (from $178 million in the Ollachea DFS) and including life-of-mine sustaining capital and closure costs is $220 million (from $223 million in the Ollachea DFS). The after-tax net present value on a 100% equity basis, using a base case gold price of $1,300 per ounce and a 7% discount rate, is $181 million (from $155 million in the Ollachea DFS), with an after-tax internal rate of return of 28% (from 22% in the Ollachea DFS). The payback period from the start of construction is projected to be 3.1 years (from 3.7 years in the Ollachea DFS).

The aforementioned figures are based upon third quarter 2012 cost estimates and do not consider the financial impact of the 1% gross revenue royalty that was granted to Macquarie Bank that has a $5 million buyback option. Nor do the figures consider the financial impact of the 0.9% net smelter royalty granted as part of the recently announced bridge loan financing. The financial results are on 100% Project basis and exclude the agreement with the community for a 5% participation in MKK on commencement of production.

In addition to the 1.3 million ounces of Indicated Resources utilized in the Optimized Ollachea Study and the 0.2 million ounces of Inferred Resource, both at Minapampa, the Company has delineated an Inferred Resource (at a 2.0g/t Au cut-off) of 10.4 million tonnes grading 2.8g/t Au for 0.9 million contained ounces of gold at the Concurayoc Zone, part of the Ollachea Gold Property. The potential addition of these resources to the mine plan represents an opportunity to extend the life of mine beyond what is envisaged in the Ollachea DFS and subsequently enhance the economics of the project.

In December 2012, as part of the permitting process, the Company submitted an Environmental and Social Impact Assessment ("ESIA") report on the Ollachea Project to the Peruvian Ministry of Mines and Energy ("MEM"), the government agency responsible for ESIA approval. The ESIA report was the culmination of over three years of environmental baseline studies, the Ollachea DFS, archaeological studies, water management plan, flora and fauna studies, social baseline studies and comprehensive community public consultations. The approval of a mining project's ESIA is a major milestone on the path towards production and is the key permit required to develop a mine in Peru.

In May 2013, the Ollachea ESIA received final approval from the Community of Ollachea; and, in September 2013, the MEM approved the ESIA. After approval of the ESIA, the Company submitted its application for a Construction Permit for the Ollachea Gold Mine, which was awarded in June 2014. The Construction Permit is the final significant permit required to commence construction of the Ollachea Gold Mine.

Subsequent to 31 December 2014, the Company announced that it had secured a $70 million finance facility (the “Bridge Loan”) from the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. (“COFIDE”), which was syndicated through Goldman Sachs Bank USA (“Goldman Sachs”). The Bridge Loan is expected to be the first component of a senior debt facility (“Senior Debt Facility”) of up to $240 million to be structured by COFIDE to develop the Company’s Ollachea Gold Project.

COFIDE is a Peruvian state-owned development bank with a charter to provide financing to projects of national interest. COFIDE is also actively involved with several Peruvian community programs which provide economic, health, social, educational and sustainable large-scale development.

The term of the loan is for 24 months, at an interest rate of LIBOR plus 6.17%. The Bridge Loan terms included financing fees of 2.25% paid to COFIDE along with an upfront fee of $300,000 to Goldman Sachs. In addition, the Company paid certain fees to the structuring agent, Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”), including a 3% fee paid in cash; a 0.9% net smelter return royalty on the Ollachea Gold Project; and the issuance of 11.6 million options, each of which are exercisable to purchase one ordinary share of the Company 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 Gold Project (subject to the receipt of all regulatory approvals of the TSX, AIM and BVL stock markets).

The Bridge Loan is secured by the Ollachea Gold Project’s assets, mining reserves, mining concessions and rights, guarantees from the Company’s subsidiary Minera IRL S.A., and a pledge of the shares of the Company’s subsidiary Compañía Minera Kuri Kullu S.A., which holds the Ollachea Gold Project.

The net proceeds from the Bridge Loan have been applied towards the repayment of the $30 million Macquarie Bank debt facility and the payment of $12 million of the $14.2 million outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract. The remaining $2.2 million outstanding has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. The Company has the option of settling the $2.2 million promissory note with the issuance of Minera IRL ordinary shares or with cash. The issuance of ordinary shares to Rio Tinto for the settlement of some or all of the promissory note will require shareholder approval at the annual general meeting scheduled to be held 27 August 2015.

The net proceeds from the Bridge Loan, after the payment of existing debt, will be used to advance many of the initial aspects of project development needed to position the Company to commence major site construction on the Ollachea Gold Project once the Senior Debt Facility is in place. This includes commencing the detailed engineering and design, recommencement of underground drilling at the Minapampa East zone, and maintaining social and environmental programs, along with general corporate purposes.

The Company has signed a letter of mandate with COFIDE to structure the Senior Debt Facility for up to $240 million, under which the Bridge Loan is expected to be refinanced. The Senior Debt Facility is expected to be in place by the end of 2015; however, the availability of the Senior Debt Facility is not guaranteed and its terms, including the size of the facility, are still to be negotiated. The Company will seek to raise equity funding to reduce the amount of debt and leverage on the Ollachea Gold Project to what is determined to be an acceptable level.

The Senior Debt Facility is expected to be subject to similar financing fees and would be subject to fees payable to Sherpa, including a 3% fee paid in cash; an additional net smelter return royalty on the Ollachea Gold Project of up to 1.1% (depending on the final size of the Senior Debt Facility); and the issuance of up to 23.1 million options (depending on the final size of the Senior Debt Facility). The options will be exercisable to purchase one ordinary share of the Company 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 Gold Project (subject to receipt of all regulatory approvals of the TSX, AIM and BVL stock markets).

Until the Ollachea Gold Project achieves commercial production, the Company has the option to buy back any royalty granted to Sherpa at a price of $6.2 million for every 1% royalty purchased. Prior to 2 June 2016, the Company has the option to buy back any Sherpa royalty at a price of $5.6 million for every 1% royalty purchased. In addition, the Company has the right of first refusal on the sale of any royalty granted to Sherpa.

During 2014, total expenditures on the Ollachea Gold Project were $8.0 million, most of which was capitalized. Investments at Ollachea during 2014 were focussed on advancing the Construction Permit, maintaining the exploration tunnel, community development, and ongoing environmental and security costs.

Ollachea Project, Peru - Exploration

Since Minera IRL commenced drilling in October 2008, it has completed 82,275m of drilling in 211 holes during the ensuing three and one half years over a strike length of approximately 2km, resulting in the delineation of significant gold mineral resources and reserves at Ollachea. There is significant exploration upside at Ollachea, as all zones of known mineralization remain open-ended both along strike and down-dip.

On 29 August 2011, the Company announced that it had committed to the construction of a 1.2km exploration tunnel into the hanging wall of the Minapampa orebody at the Ollachea Gold Project. In addition to providing access for underground exploration drilling, the tunnel has been designed to later serve as a production tunnel, which is expected to facilitate rapid mine development project once financing is in place.

In January 2013, the exploration tunnel reached its planned 1.2km objective, and did so more than a month ahead of schedule and under budget. The speed and reduced cost associated with the completion of the tunnel, as well as the practical experience gained, indicates that certain technical considerations utilized in the DFS are likely conservative. Specifically, the tunnel exhibits significantly better ground conditions, a much higher advance rate and minimal water infiltration, which are likely to positively affect the project economics outlined in the Ollachea DFS.

The Company commenced an underground drilling campaign in January 2013. The initial program consisted of three completed diamond drill holes, all of which intersected potentially ore grade gold mineralization:

- DDH13-T01 intersected 20m grading 4.48g/t gold;
- DDH13-T03 intersected 11m grading 5.47g/t gold; and
- DDH13-T04 intersected 9m grading 5.45g/t gold.

The eastern-most intersection (DDH13-T03) is located approximately 320m east of the defined Minapampa mineral resources upon which the Ollachea DFS is based upon. These drilling results indicate the presence of a significant extension to the strike length of the mineralized trend, which remains open-ended to the east. In addition, the average grade of these underground drill intercepts is substantially higher than the average grade of the Minapampa and Concurayoc mineral resources, further increasing the prospectivity of this zone of mineralization.

Don Nicolás Project, Argentina - Development

Minera IRL Patagonia, a former subsidiary of the Company, owns the Don Nicolás Project and an extensive exploration tenement package totalling some 2,600km^2 in the Patagonia region of Argentina. The project is located within a large geological complex known as the Deseado Massif.

On 19 August 2013, Minera IRL announced that it had entered into a definitive financing agreement to fund the construction of the Don Nicolás Mine that would ultimately reduce its equity interest in Minera IRL Patagonia to 51%. For more information on this transaction, please see the section below entitled, “Transaction with CIMINAS – Don Nicolás Gold Project.”

