


For the Year Ended 31 December 2013

Annual Report & Accounts 2013

TSX(IRL) / AIM - BVL (MIRL)

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PROJECTS MINERA IRL

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HIGHLIGHTS

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- The Corihuarmi Gold Mine 2013 gold production of 25,223 ounces was ahead of forecast, but down 7.7% from 27,321 ounces in 2012.
- 2013 site cash operating costs were $677/oz, up 16.5% from $581/oz.
- 2013 gold sales of 25,220 ounces, down 8.2% from 27,462 oz in 2012 and realised gold price of $1,412/oz, down 15.6% from $1,673/oz in 2012; resulting in sales revenue of $35.7 million in 2013, down 22.4% from $46.0 million in 2012.
- Gross profit down 60.8% to $7.4 million in 2013, from $18.9 million in 2012.
- Loss before tax of $31.6 million (profit before tax of $8.5 million in 2012), includes $13.7 million non-cash impairment to the Corihuarmi mine and $12.5 million non-cash loss on deconsolidation of Don Nicolás following the transaction with Compañía Inversora en Minas ("CIMINAS").
- Loss after tax of $33.8 million (profit after tax of $3.3 million in 2012).
- The Peruvian Ministry of Mines and Energy ("MEM") approved the Environmental and Social Impact Assessment ("ESIA") for the Ollachea Gold Project. With government approval of the ESIA, the Company will now focus its efforts to obtain the Construction Permit for the Ollachea Gold Mine. In parallel with these permitting activities, the Company continues to advance project financing negotiations.
- The Company entered into a definitive agreement with CIMINAS, whereby CIMINAS would make a $45 million investment in Minera IRL Patagonia S.A. ("Minera IRL Patagonia") to become up to a 45% equity owner of Minera IRL Patagonia. The equity investment, in addition to a $35 million credit facility CIMINAS has made available, is expected to provide the financing required to develop the Don Nicolás Gold Project in Santa Cruz Project, Argentina.
- Subsequent to the end of the year, construction on the Don Nicolás Gold Project commenced.
- The 1.2km exploration tunnel at Ollachea was completed ahead of schedule and below budget which facilitated the Exploration of the eastern strike extent of the Minapampa Zone by diamond drilling. Three holes were completed all of which intersected potential ore grade gold mineralization.
- Cash held of $3.4 million as at 31 December 2013. The Company's debt facility was increased from $20 million to $30 million, an increase of $10 million, of which $5 million was drawn down during 2013. The remaining $5 million was drawn subsequent to 31 December 2013, on 31 March 2014.

CHAIRMAN'S STATEMENT

I am pleased to present the Minera IRL Limited Annual Report to shareholders, our eighth as a publicly listed company.

Notwithstanding that 2013 was a difficult year for gold mining investors, I feel we made good progress in advancing our next generation of gold mines towards production. The two most important milestones that we achieved last year were: (1) the arrangement of $80 million in financing for our Don Nicolás joint venture; and, (2) government approval of the Environmental and Social Impact Assessment ("ESIA") for our flagship Ollachea project.

Our Corihuarmi Gold Mine continued to exceed expectations and provided strong cash contributions in 2013. Whereas we have recorded a gross profit of $7.4 million, we incurred an after-tax loss of $33.8 million largely as a result two non-cash charges. As reported in the third quarter of 2013, a loss of $12.5 million was recorded on the deconsolidation of the Don Nicolás joint venture, as the formerly 100% owned subsidiary became a jointly controlled entity requiring us to fair value our remaining interest. Secondly, an impairment charge of $13.7 million was recorded against the Corihuarmi mine. The impairment charge is largely the result of the significant drop in the gold price experienced in 2013. The gold price closed at just over $1,200 per ounce at the end of 2013, compared with a price of $1,664 per ounce at the end of 2012, a drop of over $460 per ounce. We responded to the drop in the gold price by cutting discretionary spending and reviewing costs across the Company, which resulted in a reduction in our work force of approximately 30%.

The fall in the gold price and the reducing production at Corihuarmi has also had an effect on our balance sheet. The cash flow from the Corihuarmi mine covered our general and administrative costs and supported a portion of our development activities. However, the financial resources required to advance the major Ollachea project in 2013 exceeded the cash generated by Corihuarmi. The C$15.6 million equity financing in the first quarter of 2013 was largely applied early in the year at Ollachea to complete the development of the tunnel, underground exploration drilling, engineering work and advanced our environment permit.

We also negotiated a $10 million increase to the debt facility with Macquarie Bank (total increased to $30 million) of which $5 million was drawn in November 2013. At the end of 2013, Minera IRL had a cash balance of $3.4 million and $5 million remaining available under the Macquarie Bank facility. However, largely due to ongoing expenditure at Ollachea, we continue to experience a monthly cash burn. We are focused on securing financing for the Ollachea project during 2014 and refinancing the existing Macquarie Bank debt facility which comes due on 30 June 2014. Ollachea remains economically robust at the prevailing gold price and we remain confident an attractive financing package will be assembled and development will commence.

Projects

Corihuarmi Gold Mine

The Corihuarmi Gold Mine, located in the Peruvian high Andes, exceeded expectations again in 2013. In line with expectations, grade was lower as the mine matures resulting in declining gold output. Gold production of 25,223 ounces was 8% lower than the previous year, but 5% higher than our forecasted amount. Notwithstanding tight cost control, largely affected by the lower gold production, site cash operating costs[1] increased to $677 per ounce. Annual revenue totaled $35.7 million from the sale of 25,220 ounces at an average realized gold price of $1,412 per ounce. The average gold price received was 16% lower than in 2012 reflecting the sustained lower gold price from April 2013.

Corihuarmi has now been in production for six years and produced over 200,000 ounces of gold. This is well in excess of the feasibility study projections of a four year mine life to produce 112,000 ounces. The current mine life now extends until 2015 but new ideas on potential orebody extensions justify drill testing in the first half of 2014. If successful, we expect further extensions to the mine life.

Ollachea
Progress continued to be made in advancing Ollachea, Minera IRL's flagship project in southern Peru. The feasibility study, completed in late 2012, was based only on the Minapampa Zone and demonstrated a robust project averaging more than 100,000 ounces per annum over an initial mine life of nine years.

A 1,234 metre long, five metre high by five metre wide exploration drive, which will serve as the production access for the future underground mine, was completed in January 2013. In addition to providing a head start to mine development, the tunnel was highly successful in demonstrating better than expected ground conditions, higher advance rates and low water inflow, all of which auger well for a successful, mechanized underground mining operation. With the tunnel in place, three diamond drill holes were drilled from underground to the east of Minapampa where surface drilling was not possible due to the steep terrain. Each of the three holes intersected a wide intersection with grades higher than the Minapampa resource grade, namely 20 metres of 4.5 g/t Au, 11 metres of 5.5g/t Au and 9 metres of 5.5g/t Au. These holes indicate a major extension of at least 320 metres to the east which remains open and untested both along strike and down-dip. In-fill and extension drilling of this new zone will be high priority when funds are available.

Following the completion of the feasibility study, much effort was directed toward obtaining approval of the ESIA, which was granted in September. With this in place, efforts then focused on securing the Construction Permit, the final significant permit required for development to commence. The Company expects to receive this permit in the second quarter of 2014.

Project financing discussions commenced during 2013 and are ongoing. The objective is to have financing secured during the second quarter of 2014. Negotiations are also underway to select an engineering and construction contractor.

Community relations at Ollachea remain strong, underpinned by Peru's first ever 30-year development and production agreement that was signed in 2012. The Company supports important programs in health and welfare, nutrition, education and sustainable development. The Project already provides considerable employment to members of the community which, in turn, is making a significant contribution to the local economy.

Patagonia
The Minera IRL Patagonia business unit is located in the mining friendly province of Santa Cruz, Argentina, which is home to a world class, epithermal gold/silver geological district known as the Deseado Massif. A successful feasibility study was completed on the Don Nicolás Project in 2012 based upon an open pit mining operation that will produce an average of over 50,000 ounces of gold per annum during an initial four year mine life. This was followed by the approval of an Environmental Impact Statement ("EIA"). A 10-year Social License Agreement was signed with the nearest communities where strong relationships are being forged.

With the feasibility study and EIA in place, efforts in 2013 switched to securing project financing from sources within Argentina. In August 2013, following lengthy negotiations, Compañía Inversora en Minas ("CIMINAS"), a consortium of Argentina manufacturing companies entered into a Joint Venture (JV) on the Minera IRL Patagonia assets, which includes the Don Nicolás Project. CIMINAS subscribed to $45 million in equity and will underwrite a $35 million debt facility for a total of $80 million. As a result, Minera IRL's equity interest, following CIMINAS' equity contributions, will be reduced to 51%.

With funding secured, an Owner's team was assembled, engineering companies appointed and project development commenced early in 2014. The expectation is that commissioning of the new mine will commence by the end of 2014 and that commercial production will occur in first quarter of 2015.

The exploration team focused on generative initiatives in 2013 and, to conserve cash, no drilling was carried out. However, generative fieldwork was highly successful with three new vein-fields identified in close proximity to the future Don Nicolás infrastructure. Surface and trench sampling have been highly encouraging and have defined drill targets to be tested.

Financial Results

As expected, production from the Corihuarmi Gold Mine was lower than 2012 but yielded a solid revenue stream of $35.7 million (2012: $46.0 million). The decrease in revenue compared to 2012 was due to a combination of lower gold production as well as a lower average realized gold price received, which decreased from $1,673 per ounce in 2012 to $1,412 per ounce in 2013. Mining and treatment of 15.0% more ore in 2013 contributed to an increase in the cost of sales to $28.3 million (2012: $27.1 million). The combined effect was a decrease in gross profit to $7.4 million (2012: $18.9 million). Administration expenses of $8.2 million were lower than the prior year (2012: $9.2 million). As a result of the lower revenue and increase operating costs an operating loss of $0.5 million was recorded in 2013 (2012: operating profit of $8.8 million). As discussed above, two non-cash charges were recorded in 2013. A $12.5 million loss was recorded on the deconsolidation of Minera IRL Patagonia following the loss of control on the transaction with CIMINAS and a $13.7 million impairment charge was recorded against the Corihuarmi Gold Mine, largely due to the significant drop in the gold price in 2013. The result of the reduced operating profit and non-cash charges was an after-tax loss of $33.8 million, or $0.20 per share, compared with after-tax earnings of $3.0 million, or $0.02 per share, in 2012.

The Group spent a total of $16.8 million on development and exploration during the year (2012: $50.0 million) of which $16.5 million was added to the intangible assets of the Group ($13.9 million for the Ollachea project) and $0.3 million was recognised as an exploration expense in the income statement.

Based on a budgeted gold price of $1,300 per ounce, we expect to have sufficient cash on hand and cash flow from operations to meet our requirements through to the end of the third quarter of 2014. As a result, the Company will need to secure additional financing prior to the end of the third quarter of 2014. The Company continues to undertake initiatives to reduce expenditures to conserve cash while it seeks additional external financing. The priority use of funds continues to be targeted towards arranging project financing and obtaining the Construction Permit for the Ollachea Gold Project.

Board of Directors and Executive Management

Mr Ken Judge did not stand for re-election to the Board of Directors at the Annual General Meeting. Mr Judge served as a director for three and a half years. In February 2014, Mr Graeme Ross stepped down as a director after seven years of service. On behalf of the Company and the Board of Directors, I wish to extend my sincere thanks to Messrs Judge and Ross for their long and dedicated contribution to our Board during a time of growth and success.

In February 2014, Mr Daryl Hodges was appointed to the Company's Board of Directors. Mr Hodges has been a trusted financial advisor of the Company for many years and joins a group of three other directors with extensive experience and diverse backgrounds.

In April 2013, Mr Brad Boland was appointed Chief Financial Officer and assumed the responsibilities of Company Secretary in January 2014. Brad brought a wealth of experience to the management team.

Current Investment Climate and Country Outlook

Peru, the Company's major asset base, continues to have a very strong, stable economy driven by the mining industry. The country has a sustainable average GDP growth rate of 6% and average inflation of 2%. The country has almost 400 operating mines producing over 250 tonnes per day; mining exports in 2013 were over $23 billion, representing 55% of the country's export income. There are 47 mining projects under development with a total investment of nearly $60 billion, of which 60% is related to copper projects and 17% to gold projects. The mining workforce is increasing at a rate of 20% per annum. During 2012 and 2013, the Peruvian Government introduced a series of laws designed to facilitate efficient time frames for permitting within the industry and the country maintains trade agreements with more than 17 countries worldwide. All of this, plus excellent exploration potential, makes Peru an attractive destination for foreign investment.

The involvement of and support by local communities remains a key component in successful Peruvian mining projects which, in turn, have a major impact on the local economy, skills, employment, infrastructure and standard of living in regional communities. Minera IRL, through its local subsidiary Minera Kuri Kullu SA, has been a trend setter by granting the local community a 5% equity participation in the Ollachea Project at the start of production. This model is receiving wide interest as a means of forming true and enduring partnerships with local communities. The result is that Minera IRL has managed its mine and projects on schedule and with overwhelming support from the local communities. The outstanding tangible evidence of this is the unprecedented signing of the 30-year development and operating agreement with the Ollachea community.

In Argentina, the economy continues to struggle with high inflation and a difficult investment climate and there are continued issues with currency restrictions, import controls and timely payments of international creditors. However, there is money within Argentina and this provides investment opportunities for export projects if this can be tapped. The financing of Don Nicolás by CIMINAS is an outstanding example.

Notwithstanding the above, Minera IRL has received excellent support from both the Santa Cruz provincial government and the Argentina federal mining ministry. Obtaining approval of the EIA in 2012 took only five months, very rapid by international standards. Above all, we are great believers in the potential of the Deseado Massif, prolific in precious metals, and feel that the outstanding potential to grow our resource base and make new discoveries, potentially world class, outweighs short to medium term political issues.

I wish to convey my sincere appreciation to our fine Board of Directors, management team and all employees for their loyalty, dedication and hard work in building the Company. I would also like to thank our long-term shareholders for their continuing support and to welcome those that have recently joined our Company's register. I feel very confident that continuing potential at Corihuarmi and our next generation of gold mines, places Minera IRL Limited in a very strong position to continue building a mid-tier gold mining company.

Courtney Chamberlain
Executive Chairman
Minera IRL Limited

31 March 2014

Note: $ represents US$ unless otherwise stated.

[1] 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).

DIRECTORS

DIRECTORS

COURTNEY CHARLES CHAMBERLAIN
Executive Chairman

Metallurgist by profession with over 42 years experience in precious and base metals management, operations and development as well as consulting in Australia, Asia, Africa and both North and South America. He is a Fellow of the Australian Institute of Mining and Metallurgy. Mr Chamberlain spent 29 years with Newmont Mining Corporation and Newcrest Mining Ltd, including 13 years on the Board of Directors of Newmont Australia Ltd and Newcrest responsible for operations and development. His responsibilities included key management roles in the development of the Telfer and New Celebration Gold Mines in Western Australia and the Cadia Mine in New South Wales. Mr Chamberlain was a founding partner of Investor Resources Limited (IRL), a financial and technical advisor to the international mining industry. He initiated Minera IRL.

DARYL HODGES
Non-Executive Director and Chair of the Audit Committee

Daryl John Hodges has more than 25 years experience in the mining sector, having worked on exploration and development projects in Canada, Russia, Scandinavia, and southeast Asia covering precious and base metal deposits. Prior to joining Minera IRL, Mr Hodges was a founding partner of Jennings Capital Inc., co-founder of the capital markets operations of Jennings Capital Inc. Daryl was responsible for growing the successful mining franchise of the firm, originally as an Analyst and subsequently as Executive Director of Investment Banking. Most recently, Mr Hodges served as Chief Executive Officer and President of Jennings Capital Inc., until September 2013. Mr Hodges worked as both a Mining Corporate Finance executive, and Mining Research Analyst at HSBC Securities prior to joining Jennings Capital in 1999. Prior roles also included positions of increased responsibility at Falconbridge Limited, which Mr Hodges left in 1996 after almost 10 years.