On 30 July 2014, the Company announced that it had entered into a Sale and Purchase Agreement pursuant to which one of the Minera IRL Patagonia joint venture partners, CIMINAS, would acquire the Company’s remaining shareholdings for total consideration of $11,451,000. Under the terms of the agreement to sell the Company’s remaining interest in Minera IRL Patagonia, the consideration would be received in three instalments: 85% upon closing of the transaction (received), 7.5% after 90 days following the completion of certain handover activities and certain due diligence procedures and the remaining 7.5% after twelve months following the completion of certain handover activities and certain due diligence procedures. 12 September 2014 was established as the start date for the 90 day and twelve month periods. Payment of the second and third instalments was conditional upon the completion of due diligence, the satisfaction of certain conditions and customary representation and warranties. As at the date of the MD&A, the second payment, which was due in December 2014, was still outstanding and the Company was in discussions with CIMINAS in regards to escrow claims made and the eventual payment of the amounts outstanding. Due to the uncertainty surrounding the collection of the amount outstanding the remaining balance, totalling a net amount of $1,405,000, has been written off, increasing the loss on assets held for sale in the consolidated statement of total comprehensive loss.

The Company recorded a loss on the sale of its investment in the Don Nicolás joint venture of $32,119,000. The charge also included transaction costs of $831,000 and the write off of the second and third instalment receivables.

Following the completion of sale of its remaining interest in Minera IRL Patagonia, the Company no longer has any business interests in Argentina.

Transaction with CIMINAS – Don Nicolás Gold Project

On 16 August 2013, the Company entered into a definitive agreement with CIMINAS, whereby CIMINAS would make a $45,000,000 investment in Minera IRL Patagonia to become up to a 45% equity owner of Minera IRL Patagonia. In addition to the equity investment, CIMINAS entered into an agreement with Minera IRL Patagonia to provide a $35,000,000 credit facility for the development of the Don Nicolás Gold Project in Santa Cruz Project, Argentina.

In addition, Minera IRL entered into an agreement with Argenwolf S.A. ("Argenwolf"), a business corporation organized and existing under the laws of the Argentine Republic, to provide Argenwolf a 4% equity stake in Minera IRL Patagonia as compensation for arranging the investment by CIMINAS.

As part of the agreement, CIMINAS also subscribed for 9,146,341 ordinary shares of Minera IRL Limited in exchange for $3,000,000, in equivalent Argentine Pesos, being invested in Minera IRL Patagonia. The 9,146,341 ordinary shares were issued on 10 October 2013.

Under the joint arrangement with CIMINAS, the Company would retain at least a 51% interest in Minera IRL Patagonia, down from 100%. Although the Company would retain more than half of the voting shares in Minera IRL Patagonia and would remain as the manager, control would be exercised through an agreement with its other shareholders, which required unanimous consent on decisions concerning relevant activities, resulting in joint control. Consequently, upon entering into the agreement with CIMINAS, the Company's interest in Minera IRL Patagonia was considered a joint venture and was subsequently accounted for using the equity method. Additionally, on the transition to joint control, Minera IRL Patagonia was deconsolidated and the Company's remaining interest was determined to have a fair value of $40,001,000 and a loss on the deconsolidation of Minera IRL Patagonia of $12,517,000 was recorded on the consolidated statement of loss and comprehensive loss during the year.

Transaction costs of $3,254,000 were recorded, which included an amount of $2,323,000 that was the estimated fair value of the 4% equity stake in Minera IRL Patagonia provided to Argenwolf as compensation for arranging the investment by CIMINAS.

The $45,000,000 equity investment was to consist of 4 components ("Tranches") made up of preferred and common equity. Under Tranche I, CIMINAS subscribed for 9,146,341 ordinary shares of Minera IRL Limited and, as consideration, CIMINAS contributed $3,000,000 to Minera IRL Patagonia toward the development of Don Nicolás.

Under Tranche II, CIMINAS was provided with a 7.8% equity interest in Minera IRL Patagonia (with no preferred rights) in exchange for an investment of $7,300,000. During 2013, $1,900,000 was advanced under Tranche II. A dilution loss of $574,000 was recorded on the $1,900,000 investment. The remaining $5,400,000 was advanced in February 2014 and a dilution gain of $1,072,000 was recorded during the three months ended 31 March 2014.

Tranches III and IV were to provide CIMINAS with 16.1% and 21.1% equity interests (with preferential rights) in Minera IRL Patagonia in exchange for investments of $15,000,000 and $19,700,000, respectively. During the second quarter of 2014, an equity contribution of $1,005,000 under Tranche III was made. A dilution loss of $512,000 relating to this contribution was recorded. No further investments were made under these remaining tranches prior to sale of the Company's remaining interest in Minera IRL Patagonia in July 2014 as described above. Additional details on the terms of the equity investment and the credit facility are provided in the Company's 2013 Annual Information Form.

Exploration Projects

Bethania Prospect

The Bethania Project comprises three exploration licenses held for some years by Minera IRL plus an additional 0.14km^2 lease under option from Minera Monterrico Peru SAC to acquire 100% ownership for a total holding of 33km^2 that was amended in late 2012 and extended for five years. Bethania is located only 10km from Minera IRL's Corihuarmi Gold Mine in the high Andes of central Peru and, prior to being optioned by Minera IRL, had undergone limited exploration by Newcrest in 1998.

Between the third quarter of 2010 and the fourth quarter of 2011, the Company drilled 25 holes for a total of 7,678m at Bethania over the course of two exploratory drill programs to test portions of an extensive alteration zone, measuring approximately 3.5km by 1.2km, associated with an induced polarization chargeability/resistivity anomaly. The drilling programs encountered substantial intersections of low-grade gold, copper and molybdenum in a porphyry setting, often near or at surface. The encouraging tenor and consistency of grade distribution that has been intersected from surface justifies continued exploration work in this mineralized porphyry system, which is interpreted to form a minor part of a far larger hydrothermally altered lithocap that is known to extend for more than 15km along the Central Andean trend.

A $1 million option payment is due in December 2015. There are currently no exploration activities planned at Bethania during 2015.

Huaquirca Joint Venture

Minera IRL entered into a Letter Agreement in June 2010 with Alturas Minerals Corp. ("Alturas") providing the opportunity for Alturas to earn up to an 80% interest in the Company's Chapi-Chapi project, located in the department of Apurimac in southeastern Peru.

Following several amendments to the agreement, Alturas failed to fulfill its obligations under the most recent agreement. As a result, the Company provided the required noticed to Alturas that it was terminating Alturas' option on the Chapi-Chapi project. In March 2014, the Company sold the Chapi-Chapi project for proceeds of $1,125,000, and recognized a gain on disposal of the property of $879,000.

Frontera Joint Venture

The Frontera project is a 35/65 joint venture with Teck Resources Limited ("Teck"), which is managed by Teck. The property consists of a 12km^2 package of tenements located in Region I of northern Chile, on the northwestern border with Peru and close to the eastern border with Bolivia.

No exploration activities are currently planned for 2015.

Quilavira Project

The Company signed an option agreement in February 2010 to acquire the Quilavira Gold Project from Newcrest Mining Ltd. The 51km^2 tenement package is in the Tacna district of southern Peru. The transaction was conducted through a surrogate local Peruvian company authorized to work within the Strategic Frontier Zone facing Chile that acquired the property from Newcrest on behalf of the Company. Once permission is granted to the Company to work in the Frontier Zone, the properties are expected to be transferred at nominal cost.

The main exploration target at Quilavira is an alteration zone approximately 1,200m by 300m in size. Sampling by Newcrest identified a 200m by 200m zone of anomalous gold mineralization (>1g/t gold rock chip samples) within the western part of the alteration zone.

No exploration activity is planned for 2015. Exploration activities will be planned following the negotiation and signing of a surface rights agreement with the local community, subject to the availability of discretionary spending for exploration activities.

Summary of Quarterly Results

(tabular data in thousands of US dollars, except per share amounts)

	Q1 Mar. '13	Q2 Jun. '13	Q3 Sep. '13	Q4 Dec. '13	Q1 Mar. '14	Q2 Jun. '14	Q3 Sep. '14	Q4 Dec. '14
Total revenue	9,241	10,073	8,530	7,862	7,592	7,590	7,294	7,390
Loss after-tax	(1,106)	(250)	(13,888)	(18,590)	(1,486)	(33,040)	(3,993)	(4,844)
Total comprehensive loss	(1,126)	(250)	(14,119)	(18,590)	(1,486)	(33,040)	(3,993)	(4,844)
Net loss per share								
Basic (US cents)	(0.7)	(0.1)	(8.0)	(10.2)	(0.7)	(14.4)	(1.7)	(2.1)
Diluted (US cents)	(0.7)	(0.1)	(8.0)	(10.2)	(0.7)	(14.4)	(1.7)	(2.1)

The business of the Company is not generally subject to seasonal influences. The variation in revenues and net profit and losses are due to a number of factors, among which are the market price of gold, the tonnes of ore and the associated grade of these tonnes of ore extracted from the mine and therefore the cost of production, the impairment of exploration, development assets and mining assets, and the incidence of corporation tax in Peru.

Over the last eight quarters, as forecasted, the Company's Corihuarmi Mine has experienced diminishing ore grades, leading to correspondingly lower gold production resulting in higher operating costs on a per ounce basis. The impact of the diminishing grades has been partially offset by an increase in tonnes mined and stacked on the heaps. During the second quarter of 2013, the gold price decreased significantly with the average London PM Fix declining to $1,415 per ounce from $1,632 per ounce in the first quarter of 2013. The gold price continued to decline with an average London PM Fix of $1,326 per ounce during the third quarter of 2013 and an average London PM Fix of $1,275 per ounce during the fourth quarter of 2013. During 2014, the average London PM Fix was $1,266 per ounce.

During the three months ended 30 June 2014, the Company recorded a charge of $30.7 million against its investment in the Don Nicolás joint venture. In July 2014, the Company announced that it had entered into an agreement with its joint venture partner, CIMINAS, to sell its remaining interest in Minera IRL Patagonia for total consideration of $11.5 million. As a result, the Company recorded a write down on its investment in the Don Nicolás joint venture to the expected proceeds on the sale. The write down was increased in the fourth quarter of 2014 with the write off of a $1.4 million receivable outstanding from CIMINAS. Additional details are provided above under the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

During the three months ended 31 December 2013, the Company recorded an impairment charge of $13.7 million against its mining assets at the Corihuarmi operation. The impairment charge was largely the result of a reduction in the estimate of future gold prices over the expected remaining life of the mine at that time (to the end of 2015).

During the three months ended 30 September 2013, the Company recorded a loss of $12.5 million on the deconsolidation of Minera IRL Patagonia as a result of the August 2013 transaction with CIMINAS. Additional details on this transaction are provided in the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

Note – All of the results presented are prepared under IFRS and are in United States dollars, which is the Company's functional currency.

Overview of Financial Results

Data	Three Month Period		Twelve Month Period	
	2014	2013	2014	2013
Corihuarmi				
Waste (tonnes)	77,228	76,034	291,609	286,588
Ore mined & stacked on heaps (tonnes)	656,387	633,495	2,660,039	2,375,630
Ore grade, mined and stacked (g/t gold)	0.34	0.39	0.32	0.45
Gold produced (ounces)	6,114	6,446	23,321	25,223
Gold sold (ounces)	6,166	6,184	23,654	25,220
Realized gold price ($ per ounce)	1,194	1,266	1,260	1,412
Site operating cash costs ($ per ounce) [1]	638	684	705	677
Total cash costs ($ per ounce) [1]	831	951	874	904
Financial				
Revenue ($'000)	7,390	7,862	29,866	35,706
Gross profit ($'000)	1,688	612	6,765	7,402
Loss from continuing operations ($'000)	(3,439)	(16,058)	(8,925)	(18,114)
Loss after-tax ($'000)	(4,844)	(18,590)	(43,363)	(33,834)
Comprehensive loss ($'000)	(4,844)	(18,590)	(43,363)	(34,085)
Loss per share				
Continuing operations (cents)	(1.5)	(8.8)	(3.9)	(10.4)
Discontinued operations (cents)	(0.6)	(1.4)	(15.2)	(9.1)

1. Refer to Non-IFRS Measures at the end of this MD&A.

Results of Operations

The Company reported an after-tax loss of $4,844,000 in the fourth quarter of 2014, compared with an after-tax loss of $18,590,000 in the same period in the prior year. The higher loss in the fourth quarter of 2013 was primarily the result of a $13,700,000 non-cash impairment charge that was recorded against Corihuarmi's mining assets. The impairment charge was largely the result of a reduction in the estimate of future gold prices over the remaining life of the mine.

In the third quarter of 2014, the Company sold the balance of its interest in Minera IRL Patagonia to CIMINAS. As a result, expenses related to Minera IRL Patagonia, from both the current periods and comparative prior periods have been reclassified to discontinued operations. During the fourth quarter of 2014, the Company recorded a loss of $1,405,000 from discontinued operations as a result of the write off of the CIMINAS receivable. During the fourth quarter of 2013, the Company recorded a loss of $2,532,000 from discontinued operations.

The loss from continuing operations in the fourth quarter of 2013 and prior to the $13,700,000 impairment charge recorded against the Corihuarmi mining assets was $2,358,000, compared with $3,439,000 in the fourth quarter of 2014. The increase in the loss from continuing operations was largely due to decreased revenue resulting from a lower gold price, increased finance expenses and higher income tax expense. This was partially offset by reduced costs of sales and administration expenses.

During the year ended 2014, the Company recorded an after-tax loss of $43,363,000, compared with an after-tax loss of $33,834,000 in 2013. The loss from discontinued operations during 2014 was $34,438,000, compared with $15,720,000 in 2013. The loss from continuing operations during 2014 was $8,925,000, compared with $4,414,000 during 2013 (excluding the $13,700,000 impairment charge against Corihuarmi). The increase in the loss from continuing operations between 2013 and 2014 was largely due to decreased revenue and increased finance expenses, partially offset by reduced costs of sales, lower administration expenses and lower income tax expense.

During the fourth quarter of 2014, sales revenue decreased by 6% compared to the same quarter in 2013. The decrease was the result of a 6% decrease in the realized gold price for the period. During the quarter, the Company realized an average gold price of $1,194 per ounce, compared with an average of $1,266 per ounce during the fourth quarter of 2013. Revenue during the year ended 31 December 2014 decreased by 16%, due to a 6% drop in the number of gold ounces sold and an 11% decrease in the realized gold price for the period. During 2014, the Company realized an average gold price of $1,260 per ounce, compared with an average of $1,412 per ounce during 2013.

Cost of sales during the fourth quarter and full twelve-month periods for 2014 decreased by 21% and 18%, respectively, versus the comparable periods in 2013. The reduction was due to decreases in site operating costs, depreciation and amortization, royalties, production taxes and community and environmental costs.

Site operating costs of $3,899,000 during the three months ended 31 December 2014 were down by 12% compared against the comparative quarter in 2013, despite a 3% increase in the tonnes of ore mined and stacked. Site operating costs of $16,442,000 during the year ended 31 December 2014 were 4% lower than the $17,086,000 recorded in 2013, despite a 12% increase in the tonnes of ore mined and stacked. This is a result of cost reduction measures and very close attention to cost control along with the impact of a weakening Peruvian sol vis-à-vis the U.S. dollar.

A period-over-period comparison for the cost of sales is provided in the table below. The lower depreciation and amortization expense is largely related to the impairment charge of $13,700,000 recorded in 2013, which reduced the carrying value of mining assets at Corihuarmi. The reduction in the selling expense, royalties and taxes is largely due to the lower operating profits resulting from reduced production being sold at lower gold prices.

Breakdown of Cost of Sales

	Three Months Ended 31 December	Year Ended 31 December

	2014 ($'000s)	2013 ($'000s)	Change (%)	2014 ($'000s)	2013 ($'000s)	Change (%)
Site operating costs	3,899	4,412	(12%)	16,442	17,086	(4%)
Inventory adjustment	87	62	40%	133	301	(56%)
Community and environmental costs	708	1,279	(45%)	2,602	3,513	(26%)
Depreciation and amortization	576	1,369	(58%)	2,418	5,496	(56%)
Selling expense	55	58	(5%)	189	233	(19%)
Royalties and taxes	294	313	(6%)	1,192	1,573	(24%)
Workers' profit participation provision	83	(243)	(134%)	125	102	23%
Total	5,702	7,250	(21%)	23,101	28,304	(18%)

Administration expenses decreased by 35% during the fourth quarter of 2014 to $1,578,000, compared with $2,417,000 in the fourth quarter of 2013. During the year ended 31 December 2014, administrative expenses decreased by 15%, to $6,625,000 from $7,834,000 over 2013. A period-over-period comparison for administration expenses is provided in the table below. Administrative expenses include foreign exchange expense that is impacted by the movement of local currencies in relation to the U.S. dollar. During the three and twelve months ended 31 December 2014, the Company recorded foreign exchange losses of $263,000 and $835,000, respectively, compared with $142,000 and $802,000 in the same periods in 2013. With the exception of foreign exchange losses and travel, which also increased year-over-year, administrative expenses were primarily lower in 2014, versus 2013. The reduced administration costs are largely the result of cost cutting initiatives that began in 2013 and continued in 2014.

Breakdown of Administration Expenses

	Three Months Ended 31 December			Year Ended 31 December		
	2014 ($'000s)	2013 ($'000s)	Change (%)	2014 ($'000s)	2013 ($'000s)	Change (%)
Depreciation	9	34	(74%)	55	150	(63%)
Director fees	18	18	-	71	82	(13%)
Foreign exchange	263	142	85%	835	802	4%
Investor relations	69	87	(21%)	283	316	(10%)
Nomad and exchange fees	25	(19)	(232%)	158	245	(36%)
Office rent and administration	144	200	(28%)	496	542	(8%)
Professional and consulting fees	377	592	(36%)	1,456	1,629	(11%)
Salaries and wages	652	993	(34%)	2,757	3,209	(14%)
Share based payments	-	229	(100%)	8	262	(97%)
Telecommunication	56	68	(18%)	197	249	(21%)
Travel	195	60	225%	331	265	25%
Workers' profit participation	13	(31)	(142%)	19	13	46%
Other	(243)	44	(652%)	(41)	70	(159%)
Total	1,578	2,417	(35%)	6,625	7,834	(15%)

During the year ended 31 December 2014, the Company recorded share based payments expense of $8,000.