DR. DOUGLAS ALAN JONES
Non-executive Director

Dr. Jones (CP, Geo) is a geologist with 36 years of international exploration, exploration management and consulting experience in the mining industry. Between 2003 and 2007 he served as Vice President Exploration for Golden Star Resources, responsible for worldwide exploration. Before that he was Chief Geologist, New Business South America at Delta Gold Limited. He is currently the Technical Director of ASX and TSX listed Chalice Gold Mines Limited and a non-executive director of AIM and TSX listed Serabi Gold. Dr. Jones is also a former director of TSX, AIM and ASX listed company, Moto Goldmines Limited.

NAPOLEON VALDEZ
Non-executive Director

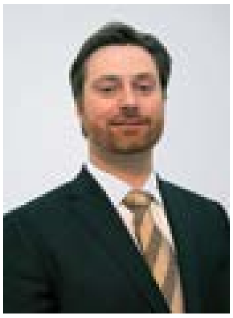
Mr. Valdez has extensive business management experience and is the President of the Board and major shareholder of Cristalerias Ferrand, privately owned glass company. He is also the owner and director of Inversiones El Carmen, Agricola Topara and Gruval, Peru incorporated companies. Mr. Valdez is a Peruvian resident, a well connected and experienced South American businessman and well informed on the Peruvian mining industry in which he has been a long standing investor.

MANAGEMENT TEAM

MANAGEMENT TEAM

Courtney Chamberlain,
Executive Chairman and CEO
(see Board of Directors)

Brad Boland, Chief Financial Officer. Brad has over 15 years' of experience in the mining industry and has held executive positions within the finance function at a number of companies in the resource sector, including Kinross Gold Corp., Goldcorp Inc., and more recently, at Consolidated Thompson Iron Mines Ltd., Crocodile Gold Inc. and Azul Ventures Inc. Brad has extensive experience in mine development, operations and finance, and is a Certified Management Accountant (Canada).



Jeremy Link, In-house Consultant. Jeremy is a Professional Engineer with more than 10 years of expertise in the resource and financial industries. His experience has encompassed most aspects of the mining business, having held roles in exploration, mining, equity research, asset management, senior management, and as a director with several junior public companies. He has a Bachelor of Geological Engineering (B.E.) from the University of Saskatchewan, a Master of Civil Engineering (M.Eng.) from the Schulich School of Engineering and is registered as a practicing Professional Engineer (P.Eng.) in Canada.

Stuart Smith, Technical Manager. Metallurgist by training, extensive international experience in mine development including 13 years with Ausenco Limited an engineering and construction firm based in Australia. On a consulting basis, Mr. Smith is responsible for the management of technical aspects of the Company.

Dr. Diego Benavides, President Minera IRL SA. Responsible for corporate, legal and community activities. Lawyer by training with particular experience in the Latin American mining industry. Previous experience includes positions with Minera Mount ISA Peru SA, Minera Newcrest Peru SA and as a consultant to Minera Phelps Dodge Del Peru SA.

Donald McIver, Vice President, Exploration. Donald is responsible for all exploration activities within the group. Donald is a fellow of the Australasian Institute of Mining and Metallurgy. He is a geologist by training with extensive international experience including over ten years in South Africa, two years in Ecuador and over nine years in Peru. He has previous production and exploration experience within consulting, project management and team environments.

Bill Hogg, In-house Consultant. Mechanical engineer by profession with post-graduate qualifications in construction management, Bill has over 35 years' experience in the development of mining projects. Bill has extensive experience in project implementation and feasibility studies for mining related projects including gold and heap leach projects, working both with engineering and mining companies. Bill was Project Manager, based in Peru, for the construction and initial operation of Corihuarmi. Prior to this, he was a Project Manager for Ivanhoe Mines Ltd's Oyu Tolgoi Project in Mongolia from 2002 to 2006, filling a variety of roles as the project moved from discovery through to sinking of the first shaft.

Frank O'Kelly, In-house Consultant. Mining engineer and financier, based in Santiago, Chile. Frank has extensive International experience in mine development, operations and finance with Rosario Resources Corporation, Exxon Minerals Inc., Hudson Bay Mining Co., JPMorgan, Elders Finance and Standard Bank.

Management's Discussion and Analysis
For the Year Ended 31 December 2013

The following Management's Discussion and Analysis ("MD&A"), prepared as of 31 March 2014, 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 2013, 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 Toronto Stock Exchange ("TSX") under the trading symbol "IRL".

In Peru, the Company operates the Corihuarmi Gold Mine. The Company's flagship project is the Ollachea Gold Project and has completed a definitive feasibility study ("DFS") and received the Environmental and Social Impact Assessment ("ESIA") for the project from the Peruvian authorities. The Company is currently working towards obtaining a construction permit and arranging project financing for the Ollachea Gold Project. The Company also has a number of other gold exploration prospects in Peru.

In Argentina, the Company has a 51% equity stake in Minera IRL Patagonia S.A. ("Minera IRL Patagonia"). Minera IRL Patagonia has completed a DFS, received approval of its Environmental Impact Assessment ("EIA"), arranged project financing and has been granted a development permit for its Don Nicolás Gold Project in Patagonia. Construction of the Don Nicolás Gold Project commenced in the first quarter of 2014 with the first gold pour expected in the first quarter of 2015. In addition, the Company, through its interest in Minera IRL Patagonia, continues to prospect a large land package under exploration licences.

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 2013 and 2012:

Operating Parameters	Three Month Period Ended 31 December		Year Ended 31 December	
	2013	2012	2013	2012
Waste (tonnes)	76,034	110,483	286,588	513,486
Ore mined & stacked on heaps (tonnes)	633,495	483,374	2,375,630	2,064,382
Ore grade, mined and stacked (g/t) gold)	0.39	0.41	0.45	0.50
Gold produced (ounces)	6,446	6,225	25,223	27,321
Gold sold (ounces)	6,184	6,538	25,220	27,462
Realized gold price ($ per ounce)	1,266	1,720	1,412	1,673
Site operating cash costs ($ per ounce)[1]	684	678	677	581
Total cash costs ($ per ounce)[1]	951	965	904	810

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

Three months ended 31 December 2013

Gold production during the fourth quarter of 2013 was 6,446 ounces, compared to 6,225 ounces produced in the same period of the prior year, an increase of 4%. Gold production increased despite a lower average grade largely due to more tonnes stacked on the heaps relative to the comparable period in 2012.

Site operating cash costs were $684 per ounce of gold produced, compared to $678 per ounce of gold produced in the same period of the prior year, an increase of 1%. The increase in per ounce costs is primarily due to more tonnes stacked on the heaps at a lower grade.

Year ended 31 December 2013

As forecasted, gold production during the year ended 31 December 2013 decreased to 25,223 ounces, versus the 27,321 ounces produced in 2012, a drop of 8%. The decrease in production was due to the average grade of ore mined and stacked on the heaps, which was 10% lower in 2013 when compared with 2012 and increased gold remaining on the heaps at the end of 2013 compared with 2012, despite an increase in tonnes mined and stacked.

Site operating cash costs of $677 per ounce of gold produced were 17% higher in 2013, compared to site operating cash costs of $581 per ounce of gold produced in 2012. The increase in unit costs is primarily due to reduced production largely due to lower grade and increased mining and processing costs due to general inflationary pressures.

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 with the community health, education, sustainability and community enterprise programs it sponsors. 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.

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, a leading global mining consultancy firm. The Ollachea DFS was based upon an Indicated Resource of 10.6 million tonnes grading 4.0g/t gold containing approximately 1.4 million ounces. This mine design and production scheduling has resulted in a Probable Mineral Reserve of 9.3 million tonnes grading 3.4g/t gold containing approximately 1.0 million ounces.

The Ollachea DFS has scheduled production of more than 920,000 ounces over an initial nine-year mine life at an average site cash operating cost of $499 per ounce of gold produced. The capital cost projected in the Ollachea DFS to construct the mine is $177.5 million. The after-tax net present value, using a base case gold price of $1,300 per ounce and a 7% discount rate, is $155 million, with an after-tax internal rate of return of 22%. The payback period is projected to be less than four years.

A summary of key performance and economic indicators from the Ollachea DFS on a 100% equity basis are presented in the table below:

Parameters	**Units**	**Key performance Indicator**	
Mine life	Years	9	
Tonnes	Mt	9.3	
Grade	g/t Au	3.40	
Contained ounces	Moz	1.01	
Metallurgical extraction	%	91.0	
Ounces produced	Moz	0.92	
Pre-production capital cost	$M	177.5	
Life-of-Mine cash operating cost	$/t	49.2	
Life-of-Mine cash operating cost	$/oz	499	
		Base Case Gold Price	**Upside Gold Price**
Gold price assumption	$/oz	1,300	1,600
Pre-tax			
Project cash flow	$M	489	749
NPV at 5% real	$M	309	497
NPV at 7% real	$M	256	422
NPV at 10% real	$M	192	331
IRR (real)	%	29.2	40.2
Payback	Years	3.2	2.5
Post-tax			
Project cash flow	$M	325	486
NPV at 5% real	$M	194	310
NPV at 7% real	$M	155	258
NPV at 10% real	$M	108	194
IRR (real)	%	22.1	30.2
Payback	Years	3.7	3.0

Note:

1. $M represents millions of US dollars.
2. NPVs based on mid-period discounting.
3. NPVs as at commencement of construction.
4. Pre-tax is before Special Mining Tax, Workers' Participation of 8% and Income Tax of 30%.
5. Payback starts from commencement of production.
6. 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 and the Second Additional Payment of $21.5 million due to Rio Tinto in accordance with Mining Claim Transfer Agreement dated 23 February 2007 and as amended.

Since Minera IRL commenced drilling in 2008, it has completed approximately 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, which are summarized in the table below as at July 2012 and are inclusive of Mineral Reserves. All defined zones of mineralization remain open-ended both along strike and down-dip at Ollachea.

Indicated Mineral Resource applying a 2.0g/t gold cut-off

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	10.6	4.0	1.4

Inferred Mineral Resource applying a 2.0g/t gold cut-off

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	3.3	3.3	0.3
Concurayoc	10.4	2.8	0.9
Total	**13.7**	**2.9**	**1.2**

In addition to the 1.4 million ounces of Indicated Resources utilized in the Ollachea DFS for the determination of 1.0 million ounces of Probable Reserves, the Company has delineated substantial Inferred Resources at Ollachea. 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 is 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 build 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. With the approval of the ESIA, the Company is now advancing its application for a Construction Permit for the Ollachea Gold Mine. The Company expects to receive the Construction Permit in the second quarter of 2014.

In parallel with the Construction Permit activities, the Company continues to advance project financing negotiations. Management expects to have a Project Loan Facility, subject to certain conditions, in place during the second quarter of 2014. These negotiations include the consolidation of the Company's existing Macquarie Bank debt facility into the new Project Loan Facility. Based upon the indicative term sheet received from Macquarie Bank, the Project Loan Facility is expected to be for a total amount of up to $120 million. After the consolidation of the existing $30 million project finance facility, this equates to up to $90 million of new funds for the construction of the mine.

The Ollachea DFS estimates an initial capital cost of $178 million. Accordingly, the Company will require additional funds beyond what is expected to be available from the Project Loan Facility. In addition, it is expected that funds from the Project Loan Facility will only be available once the remaining financing is secured. Sources of additional financing may include, but are not limited to, the sale of a production royalty, the sale of a royalty stream, subordinated debt instruments, the sale of an interest in the project or equity financing.

As a result of the updated timeline with respect to the receipt of the Construction Permit for Ollachea, and subject to obtaining sufficient financing, mine construction is scheduled to start in the second half of 2014. Accordingly, commissioning of the Ollachea Gold Mine is forecasted by the end of 2015.

During 2013, total expenditures on the Ollachea Gold Project were $14.9 million, of which $13.9 million was capitalized. Investments at Ollachea during 2013 were focussed on developing and maintaining the exploration tunnel, an underground exploration drill program, archaeological clearance activities, permitting work and community development.

Ollachea Project, Peru - Exploration

Since Minera IRL commenced drilling in October 2008, it has completed approximately 82,275m of drilling in 211 holes 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 when project permitting is complete and project 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 conservative. Specifically, the tunnel exhibits significantly better ground conditions, a much higher advance rate and minimal water infiltration, which are likely to have positive implications for the project economics outlined in the 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 eastern limits of the Minapampa mineral resources upon which the Ollachea DFS is based upon. These drilling results thereby confirm a significant extension to the strike length of the mineralized trend, which still 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 prospectively of this zone of mineralization.

Don Nicolás Project, Argentina - Development

As announced on 19 August 2013, Minera IRL entered into a financing agreement that will ultimately reduce its equity interest in Minera IRL Patagonia S.A. ("Minera IRL Patagonia") to 51%. Minera IRL Patagonia 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. This geological formation is host to several existing gold and silver mines plus a large number of recently discovered low sulphidation, epithermal gold deposits that are the subject of development or advanced exploration activities by a number of mining and exploration companies.

Minera IRL Patagonia's flagship project, Don Nicolás, consists of approximately 34 km^2 of mineral rights. Project logistics are excellent, with close proximity to a major highway, and an adequate supply of ground water has been defined.

In February 2012, Minera IRL Patagonia published a National Instrument 43-101 compliant technical report summarizing the results of a Definitive Feasibility Study for the Don Nicolás Project that was prepared by Tetra Tech and Coffey International, two leading international mining consultancies ("Don Nicolás DFS"). The results of the study demonstrated an economically robust project based on the open pit mining of open-ended high-grade epithermal gold deposits in the La Paloma and Martinetas vein fields. The mine design and production scheduling in the DFS has resulted in Proven and Probable Mineral Reserve of 1.2 million tonnes grading 5.1g/t gold containing approximately 197,000 ounces.

During the initial 3.6-year mine life, gross average annual gold and silver production is estimated at approximately 52,400 ounces (26,700 ounces net) and 56,000 ounces (28,600 ounces net), respectively, and average cash operating costs are estimated at $528 per ounce, after silver metal credits. The after-tax internal rate of return using base case gold and silver prices of $1,250 and $25 per ounce, respectively, is approximately 23%. The payback period in the base case is projected to be less than two years.