On 2 April 2014, the Company granted 160,000 incentive stock options at an exercise price of £0.10 for a period of 5 years. The options vested immediately upon being granted, and they were fair valued with a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 57%; risk-free interest rate of 0.50%; and, an expected average life of 3.5 years.

During the year ended 31 December 2013, the Company recorded share based payments expense of $262,000.

On November 15, 2013, the Company granted 3,550,000 incentive stock options at an exercise price of £0.15 (25% above the prevailing market price on the date of grant, as per Company policy) for a period of 5 years. The options vested immediately upon grant and were fair valued with a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 55%; risk-free interest rate of 0.48%; and, an expected average life of 3.5 years.

On 17 May 2013, the Company granted 425,000 incentive stock options at an exercise price of £0.25 (25% above the prevailing market price on the date of grant) for a period of 5 years. The options vested immediately upon grant and were fair valued with a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 46%; risk-free interest rate of 0.48%; and, an expected average life of 3.5 years.

As a result of the sale of the Company's remaining interest in the Minera IRL Patagonia, the expenses and charges related to Minera IRL Patagonia have been reclassified to discontinued operations. During the years ended 2014 and 2013, the Company recorded losses to discontinued operations of $34,438,000 and $15,720,000, respectively.

The loss on discontinued operations included administrative expenses from Argentina from the period prior to entering into the joint venture arrangement with CIMINAS in August 2013. It also includes the dilution gains and losses recorded on part disposal of the joint venture and the Company's share of loss from the joint venture investment prior to the sale of the Company's remaining interest in Minera IRL Patagonia in July 2014. Finally, the loss from discontinued operations includes the loss on deconsolidation of Minera IRL Patagonia of $12,517,000 recorded in 2013 when the joint venture arrangement with CIMINAS was entered into and a loss of $32,119,000 recorded in the second quarter of 2014 on the sale of the Company's remaining interest in the joint venture.

During the first half of 2014, CIMINAS made total capital contributions of $6,405,000, reducing Minera IRL's interest in the Don Nicolás joint venture from 91.0% to 80.9% and resulted in a dilution gain of $560,000 on the reduction in its interest in the joint venture. During 2013, the Company recorded a dilution loss of $574,000 on total capital contributions of $1,900,000 which reduced the Company's interest in the Don Nicolás joint venture from 96.0% to 91.0%.

During 2014, between January and the end July, when the Company sold its remaining interest in Minera IRL Patagonia, the Company recorded a loss of $2,879,000 on its share of the joint venture's losses. In 2013, the Company recorded a loss of $2,028,000 on its share of the joint venture's losses.

In July 2014, the Company entered into a Sale and Purchase Agreement pursuant to which one of the Minera IRL Patagonia joint venture partners, CIMINAS, would acquire the Company's remaining shareholdings for total consideration of $11,451,000. Under the terms of the agreement to sell the Company's remaining interest in Minera IRL Patagonia, CIMINAS agreed to pay the consideration in three instalments: 85% upon closing of the transaction (received), 7.5% after 90 days following the completion of certain handover activities and certain due diligence procedures and the remaining 7.5% after twelve months following the completion of certain handover activities and certain due diligence procedures. The date of 12 September 2014 was established as the start date for the 90 day and twelve month periods. Payment of the second and third instalments were conditional upon the satisfaction of certain conditions and customary representation and warranties. As at the date of the MD&A, the second payment was still outstanding and the Company was in discussions with CIMINAS in regards to escrow claims made and the eventual payment of the amounts outstanding. Due to the uncertainty surrounding the collection of the amount outstanding, the remaining balance, totalling a net amount of $1,405,000, has been written off, increasing the loss on assets held for sale in the consolidated statement of total comprehensive loss. The Company recorded a loss on the disposal of its investment in the Don Nicolás joint venture of $32,119,000. The charge also included transaction costs of $831,000.

During the third quarter of 2013, a loss of $12,517,000 was recorded on the deconsolidation of Minera IRL Patagonia following the August 2013 transaction with CIMINAS. As a result of this transaction, the Company's ownership in Minera IRL Patagonia was to be ultimately reduced to 51% from 100% and resulted in joint control. Additional details on this transaction are provided above in the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

During 2014, the Company recorded finance expenses of $7,790,000, compared with $2,202,000 in 2013. The increase in finance expense in 2014 was due to increased debt outstanding at a higher interest rate, the amortization of deferred expenses related to the extension of the Company's Finance Facility provided by Macquarie Bank to 30 June 2015, costs related to the remaining amount payable to Rio Tinto and the provision recorded on the buyback of the Macquarie Bank royalty.

In November 2013, the third $5,000,000 tranche under the Macquarie Bank Finance Facility was drawn down bringing the total outstanding to $25,000,000. On 31 March 2014, the Company drew down the final $5,000,000 under the Macquarie Bank Finance Facility bringing the total debt outstanding under the facility to $30,000,000. Interest expense recorded on the Finance Facility, which was calculated at a rate of LIBOR plus 5%, was $1,536,000 (2013 - $1,163,000).

During June 2014, the Company announced that it had negotiated a one-year extension to the Macquarie Bank Finance Facility. In addition to the existing terms, which remained unchanged, there was an upfront fee of $1,500,000 payable and the Company issued 26,000,000 options. The existing 18,786,525 options held by Macquarie Bank were cancelled upon the issuance of the new options. The 26,000,000 options expire on 30 June 2016 and have an exercise price of $0.176. The grant date fair value of the options, estimated using the Black-Scholes option pricing model, was $1,629,000, and was based on the following assumptions: common share price of $0.176; expected dividend yield of 0%; expected volatility of 60%; risk-free interest rate of 0.5%; and, an expected life of two years from the date of issue.

The cost of the one-year extension, including both the estimated value of the options of $1,629,000 and the upfront fee of $1,500,000, was deferred and are being expensed over the one-year extension. During 2014, $1,565,000 of the deferred amount was charged to finance expense.

During 2014, the Company also recorded interest expense totalling $1,010,000 (2013 - $624,000) related to the payment due to Rio Tinto in connection with the Ollachea Gold Project. Additionally, under the revised Mining Rights Transfer Contract for the Ollachea property it was stipulated that if Rio Tinto did not sell any of the 44,126,780 ordinary shares of Minera IRL during the one-year period from the 11 January 2014 issue date Rio Tinto would be paid an incentive bonus equal to 10% of the initial value of the shares. The Company made a provision of $744,000 against this expected liability during 2014 and the payment was made with proceeds from the COFIDE Bridge Financing loan.

Additional details on the final payments due to Rio Tinto are provided below in the section entitled, “Liquidity and Capital Resources - Ollachea Property Payment Due to Rio Tinto”.

During 2014, the Company incurred costs of $341,000 in brokerage fees related to the sale of bonds received on the disposal of Minera IRL Patagonia. To facilitate the receipt of the proceeds on the sale of Minera IRL Patagonia outside of Argentina it was agreed that bonds for the sale price would be received by Minera IRL and then subsequently sold outside of Argentina. A 3% commission was incurred on the purchase and sale of these bonds.

In March 2014, the Company sold the Chapi-Chapi project for proceeds of $1,125,000 and recognized a gain on disposal of the property of $879,000.

During 2013, the Company signed an agreement transferring mining rights over 802 hectares of its Huaquirca project to an arms’ length third party for a period of ten years. Consideration for this transfer was a total of $750,000, which was recorded as income on the statement of loss and comprehensive loss, plus a 2% net smelter royalty.

During 2014, the Company recorded an income tax expense of $1,966,000, versus income tax expense of $2,283,000 in 2013. The income tax expense is largely the result of the income tax exposure on the Company’s Corihuarmi operation in Peru, which has a corporate income tax rate of 30%. The decrease in 2014 versus 2013 was largely due to reduced profit from operations.

Cash Flow

Cash from operating activities was $1,921,000 in the fourth quarter of 2014, compared with $2,194,000 in the fourth quarter of 2013. The reduced cash flow was largely the result of changes in non-cash working capital during the current quarter.

During the twelve months ended 31 December 2014, the Company’s operating activities used $389,000, compared with $1,201,000 provided in 2013. The decrease in cash flow, despite the higher operating profit, is the result of changes in non-cash working capital, partially offset by lower corporation taxes paid.

Investing activities during the three months ended 31 December 2014 used $3,114,000, compared with $4,641,000 in the fourth quarter of 2013. During the year ended 31 December 2014, investing activities provided $538,000, compared with $21,638,000 used in 2013. During 2014, the Company incurred deferred exploration and development expenditures at the

Company's Ollachea Gold Project of $7,123,000 and deferred exploration expenditures at the Corihuarmi mine of $809,000. There was also $2,248,000 spent on property, plant and equipment at the Corihuarmi mine, most of which was spent on the leach pad expansion. These expenditures were offset by proceeds of $9,803,000 on the sale the Company's joint venture interest in Minera IRL Patagonia and $1,125,000 on the sale of the Chapi-Chapi exploration project in Peru.

In 2013, expenditures largely related to deferred exploration and development expenditures at the Company's Ollachea and Don Nicolás Gold Projects (prior to its deconsolidation in August 2013) and property, plant and equipment at Corihuarmi. In addition, investing activities included a decrease in cash of $415,000 on the deconsolidation of Minera IRL Patagonia following the transaction with CIMINAS.