A summary of key performance and economic indicators from the Don Nicolás DFS on a 100% equity basis are presented in the table below:

Parameter	Units	Key Performance Indicator			
Mine life	Years	3.6			
Tonnes	Mt	1.2			
Grade - gold	g/t	5.1			
Grade - silver	g/t	10			
Gold metallurgical extraction	%	92.1%			
Silver metallurgical extraction	%	47.4%			
Gold produced	koz	181.0			
Silver produced	koz	190.2			
Pre-production capital cost	$M	55.5			
Sustaining capital cost	$M	7.3			
Life-of-Mine site cash operating cost	$/t	82.5			
Life-of-Mine total cash operating cost (after silver credit) excluding royalties	$/oz	528			
Gold price	$/oz	**Base Case $1,250**		**Upside $1,500**	
		Pre Tax	**Post Tax**	**Pre Tax**	**Post Tax**
Project cash flow	$M	58.7	36.1	101.6	62.2
NPV at 5% real	$M	44.7	25.1	82.2	48.0
NPV at 7% real	$M	39.9	21.6	75.6	43.7
NPV at 8% real	$M	37.6	19.8	72.4	41.4
IRR (real)	%	34.6%	22.8%	56.3%	38.1%
Payback period	Years	1.8	2.0	1.5	1.7

Note:
1. $ represents US dollars
2. Costs are fourth quarter 2011 dollars
3. Silver price of $25/oz assumed
4. NPV as at commencement of construction
5. Initial Capital Cost excludes IGV (general sales tax), which is recovered once in production
6. Pre-tax is before other taxes (5% export duty and 0.6% debit & 0.6% credit tax) and Corporate Income Tax of 35%
7. After-tax includes tax deductions for prior expenditures and a deduction for allowable prior tax losses

In addition to the Measured and Indicated Resources utilized in the Don Nicolás DFS for the determination of Proven and Probable Reserves, the Company has delineated additional Measured, Indicated, and Inferred Resources at Don Nicolás. The potential addition of these resources to the mine plan, which are all estimated to be within a practicable trucking distance to the proposed Don Nicolás central ore processing facilities, represents an opportunity to extend the life of mine beyond what is envisaged in the Don Nicolás DFS and subsequently enhance the economics of the project. Mineral Resources for the Don Nicolás Project as at November 2012 are summarized in the table below:

			Measured + Indicated Resource					Inferred Resource				
District	Deposit	Lower Au Cutoff (g/t)	Tonnes (kT)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)	Tonnes (kT)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)
La Paloma	Sulfuro[1]	0.3	1,192.3	4.5	171.9	16.1	617.3	535.0	1.2	20.6	5.4	92.5
		1.6	498.4	9.2	147.2	28.1	450.2	47.3	7.0	10.7	18.7	28.4
	Ramal Sulfuro[3]	0.3						134.8	1.9	8.3		
		1.6						58.5	2.7	5.1		
	Rocio[3]	0.3						89.2	4.1	11.9		
		1.6						89.2	4.1	11.9		
	Arco Iris[1]	0.3	36.8	1.7	2.1	2.2	2.6	262.4	2.3	19.4	2.1	17.5
		1.6	18.0	2.4	1.4	2.8	1.6	164.0	3.0	15.7	2.5	13.2
Martinetas	Cerro Oro, Coyote, Lucia[2]	0.3	7,002.0	1.2	270.6	3.6	812.9	2,416.8	1.1	83.4	3.8	293.1
		1.6	1,090.8	3.7	131.0	5.8	201.4	308.7	3.6	35.7	6.3	62.6
	Armadillo[1]	0.3	271.7	2.2	19.2	3.8	33.1	186.9	1.4	8.3	3.3	19.7
		1.6	111.8	4.6	16.4	5.9	21.0	45.7	4.1	6.1	5.7	8.4
	Choique[1]	0.3	84.3	1.6	4.4	17.7	48.0	389.2	1.0	11.9	6.6	82.6
		1.6	40.5	2.9	3.8	17.9	23.2	85.0	2.8	7.7	9.3	25.5
	Calafate[1]	0.3	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
		1.6	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
TOTAL	***All Resource***	***0.3***	***8,591.1***	***1.7***	***468.6***	***5.5***	***1,515.3***	***4,017.8***	***1.3***	***164.5***	***3.9***	***505.3***
	Above 1.6g/t Cut-off	***1.6***	***1,763.5***	***5.3***	***300.2***	***12.3***	***698.9***	***713.4***	***4.2***	***96.0***	***6.8***	***155.2***

[1] Ordinary Kriged Estimate

[2] Multiple Indicator Kriged Estimate -with a Change of Support to an SMU block (5mE x 2mN x 2.5mRL)

[3] Rocio and Ramal were not estimated by Coffey Mining. This Inferred Resource (gold only) is as previously reported by Hidefield Gold plc ("Hidefield") in 2009 as estimated by Runge. Ramal was estimated by Runge but not included in the Hidefield estimate.

Prominent opportunities at Don Nicolás include:

- Subsequent to the completion of the Don Nicolás DFS, a 12,000m reverse circulation drilling program was completed, which resulted in the addition of 87,000 ounces in the Measured and Indicated category and 20,000 ounces to the Inferred category of the resource base. The inclusion of these resources into a development scenario at Don Nicolás has the potential to significantly extend the life of mine as envisaged in the DFS and thus enhance the project's economics.

- The low grade resource at Martinetas in the Indicated category totals 6.1 million tonnes grading 0.7g/t gold and 3.3g/t silver for a total of 143,000 ounces of gold and 648,000 ounces of silver. Preliminary metallurgical testing confirms that this material is amenable to heap leaching techniques. Test work is on-going and the Company expects to complete a feasibility study on heap leaching this material during 2014. The addition of a heap leach facility to the Don Nicolás Project has the potential to increase annual gold production, extend mine life, and enhance the project's overall economics.

- Potential exists for a future underground mine at La Paloma where a resource already exists in open-ended high-grade shoots that extends below the Sulfuro open pit that is described in the Don Nicolás DFS.

In May 2012, as part of the permitting process, the Company submitted an Environmental Impact Assessment ("EIA") report for the Don Nicolás Project to the Santa Cruz provincial authorities. In October 2012, after a comprehensive review period, the government approved the EIA and granted a Development Permit for the Don Nicolás Project.

In July 2012, Minera IRL announced that it had signed a Social License Agreement for a period of 10 years with the communities of Jaramillo and Fitz Roy relating to the development of the Don Nicolás Gold Project. Jaramillo and Fitzroy are about 82km and 93km to the northeast of the project site, respectively, and both have populations of approximately 200 people. The agreement was as a necessary and important milestone in the advancement of the Don Nicolás Gold Project towards production.

In August 2013, the Company announced that it entered into a definitive agreement (the "Agreement") with Compañía Inversora en Minas ("CIMINAS") for 100% of the financing required to develop the Don Nicolás Gold Project. CIMINAS, an investment fund established by a consortium of Argentine companies, has agreed to provide financing for up to a total of $80 million, consisting of a combination of equity and debt, for the development of the Don Nicolás Gold Project. As a result of this transaction, Minera IRL's equity ownership interest in Minera IRL Patagonia will ultimately be reduced from 100% to 51%. Additional details on this transaction are provided in the next section entitled "Transaction with CIMINAS – Don Nicolás Gold Project".

With project permitting and mine construction capital secured, Minera IRL Patagonia entered into agreements with a consortium of engineering firms to carry out the Engineering, Procurement, Construction & Management ("EPCM") of the Don Nicolás Project. In addition, the mine development team was assembled and the detailed engineering and procurement process was started. Minera IRL Patagonia mobilized equipment to site in early 2014 to commence construction of mine infrastructure and processing facilities. Gold production from Don Nicolás is expected in the first quarter of 2015.

Once into production, Minera IRL Patagonia plans to recommence its aggressive exploration and drill-out program with the objective of expanding the current mineral reserve base to extend the mine life and enhance the economics of the project.

Transaction with CIMINAS – Don Nicolás Gold Project

On August 16, 2013, the Company entered into a definitive agreement with Compañía Inversora en Minas ("CIMINAS"), whereby CIMINAS would make a $45,000,000 investment in Minera IRL Patagonia S.A. ("Minera IRL Patagonia") to become up to a 45% equity owner of Minera IRL Patagonia. The equity investment, in addition to a $35,000,000 credit facility CIMINAS has made available to Minera IRL Patagonia, is expected to provide the financing required to develop Minera IRL Patagonia's 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.

In the joint arrangement with CIMINAS, the Company will retain at least a 51% interest in Minera IRL Patagonia, down from 100%. Although the Company will retain more than half of the voting shares in Minera IRL Patagonia and will remain as the manager, control will be exercised through an agreement with its other shareholders, which requires 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 has subsequently been 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 includes an amount of $2,323,000 that is 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 consists of 4 components ("Tranches") that are made up of preferred and common equity and are described as follows:

1. Tranche I (Minera IRL Limited Ordinary Shares) – $3,000,000

   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. The ordinary shares were issued on 10 October 2013 pursuant to a prospectus supplement to the Company's base shelf prospectus dated July 12, 2012.

2. Tranche II – $7,300,000

   Tranche II provides CIMINAS with a 7.8% equity interest in Minera IRL Patagonia in exchange for an investment of $7,300,000 and has no preferred rights. As at 31 December 2013, $1,900,000 had been advance under Tranche II. A dilution loss of $574,000 was recorded on the $1,900,000 investment. The remaining $5,400,000 was advanced during the first quarter of 2014.

3. Tranche III (Accelerated Payback) – $15,000,000

   Tranche III provides CIMINAS with a 16.1% equity interest in Minera IRL Patagonia in exchange for an investment of $15,000,000. These shares will have preference on dividend payments (doubled to 32.2% of expected cash flows) until the accumulated dividend paid under Tranche III totals $15,000,000. At which point, the preferred equity held by CIMINAS will be converted to common shares representing a 16.1% interest in Minera IRL Patagonia. In additional to receiving double dividends, Tranche III will receive 60% of the dividends payable to Minera IRL Limited to further accelerate the pay back of Tranche III, until the accumulated amount paid under Tranche III totals $15,000,000.

4. Tranche IV (Secured) – $19,700,000

   Tranche IV provides CIMINAS with an option to acquire a 21.1% equity interest in Minera IRL Patagonia in exchange for an investment of $19,700,000. This preferred interest has an annual secured return of 12.5% during the initial option period. At the end of years three, four and five of production, CIMINAS will have the option to request repayment of $6,566,667 (one third of the amount of Tranche IV) or convert these preferred shares into common shares that represent approximately 7% of Minera IRL Patagonia. At each of these option dates, CIMINAS can convert all of the outstanding preferred shares of Tranche IV into common shares. As guarantee for this Tranche, the Company has pledged in favour of CIMINAS its 51% stake in Minera IRL Patagonia.

   Additionally, a Reserve account to guarantee each payment will be set up. The Reserve account will be funded from Minera IRL Patagonia's free cash flow exceeding the dividend distribution capacity. In addition, once the accumulated dividends under Tranche III reach $15,000,000, the Reserve account will receive 80% of Minera IRL Limited's dividend from Minera IRL Patagonia until the total amount in the Reserve account reaches $6,566,667. At which point, Minera IRL Limited will receive 100% of the dividends corresponding to its 51% stake in Minera IRL Patagonia.

CIMINAS and Minera IRL Patagonia also entered into an agreement whereby CIMINAS will provide a bridge debt facility of up to $35,000,000 ("Credit Facility") while Minera IRL Patagonia looks to arrange an Argentina sourced debt facility. In the event that Minera IRL Patagonia is unable to obtain a replacement facility, the Credit Facility will be converted to longer-term project financing under the terms of the existing agreement.

The initial term of the Credit Facility is for 12 months from the first disbursement of the funds and accrues interest at a rate of 360-day LIBOR plus 8.0%. Interest is payable at maturity. If alternative debt financing is not secured there is an option to extend the facility for an additional 24 months at an interest rate of 180-day LIBOR plus 8.5%, with a 0.5% step up per quarter (the last quarter of the loan being 180-day LIBOR plus 12.0%). During this extended period, interest is payable semi-annually and repayment of the loan will be in three equal annual instalments, the first being at the beginning of the extended period.

A commitment fee of 2.0% per annum is payable on non-disbursed funds from the closing of the Agreement. The commitment period is for 18 months from the closing of the Agreement. The Credit Facility is senior debt and will have a first-degree mining mortgage on Minera IRL Patagonia's mining rights and properties.

With project permitting and mine construction capital secured, a mine development team was assembled and the detailed engineering and procurement process commenced during the second half of 2013. The Company has mobilized equipment to site during the first quarter of 2014 and construction activities have commenced. Gold production from Don Nicolás is expected in early 2015.

Don Nicolás Project, Argentina - Exploration

Minera IRL Patagonia's Don Nicolás project area consists of about 34km^2 of mineral rights that are part of a much larger prospective exploration land package that covers an area of approximately 2,600km^2 on the Deseado Massif in Santa Cruz Province. Covering a surface area of approximately 60,000km^2, the Deseado Massif is predominantly underlain by volcanic rocks of Jurassic age and is host to many epithermal gold and silver deposits, such as Don Nicolás.

Notable examples of precious metals mines on the Deseado Massif include Anglogold Ashanti's majority owned and operated multi-million ounce Cerro Vanguardia Mine, the Hothschild-McEwen Mining jointly owned Huevos Verdes Mine, and Pan American Silver's Manantial Espejo Mine. Two of the largest development projects on the Deseado Massif are Goldcorp's multi-million ounce Cerro Negro Project and Yamana Gold's Cerro Moro Project.

There are two vein field districts that make up the Don Nicolás Project, La Paloma and Martinetas, which are comprised of nine vein systems. At La Paloma, resources have been defined at the Sulfuro, Arco Iris, Ramal Sulfuro and Rocio Veins. Martinetas consists of five vein swarms contained in the Coyote, Cerro Oro, Armadillo, Lucia and Calafate deposits.

In addition to these areas of defined mineral resources, Minera IRL Patagonia has identified many other prospective areas of gold and silver mineralization within a reasonable trucking distance to the proposed Don Nicolás central ore processing facilities that warrant follow-up exploration activities. High priority prospects, which were recently discovered, include Cecilia, Paula Andrea, and Goleta, are summarized below. During the year, these three prospect areas were the focus of detailed surface exploration and interpretation programs, including trenching across a number of the veins, to generate exploration drill targets. No drilling was conducted during 2013 and none is currently planned in 2014.

The Cecilia Vein has been traced on surface for a strike length of over 2 km, has never been drilled, and is located approximately 20km south of the proposed site of the Don Nicolás central ore processing facilities. To date, systematic diamond saw sampling has encountered significant gold mineralization of up to 19.3g/t gold over at least 1.5km of the principal vein structure, which remains open along strike. Additionally, several other mineralized vein structures have also been discovered in close proximity to the Cecilia Vein.

The undrilled Paula Andrea vein system is located less than 4km southeast of the Sulfuro Vein (Measured and Indicated Resource of 498,361 tonnes grading 9.2g/t gold containing 147,214 ounces), a significant contributor of high-grade ore to the Don Nicolás Project. Diamond saw channel sampling of quartz vein outcrops along three mineralized trends at Paula Andrea has returned a number of high-grade gold assay results up to 54.4g/t gold.

The Goleta Prospect is located approximately 6km north of the proposed Don Nicolás central ore processing facilities. Minera IRL Patagonia recently sourced historical exploration results carried out by Yamana Gold Inc. in 1997. These results included 49 shallow reverse circulation drill holes for a total of 1,326m, with the best hole intersecting 6 m grading 27.7g/t gold. Recent surface sampling carried out by Minera IRL Patagonia has defined scattered anomalous gold values up to 24.9g/t gold over a 600m by 400m area.

Exploration Projects

Patagonia Regional Exploration

In addition to the Don Nicolás Project, Minera IRL Patagonia is advancing a number of exploration projects in Argentina's Patagonia region, including Escondido, Michelle and Chispas. Minera IRL Patagonia's prospective exploration land package covers an area of approximately 2,600km^2 on the Deseado Massif in Santa Cruz Province. Since acquiring this land package in 2009, Minera IRL Patagonia has carried out extensive airborne and ground geophysical surveys and conducted several smaller drilling programs, which are summarized below.

The Escondido Project is contiguous to the Las Calandrias discovery first announced by Mariana Resources Limited in late 2009. Following surface mapping and geophysical exploration programs, Minera IRL Patagonia completed more than 11,541m of drilling in 92 holes in three drilling campaigns between the third quarter of 2010 and the second quarter of 2011. These drilling programs demonstrated that a significant portion of the Las Calandrias deposit and its mineralization extends onto Minera IRL Patagonia's license and has a drill-indicated strike of at least 700m and remains open-ended towards the east, southeast, and northwest. The mineralization identified to date at Escondido primarily exhibits low grade, bulk tonnage potential with select areas of high grade mineralization. No new exploration work was conducted during 2013 and none is planned for 2014.

At the Michelle Project, which covers an area of approximately 143km^2, exploration has identified approximately 22km of cumulative vein strike length located immediately adjacent to AngloGold Ashanti Limited's majority owned and operated multimillion-ounce Cerro Vanguardia Gold-Silver Mine. Many of the veins, which can be traced at surface from Cerro Vanguardia into Minera IRL Patagonia's property, are Au-Ag bearing with classic low sulphidation epithermal textures that indicate significant depth potential. Since late 2011, Minera IRL Patagonia has completed 7,787m of drilling over 50 holes, which produced encouraging results. No new exploration work was conducted during 2013 and none is planned for 2014.

At Chispas, exploration has identified approximately 12km of cumulative outcropping epithermal veins within the vein field. The most advanced prospect at Chispas is Pan de Azucar and, in 2010, the Company drilled 27 holes for a total of

3,976m. This program probed a 950m strike length with staggered holes which targeted the vein structure between 30m and 160m below surface and produced encouraging results. No new exploration work was conducted during 2013 and none is planned for 2014.

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.

There was no exploration activity at Bethania during 2013 and none is planned for 2014.

Huaquirca Joint Venture

Minera IRL entered into a Letter Agreement in June 2010 with Alturas Minerals Corp. ("Alturas") providing the opportunity for the latter to earn up to an 80% interest in the Company's 61km^2 Chapi-Chapi project, located in the department of Apurimac in southeastern Peru. The Chapi-Chapi property block is immediately adjacent to Alturas' 53km^2 Utupara property, both of which lie within the Huaquirca copper-gold district. Together, the two projects now comprise a larger joint venture area designated the Huaquirca Joint Venture ("Huaquirca JV").

The Chapi-Chapi property hosts a large copper-gold-silver-molybdenum skarn system (the +3km long "Chapi Chapi Corridor") within Cretaceous limestone and cut by dioritic and monzonitic stock-work. In addition, the property hosts a large gold-in-soil geochemical anomaly located within fractured Cretaceous sandstones. The limestone in the Huaquirca District is part of the same unit that hosts large skarn deposits in the Apurimac-Cusco porphyry-skarn belt, such as the Tintaya and Las Bambas copper-gold skarn projects of Glencore Xstrata. The quartzite unit also hosts a significant copper oxide resource at the nearby Antilla project of Panoro Minerals, situated some 15km to the west.

In January 2011, the earn-in requirements for this agreement were amended and again in October 2013. Under the terms of the revised earn-in agreement signed in October 2013, Minera IRL waived Alturas' previous earn-in requirements in consideration for a payment of $1 million to Minera IRL on or before 31 December 2013.

Under the agreement, once Alturas had satisfied its payment to Minera IRL and the joint venture was incorporated, both parties would contribute pro-rata according to their percentage interests, subject to the usual dilution. If IRL were to dilute below a 20% interest it could convert that part of its interest to a 2% NSR and a 10% interest in the joint venture properties. If IRL were to further dilute its interest to below 10%, it would be entitled to an additional 1% NSR (for a total 3% NSR in consideration of its 20% interest). The NSR would have been subject to a total buyout for $5 million at Alturas' option.

Alturas made an initial payment of $50,000, but did not make the remaining payment prior to 31 December 2013, following which the Company provided the required noticed to Alturas that it is terminating its option in the Chapi-Chapi property. Subsequent to the 31 December 2013, the Company sold the Chapi Chapi project for proceeds of $1,125,000.

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 activity was conducted on this property during 2013 and none is currently planned for 2014.

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 will 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 was conducted on this property during 2013. Exploration activities will be planned following the negotiation and signing of a surface rights agreement with the local community.

Summary of Quarterly Results

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

	Q1 Mar. '12	Q2 Jun. '12	Q3 Sep. '12	Q4 Dec. '12	Q1 Mar. '13	Q2 Jun. '13	Q3 Sep. '13	Q4 Dec. '13
Total revenue	11,073	11,111	12,549	11,255	9,241	10,073	8,530	7,862
Profit (loss) after-tax	1,696	115	1,710	(188)	(1,106)	(250)	(13,888)	(18,590)
Total comprehensive income (loss)	1,692	(982)	2,108	207	(1,126)	(250)	(14,119)	(18,590)
Net earnings (loss) per share								
Basic (US cents)	1.3	0.1	1.1	(0.1)	(0.7)	(0.1)	(8.0)	(10.2)
Diluted (US cents)	1.3	0.1	1.1	(0.1)	(0.7)	(0.1)	(8.0)	(10.2)

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 quantity of 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 gold mine has experienced diminishing grades from production, 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. The effects of lower gold production on financial results have been substantially offset by an increasing realized gold price over the past two years. However, 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 the three months ended 31 December 2013, the Company recorded an impairment charge of $13.7 million against its mining assets at the Corihuami operation. Additional details are provided below under the section entitled, "Results of Operations".

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 transaction with CIMINAS. During the third quarter of 2013, CIMINAS agreed to provide financing for up to $80 million, to be made up of a combination of equity and debt, for the development of the Don Nicolás Gold Project in Santa Cruz Province, Argentina. As a result of this transaction, the Company's ownership in the Don Nicolás Gold Project will be reduced to 51% from 100%, (as the CIMINAS investment is made), resulting in joint control. 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 Ended		Twelve Month Period Ended	
	2013	2012	2013	2012
Corihuarmi				
Waste (tonnes)	76,034	110,483	286,588	513,486
Ore mined & stacked on heaps (tonnes)	633,495	483,374	2,375,630	2,064,382
Ore grade, mined and stacked (g/t gold)	0.39	0.41	0.45	0.50
Gold produced (ounces)	6,446	6,225	25,223	27,321
Gold sold (ounces)	6,184	6,538	25,220	27,462
Realized gold price ($ per ounce)	1,266	1,720	1,412	1,673
Site operating cash costs ($ per ounce) [1]	684	678	677	581
Total cash costs ($ per ounce) [1]	951	965	904	810
Financial				
Revenue ($'000)	7,862	11,255	35,706	45,988
Gross profit ($'000)	612	3,651	7,402	18,856
(Loss) profit before tax ($'000)	(18,729)	611	(31,551)	8,490
(Loss) profit after-tax ($'000)	(18,590)	(188)	(33,834)	3,333
Comprehensive (loss) income ($'000)	(18,590)	207	(34,085)	3,025
(Loss) earnings per share				
Basic (cents)	(10.2)	(0.1)	(19.5)	2.3
Diluted (cents)	(10.2)	(0.1)	(19.5)	2.3

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

Results of Operations

The Company recorded an after-tax loss of $18,590,000 during the fourth quarter of 2013, compared with an after-tax loss of $188,000 in the same period in the prior year. During the year ended 31 December 2013, the Company reported an after-tax loss of $33,834,000, compared with earnings of $3,333,000 during the year ended 31 December 2012.

During the fourth quarter of 2013, following an assessment of the carrying value of Company's assets, a $13,700,000 non-cash impairment charge was recorded against Corihuarmi's mining assets. The impairment charges were largely the result of a reduction in the estimate of future gold prices over the remaining life of the mine (to the end of 2015).

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

After adjusting for the impairment of $13,700,000 at Corihuarmi and the loss on the deconsolidation of Minera IRL Patagonia of $12,517,000, the Company recorded after-tax losses of $4,890,000 and $7,617,000 for the three months and year ended 31 December 2013, respectively. This compares with an after-tax loss of $188,000 and after-tax income of $3,333,000 for the three months and year ended 31 December 2012, respectively. The decline, for both the fourth quarter and year, was due to decreased revenue resulting from a lower gold price, and decreased gold production, increased cost of sales, losses related to the Don Nicolás joint venture and increased finance expenses. This was partially offset by lower share based payments expense and lower income tax expense.

During the fourth quarter of 2013, sales revenue decreased by 30%, compared to the same period in 2012. The decrease was due to a 26% decrease in the average realized gold price for the period and a 5% decrease in the number of ounces sold. During the quarter, the Company realized an average gold price of $1,266 per ounce, compared with an average London PM Fix of $1,275 per ounce. During the fourth quarter of 2012, the Company realized a gold price of $1,720 per ounce, compared with an average London PM Fix of $1,722 per ounce.

During the year ended 31 December 2013, sales revenue decreased by 22% over 2012. The decrease is attributed to a 16% decrease in the average realized gold price for the period and an 8% decrease in the number of ounces sold. During 2013, the Company realized an average gold price of $1,412 per ounce, compared with an average London PM Fix of $1,410 per ounce. During 2012, the Company realized a gold price of $1,673 per ounce, compared with an average London PM Fix of $1,669 per ounce.

Cost of sales during the fourth quarter of 2013 of $7,250,000 was 5% lower than the $7,604,000 recorded in the fourth quarter of 2012. However, cost of sales during the year ended 31 December 2013 increased by 4% to $28,304,000, compared with $27,132,000 in 2012. For the year, higher site operating, community and environmental costs and higher depreciation charges were partially offset by lower selling expense, lower royalty and production taxes and a lower workers' profit participation provision. The increase in the site operating costs was the result of an increase in the tonnes of ore mined and stacked to the heaps. Depreciation expense increased as Corihuarmi approaches the end of its current mine life. The lower selling expense, royalty and production taxes and workers' profit participation provision was the result of the mine's reduced profitability as fewer ounces, produced at a higher cost, were sold at a lower average gold price. A period-over-period comparison for the cost of sales is provided in the table below.

Breakdown of Cost of Sales

	Three Months Ended 31 December			Year Ended 31 December		
	2013 ($'000s)	2012 ($'000s)	Change (%)	2013 ($'000s)	2012 ($'000s)	Change (%)
Site operating costs	4,412	4,226	4%	17,086	15,870	8%
Inventory adjustment	62	(52)	219%	301	(423)	171%
Community and environmental costs	1,279	1,069	20%	3,513	3,253	8%
Depreciation and amortization	1,369	1,296	6%	5,496	4,876	13%
Selling expense	58	68	(15%)	233	257	(9%)
Royalties and taxes	313	720	(57%)	1,573	2,224	(29%)
Workers' profit participation provision	(243)	277	(188%)	102	1,075	(91%)
Total	7,250	7,604	(5%)	28,304	27,132	4%

Administration expenses decreased by 24% during the fourth quarter of 2013 to $2,184,000, compared with $2,887,000 in the fourth quarter of 2012. During the year ended 31 December 2013, administrative expenses decreased by 11% to $8,173,000 from $9,191,000 over 2012. 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 US dollar. During the three and twelve months ended 31 December 2013, the Company recorded foreign exchange losses of $142,000 and $802,000, respectively, compared with $355,000 and $432,000 in the same periods in 2012. With the exception of foreign exchange losses and depreciation, which also increased year-over-year, administrative expenses were lower in 2013, versus 2012. The reduced administration costs are largely the result of cost cutting initiatives undertaken in 2013.

Breakdown of Administration Expenses

	Three Months Ended 31 December			Year Ended 31 December		
	2013 ($'000s)	2012 ($'000s)	Change (%)	2013 ($'000s)	2012 ($'000s)	Change (%)
Depreciation	34	55	(38%)	150	148	1%
Director fees	18	45	(60%)	82	179	(54%)
Foreign exchange	142	355	(60%)	802	432	86%
Investor relations	87	132	(34%)	316	443	(29%)
Nomad and exchange fees	21	50	(58%)	245	395	(38%)
Office rent and administration	200	287	(30%)	742	885	(16%)
Professional and consulting fees	552	651	(15%)	1,829	1,985	(8%)
Salaries and wages	989	866	(14%)	3,410	3,496	(2%)
Telecommunication	68	116	(41%)	249	385	(35%)
Travel	60	154	(61%)	265	582	(54%)
Workers' profit participation	(31)	9	(444%)	13	115	(89%)
Other	44	167	(74%)	70	146	(52%)
Total	2,184	2,887	(24%)	8,173	9,191	(11%)

During the fourth quarter of 2013, the Company recorded share based payments expense of $229,000 (fourth quarter of 2012: $nil). During the year ended 31 December 2013, the Company recorded share based payments expense of $262,000 (2012: $585,000).

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.

During the second quarter of 2012, the Company granted 3,685,000 incentive stock options at an average exercise price £0.80. 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%; average expected volatility of 30%; average risk-free interest rate of 0.75%; and, an expected average life of 3.5 years.

The Company recorded finance expense of $1,346,000 and $2,202,000 during the three months and year ended 31 December 2013, respectively, compared with $260,000 and $551,000 during the same periods in 2012. The increase in finance expense during the fourth quarter and full year in 2013 was due to increased debt outstanding at a higher interest rate. In August 2013, the Macquarie Bank credit 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. In November 2013, $5,000,000 under Tranche 3 was drawn down, bringing the total outstanding to $25,000,000 at the end of 2013. Subsequent to 31 December 2013, the Company drew down on the remaining $5,000,000 under the Facility, bringing the total outstanding to $30,000,000 The total amount outstanding on the Facility is due on 30 June 2014.

During the three and twelve months ended 31 December 2013, the Company also accrued interest expense due to Rio Tinto totalling $376,000 and $624,000, respectively. The accrued interest relates to the payment due to Rio Tinto in connection with the Ollachea Gold Project. Additional details on the payments due to Rio Tinto are below under "Liquidity and Capital Resources in the section entitled, "Ollachea Property Payment Due to Rio Tinto".

In October 2013, the Company signed an agreement transferring mining rights over 802 hectares of its Huaquirca project to 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 the fourth quarter of 2013, the Company recorded a reduction in the income tax expense of $139,000, versus an increase to income tax expense of $799,000 in the fourth quarter of 2012. During the year ended 31 December 2013, income tax expense of $2,283,000 was recorded, compared with $5,157,000 during 2012. 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 during the current year compared with 2012 was largely due to the reduced profit from operations, which was partially offset by reassessments received in Peru from the audit of prior years' tax returns.

<u>Cash Flow</u>

Cash from operating activities was $1,967,000 in the fourth quarter of 2013, compared with $1,677,000 used in the fourth quarter of 2012. The increased cash flow was the result of changes in non-cash working capital and lower corporation taxes paid, partially offset by lower operating profit and increased interest expense during the current quarter.

During the twelve months ended 31 December 2013, the Company's operating activities provided $120,000, compared with $3,310,000 in the comparative period in 2012. The decrease in cash flow from operations is the result of lower operating profit and higher finance expense, partially offset by lower corporation taxes paid and changes in non-cash working capital.

Investing activities during the three months ended 31 December 2013 used $4,641,000, compared with $13,061,000 in the fourth quarter of 2012. During the year ended 31 December 2013, the Company used $21,638,000, compared with $51,731,000 in 2012. Expenditures largely related to deferred exploration and development expenditures at the Company's Ollachea and Don Nicolás Gold Projects 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 the year ended 31 December 2013 provided $18,661,000. 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.

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. Additional details on the February 2013 equity financing are provided below under the section entitled, "Liquidity and Capital Resources". For more information on the October 2013 offering, see the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

During the year ended 31 December 2012, the Company issued 29,260,000 ordinary shares at a price of C$1.13 per share for gross proceeds of $33,363,000. Total cash costs in connection with this placement were $2,153,000. In addition, during the year ended 31 December 2012, a total of 3,060,000 options at £0.45 were exercised for proceeds of $2,201,000.

Selected Annual Information

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

Financial Data	2013	2012	2011
Revenue ($'000)	35,706	45,988	53,002
(Loss) profit after-tax ($'000)	(33,834)	3,333	9,759
(Loss) earnings per share			
Basic (cents)	(19.5)	2.3	8.2
Diluted (cents)	(19.5)	2.3	8.0
Total assets ($'000)	190,482	204,097	136,110
Total liabilities ($'000)	58,454	55,097	24,131

Revenue in 2013 was down 22% when compared to 2012 due to an 8% decline in number of ounces sold combined with a 16% decline in the average realized price of gold sold in the year. During 2013, the Company also 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 continued to expend the majority of its resources on the development of the Ollachea and Don Nicolás projects. The majority of the expenditures were on exploration and development, which again mainly related to the Ollachea and Don Nicolás projects, were capitalized.

Outlook

In 2014, gold production at Corihuarmi is forecasted at 21,000 ounces, an upward revision from the Company's prior outlook of 20,000 ounces. In 2015, the Company has scheduled gold production of 15,000 ounces from Corihuarmi. The lower gold production planned for 2014 and 2015, relative to 2013, is primarily attributable to the lower budgeted grade for material that is scheduled to be stacked on the heap due to depletion of the Susan and Diane pits and the transition to the Cayhua Pit, which has recently been added to the Corihuarmi mine plan. In 2014, the Company expects site operating cash costs of $885 per ounce of gold produced.

The 2014 Corihuarmi capital budget is $1.9 million, including $1.5 million for a heap leach pad expansion that is to commence in the second quarter of 2014. This expansion is to accommodate all of the material that is scheduled to be mined and stacked until late-2015 (from mid-2015) when mining operations are expected to cease. The extension of the scheduled mine life from mid-2015 to late-2015 is the result of the addition of 1.6 million tonnes of material from the Cayhua Pit along with an increase of approximately 500,000 tonnes of additional Scree Slope material.

During 2013, the tonnes mined and stacked to heaps increased significantly and it is expected to increase further in 2014. Accordingly, the increase in the mining rate has shortened the expected mine life. Originally, it was expected that the addition of Cayhua would extend the mine life to mid-2016; however, with the increased mining rate, mining is expected to cease late-2015.

There are also other areas of interest that will be subject to exploration activities in 2014 that may result in further extensions to the life of the Corihuarmi Gold Mine. In pursuit of this objective, the Company will be initiating a 26-hole, 1,600-metre exploratory drill program on the Ely and Cayhua Ridge prospect at Corihuarmi. The drill program is to be completed during the second quarter of 2014 at an expected cost between $250,000 and $300,000, which the Company expects to capitalize.