Financing activities during 2014 provided $271,000. During the first quarter of 2014, the Company drew down on the fourth and final $5,000,000 Tranche under the Macquarie Bank Finance Facility. The corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank. Net proceeds received by the Company, after fees and transaction costs were $4,909,000. This was partially offset by the $1,500,000 payment to Macquarie Bank for the one-year extension of the $30 million debt facility to 30 June 2015, along with finance expenses paid. Also, the Company incurred costs of $75,000 related to the issuance of 44,126,780 ordinary shares of Minera IRL to Rio Tinto in settlement of the first instalment plus accrued interest on the outstanding Ollachea property payment.

Financing activities during the year ended 31 December 2013 provided $17,580,000. On 7 February 2013, the Company completed an offering of 21,775,000 ordinary common shares at C$0.71 per share for gross proceeds of $15,504,000. Total cash costs related to equity raisings during 2013 were $1,653,000. Additional details on the February 2013 equity financing are provided below under the section entitled, "Liquidity and Capital Resources".

In November 2013, Tranche 3 of the Macquarie Bank Finance Facility, totalling $5,000,000, was drawn down by the Company and the corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank. Net proceeds received by the Company, after fees and transaction costs were $4,810,000.

On 10 October 2013, the Company completed an offering of 9,146,341 ordinary common shares at $0.328 per share for gross proceeds of $3,000,000 with CIMINAS being the sole participant. For more information on the October 2013 offering, see the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

Selected Annual Information

The following is a summary of the Company's financial results for the three most recently completed financial years:

Financial Data	2014	2013	2012
Revenue ($'000)	29,866	35,706	45,988
(Loss) profit after-tax ($'000)	(43,363)	(33,834)	3,333
(Loss) earnings per share			
Basic (cents)	(19.2)	(19.5)	2.3
Diluted (cents)	(19.2)	(19.5)	2.3
Total assets ($'000)	154,349	190,482	204,097
Total liabilities ($'000)	56,049	58,454	55,097

Revenue in 2014 was down 16% when compared to 2013 due to a 6% decline in the number of ounces sold, combined with an 11% decline in the average realized price of gold sold. Revenue in 2013 was down 22% when compared to 2012 due to an 8% decline in number of ounces sold and a 16% decline in the average realized price of gold sold in the year. During 2014, the Company recorded a loss of $32,119,000 on the disposal of Minera IRL Patagonia. During 2013, the Company recorded a $13,700,000 impairment charge against the mining assets at its Corihuarmi mine along with a loss of $12,517,000 on the deconsolidation of Minera IRL Patagonia. The Company expended significant resources on the development of the Ollachea project and the Don Nicolás project (in 2012 and first half of 2013), which were largely capitalized.

Outlook

During 2014, the Company completed 2,816m of exploration drilling in 45 drill holes at the Corihuarmi mine. The exploration program has defined additional material at the Laura and Cayhua zones. As a result of the exploration activities and evaluation, the Corihuarmi life of mine has been extended until early 2017 (from late 2015 at the beginning of 2014, prior to the exploration drilling). In 2015, the Company is forecasting gold production of 22,000 ounces (up from 20,000 ounces). Production is expected to come from the Laura and Cayhua zones, along with continued production from Susan, Diana, the Diana extension, plus nearby Scree Slope material.

The 2015 Corihuarmi capital budget is $3.8 million, including $3.5 million for a heap leach pad and waste dump expansion that has already commenced. This expansion is to accommodate all of the material that is scheduled to be mined and stacked from late-2015 until early 2017 when mining operations are currently scheduled to cease.

Exploration activities at Corihuarmi are expected to continue in 2015, but the nature and extent of the activity will depend on the available financial resources.

Subsequent to 31 December 2014, the Company announced that it had secured a $70 million Bridge Loan with COFIDE, a Peruvian state-owned development and promotion bank. The Bridge Loan is expected to be the first component of a senior debt facility of up to $240 million to be led by COFIDE to develop the Company's Ollachea Gold Project. Additional detail on the COFIDE financing is provided above under the section entitled, "Ollachea Project, Peru – Development".

The net proceeds from the Bridge Loan have been applied towards the repayment of the $30 million Macquarie Bank debt facility and the payment of $12 million of the $14.2 million outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract, along with the $744,000 Share Hold Incentive Payment and accrued interest. The remaining $2.2 million outstanding has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. The Company has the option of settling the $2.2 million promissory note with the issuance of Minera IRL ordinary shares or with cash. The issuance of ordinary shares to Rio Tinto for the settlement of some or all of the promissory note will require shareholder approval at the annual general meeting scheduled to be held on 27 August 2015.

The net proceeds from the Bridge Loan, after the payment of existing debt and financing fees, totalled $22.3 million, and will be used to advance many of the initial aspects of project development needed to commence major site construction on the Ollachea Gold Project once the Senior Debt Facility is in place. This includes commencing the detailed engineering and design, recommencement of underground drilling at the Minapampa East zone, maintaining social and environmental programs and for general working capital purposes.

The Company has signed a letter of mandate with COFIDE to structure a Senior Debt Facility for up to $240 million, under which the Bridge Loan is expected to be refinanced. The Senior Debt Facility is expected to be in place by the end of 2015; however, the availability of the Senior Debt Facility is not guaranteed and its terms, including the facility's size, are still to be negotiated. If the Company is not able to secure the Senior Debt Facility it will not have the funds available to develop the Ollachea Gold Project and will be required to delay, scale back or eliminate various programs related to the Project. Additionally, an equity offering is expected to be required to supplement the Senior Debt Facility in funding the development of the Ollachea Gold Project and for corporate and working capital purposes.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its mineral properties, acquire additional exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. In the management of capital, the Company includes its cash and cash equivalent balances, interest bearing loans and components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is not currently subject to externally imposed capital requirements. Beginning in the second half of 2013 and continuing through 2014, the Company has undertaken significant initiatives to reduce its discretionary spending to conserve cash.

Liquidity and Capital Resources

As at 31 December 2014, the Company had cash of $3,809,000, compared with $3,389,000 as at 31 December 2013.

As at 31 December 2014, the Company had a working capital deficit of $26,919,000, compared to a working capital deficit of $29,513,000 as at 31 December 2013. The working capital deficit is largely the result of the $30,000,000 Macquarie Bank Finance Facility that was due on 30 June 2015.

<u>Ollachea Property Payment Due to Rio Tinto</u>
On 11 July 2013, the Company and Rio Tinto agreed to an amount of $21,500,000 as the amount due by the Company to Rio Tinto in connection with the second and final additional payment under the Mining Rights Transfer Contract for the Ollachea property. At 31 December 2013, the amount due was included in the current and non-current portions of trade and other payables. The payment was originally scheduled to be made in three separate instalments. The first instalment, representing 34% of the amount due, $7,310,000, was originally payable within 90 days of agreeing to the amount due (October 2013); the second instalment, representing 33% of the amount due, $7,095,000, was payable within twelve months of agreeing to the amount due (July 2014); and, the third and final instalment, representing 33% of the amount due, $7,095,000, was payable within 24 months of agreeing to the amount due (July 2015). The second and third instalments were to accrue interest at an annual rate of 7% and were secured against the Ollachea mining tenements. Under the Ollachea Mining Rights Transfer Contract, up to 80% of the payments could be settled in ordinary shares of Minera IRL Limited at the Company's election.

On 13 September 2013, the Company announced that it had agreed to revised payment terms with Rio Tinto. Under the revised agreement, the principal amount owing to Rio Tinto of $21,500,000 would be paid in two instalments. The first instalment, representing 34% of the total amount due ($7,310,000), and originally due 11 October 2013, would be payable by 11 January 2014 (the "First Instalment"). The second and third instalments were combined into one final instalment, representing the remaining 66% of the total amount ($14,190,000) and would be due in July 2016 (the "Final Instalment"). The Company retained the right, at the Company's election, to pay up to 80% of the principal amount in ordinary shares of Minera IRL Limited. The Company also has the right to settle up to 100% of the amounts outstanding to Rio Tinto in cash, at any time.

Both instalments were to accrue interest at a rate of 7% per annum to be paid in cash. The interest payment on the First Instalment was due on 11 January 2014 (paid) and interest payments on the Final Instalment were to be due on the first day of July in 2014 (paid), 2015 and 2016.

Under the revised payment terms it was agreed that for purposes of calculating the number of shares to be issued, the share price used would be the lower of C$0.242, representing the 5-day volume-weighted-average price ("VWAP") on the TSX on the date of signing the revised agreement, or the TSX's 5-day VWAP on the day on which an instalment is paid. The exchange rate between the United States and Canadian dollars would be based on the average prevailing exchange rate during the 5-day VWAP period as posted by the Bank of Canada.

On 23 December 2013, the Company announced a second revision to the payment terms. The Company had agreed with Rio Tinto that up to 100% of the First Instalment ($7,310,000) plus the accrued interest on the First Instalment ($128,000) could be paid in shares. The price per share, for purposes of calculating the number of shares to be issued, on both the first and final instalments, was to be the lower of C$0.179 (down from C$0.242), representing the 5-day VWAP on the TSX on the date of signing the most recently revised agreement, or the TSX's 5-day VWAP on the day on which an instalment is paid.