At the Don Nicolás joint venture in Santa Cruz Province, Argentina, a development team has been assembled and the detailed engineering and procurement process has commenced. Site mobilization has occurred and construction of the infrastructure, mining and processing facilities began in the first quarter of 2014. The funding required to construct the Don Nicolás Gold Mine is being provided by the joint venture partners, CIMINAS, as announced on 19 August 2013, who agreed to provide up to $80 million in financing for the construction of Don Nicolás as consideration for their earn-in to the project. Accordingly, Minera IRL does not expect to have any significant direct costs associated with the joint venture in 2014.

Commissioning of the Don Nicolás mine and processing plant is expected in late 2014 (from the fourth quarter of 2014) and first production is expected in the first quarter of 2015 (from late 2014). Minera IRL's share of 2015's gold production from Don Nicolás is expected to be approximately 25,000 ounces.

There is also a feasibility study underway for a heap leach plant to operate in parallel to the milling operation to treat a significant resource of lower grade mineralization that is in addition to the existing reserve base. This represents a significant opportunity to potentially increase annual gold production, extend the mine life and enhance the project's overall economics. This report is expected to be completed during 2014 (from late 2013).

At the Company's flagship Ollachea Gold Project in Peru, the Company continues to focus its efforts on obtaining the Construction Permit. The Construction Permit is the final significant permit that the Company requires to build the mine. The Company continues to work closely with the government and expects to receive the Construction Permit in the second quarter of 2014 (from the first quarter of 2014).

As a result of the updated timeline to receive the Construction Permit for the Ollachea Gold Mine and subject to obtaining sufficient financing, the Company has extended the schedule for the start of mine construction to the second half of 2014 from the first quarter of 2014. Accordingly, commissioning at the Ollachea Gold Mine is now forecasted to commence near the end of the fourth quarter of 2015 (from mid-2015).

In parallel with permitting activities, the Company continues to advance financing negotiations for the Ollachea Project and expects to conclude negotiations during the second quarter of 2014 (from the first quarter of 2014). These negotiations continue to include, amongst other considerations, the consolidation of the Company's existing Macquarie Bank Finance Facility into a larger senior Project Loan Facility for Ollachea. Based upon discussions with Macquarie Bank, the Project Loan Facility is expected to be up to $120 million. After the consolidation of the existing $30 million Macquarie Bank Finance Facility, this would equate to up to $90 million of new funds for the construction of the mine.

In the Ollachea DFS, the capital cost to construct the mine was estimated at $178 million. Accordingly, the Company will require additional financing beyond what is expected from the Project Loan Facility, to fully fund the construction of the Ollachea Gold Mine. A condition precedent to the Company drawing down on any funds provided under a Project Loan Facility will be that all of the sources of funds necessary to complete the construction of the mine will need to be secured. The Company is in active discussions with third parties for the additional financing required to fund the construction of the Ollachea Gold Mine.

As a result of the updated permitting and financing timelines into the second quarter of 2014, the Company has reduced expenditures at the project during the first half of 2014. Accordingly, the development budget for Ollachea for the first half of 2014 is $3.6 million and is limited to spending associated with permitting, community and government relations, administration, and maintaining the Ollachea Tunnel on care-and-maintenance status. The Company expects to capitalize the majority of these development costs during 2014.

In addition to the capital expenditures listed above, the Company has budgeted $0.6 million for exploration at Ollachea for the first half of 2014. The Company expects that these exploration expenditures will be capitalized.

Based on a budgeted gold price of $1,300 per ounce, the Company estimates that it has sufficient cash on hand and expected cash flow from operations to meet it requirements to the end of the third quarter of 2014. As a result, the Company will need to secure additional financing, prior to the end of the third quarter of 2014.

Further, should the Company be unable to consolidate its existing $30 million Macquarie Bank Finance Facility into a larger Project Loan Facility, it will need to repay, refinance or extend the terms of the Macquarie Bank Finance Facility. The Company currently does not have the financial capability to repay this loan, but is in negotiations with Macquarie Bank to extend the terms of the Macquarie Bank Finance Facility should the Project Loan Facility negotiations not be completed during the second quarter of 2014.

The Company continues to undertake initiatives to reduce expenditures to conserve cash while it seeks additional external financing. The priority use of funds continues to be targeted towards arranging project financing and obtaining the Construction Permit for the Ollachea Gold Project.

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. In the second half of 2013, the Company undertook significant initiatives to reduce its discretionary spending to conserve cash.

Liquidity and Capital Resources

As at 31 December 2013, the Company had cash of $3,389,000, compared with $6,246,000 as at 31 December 2012.

As at 31 December 2013, the Company had a working capital deficit of $29,648,000, compared to a working capital deficit of $5,270,000 as at 31 December 2012. The increase in the working capital deficit is largely the result of the reclassification of the Macquarie Bank Finance Facility that is due 30 June 2014 from long-term to current. During 2013, Tranche 3 ($5,000,000) of the amended Macquarie Bank Finance Facility was drawn down, increasing the amount outstanding to Macquarie Bank.

Ollachea Property Payment Due to Rio Tinto

On July 11, 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 2012, the Company had accrued $21,000,000 as an estimate of the amount due to Rio Tinto. 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 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 repaid 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 now 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 and interest payments on the Final Instalment are due on the first day of July in 2014, 2015 and 2016. At 31 December 2013, interest expense related to the instalments totalling $624,000 was expensed.

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.

Additionally, it was agreed that if Rio Tinto does not sell any ordinary shares that it receives as consideration for the First Instalment for a period of one year, Rio Tinto shall be entitled to a cash Share Hold Incentive Payment. The Share Hold Incentive Payment, which is subject to certain qualifying exceptions, will be equal to 10% of the market value of any ordinary shares provided as part of the payment of the First Instalment.

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 volume-weighted-average price ("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.

Subsequent to 31 December 2013, the Company issued 44,126,780 ordinary shares of Minera IRL to Rio Tinto in settlement of the First Instalment plus accrued interest.

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

As at 31 December 2013, 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	28,250	25,750	2,500	-	-	-	-
Property payments-Rio Tinto	24,607	8,431	993	15,183	-	-	-
Asset retirement obligation +	5,006	631	477	2,933	311	473	181

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 allows 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, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying shelf prospectus supplement and, subject to applicable regulations, may include "at-the-market" transactions, private placements, public offerings or strategic investments. Unless otherwise specified in a shelf prospectus supplement, the net proceeds from the sale of the Securities will be used for general corporate purposes including capital expenditures and working capital.

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 that is described above under the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

In addition, the Company completed an equity offering on 5 March 2012. The Company issued 29,260,000 ordinary shares at a price of C$1.13 per share for gross proceeds of approximately C$33,063,800.

Subsequent to 31 December 2013, in 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 ".

In addition, 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.

Macquarie Bank Finance Facility

On 2 November 2012, the Macquarie Bank Finance Facility (the "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 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 1,633,987at $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 draw down 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 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 Facility interest rate remains 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 will 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, payable on drawdown), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty.

A condition precedent to Tranche 4 being made available was the government approval of the Environmental and Social Impact Assessment ("ESIA") required for the development of the Ollachea gold project. The ESIA was received by the Company in September 2013. The $10,000,000 available under Tranches 3 and 4 is 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 the corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank. Total debt outstanding under the Facility following Tranche 3 being drawn was $25,000,000

Subsequent to 31 December 2013, the Company drew down on the remaining $5,000,000 under the Facility, bringing the total outstanding to $30,000,000. The corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank.

The Company will require additional financing in order to repay the Macquarie Bank Finance Facility, and consequently, the Company is currently evaluating financing alternatives. Should the Company be unable to consolidate the existing Macquarie Facility into a larger Project Loan Facility, it will need to repay, refinance or extend the terms of the Macquarie Bank Finance Facility. The Company currently does not have the financial capability to repay this loan, but is in negotiations with Macquarie Bank to extend the terms of the Finance Facility should the Project Loan Facility negotiations not be completed during the second quarter of 2014.

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. An 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 $1,784,000 would be payable.

In June 2013, the Province of Santa Cruz in Argentina passed amendments to the Provincial Tax Code and Provincial Tax Law that imposed a new tax on mining reserves. The law came into effect on 5 July 2013. The tax will amount to 1% of the value of mine reserves reported in feasibility studies and financial statements inclusive of variations resulting from ongoing operations. Regulations require that the tax be calculated on "measured" reserves, and Minera IRL's legal counsel has interpreted this to mean "proven" reserves. The Province has disputed this interpretation but has not provided further clarification on the definition of "measured" reserves, and the effect of this new mining tax is not clear at this time. The Company continues to monitor the situation closely.

The Company has entered into a contract with Generacion Electrica San Gaban SA for the supply of power for the construction and operation of the Ollachea project. The contract includes certain minimum power usages. In the event that construction has not started at the end of March 2015 then the Company is exposed to a maximum penalty of up to approximately $500,000.

Financial Instruments

The Group's principal financial assets comprise of available-for-sale financial investments, cash and other receivables. 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. The Group's financial liabilities include trade and other payables, interest bearing loans and other long-term liabilities. They are all classified as financial liabilities and 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 for 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 the Latin American countries in which it works. 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, Peru and Argentina 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 debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 5% over LIBOR and allows 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 2013, the Company had a liability to Rio Tinto related to the Ollachea gold property totalling $21,500,000 which is payable in two instalments: January 2014 ($7,310,000) and July 2016 ($14,190,000). The payments accrue interest at an annual rate of 7%.

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.

During the year ended 31 December 2013, 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 3 of the audited annual consolidated financial statements.

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 2013 that was filed on SEDAR on 31 March 2014.

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 recognised 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.

Valuation of Investment in Joint Venture on Deconsolidation

The Company's formerly 100% controlled subsidiary, Minera IRL Patagonia, was deconsolidated following the loss of control upon entering into a joint arrangement with CIMINAS on 16 August 2013. Additional details on the transaction are provided under the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project". Upon deconsolidation, the Company was required to fair value its remaining interest in the jointly controlled Minera IRL Patagonia. Management determined the estimated fair value of its remaining interest based on the consideration given by CIMINAS to acquire its portion of Minera IRL Patagonia in this arm's length transaction. The expected cash flow from Minera IRL Patagonia's net assets may be different from the cash flow assumptions made by the Company and CIMINAS upon entering in this joint arrangement. As a result, the actual value of the Company's remaining interest in Minera IRL Patagonia may be significantly different than the implied value based on the agreed terms, which could affect future financial results.

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.

Income Taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

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 228,868,605 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 date of this report, the Company also had 30,796,525 options issued and outstanding, of which 12,010,000 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. 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 18 of the annual audited consolidated financial statements for the year ended 31 December 2013.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. of options outstanding
Share Option Plan Issued Options				
17 November 2009	17 November 2009	17 November 2014	£0.9125	2,100,000
25 January 2010	25 January 2010	25 January 2015	£0.8875	50,000
2 July 2010	2 July 2010	2 July 2015	£0.7250	50,000
17 November 2010	17 November 2010	17 November 2015	£1.0800	2,510,000
3 April 2012	3 April 2012	3 April 2017	£0.8063	3,325,000
14 May 2012	14 May 2012	14 May 2017	£0.5875	200,000
17 May 2013	17 May 2013	17 May 2018	£0.2469	425,000
15 November 2013	15 November 2013	15 November 2017	£0.1500	3,350,000
Other Issued Options				
7 July 2010 (1)	7 July 2010	31 December 2014	$1.08	6,944,444
30 September 2010 (1)	30 September 2010	31 December 2014	$1.08	1,633,987
2 November 2012	2 November 2012	31 December 2014	$1.08	680,828
4 December 2012	4 December 2012	31 December 2014	$1.07	4,672,897
24 December 2012	24 December 2012	31 December 2014	$1.03	4,854,369
Total				**30,796,525**

1. In connection with an amendment to the Macquarie Finance Facility, the expiration date of these options was extended from 28 June 2013 to 31 December 2014. Additionally, the exercise price on the 1,633,987 options issued on 30 September 2010 was changed to $1.08 from $1.53.

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

On 28 January 2014, the Company issued 44,126,780 ordinary shares of Minera IRL Limited to Rio Tinto in settlement of the First Instalment (principle of $7,310,000 plus accrued interest of $128,000) of the Ollachea property payment. The Final Instalment of $14,190,000, representing the remaining 66% of the total amount payable, is due July 2016 with interest accruing at 7% per annum and is payable annually in July. Additional details are provided above under the section entitled, "Ollachea Property Payment Due to Rio Tinto".

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. Additional details are provided above under the section entitled, "Liquidity and Capital Resources".

Subsequent to 31 December 2013, the Company drew down on the remaining $5,000,000 under the Macquarie Bank Finance Facility, bringing the total outstanding to $30,000,000. The corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank.

In March 2014, the Company sold its Chapi Chapi project in Peru for proceeds of $1,125,000.

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 2013 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 and the Argentinean peso, 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, Courtney Chamberlain, Executive Chairman of the Company, BSc and MSc Metallurgical Engineering, a Fellow of the Australian Institute of Mining and Metallurgy (AUSIMM); and Donald McIver, VP Exploration of the Company, MSc Exploration and Economic Geology, a Fellow of the Australian Institute of Mining and Metallurgy (AUSIMM), 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 costs 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	
	2013	2012	2013	2012
Cost of sales	$7,250	$7,604	$28,304	$27,132
Less:				
Depreciation	1,369	1,296	5,496	4,876
Total cash costs	$5,881	$6,308	$22,808	$22,256
Ounces of gold sold	*6,184*	*6,538*	*25,220*	*27,462*
Total cash costs per ounce sold	**$951/oz.**	**$965/oz.**	**$904/oz.**	**$810/oz.**
Total cash costs	$5,881	$6,308	$22,808	$22,256
Less:				
Workers' profit participation	(243)	277	102	1,075
Royalties and Special Mining Tax	313	720	1,573	2,224
Community and environmental costs	1,279	1,069	3,513	3,253
Other costs - Provisions, transport & refinery, inventory adjustment	120	16	534	(166)
Adjusted site cash operating costs	$4,412	$4,226	$17,086	$15,870
Ounces of gold produced	*6,446*	*6,226*	*25,223*	*27,321*
Site cash operating costs per ounce	**$684/oz.**	**$678/oz.**	**$677/oz.**	**$581/oz.**

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2013.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Minera IRL Group is the development and operation of gold mines in Latin America.

The Group operates the Corihuarmi Gold Mine, has two projects that have reached full feasibility and one is financed and under construction, as well as a number of exploration projects.

A full review of the business and plans for its future development are contained in the Chairman's Statement. A summary of the financial risk management policies and objectives is contained in the notes to the financial statements and the Company's Annual Information Form.

RESULTS AND DIVIDENDS

The total comprehensive loss for the year after tax was $34,085,000 (2012: profit of $3,025,000). No dividend was paid during the year and no final dividend is proposed. A loss of $33,834,000 (2012: profit of $3,333,000) is to be transferred to retained earnings.

DIRECTORS

The names of the directors who served during the year and their interests in the share capital of the Company at the start and the end of the year are:

Director	Ordinary shares of no par value 31-Dec-2013	31-Dec-2012
C Chamberlain	3,692,692	3,492,692
D Jones	322,936	322,936
K Judge [1]	N/A	1,389,062
G Ross [2]	5,000	5,000
N Valdez Ferrand	894,000	894,000

[1] Ken Judge did not stand for re-election at Minera IRL Limited's Annual General and Special Meeting on 10 July 2013.

[2] Graeme Ross resigned on 10 February 2014. Daryl Hodges was appointed to the Board as Non-Executive Director on the same date.

On 31 December 2013, the directors who served during the year held the following share options under the Minera IRL Limited Incentive Stock Option Scheme:

Director	No. Held 31-Dec-2012	Granted	Exercised	Expired or cancelled	No. Held 31-Dec-2013	Exercise price (£)	Expiry Date
C Chamberlain	250,000	-	-	(250,000)	-	0.62	18-Mar-2013
	750,000	-	-	-	750,000	0.9125	17-Nov-2014
	500,000	-	-	-	500,000	1.08	17-Nov-2015
	470,000	-	-	-	470,000	0.8063	03-Apr-2017
	-	670,000	-	-	670,000	0.15	15-Nov-2018
D Jones	50,000	-	-	(50,000)	-	0.62	18-Mar-2013
	100,000	-	-	-	100,000	0.9125	17-Nov-2014
	120,000	-	-	-	120,000	1.08	17-Nov-2015
	160,000	-	-	-	160,000	0.8063	03-Apr-2017
	-	160,000	-	-	160,000	0.15	15-Nov-2018
K Judge	50,000	-	-	(50,000)	-	0.8875	26-Jan-2015
	120,000	-	-	(120,000)	-	1.08	17-Nov-2015
	160,000	-	-	(160,000)	-	0.8063	03-Apr-2017
G Ross	25,000	-	-	(25,000)	-	0.62	18-Mar-2013
	50,000	-	-	-	50,000	0.9125	17-Nov-2014
	120,000	-	-	-	120,000	1.08	17-Nov-2015
	160,000	-	-	-	160,000	0.8063	03-Apr-2017
	-	160,000	-	-	160,000	0.15	15-Nov-2018
N Valdez Ferrand	50,000	-	-	-	50,000	0.725	01-Jul-2015
	120,000	-	-	-	120,000	1.08	17-Nov-2015
	160,000	-	-	-	160,000	0.8063	03-Apr-2017
	-	160,000	-	-	160,000	0.15	15-Nov-2018

Details of these share options may be found in note 18 to the accounts.

On 28 November 2013, Mr. Chamberlain acquired 200,000 ordinary shares. Otherwise, there have been no other movements in any of the directors' interests in the share capital of the Company between 1 January 2013 and 31 March 2014.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains appropriate insurance to cover directors' and officers' liability in the course of discharging their duties to the Company. This insurance does not provide cover where a director or an officer has acted dishonestly or fraudulently.

DONATIONS

The Company made no charitable donations outside of the areas in which it hopes to establish mines. However, extensive work is done to help the local communities of the Andean Cordillera where the Company is mining or is intending to establish mines, and where the relationship with the local communities is extremely important.

No political donations were made during the past year or the previous year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, the Company has been notified of the following substantial shareholdings in addition to those of the directors:

	Number of Shares	Percentage of Issued Share Capital
Rio Tinto Mining and Exploration Limited	44,126,780	19.3
Midas Capital plc	19,986,900	8.7
Compañía Inversora en Minas S.A.	9,146,341	4.0
BlackRock Investment Management (UK) Limited Managed Funds	7,749,412	3.4
Fratelli Investments Limited	6,863,516	3.0

SPECIAL BUSINESS AT FORTHCOMING ANNUAL GENERAL AND SPECIAL MEETING

An ordinary resolution will be proposed at the forthcoming Annual General Meeting to give the directors the authority to allot the Company's Ordinary shares up to a maximum of 50% of shares in issue at the time of the Annual General Meeting. This authority is being sought to give the Company flexibility to make further issues of ordinary shares for the development of Company's portfolio of properties, the Ollachea project in particular, and for general corporate purposes.

Subject to the passing of this ordinary resolution a special resolution will be proposed to renew the directors' power to disapply the pre-emption rights specified in the Articles of Association of the Company in respect to the allotment of the same approximately 50% of shares in issue. These authorities, if granted, would be valid from the date of the passing of the resolutions until the date of the next Annual General Meeting.

In addition, a special resolution will be proposed to amend the Articles of Association of the Company to remove a restriction on the Company's borrowings. The Company is currently in the process of arranging financing for the Ollachea Gold Project that could include a debt component. The Company's Articles of Association contains a restriction on the borrowings of the Company and its subsidiaries (the "Group"), which states that Group's outstanding borrowing cannot exceed £50,000,000. It is possible that on the completion and drawdown of the expected debt financing for the Ollachea Gold Project that this borrowing restriction will be exceeded. As such, the directors propose that the Articles of Association be amended by deletion of Article 31.2, Article 31.3 and Article 31.4, all of which relate to this restriction.

DISCLOSURE OF INFORMATION

So far as each of the directors is aware, there is no information needed by the Group's auditor in connection with the preparation of their report, which they have not been made aware of, and the directors have taken all the steps that they ought to have taken to discover any relevant audit information and to establish that the Group's auditor has been made aware of that information.

By order of the Board

Brad Boland
Company Secretary

31 March 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law in Jersey requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Jersey governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINERA IRL LIMITED

We have audited the financial statements of Minera IRL Limited for the year ended 31 December 2013 which comprise the consolidated statement of total comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation and fair presentation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual Director´s Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, the group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group needs to progress fundraising initiatives to fund the development of the Ollachea project and to refinance or renegotiate its existing borrowing facilities in order to remain a going concern. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper returns adequate for our audit have not been received from branches not visited by us; or
- we have not received all the information and explanations which are necessary for the purposes of our audit.

Jason Homewood
for and on behalf of BDO LLP
London, UK

31 March 2014

Minera IRL
LIMITED

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the years ended 31 December 2013 and 2012

	Notes	2013 US$000	2012 US$000
Revenue		35,706	45,988
Cost of sales		(28,304)	(27,132)
Gross profit		7,402	18,856
Administrative expenses		(8,173)	(9,191)
Exploration costs		(265)	(280)
Share based payments	18	(262)	(585)
Other income	21	750	2
Gain (loss) on disposal of available-for-sale investments		16	(50)
Operating (loss) profit before impairment		(532)	8,752
Impairment charge	10	(13,700)	-
Operating (loss) profit after impairment		(14,232)	8,752
Loss on deconsolidation of subsidiary	7	(12,517)	-
Dilution loss on part disposal of joint venture	12	(574)	-
Share of loss from investment in joint venture	12	(2,028)	-
(Loss) profit before finance items		(29,351)	8,752
Finance income	5	2	289
Finance expense	5	(2,202)	(551)
(Loss) profit before tax	3	(31,551)	8,490
Income tax expense	8	(2,283)	(5,157)
(Loss) profit for the year attributable to the equity shareholders of the parent		(33,834)	3,333
Other comprehensive (loss) income which may be recycled in future periods			
Loss on valuation of available-for-sale investments		-	(274)
Recycled on deconsolidation of subsidiary		(231)	-
Recycled on disposal of available-for-sale investments		(20)	(34)
Total comprehensive (loss) income for the year attributable to the equity shareholders of the parent		(34,085)	3,025

(Loss) earnings per ordinary share (US cents)			
- Basic	9	(19.5)	2.3
- Diluted	9	(19.5)	2.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 US$000	2012 US$000
Assets			
Property, plant and equipment	10	5,321	17,986
Intangible assets	11	124,763	159,359
Investment in joint venture	12	43,653	-
Available-for-sale investments	13	30	183
Deferred tax asset	14	-	654
Other receivables and prepayments	15	6,572	13,266
Total non-current assets		180,339	191,448
Inventory	16	3,348	3,486
Other receivables and prepayments	15	1,546	2,917
Current tax recoverable		1,860	-
Cash and cash equivalents	17	3,389	6,246
Total current assets		10,143	12,649
Total assets		190,482	204,097
Equity			
Share capital	18	151,014	134,163
Foreign currency reserve		-	231
Share option reserve	18	1,395	1,705
Revaluation reserve		-	20
(Accumulated losses) retained earnings		(20,381)	12,881
Total equity attributable to the equity shareholders of the parent		132,028	149,000
Liabilities			
Interest bearing loans	19	-	20,000
Trade and other payables	19	14,698	14,000
Provisions	19	3,965	3,178
Total non-current liabilities		18,663	37,178
Interest bearing loans	19	25,135	-
Current tax		-	164
Trade and other payables	19	14,656	17,755
Total current liabilities		39,791	17,919
Total liabilities		58,454	55,097
Total equity and liabilities		190,482	204,097

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 31 March 2014.

Courtney Chamberlain
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2013 and 2012

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Reval-uation reserve US$000	Retained earnings US$000	Total US$000
Balance at 1 January 2012		**100,752**	**231**	**1,917**	**328**	**8,751**	**111,979**
Profit for the year		-	-	-	-	3,333	3,333
Loss on available-for-sale financial assets		-	-	-	(274)	-	(274)
Recycled on disposal of available-for-sale investments		-	-	-	(34)	-	(34)
Total comprehensive income		-	-	-	(308)	3,333	3,025
New share capital subscribed	18	35,564	-	-	-	-	35,564
Cost of share issuance	18	(2,153)	-	-	-	-	(2,153)
Share options issued	18	-	-	585	-	-	585
Exercise of share options	18	-	-	(797)	-	797	-
Balance 31 December 2012		**134,163**	**231**	**1,705**	**20**	**12,881**	**149,000**

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Reval-uation reserve US$000	(Accul. Losses) retained earnings US$000	Total US$000
Balance at 1 January 2013		**134,163**	**231**	**1,705**	**20**	**12,881**	**149,000**
Loss for the year		-	-	-	-	(33,834)	(33,834)
Recycled on deconsolidation of subsidiary		-	(231)	-	-	-	(231)
Recycled on disposal of available-for-sale investments		-	-	-	(20)	-	(20)
Total comprehensive loss		-	(231)	-	(20)	(33,834)	(34,085)
New share capital subscribed	18	18,504	-	-	-	-	18,504
Cost of share issuance	18	(1,653)	-	-	-	-	(1,653)
Share options issued	18	-	-	262	-	-	262
Expiry/lapse of share options	18	-	-	(572)	-	572	-
Balance 31 December 2013		**151,014**	**-**	**1,395**	**-**	**(20,381)**	**132,028**

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2013 and 2012

	Notes	2013 US$000	2012 US$000
Cash flows from operating activities			
Operating (loss) profit before impairment		(532)	8,752
Depreciation		5,825	4,661
Share based payments	18	262	585
Provision for mine closure costs		231	-
(Gain) loss on disposals of available-for-sale investments		(16)	38
Revaluation of available-for-sale investments		(23)	(50)
Foreign exchange losses relating to non-operating items		-	(77)
Decrease (increase) in inventory		138	(677)
Decrease (increase) in other receivables and prepayments		2,067	(3,600)
Increase (decrease) in trade and other payables		(3,679)	1,357
Payment of mine closure provision	19	(69)	(54)
Net cash inflow from operations		4,204	10,935
Corporation tax paid		(3,003)	(7,363)
Finance income received		2	289
Finance expense paid		(1,083)	(551)
Net cash inflow from operating activities		120	3,310
Cash flows from investing activities			
Proceeds on available-for-sale investments		171	61
Acquisition of property, plant and equipment		(3,902)	(2,062)
Decrease in cash due to deconsolidation of subsidiary		(415)	-
Transaction costs arising on investment in joint venture		(931)	-
Deferred exploration and development expenditures		(16,561)	(49,730)
Net cash outflow from investing activities		(21,638)	(51,731)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	18	15,504	35,564
Cost of raising share capital		(1,653)	(2,153)
Receipt of loans	19	4,810	10,000
Net cash inflow from financing activities		18,661	43,411
Net decrease in cash and cash equivalents		(2,857)	(5,010)
Cash and cash equivalents at beginning of year		6,246	11,134
Exchange rate movements		-	122
Cash and cash equivalents at end of year	15	3,389	6,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Minera IRL Limited (the "Company") is registered in Jersey and its registered office is at Ordnance House, 31 Pier Road, St. Helier, Jersey.

The principal activity of the Company and its subsidiaries is the exploration for and development of mines for the extraction of metals.

The consolidated financial statements of the Company for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 31 March 2014.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted for use within the European Union and with IFRS and their interpretations issued by the IASB.

Changes in accounting policies
A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1 January 2013, have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment adopted by the group is detailed below.

As the Group has prepared these financial statements in accordance with IFRS and their interpretations by the IASB, early adoption of IFRS 10, IFRS 11 and IFRS 12 has been taken in respect of IFRS for use within the European Union. There has been no significant measurement impact on the consolidated financial statements from the early adoption of these standards and from new standards or interpretations effective in 2013.

Consolidated Financial Statements – IFRS 10
This standard establishes control as the basis for an investor to consolidate its investee; it defines control as an investor's power over the investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's return through its power over the investee. This standard is effective for years beginning on or after 1 January 2014. At 1 January 2013, the Company adopted this standard and there was no impact on its comparative consolidated financial statements.

Joint Arrangements – IFRS 11
This standard replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. Joint venture entities are now accounted for using the equity method. This standard is effective for years beginning on or after 1 January 2014. At 1 January 2013, the Company adopted this standard and there was no impact on its consolidated financial statements.

Disclosure of Interests in Other Entities – IFRS 12
This IFRS shall be applied by companies with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The application of this standard intends to enable users of the financial statements to evaluate the nature of and risks associated with a Company's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. Companies will be required to disclose information about significant judgments and assumptions made in determining the control of another entity, the joint control of an arrangement or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. This standard is effective for years beginning on or after 1 January 2014. At 1 January 2013, the Company adopted this standard and there was no impact on its consolidated financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement – IFRS 13
This IFRS aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. This standard is effective for years beginning on or after 1 January 2014. At 1 January 2013, the Company adopted this standard and the required disclosures.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2013 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

Basis of Preparation and Going Concern

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

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

At 31 December 2013, the Company had a working capital deficit of $29,648,000. Current liabilities at 31 December 2013 included a $25,135,000 interest bearing loan provided by Macquarie Bank Limited ("Macquarie Bank") with a maturity date of 30 June 2014. The current liabilities also included the current portion of the amount due to Rio Tinto Mining and Exploration Limited ("Rio Tinto") under the Mining Rights Transfer Contract for the Ollachea property. Under the Mining Rights Transfer Contract, $21,500,000 is due to Rio Tinto, with $7,310,000 due in January 2014 and the balance of $14,190,000 due in July 2016. Subsequent to 31 December 2013, the $7,310,000 due to Rio Tinto plus accrued interest of $128,000 was settled in ordinary shares of Minera IRL Limited.

Having taken into account the cash balance at 31 December 2013, the required payment dates of certain current liabilities, ongoing positive cash flows from the Corihuarmi mine, the final $5,000,000 that was available under its Macquarie Bank Finance Facility at 31 December 2013 and the ability to manage expenditure, the Directors consider that the Company has sufficient financial resources available to allow fundraising initiatives to be progressed for the funding of the Ollachea project and refinancing or renegotiation of the existing Macquarie Bank facilities due for repayment in June 2014. However, there are risks associated with the operation of a mine, the development and financing of new mining operations and the ability to refinance existing debt, which may give rise to the possibility that insufficient funds will be available when required. Specifically, the Ollachea Gold Project, which has a positive feasibility study completed and an environmental permit, will require additional funding to continue to advance and construct. However, the Directors are confident that existing facilities can be refinanced or renegotiated and such further sources of finance that may be necessary can be secured in the required timescale and on this basis have adopted the going concern basis of preparation.

However, the above conditions indicate the existence of a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. No adjustments that would result from the going concern basis of preparation being inappropriate have been made in the preparation of the financial statements.

Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) **Principles of Consolidation**

The consolidated financial statements incorporate the statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recognised as goodwill. Any excess of the fair value of assets acquired over the cost of acquisition is recognised directly in the consolidated statement of comprehensive income.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries and Joint Ventures

These consolidated financial statements include the accounts of the Company, its subsidiaries and joint venture as follows:

	Location	Ownership
Minera IRL Limited	Jersey	-
Minera IRL Peru S.A.	Peru	100%
Compañía Minera Kuri Kullu	Peru	100%
Minera IRL Argentina S.A.	Argentina	100%
Hidefield Gold Limited	UK	100%
Minera IRL Patagonia S.A. (joint venture with CIMINAS)	Argentina	91%
Hidefield Gold (Alaska) Inc.	USA	100%
Minera IRL Chile S.A.	Chile	100%

(b) Investments in Jointly Controlled Entities (Equity-accounted Investees)

A joint venture is an arrangement whereby the parties (joint venturers) that have joint control of the arrangement have rights to the net assets of the arrangement. This is an arrangement that involves the use of a separate vehicle, where the individual assets and liabilities of the arrangement reside with the vehicle, in both form and substance.

Joint ventures are accounted for using the equity method and are included in the consolidated statements of financial position as investments in joint ventures. Investments in jointly controlled entities are recognized initially at cost. The cost of the investment includes transaction costs. The Company's share of net earnings (losses), from the date that joint control commences until the date that joint control ceases, is included in the consolidated statements of earnings as a share of net earnings (losses) from investments in joint ventures (net of income tax), after adjustments to align the accounting policies with those of the Company. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

(c) Revenue Recognition

The Group enters into contracts for the sale of gold. Revenue arising from gold sales under these contracts is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales price is reasonably assured. These criteria are assessed to have occurred once the gold has been received by the smelter and a sale price has been agreed for the contained gold.