On 28 January 2014, the Company issued 44,126,780 ordinary shares of Minera IRL to Rio Tinto in settlement of the First Instalment plus accrued interest for a total payment of $7,438,000.

Additionally, it was agreed that if Rio Tinto did not sell any ordinary shares that it received as consideration for the First Instalment for a period of one year, Rio Tinto would be entitled to a cash Share Hold Incentive Payment. The Share Hold Incentive Payment, which was subject to certain qualifying exceptions, was equal to 10% of the market value of any ordinary shares provided as part of the payment of the First Instalment. The Company made a provision of $744,000 against this liability during 2014. Subsequent to 31 December 2014, the Company and Rio Tinto agreed to defer the payment of the Share Hold Incentive Payment from January 2015 to April 2015, with interest at a rate of 7% per annum accruing during that period.

The Final Instalment of $14,190,000, representing the remaining 66% of the total amount payable, was not due until July 2016 with interest accruing at 7% per annum and payable annually in July.

In June 2014, the Company and Rio Tinto agreed to defer the $993,000 interest payment related to the $14,190,000 Final Instalment liability that was due on 1 July 2014 until September 2014. The deferred interest payment for $1,005,000 was made during September 2014.

Subsequent to 31 December 2014, $12,000,000 of the $14,190,000 property payment, along with the $744,000 Share Hold Incentive Payment was paid from proceeds from the COFIDE Bridge Loan. A promissory note for the balance of $2,190,000 due under the Mining Rights Transfer Contract for the Ollachea property was issued by the Company to Rio Tinto. Additional details on the COFIDE Bridge Loan and the settlement of the amounts due to Rio Tinto are provided above under the section entitled, “Ollachea Project, Peru – Development”.

As at 31 December 2014, the Company had the following undiscounted future contractual obligations outstanding:

$’000	Total	Less than 1 year	Year 2	Year 3	Year 4	Year 5	After Year 5
Debt repayments	35,000	30,000	5,000	-	-	-	-
Property payments–Rio Tinto	16,920	1,737	15,183	-	-	-	-
Asset retirement obligation +	4,640	377	3,050	556	468	56	133

Note:
+ This cost relates to the Corihuarmi mine rehabilitation costs and Ollachea exploration tunnel rehabilitation cost.

On February 7, 2013, the Company completed an offering of 21,775,000 ordinary common shares at C$0.71 per share for gross proceeds of $15,504,000. The offering was completed under a base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012. This base shelf prospectus allowed the Company to make offerings of ordinary shares, debt securities, warrants to purchase ordinary shares, warrants to purchase debt securities, and securities convertible into or exchangeable for ordinary shares (collectively, the "Securities") or any combination thereof up to an aggregate initial offering price of C$80,000,000 during the 25-month period that the final short form base shelf prospectus, including any amendments thereto, remained effective.

On 10 October 2013, the Company issued 9,146,341 ordinary shares at a price of $0.328 to CIMINAS for gross proceeds of $3,000,000, which was contributed to Minera IRL Patagonia. The issuance of the 9,146,341 ordinary shares was part of the financing of the development of the Don Nicolás Gold Project. See the section above entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

On 28 January 2014, the Company issued 44,126,780 ordinary shares to Rio Tinto in settlement of the First Instalment Ollachea property payment. Additional details are provided above under the section entitled, "Ollachea Property Payment Due to Rio Tinto". The offering was completed under the base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012.

On 31 January 2014, the Company issued 1,917,600 ordinary shares at a price of C$0.179 per share to settle certain accounts payable of the Company in the aggregate amount of C$343,250. The offering was completed under the base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012.

On 11 August 2014, the Company issued 2,266,423 ordinary shares at a price of C$0.16 per share to settle accounts payable of the Company related to the Corihuarmi exploration program in the aggregate amount of $328,000. The offering was completed under the base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012.

<u>Macquarie Bank Finance Facility</u>

On 2 November 2012, the Macquarie Bank Finance Facility (the "Finance Facility") dated 7 July 2010 was amended to make available the $10,000,000 Tranche 2 and extend the Facility Repayment Date from 31 December 2012 to 30 June 2014. The Finance Facility was subject to customary condition precedents including the amendment of existing options on issue to Macquarie Bank of 6,944,444 at $1.08 per share and 1,633,987 at $1.53 per share with expiry dates of 28 June 2013 to 6,944,444 at $1.08 per share and 1,633,987 at $1.08 per share plus the issue of 680,828 additional options at $1.08 all with expiry dates of 31 December 2014. The Facility interest rate was increased to LIBOR plus 5.0% (up from LIBOR plus 3.5%). In December 2012, Tranche 2 was drawdown in two separate $5,000,000 draws. In consideration, 4,672,897 options at $1.07 per share and 4,854,369 options at $1.03 per share all with expiry dates of 31 December 2014 were issued to Macquarie Bank.

In August 2013, the Finance Facility was amended to increase the amount available by $10,000,000, in two separate $5,000,000 tranches ("Tranche 3" and "Tranche 4"), increasing the total amount available under the Facility to $30,000,000. The Finance Facility interest rate remained LIBOR plus 5.0%; however, as a condition of drawing down on each additional $5,000,000 tranche, a 0.5% gross revenue royalty on gold production from the Company's Ollachea gold project for the life of mine would be granted to Macquarie Bank (the "Macquarie Royalty"). Once granted, the Company would have the right to buyback and cancel each tranche of the Macquarie Royalty by paying a buyback fee (the "Buyback Fee"). The Buyback Fee would be calculated as the amount required to generate an internal rate of return ("IRR") to Macquarie Bank of 25% for each tranche, but shall not be less than $2,500,000 for each 0.5% gross revenue royalty. The IRR would be calculated using the actual drawdown and actual repayment of each tranche, the upfront fee paid (1.5% of each tranche), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty. The $10,000,000 available under Tranches 3 and 4 was subject to an undrawn line fee of 2% per annum.

In November 2013, Tranche 3, totalling $5,000,000, was drawn by the Company and at the end of March 2014, the Company drew down on the remaining $5,000,000 under the Finance Facility, bringing the total outstanding to $30,000,000. The corresponding 0.5% gross revenue royalties were registered against the Ollachea property in favour of Macquarie Bank at each draw down.

In June 2014, it was announced that the Finance Facility, that was due to mature on 30 June 2014, had been extended by one year to 30 June 2015. In addition to the existing terms, which remained unchanged, there was an upfront fee of $1,500,000, which was paid during the third quarter of 2014, and the Company issued 26,000,000 options. The existing 18,786,525 options held by Macquarie Bank were cancelled upon the issuance of the new options. The 26,000,000 options expire on 30 June 2016 and have an exercise price of $0.176.

Subsequent to 31 December 2014, the $30,000,000 due under the Facility, along with accrued interest, was paid from proceeds from the COFIDE Bridge Loan. Additional details on the COFIDE Bridge Loan and the settlement of the amounts due to Macquarie Bank are provided above under the section entitled, “Ollachea Project, Peru – Development”.

The consolidated financial statements have been prepared on a going concern basis. The Company’s future plans and expectations are based on the assumption that the Company will be able to continue in operation for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to generate sufficient cash from operations or obtain adequate financing in the future or, if available, that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company’s shareholders and may result in dilution to the value of such interests.

Commitments and Contingent Liabilities

The Company 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 Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

During 2013, the Company 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 Company. The appeal filed by the Company with the tax authorities was unsuccessful and the Company subsequently filed an appeal with the Peruvian Tax Court. If the Company is unsuccessful in its appeal of the reassessment, taxes in the amount of approximately $1,561,000 would be payable.

The Company has entered into certain contracts for the purchase of electrical equipment and the supply of power for the construction and operation of the Ollachea project. The supply of power contract included certain minimum power usages in the event that construction of Ollachea had not commenced by June 2015. Subsequent to 31 December 2014, the Company entered into an amended power contract deferring the requirement to make minimum power usage payments for twelve months, until June 2016. As compensation for deferring the minimum power usage requirements for twelve months, the Company agreed to pay fixed monthly compensation for a period of nine and a half years starting six months after Ollachea commences production. The monthly compensation amount will vary depending on the start date of the construction of Ollachea, but could be as high as $11,000 per month for total payments of $1,254,000 over the nine and a half year period. Minimum power usage beginning in June 2016 would amount to approximately $16,000 per month for the first three months, increasing to $78,000 per month thereafter. If the Company chooses to terminate the power supply agreement prior to the commencement of production there would be a penalty of approximately $1,500,000. Equipment related to the purchase of long lead time items for the Company's main substation for the supply of power has been ordered through a third party. If the Company cancels these orders a penalty of 10% of the value of the purchases would be payable, 10% of which would total approximately $240,000.

In July 2014, the Company entered into a sale and purchase agreement with CIMINAS, the Company's partner in the Don Nicolás joint venture, whereby CIMINAS would acquire the Company's remaining interest in Minera IRL Patagonia for an amount of $11,451,000 (the "Don Nicolás SPA").