(d) Income Tax

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation. Deferred tax is expected to be payable or recoverable on differences between the carrying value amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign Currency

The Group's presentation currency is the US Dollar and has been selected based on the currency of the primary economic environment in which the Group as a whole operates. In addition, the significant entities in the group have a functional currency of the US Dollar.

Transactions in currencies other than the functional currency of a company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in profit or loss.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits and money market investments readily converted to cash. Bank overdrafts are shown within borrowings in current liabilities. For the purposes of the Cash Flow Statements, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts.

(g) Trade and Other Receivables

Trade and other receivables are not interest bearing and are stated at their original invoiced value less an appropriate provision for irrecoverable amounts.

(h) Intangible Assets

Deferred exploration costs

Once legal title is obtained, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against the results in the year in which the decision to abandon the area is made.

The recoverability of the deferred exploration cost is dependent upon the discovery of economically recoverable ore reserves, continuing compliance with the terms of relevant agreements, the ability of the Group to obtain the necessary financing to complete the development of ore reserves, and the future profitable production or profitable disposal of the area of interest.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(i) Property, Plant and Equipment

(i) Owned asset

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy j below).

(ii) Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive income.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Depreciation

Depreciation on these assets is calculated by the straight-line method to allocate their cost over their estimated useful lives, as follows:

- vehicles - 5 years;
- computer equipment - 4 years;
- furniture and fixtures, and other equipment - 10 years;
- buildings - 25 years; and
- land is not depreciated.

The residual values and useful economic lives of all assets are reviewed annually.

Mining assets are depreciated on a straight-line basis over the expected life of the mine. The amount of ore remaining and the expected future life of the mine are reviewed each year.

(iv) Deferred development costs

When the technical and commercial feasibility of an area of interest has been demonstrated, financing has been secured and the appropriate permits have been issued, the area of interest enters its development phase. The accumulated costs are transferred from exploration and evaluation expenditure and reclassified as development expenditure.

Once mining commences the asset is amortised on a straight line basis over the expected life of the mine. Provision is made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

(j) Impairment

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value, less costs to sell, and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- Unexpected geological occurrences that render the resource uneconomic;
- Title to the asset is compromised;
- Variations in metal prices that render the project uneconomic; and
- Variations in the currency of operation.

(k) Inventory

Inventory of consumables is valued at the lower of cost and net realisable value. The value of metal on the leach pads is calculated by applying the estimated cost of production incurred to place the metal on the leach pads to the number of ounces estimated to remain on the leach pads. The value of metal in process is calculated by applying the total cost of production per ounce to the number of ounces which have been extracted from the ore, but not yet been converted into doré bars.

(l) Trade and Other Payables

Trade and other payables are not interest bearing and are stated at amortised cost.

(m) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of operating segments, has been identified as the Executive Chairman together with the Board of Directors.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated.

(o) Share Based Payments

The Group rewards directors, senior executives and certain consultants with share options. These instruments are stated at fair value at the date of grant, using the Black-Scholes valuation model, and are expensed to the income statement over the vesting period of the options. The valuation model requires assumptions to be made about the future, including the length of time the options will be held before they are exercised, the number of option holders who will leave the Company without exercising their options, the volatility of the share price, the risk-free interest rate and the dividend yield on the Company's shares. The resulting valuation does not necessarily reflect the value attributed to the options by the option holders

(p) Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value, less attributable transactions costs. Subsequent to initial recognition they are stated at amortised cost with any difference between cost and redemption value being recognised as a finance cost over the period of the borrowings on an effective interest basis. Interest expense is capitalized once a development decision on an asset is made.

(q) Available-for-Sale Financial Assets

Available-for-sale financial assets comprise equity investments. Subsequent to initial recognition these assets are stated at fair value. Movements in fair value are recognised in other comprehensive income, with the exception of impairment losses which are recognised in profit or loss. Fair values are based on prices quoted in an active market if such a market is available. If an active market is not available, the Group establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis. When an investment is disposed of, any cumulative gains and losses previously recognised in equity are recognised in profit or loss. Dividends are recognised as profit or loss when the right to receive payments is established.

(r) Significant Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

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 recognised in these financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

The depreciation of the mining assets of the group is calculated on a straight-line basis over the expected life of the mine. This calculation requires regular estimates to be made of the remaining reserves of ore in the mine, and will be subject to revision as further information about the size of the resource becomes available.

Environmental provisions

Management uses its judgement and experience to provide for and amortise the estimated costs for decommissioning and site rehabilitation over the life of the mine. The ultimate cost of decommissioning and site rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions estimated which could affect future financial results.

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.

Valuation of Investment in Joint Venture on Deconsolidation

The Company's formerly 100% controlled subsidiary, Minera IRL Patagonia S.A. ("Minera IRL Patagonia"), was deconsolidated following the loss of control upon entering into a joint arrangement with Compañía Inversora en Minas ("CIMINAS") on 16 August 2013. For additional details on the transaction see note 7, "Transaction with CIMINAS – Don Nicolás Gold Project". Upon deconsolidation, the Company was required to fair value its remaining interest in the jointly controlled Minera IRL Patagonia. Management determined the estimated fair value of its remaining interest based on the consideration given by CIMINAS to acquire its portion of Minera IRL Patagonia in this arm's length transaction. The expected cash flow from Minera IRL Patagonia's net assets may be different from the cash flow assumptions made by the Company and CIMINAS upon entering in this joint arrangement. As a result, the actual value of the Company's remaining interest in Minera IRL Patagonia may be significantly different than the implied value based on the agreed terms, which could affect future financial results.

NOTE 2 – SEGMENT REPORTING

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

The Group has two customers. The following table sets out the income and expenditure of the Group according to these reporting segments:

2013	Peru US$000	Argentina US$000	Other US$000	Total US$000
Mining revenue	35,706	-	-	35,706
Mining cost of sales	(22,808)	-	-	(22,808)
Mining gross profit	12,898	-	-	12,898
Exploration of properties	(14,456)	(3,801)	-	(18,257)
Capital expenditure	(3,846)	(54)	(2)	(3,902)
Administrative expenses	(4,689)	(601)	(2,883)	(8,173)
Net income (expenditure)	(10,093)	(4,456)	(2,885)	(17,434)
Reconciliations				
Segmental Revenue				
Customer A	31,304	-	-	31,304
Customer B	4,402	-	-	4,402
Group revenues	35,706	-	-	35,706
Segment Result				
Segmental net income (expenditure)	(10,093)	(4,456)	(2,885)	(17,434)
Exploration costs deferred	14,191	3,801	-	17,992
Depreciation	(5,496)	-	-	(5,496)
Capital expenditure	3,846	54	2	3,902
Share based payments	-	-	(262)	(262)
Other income	750	-	-	750
Gain on disposal of available-for-sale investments	-	-	16	16
Group operating loss	3,198	(601)	(3,129)	(532)
Loss on deconsolidation of subsidiary	-	(12,517)	-	(12,517)
Dilution loss	-	(574)	-	(574)
Share of loss from investment in joint venture	-	(2,028)	-	(2,028)
Impairment charge	(13,700)	-	-	(13,700)
Net finance income (expense)	(713)	-	(1,487)	(2,200)
Group loss before tax	(11,215)	(15,720)	(4,616)	(31,551)
Group Assets				
(not allocated for internal reporting)				
Non-current assets	136,196	43,663	480	180,339
Inventory	3,348	-	-	3,348
Current tax recoverable	1,860	-	-	1,860
Other receivables and prepayments	1,333	-	213	1,546
Cash and cash equivalents	2,721	-	668	3,389
Group total assets	145,458	43,663	1,361	190,482

NOTE 2 – SEGMENT REPORTING (continued)

2012	Peru US$000	Argentina US$000	Other US$000	Total US$000
Mining revenue	45,988	-	-	45,988
Mining cost of sales	(22,278)	-	-	(22,278)
Mining gross profit	23,710	-	-	23,710
Other income	-	-	2	2
Exploration of properties	(57,603)	(13,562)	-	(71,165)
Capital expenditure	(2,369)	(475)	(5)	(2,849)
Administration	(4,933)	(1,350)	(2,909)	(9,191)
Net income (expenditure)	(41,195)	(15,387)	(2,912)	(59,494)
Reconciliations				
Segmental Revenue				
Customer A	23,968	-	-	23,968
Customer B	22,020	-	-	22,020
Group revenues	45,988	-	-	45,988
Segment Result				
Segmental net income (expenditure)	(41,195)	(15,387)	(2,912)	(59,494)
Exploration costs deferred	57,325	13,560	-	70,885
Depreciation	(4,853)	-	-	(4,853)
Capital expenditure	2,369	475	5	2,849
Share based payments	-	-	(585)	(585)
Loss on disposal of available-for-sale investments	-	-	(50)	(50)
Group operating profit (loss)	13,645	(1,352)	(3,542)	8,752
Net finance income (expense)	(1,363)	-	1,101	(262)
Group profit before tax	12,282	(1,352)	(2,441)	8,490
Group Assets (not allocated for internal reporting)				
Non-current assets	131,345	59,985	118	191,448
Inventory	3,486	-	-	3,486
Other receivables and prepayments	2,831	37	49	2,917
Cash and cash equivalents	4,050	143	2,053	6,246
Group total assets	141,712	60,165	2,220	204,097

NOTE 3 – (LOSS) PROFIT BEFORE TAX

	2013 US$000	2012 US$000
Auditor's remuneration:		
Audit of group financial statements	143	114
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of associates of the Company pursuant to legislation	115	143
Taxation services	8	44
Review of interim financial statements	28	18
Issuance services pursuant to legislation	10	-
Share based payments	262	585
Foreign exchange gains	(802)	(77)

NOTE 4 – STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2013	Number of employees 2012
Corporate finance and administration	48	60
Technical	75	154
Construction and production	445	462
	568	676

The aggregate payroll costs of these persons were as follows:

	2013 US$000	2012 US$000
Wages and salaries	10,510	13,818
Social security	1,074	1,695
Share based payments	262	585
	11,846	16,098

NOTE 5 - FINANCE INCOME (EXPENSE)

	2013 US$000	2012 US$000
Interest income	2	289
Interest expense	(2,202)	(551)
Net finance expense	(2,200)	(262)

NOTE 6 – REMUNERATION OF KEY MANAGEMENT PERSONNEL

2013	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments [2] US$000	2013 Total Remuneration US$000
Directors:					
C Chamberlain	492	-	15	43	**550**
D Jones	24	-	-	10	**34**
K Judge [1]	12	-	-	-	**12**
G Ross	24	-	-	10	**34**
N Valdez Ferrand	24	-	-	10	**34**
Directors Total	576	-	15	73	**664**
Non-Directors:	1,472	-	462	127	**2,061**
TOTAL	2,048	-	477	200	**2,725**

Notes:

1. The Director fees were paid to Hamilton Capital Partners Limited, with which Mr Judge is associated. Mr. Judge ceased to be a director as of July 2013.
2. The share based payments were associated with options granted 15 November 2013. The options were granted with a strike price of £0.15 and a term of 5 years. See note 18 for further details.

2012	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments [2] US$000	2012 Total Remuneration US$000
Directors:					
C Chamberlain	450	53	18	73	594
D Jones	45	-	-	25	70
K Judge [1]	45	-	-	25	70
G Ross	44	-	-	25	69
N Valdez Ferrand	45	-	-	25	70
Directors Total	629	53	18	173	873
Non-Directors:	1,826	256	273	323	2,678
TOTAL	2,455	309	291	496	3,551

Notes:

1. The Director fees were paid to Hamilton Capital Partners Limited, with which Mr Judge is associated.
2. The share based payments were associated with options granted 3 April 2012. The options were granted with a strike price of £0.81 and a term of 5 years. See note 18 for further details.

NOTE 7 – TRANSACTION WITH CIMINAS – DON NICOLÁS GOLD PROJECT

On August 16, 2013, the Company entered into a definitive agreement with Compañía Inversora en Minas ("CIMINAS"), whereby CIMINAS would make a $45,000,000 investment in Minera IRL Patagonia S.A. ("Minera IRL Patagonia") to become up to a 45% equity owner of Minera IRL Patagonia. The equity investment in addition to a $35,000,000 credit facility CIMINAS has made available to Minera IRL Patagonia is expected to provide the financing required to develop Minera IRL Patagonia's Don Nicolás Gold Project in Santa Cruz Project, Argentina.

In addition, the Company 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 October 10, 2013. Additional detail is provided under note 18,"Capital and Reserves".

In the joint arrangement with CIMINAS, the Company will retain at least a 51% interest in Minera IRL Patagonia, down from 100%. Although the Company will retain more than half of the voting shares in Minera IRL Patagonia, management has determined that the Company does not have control by virtue of an agreement with its other shareholders, which requires 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 has subsequently been accounted for using the equity method. Additionally, on the loss of control, Minera IRL Patagonia was deconsolidated, the Company's remaining interest was determined to have a fair value of $40,001,000 and a loss on the derecognition of Minera IRL Patagonia of $12,517,000 was recorded on the consolidated statement of loss and comprehensive loss.

The following adjustments were made to the net assets of the consolidated financial statements as of the date of the transaction with CIMINAS, 16 August 2013, to deconsolidate Minera IRL Patagonia on the loss of control:

	US$000
Property, plant and equipment	2,101
Intangibles	47,222
Other receivables and prepayments - long-term	5,629
Other receivables and prepayments - current	395
Cash	415
Foreign currency reserve	(231)
Trade and other payables - current	(379)
Current taxes	(312)
Net assets	54,840
Loss on derecognition of Minera IRL Patagonia	(12,517)
Investment in Minera IRL Patagonia Joint Venture - 16 August 2013	42,323
Estimated value of Argenwolf's 4% interest in Minera IRL Patagonia	(2,323)
Fair value of Minera IRL Limited's interest in Minera IRL Patagonia - 16 August 2013	40,001
Transaction costs	3,254
Carrying value of Minera IRL's interest in Minera IRL Patagonia - 16 August 2013	43,255

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

Details on the investment in the Don Nicolás Joint Venture following the deconsolidation of Minera IRL Patagonia is provided in note 12,"Investment in the Don Nicolás Joint Venture".

The $45,000,000 equity investment consists of 4 components ("Tranches") which are made up of preferred and common equity and are described as follows:

NOTE 7 – TRANSACTION WITH CIMINAS – DON NICOLÁS GOLD PROJECT (continued)

1. Tranche I (Minera IRL Limited Ordinary Shares) – $3,000,000
   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. The ordinary shares were issued subsequent to 30 September 2013 pursuant to a prospectus supplement to the Company's base shelf prospectus dated July 12, 2012. Additional details on the share issuance are provided in note 18, "Capital and Reserves".

2. Tranche II – $7,300,000
   Tranche II provides CIMINAS with a 7.8% equity interest in Minera IRL Patagonia in exchange for an investment of $7,300,000 and has no preferred rights. As at 31 December 2013, $1,900,000 had been advance under Tranche II. A dilution loss of $574,000 was recorded on the $1,900,000 investment. The remaining $5,400,000 was advance during the first quarter of 2014.

3. Tranche III (Accelerated Payback) – $15,000,000
   Tranche III provides CIMINAS with a 16.1% equity interest in Minera IRL Patagonia in exchange for an investment of $15,000,000. These shares will have preference on dividend payments (doubled to 32.2% of expected cash flows) until the accumulated dividend paid under Tranche III totals $15,000,000. At which point, the preferred equity held by CIMINAS will be converted to common shares representing a 16.1% interest in Minera IRL Patagonia. In additional to receiving double dividends, Tranche III will receive 60% of the dividends payable to Minera IRL Limited to further accelerate the pay back of Tranche III, until the accumulated amount paid under Tranche III totals $15,000,000.