As part of the Don Nicolás SPA, the Company has indemnified CIMINAS and Minera IRL Patagonia employees against any loss that originated during the Company's management period (prior to August 2013) or during the co-management period (between August 2013 and the date of the Don Nicolás SPA). Any undisclosed liabilities originating prior to the signing of the Don Nicolás SPA would result in a purchase price adjustment under the Don Nicolás SPA. The Company would continue (subject to applicable limitation periods) to be responsible for 100% of any undisclosed liabilities originating during the Company's management period and 55% of any undisclosed liabilities originating during the co-management period. Extensive financial and legal due diligence was carried out by CIMINAS not only during the initial joint venture transaction with Minera IRL Limited in August 2013, but also during the finalization of the Don Nicolás SPA. In addition, an environmental audit has been completed by a third party consultant to assess Minera IRL Patagonia's existing environmental liabilities.

On the closing of the agreement, the Company received proceeds of $9,803,000, which represented 85% of the total proceeds. Under the terms of the Don Nicolás SPA, 15% of the proceeds were put into escrow and remained subject to continued financial, legal and environmental due diligence and the satisfaction of certain conditions. The amount in escrow was to be released in two separate tranches pending completion of certain handover activities and certain due diligence procedures, which were completed on 12 September 2014. As a result, and absent an escrow claim by the purchaser, 50% of the escrow amount was to be released within 90 days of 12 September 2014 and the remaining 50% within 365 days of 12 September 2014.

As at 31 December 2014, the second payment was still outstanding and the Company was in discussions with CIMINAS in regards to escrow claims made and the eventual payment of the amounts outstanding. Due to the uncertainty surrounding the collection of the amount outstanding, the remaining balance, totalling a net amount of $1,405,000, has been written off, increasing the loss on assets held for sale in the consolidated statement of total comprehensive loss.

The Company has provided performance guarantees to the Peruvian Ministry of Energy and Mines relating to the future reclamation and rehabilitation of the Company's Corihuarmi mine site and Ollachea exploration tunnel site. The performance guarantees are provided in the form of letters of guarantee from a major Peruvian bank and are renewed on an annual basis.

Subsequent to 31 December 2014, as part of the renewal process of the performance guarantees, the Peruvian bank providing the letters of guarantee required, as a condition of renewing the performance guarantees, that the Company provide cash deposits to the bank as security. The total of the performance guarantees required by the Peruvian Ministry of Energy and Mines had increased on renewal from $2,736,000 to $3,908,000. Following discussions between the Company and the bank, it was agreed that the bank would renew the performance guarantees for a period of one year on the condition that the Company provide the bank with a cash deposit of $1,368,000, equal to 35% of the total performance guarantee, as security (paid). In addition, the Company agreed to further increase the cash deposit securing the performance guarantees to $3,908,000, equal to 100% of the amount of the performance guarantees, over the balance of 2015. It was agreed that an additional cash deposit of $586,000 would be provided by 30 June 2015, bringing the total cash deposit to $1,954,000, or equal to 50% of the performance guarantees. It was also agreed that during the six month period between 1 July 2015 and 31 December 2015, monthly cash deposits of $326,000 would be made, equal to cash deposits of $1,954,000, bringing the total cash deposits to $3,908,000, 100% of the performance guarantees. To ensure the funds are available to increase the cash deposit the Company has agreed, starting 15 July 2015, to assign the rights to its gold sales from Corihuarmi to the Peruvian Bank.

As part of the bridge loan financing entered into with COFIDE, the Company also signed a letter of mandate in regards to a larger senior debt facility for up to $240,000,000. Additional details on the COFIDE Bridge Loan and letter of mandate are provided above under the section entitled, "Ollachea Project, Peru – Development". The mandate letter provides for a payment of $1,440,000 from the Company to COFIDE in the event that the Company does not proceed with the senior debt facility once COFIDE has achieved the approval of all the banks to be participants in the facility.

The Company's Bethania property, an exploration stage property in Peru, has an option payment of $1,000,000 due in December 2015, if the Company is to retain its option rights on the property.

Financial Instruments

The Group's principal financial assets comprise of available-for-sale financial investments, cash and cash equivalents, and other receivables. The Group also has amounts due from subsidiaries. With the exception of available-for-sale financial investments, which are recorded at fair value, all of the Group's financial assets are classified as loans and receivables and are measured at amortised cost.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining sufficient cash balances to meet current working capital requirements and access to credit facilities with certain banking institutions. The Company is in the production and development stage and the latter depends on obtaining regular funding in order to continue its programs. There is no guarantee that additional funding will be obtained. Accordingly, the Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an on-going basis. The Company tries to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company's cash is invested in business accounts with high-credit quality financial institutions in Jersey and are available on demand.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash with high-credit quality financial institutions, as determined by rating agencies, for which management believes the risk of loss to be minimal. In addition, the Company is exposed to sovereign risk in so far as it is owed recoverable sales tax by the governments of Peru. Management believes that the credit risk is minimal.

Currency risk

Foreign currency risk is the risk that the fair value of assets and future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company operates in Jersey and Peru and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of local currencies in relation to the US dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge any currency exposures.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests its cash in instruments with maturities of 180 days or less from the original date of investment, thereby reducing its exposure to interest rate fluctuations. Debt obligations are exposed to interest rate variations as well. The Company has interest bearing debt and is therefore exposed to movements in interest rates. At 31 December 2014, this debt bore interest at 5% over LIBOR and allowed for interest periods of between 30 and 180 days. A change in LIBOR of +/-1% would not have a material effect on the financial results of the Group or the Company. In addition, at 31 December 2014, the Company had a liability to Rio Tinto related to the Ollachea gold property of $14,190,000, payable in July 2016, which accrues interest at an annual rate of 7%. Subsequent to 31 December 2014, the Company drew down on a $70,000,000 Bridge Loan, the proceeds of which were used to repay the $30,000,000 Macquarie loan and $12,000,000 of the $14,190,000 payable to Rio Tinto. The Bridge Loan bears interest at 6.17% over LIBOR.

Commodity price risk
Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The commodity price for gold is impacted by world economic events that dictate the levels of supply and demand. The ability of the Company to mine, develop and explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals, specifically gold. The Company monitors commodity prices to determine appropriate actions to be undertaken. The Company has not entered into any agreements or purchased any instruments to hedge possible commodity price risk. The Company is also exposed to the risk that the cost of mining, development or construction activities for its planned activities might increase and cause some elements to be uneconomic.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

The Company's portion of transactions between the Company and its jointly controlled entities are eliminated on consolidation. At 31 December 2013, the Company had receivables from Minera IRL Patagonia totalling $188,000. The Company's remaining interest in Minera IRL Patagonia was sold in 2014.

During the year ended 31 December 2014, the Company had no transactions with related parties other than as discussed above with Minera IRL Patagonia and with key management as disclosed in note 6 of the audited annual consolidated financial statements.

On 1 May 2014, the Company entered into a consulting agreement with Ladykirk Capital Advisors Inc., a company controlled by Daryl Hodges, a director of the Company, to provide services in regards to securing financing for the development of the Ollachea Gold Project. No payments were made under this agreement in 2014.

Significant Accounting Policies and Critical Accounting Estimates

The Company follows the accounting policies described in the audited consolidated financial statements for the year ended 31 December 2014 that was filed on SEDAR on 23 June 2015.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current market conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses.

Critical Accounting Estimates

The preparation of consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Intangible Assets
Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or impaired, where appropriate. The Company's accounting policy is to capitalize exploration costs, which is consistent with IFRS, and the policy is consistent with other resource companies which are similar to Minera IRL. An alternative policy would be to expense these costs until a feasible mineral resource has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down is charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

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

Should any key parameters differ from the assumptions contained within the technical economic model, such as tonnes of ore mined, grade of ore mined, recovery profile or gold price, the net present value will be affected either positively or negatively. If the impact is negative, an impairment charge may be required that has not been recognized in these financial statements.

Asset Retirement Provisions
Restoration costs will be incurred by the Company at the end of the operating life of the Company's facilities and properties. The ultimate restoration liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Depreciation Rate
Mining properties are depreciated on a straight line basis over the expected life of the mine. The calculation of mine life and depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proven plus probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

Estimation of recoverable gold contained on the leach pads
Valuations of gold on the leach pads require estimations of the amount of gold contained on the heaps. These estimations are based on the analysis of samples, historical operating data and prior experience. In addition, it requires an estimation of the costs associated with the gold on the leach pads.

Share Based Payments
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Management's Responsibility for Financial Statements

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Outstanding Share Data

The Company has an authorized share capital of an unlimited number of no par Ordinary Shares, of which 231,135,028 are issued as at the date of this report. Each share entitles the holder to one vote. All shares of the Company rank equally as to dividends, voting powers and participation in assets upon a dissolution or winding up of the Company.

As at the date of this report, the Company also had 34,690,000 options issued and outstanding, of which 8,690,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's Share Option Plans and the balance were issued in connection with a finance facility. Additionally, not included in the figure above are 11,556,751 options to be issued as part of the fees payable to Sherpa in regards to the COFIDE Bridge Loan financing. The options, which will have an exercise price of C$0.20, are subject to regulatory approval. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below. Additional disclosure regarding the Company's share and option data can be found in note 16 of the annual audited consolidated financial statements for the year ended 31 December 2014.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. of options outstanding
Share Option Plan Issued Options				
17 November 2010	17 November 2010	17 November 2015	£1.0800	2,270,000
3 April 2012	3 April 2012	3 April 2017	£0.8063	3,005,000
17 May 2013	17 May 2013	17 May 2018	£0.2469	425,000
15 November 2013	15 November 2013	15 November 2018	£0.1500	2,830,000
3 April 2014	3 April 2014	3 April 2019	£0.0988	160,000
Other Issued Options				
30 June 2014 (1)	30 June 2014	30 June 2016	$0.176	26,000,000
Total				**34,690,000**

1. In connection with the one year extension of the Macquarie Finance Facility to 30 June 2015, Macquarie Bank was granted 26,000,000 options. On the grant of these options, the existing 18,786,525 options held by Macquarie Bank were cancelled.

Changes in Accounting Policies including Initial Adoption

Other than what is disclosed in note 1 of the Company's audited annual financial statements, the Company has not and does not expect to adopt any new accounting policies subsequent to the end of the most recently completed financial year. The Company also did not adopt any new accounting policies during the most recently completed financial year other than as disclosed in note 1 of the audited annual financial statements.

Subsequent Events

COFIDE Bridge Loan

Subsequent to 31 December 2014, the Company announced that it had secured a $70 million bridge loan from a Peruvian state-owned development and promotion bank. The loan is expected to be the first component of a senior debt facility of up to $240 million, and this initial component is being used to repay existing debt, including the $30 million Macquarie Bank debt facility and the remaining Ollachea property payment due to Rio Tinto, and to advance many aspects of the project's development needed to commence major site construction. Additional detail on the bridge loan is provided below under the section entitled, "Ollachea Project, Peru – Development".

Environmental Performance Guarantees

Subsequent to 31 December 2014, as part of the renewal process of its environmental performance guarantees, the Peruvian bank providing the letters of guarantee required, as a condition of renewing the performance guarantees, that the Company provide a cash deposit to the bank as security. Following discussions between the Company and the bank it was agreed that the bank would renew the performance guarantees for a period of one year on the condition that the Company provide the bank with a cash deposit of $1,368,000, equal to 35% of the total performance guarantee, as security (paid), and further, increase the cash deposit securing the performance guarantees to $3,908,000, equal to 100% of the amount of the performance guarantees, over the balance of 2015. Additional details are provided above in the section entitled, "Commitments and Contingent Liabilities".

Management Changes

In March 2015, the Company announced that Mr. Courtney Chamberlain would be taking a leave of absence for an indeterminate period of time from his role as Executive Chairman and CEO to deal with personal health matters. Courtney remained on the Minera IRL Board of Directors until his passing on 20 April 2015. The Board appointed Mr. Daryl Hodges, Non-Executive Director, to the role of Executive Chairman with immediate effect on 6 March 2015. In addition, on 5 May 2015, Diego Benavides, President of the Company's Peruvian Subsidiaries, was named interim CEO.

In January 2015, the Company announced that Mr. Napoleon Valdez had tendered his resignation as a non-executive director of Minera IRL Limited.

On 5 May 2015, the Company announced the appointment of Mr. Robin Fryer as a non-executive director. Mr. Fryer had a long and distinguished career with Deloitte LLP where he led the global mining and metals industry practice. He is a chartered accountant and US certified public accountant, and is an independent non-executive director and chair of the audit committee of Shanta Gold Limited.

Risks

The Company operates in the resource industry, which is highly speculative, and has certain inherent operating, development and exploration risks which could have a negative effect on the Company's operations.

Significant risk factors for the Company include operating, land title, environmental regulations and compliance, litigation, surface rights, health & safety, the ability to obtain additional financing, metal prices, Mineral Reserves and Resources estimates, insurance coverage, infrastructure, key management and staff, legal climate considerations, changes in government policy, geopolitical climate government, currency, economic, local community, geological, competition, and general business risk. For details of risk factors, please refer to the Company's Annual Information Form filed on SEDAR at www.sedar.com.

Designated Foreign Issuer

The Company is considered a "designated foreign issuer" as such term is defined by Canadian Securities Regulators in National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers,* and as such is subject to the foreign regulatory requirements of the AIM market of the London Stock Exchange plc.

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2014 is available on the Company's website at www.minera-irl.com or on SEDAR at www.sedar.com.

Cautionary Statement on Forward-Looking Information

Certain information in this MD&A, including information about the Company's financial or operating performance and other statements expressing management's expectations or estimates of future events, performance and exploration and development programs or plans constitute "forward-looking statements". Forward-looking statements often, but not always, are identified by words such as "seek", "believe", "expect", "do not expect", "will", "will not", "intend", "estimate", "anticipate", "plan", "schedule" and similar expressions of a conditional or future oriented nature identify forward-looking statements. Forward-looking statements are, necessarily, based upon a number of estimates and assumptions. While considered, by management, to be reasonable in the context in which they are made forward-looking statements are inherently subject to political, legal, regulatory, business and economic risks and competitive uncertainties and contingencies. The Company cautions readers that forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Minera IRL's actual financial results, future performance and results of exploration and development programs and plans to be materially different than those expected or estimated future results, performance or achievements and that forward-looking statements are not guarantees of future performance, results or achievements. Forward-looking statements are made as of the date of this MD&A and Minera IRL assumes no obligation, except as may be required by law, to update or revise them to reflect new events or circumstances. Risks, uncertainties and contingencies and other factors that might cause actual performance to differ from forward-looking statements include, but are not limited to, changes in the price of precious metals and commodities, changes in the relative exchange rates of the US dollar against the Peruvian nuevo sol, interest rates, legislative, political, social or economic developments both within the countries in which the Company operates and in general, contests over title to property, the speculative nature of mineral exploration and development, operating or technical difficulties in connection with the Company's development or exploration programs, increasing costs as a result of inflation or scarcity of human resources and input materials or equipment. Known and unknown risks inherent in the mining business include potential uncertainties related to the title of mineral claims, the accuracy of mineral reserve and resource estimates, metallurgical recoveries, capital and operating costs and the future demand for minerals. Please see **Risks**, elsewhere herein.

Qualified Person

Pursuant to National Instrument 43-101, A.E. Olson, FAusIMM, Chief Operating Officer of the Company and Donald McIver, VP Exploration of the Company, MSc Exploration and Economic Geology, a Fellow of the Australian Institute of Mining and Metallurgy (FAusIMM), are the Qualified Person ("QP") responsible for the technical disclosure in this MD&A.

Non-IFRS Measures

"Site operating cash costs" and "total cash costs" are non-GAAP or non-IFRS measures that do not have a standardized meaning prescribed by GAAP or IFRS and may not be comparable to other similarly titled measures of other gold mining companies.

"Site operating cash costs" include costs such as mining, processing and administration, but are exclusive of royalties, workers' profit participation cost, depreciation, amortization, reclamation, capital, development, exploration and other non-site costs (transport and refining of metals, and community and environmental). These costs are then divided by ounces produced to arrive at "site cash operating cost per ounce".

"Total cash costs" includes "site operating cash costs" and reflects the cash operating costs allocated from in-process and doré inventory associated with ounce of gold in the period, plus applicable royalties, workers' profit participation cost, and other non-site costs (transport and refining of metals, and community and environmental). These costs are then divided by the ounces sold to arrive at "total cash cost per ounce sold".

Both of these measures may vary from one period to another due to operating efficiencies, waste-to-ore ratios, grade of ore processed and gold recovery rates in the period. "Total cash costs" is also influenced by the realized gold price in the period.

Management believes this information is useful to investors because this measure is considered to be a key indicator of a company's ability to generate operating earnings and cash flow from its mining operations. This data is furnished to provide additional information and is a non-GAAP and non-IFRS measure that does not have any standardized meaning prescribed by GAAP or IFRS. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with IFRS, and is not necessarily indicative of operating costs presented under IFRS. The following table reconciles these non-GAAP measures to the consolidated financial statements.

	Three Month Period Ended 31 December		**Year Ended 31 December**	
	2014	**2013**	**2014**	**2013**
Cost of sales	$5,702	$7,250	$23,101	$28,304
Less:				
Depreciation	576	1,369	2,418	5,496
Total cash costs	$5,126	$5,881	$20,683	$22,808
Ounces of gold sold	*6,166*	*6,184*	*23,654*	*25,220*
Total cash costs per ounce sold	**$831/oz**	**$951/oz**	**$874/oz**	**$904/oz**
Total cash costs	$5,126	$5,881	$20,683	$22,808
Less:				
Workers' profit participation	83	(243)	125	102
Royalties and Special Mining Tax	294	313	1,192	1,573
Community and environmental costs	708	1,279	2,602	3,513
Other costs – Provisions, transport & refinery, inventory adjustment	142	120	322	534
Adjusted site cash operating costs	$3,899	$4,412	$16,442	$17,086
Ounces of gold produced	*6,114*	*6,446*	*23,321*	*25,223*
Site cash operating costs per ounce	**$638/oz**	**$684/oz**	**$705/oz**	**$677/oz**