4. Tranche IV (Secured) – $19,700,000
   Tranche IV provides CIMINAS with an option to acquire a 21.1% equity interest in Minera IRL Patagonia in exchange for an investment of $19,700,000. This preferred interest has an annual secured return of 12.5% during the initial option period. At the end of years 3, 4 and 5 of production, CIMINAS will have the option to request repayment of $6,566,667 (one-third of the amount of Tranche IV) or convert these preferred shares into common shares that represent approximately 7% of Minera IRL Patagonia. At each of these option dates CIMINAS can convert all of the outstanding preferred shares of Tranche IV into common shares. As guarantee for this Tranche, the Company has pledged in favour of CIMINAS its 51% stake in Minera IRL Patagonia

   Additionally, a Reserve account to guarantee each payment will be setup. The Reserve account will be funded from Minera IRL Patagonia's free cash flow exceeding the dividend distribution capacity. In addition, once the accumulated dividends under Tranche III reach $15,000,000, the Reserve account will receive 80% of Minera IRL Limited's dividend from Minera IRL Patagonia until the total amount in the Reserve account reaches $6,566,667. At which point, Minera IRL Limited will receive 100% of the dividends corresponding to its 51% stake in Minera IRL Patagonia.

CIMINAS and Minera IRL Patagonia also entered into an agreement whereby CIMINAS will provide a bridge debt facility of up to $35,000,000 ("Credit Facility") while Minera IRL Patagonia looks to arrange an Argentina sourced debt facility. In the event that Minera IRL Patagonia is unable to obtain a replacement facility, the Credit Facility will be converted to longer term project financing under the terms of the existing agreement.

The initial term of the Credit Facility is for 12 months from the first disbursement of the funds and accrues interest at a rate of 360-day LIBOR plus 8.0%. Interest is payable at maturity. If alternative debt financing is not secured there is an option to extend the facility for an additional 24 months at an interest rate of 180-day LIBOR plus 8.5%, with a 0.5% step up per quarter (the last quarter of the loan being 180-day LIBOR plus 12.0%). During this extended period, interest is payable semi-annually and repayment of the loan will be in three equal annual instalments, the first being at the beginning of the extended period.

A commitment fee of 2.0% per annum is payable on non-disbursed fund from the closing of the Agreement. The commitment period is for 18 months from the closing of the Agreement. The Credit Facility is senior debt and will have a first degree mining mortgage on Minera IRL Patagonia's mining rights and properties.

NOTE 8 – INCOME TAX EXPENSE

	2013 US$000	2012 US$000
Current tax-foreign	**1,629**	5,237
Deferred tax-foreign	**654**	(80)
Income tax expense	**2,283**	5,157

The income tax expense provision for the year is different than the provision on the (loss) profit before tax at the standard rate of corporation tax of 30% (2012: 30%) based on the Peru tax rate, the location of the Company's main operations. The differences are explained below:

	2013 US$000	2012 US$000
Tax reconciliation		
(Loss) profit before tax	**(31,551)**	8,490
Tax at 30% (2012: 30%)	**(9,465)**	2,547
Effects (at 30%) of:		
Expenses not deductible for tax purposes	**11,807**	1,148
Unrecognised deferred tax movements	**(59)**	775
Withholding tax paid	**-**	687
Income tax expense	**2,283**	5,157

At 31 December 2013, the subsidiary operating the Corihuarmi gold mine In Peru, Minera IRL SA, has distributable reserves of $31,087,000 (2012: $33,700,000). In the event of a dividend distribution, income tax totalling $1,243,000 (2012: $1,348,000) would be payable. No provision has been made for this amount as Minera IRL Limited has control over the timing differences of any distribution and no payment is likely in the foreseeable future.

NOTE 9 – (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss attributable to ordinary shareholders of $33,834,000 (2012: profit of $3,333,000) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2013 of 173,524,931 (2012: 145,994,523).

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

	2013 Loss US$000	2013 Number of shares '000	2013 Loss per share US cents	2012 Profit US$000	2012 Number of shares '000	2012 Earnings per share US cents
Basic (loss) earnings	**(33,834)**	**173,525**	**(19.5)**	3,333	145,995	2.3
Dilutive effects-options	**-**	**-**	**-**	-	8	-
Diluted (loss) earnings	**(33,834)**	**173,525**	**(19.5)**	3,333	146,003	2.3

As at 31 December 2013, all options were excluded from the calculation of diluted loss per share because they were anti-dilutive. As at 31 December 2012, 150,000 options were included in the calculation of dilutive earnings per share. All other options were excluded because they were anti-dilutive. Note 18, "Capital and Reserves", provides additional detail on the Company's share options.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	Mining assets & deferred development costs US$000	Land & buildings US$000	Motor Vehicles US$000	Computers & other equipment US$000	Total US$000
Cost					
Balance - 1 January 2012	37,555	2,085	2,853	3,272	45,765
Additions	1,615	774	85	376	2,850
Disposals	(37)	-	(64)	-	(101)
Balance - 31 December 2012	39,133	2,859	2,874	3,648	48,514
Balance at 1 January 2013	**39,133**	**2,859**	**2,874**	**3,648**	**48,514**
Additions	**4,012**	**185**	**218**	**209**	**4,624**
Reclassifications	**(316)**	**316**	**-**	**-**	**-**
Transfer from intangibles	**4,434**	**-**	**-**	**-**	**4,434**
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	**-**	**(1,684)**	**(51)**	**(1,015)**	**(2,750)**
Disposals	**(10)**	**-**	**(231)**	**-**	**(241)**
Balance - 31 December 2013	**47,253**	**1,676**	**2,810**	**2,842**	**54,581**
Depreciation and impairment losses					
Balance - 1 January 2012	23,624	32	611	1,509	25,776
Depreciation for the year	3,786	57	478	494	4,815
Disposals	(27)	-	(36)	-	(63)
Balance - 31 December 2012	27,383	89	1,053	2,003	30,528
Balance - 1 January 2013	**27,383**	**89**	**1,053**	**2,003**	**30,528**
Depreciation for the year	**4,781**	**38**	**469**	**537**	**5,825**
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	**-**	**(69)**	**(50)**	**(530)**	**(649)**
Impairment	**12,412**	**95**	**739**	**454**	**13,700**
Disposals	**(8)**	**-**	**(136)**	**-**	**(144)**
Balance - 31 December 2013	**44,568**	**153**	**2,075**	**2,464**	**49,260**
Carrying amounts					
Balance - 1 January 2012	13,931	2,053	2,242	1,763	19,989
Balance - 31 December 2012	**11,750**	**2,770**	**1,821**	**1,645**	**17,986**
Balance - 31 December 2013	**2,685**	**1,523**	**735**	**378**	**5,321**

Mining assets and deferred development costs relate to the Corihuarmi Gold Mine. In 2013, the Company recorded an impairment charge of $13,700,000 against its Corihuarmi Gold Mine. The impairment was largely the result of the significant decrease in the gold price during 2013. For purposes of this impairment evaluation, estimates of future cash flows from the Corihuarmi mine were used to determine fair value. The future cash flows were derived from Corihuarmi's remaining mine life, estimated to be 22 months, a gold price assumption of $1,300 per ounce and management's projections for operating costs. The salvage value of mine's assets was estimated to be $1,024,000 and the resulting cash flow projections were discounted at 7% to arrive at the estimated fair value.

A 10% increase (decrease) in the gold price assumption of $1,300 per ounce of gold would give rise to a (decrease) increase in impairment of $4,542,000. A 10% increase (decrease) in the gold production over the remaining 22 month mine life would have a similar impact on the impairment.

NOTE 11 – INTANGIBLE ASSETS

Deferred Exploration Costs	Ollachea US$000	Don Nicolás US$000	Other Peru US$000	Other Argentina US$000	Total US$000
Balance - 1 January 2012	51,256	22,957	6,671	7,590	88,474
Additions	56,299	10,540	1,026	3,020	70,885
Balance - 31 December 2012	107,555	33,497	7,697	10,610	159,359
Additions	13,900	2,761	291	109	17,061
Transfers	-	-	(246)	246	-
Transfer to property, plant and equipment [1]	-	-	(4,434)	-	(4,434)
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	-	(36,258)	-	(10,965)	(47,223)
Balance - 31 December 2013	**121,455**	**-**	**3,308**	**-**	**124,763**

[1] Intangibles transferred to property, plant and equipment were at the Corihuarmi mine.

The Ollachea property includes $21,500,000 provided in respect of further payments to Rio Tinto, which are detailed in note 19.

The carrying values of the remaining deferred exploration costs at the yearend have been assessed for indications of impairment and the results of these assessments have been sufficiently encouraging to justify the retention of the deferred exploration assets on the consolidated statement of financial position.

Ollachea will require significant project financing in order to bring it into production and convert it into mining assets.

NOTE 12 – INVESTMENT IN THE DON NICOLÁS JOINT VENTURE

As of 16 August 2013, upon entering into the contractual arrangement with CIMINAS whereby the investment in Minera IRL Patagonia, the subsidiary which holds the Don Nicolás Gold Project, became jointly controlled, the Company's remaining interest in Minera IRL Patagonia was considered a joint venture and has subsequently been accounted for using the equity method. Although the Company will retain more than half of the voting shares in Minera IRL Patagonia, management has determined that the Company does not have control by virtue of an agreement with another shareholder, which requires unanimous consent on decisions concerning relevant activities resulting in joint control.

Summarized financial information for the Don Nicolás Gold Project is as follows:

As at	31 December 2013 US$000
Cash	2,347
Other current assets	311
Non-current assets	47,653
Total assets	**50,311**
Trade payable and provisions	1,870
Other current liabilities	240
Non-current liabilities	231
Total liabilities	**2,341**
Net assets	**47,970**
Company's share of net assets of joint venture (91%)	**43,653**

NOTE 12 – INVESTMENT IN THE DON NICOLÁS JOINT VENTURE (continued)

	Investment in Don Nicolás Joint Venture US$000
Balance - 1 January 2013	-
Carrying value of investment on loss of control - 16 August 2013	43,255
Share of losses (net of taxes)	(2,028)
Tranche I investment (issuance of Minera IRL ordinary shares)	3,000
Dilution loss	(574)
Investment in Minera IRL Patagonia Joint Venture - 31 December 2013	**43,653**

During the period between 16 August 2013 and 31 December 2013, the Company recorded a loss of $2,028,000 on its share of Minera IRL Patagonia. As the Don Nicolás Gold Project is a development project it did not record any revenue during the period between 16 August 2013 and 31 December 2013.

As outlined under note 7, "Transaction with CIMINAS – Don Nicolás Gold Project", 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. The ordinary shares were issued on 10 October 2013. Additional details on the share issuance are provided in note 18, "Capital and Reserves".

In December 2013, CIMINAS contributed $1,900,000 of the $7,300,000 under Tranche II of the equity investment as outlined under note 7, "Transaction with CIMINAS – Don Nicolás Gold Project". The contribution of $1,900,000 by CIMINAS reduced Minera IRL Limited's interest in the Don Nicolás Joint Venture from 96% to 91% and resulted in a dilution loss of $574,000.

Subsequent to 31 December 2013, the balance of Tranche II totalling $5,400,000 was contributed by CIMINAS.

NOTE 13 – AVAILABLE-FOR-SALE INVESTMENTS

At 31 December 2013, available-for-sale investments consisted of 398,224 common shares of Alturas Minerals Corp. and 1,233,960 common shares of Alix Resources Corp. which have all been valued at their respective market prices as quoted on the TSX Venture Exchange.

At 31 December 2012, available-for-sale investments consisted of 493,434 common shares of Columbus Gold Corp., 398,224 common shares of Alturas Minerals Corp. and 397,520 common shares of Alix Resources Corp. and have all been valued at their respective market prices as quoted on the TSX Venture Exchange.

NOTE 14 – DEFERRED TAXATION

Recognised deferred tax assets

	2013 US$000	2012 US$000
Temporary differences	-	654

Unrecognised deferred tax assets
The Group has estimated tax losses of approximately $24,080,000 (2012: $19,166,000) available to carry forward for offset against future profits. At the year end, a potential deferred tax asset of $7,304,000 (2012: $5,561,000) has not been recognised because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

NOTE 15 – OTHER RECEIVABLES AND PREPAYMENTS

	2013 US$000	2012 US$000
Non-current assets		
Other receivables	**6,467**	13,266
Deferred expenses	**105**	-
	6,572	13,266
Current assets		
Other receivables	**1,130**	2,032
Prepayments	**416**	885
	1,546	2,917

Included in other receivables is an amount of $7,024,000 (2012: $14,792,000) relating to sales tax paid on the purchase of goods and services in Peru (2012: Peru and Argentina). This balance is expected to be fully recovered in due course against the revenue earned from the exploitation of the Ollachea gold project. Included in the sales tax recoverable is an amount of $6,467,000 (2012: $13,178,000) relating to purchases for the Ollachea project (2012: Ollachea and Don Nicolás projects), which is not expected to be recovered in the next accounting period and has therefore been included in non-current assets.

NOTE 16 – INVENTORY

	2013 US$000	2012 US$000
Gold in process	**1,753**	2,117
Mining materials	**1,595**	1,369
	3,348	3,486

NOTE 17 – CASH AND CASH EQUIVALENTS

	2013 US$000	2012 US$000
Bank balances	**3,389**	6,246

NOTE 18 – CAPITAL AND RESERVES

As at 31 December 2013 and 2012, the Company's share capital is made up of no par shares. There is no upper limit on the value of shares to be issued.

Issued share capital	Ordinary shares
Shares in issue 1 January 2012	**119,582,884**
Equity offering completed 5 March 2012 for total cash consideration of $33,363,376	**29,260,000**
Share options exercised on 2 April 2012 for total cash consideration of $1,605,500	**2,230,000**
Share options exercised on 12 April 2012 for total cash consideration of $595,688	**830,000**
Shares in issue 1 January 2013	**151,902,884**
Equity offering[1] completed 7 February 2013 for total cash consideration of $15,504,000	**21,775,000**
Equity offering[2] completed 10 October 2013 for $3,000,000 cash contribution from CIMINAS to Minera IRL Patagonia	**9,146,341**
Shares in issue 31 December 2013	**182,824,225**

[1] On 7 February 2013, the Company issued 21,775,000 ordinary shares at a price of $0.71 per share (equivalent to £0.45 and C$0.71 based on the exchange rates at pricing) as a prospectus offering of common shares to raise gross proceeds of C$15,460,000 ($15,504,000). A total of $1,631,000 in commissions and professional fees was paid in cash in connection with this offering.

[2] On 10 October 2013, the Company issued 9,146,341 ordinary shares as part of the transaction with CIMINAS (see note 7). In exchange, CIMINAS contributed $3,000,000 to Minera IRL Patagonia in Argentina (an effective price of $0.328 per ordinary share). A total of $22,000 in professional fees was paid in cash in connection with this issuance.

Share Options

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

	2013		2012	
	Number of share options	**Weighted average exercise price (£)**	Number of share Options	Weighted average exercise price (£)
Outstanding - beginning of year	**9,730,000**	**0.88**	8,955,000	0.78
Granted during the year	**3,975,000**	**0.16**	3,835,000	0.78
Exercised during the year	**-**	**-**	(3,060,000)	0.45
Expired during the year	**(790,000)**	**(0.62)**	-	-
Lapsed during the year	**(905,000)**	**(0.68)**	-	-
Outstanding - end of the year	**12,010,000**	**0.68**	9,730,000	0.88
Exercisable - end of the year	**12,010,000**	**0.68**	9,730,000	0.88

The average remaining contractual life of the outstanding options as at 31 December 2013 was 3.0 years (2012: 3.0 years).

NOTE 18 – CAPITAL AND RESERVES (continued)

On 17 May 2013, the Company granted a total 425,000 incentive stock options at an exercise price of £0.25 for a period of 5 years. Additionally the Company granted 3,550,000 incentive stock options at £0.15 for a period of 5 years on 15 Nov 2013. The options vested immediately upon being granted, and they were fair valued with a Black-Scholes option pricing model using the following assumptions:

Date of Grant	17 May 2013	15 Nov 2013
Share price on date of grant	£0.20	£0.12
Exercise price	£0.25	£0.15
Expected volatility	46%	55.35%
Expected option life	3.5 yrs	3.5 yrs
Risk-free rate of return	0.48%	0.48%
Expected dividends	Nil	Nil
Fair Value	£0.05	£0.04

The fair value of these option grants resulted in a share based payment expense for 2013 totalling $262,000. In addition, on the expiry and lapsing of 1,695,000 options during 2013 a total of $572,000 was transferred from share option reserve to (accumulated loss) retained earnings.

On 3 April 2012, the Company granted a total 3,485,000 incentive stock options at an exercise price of £0.81 for a period of 5 years. Additionally, the Company granted 200,000 incentive stock options at £0.59 for a period of 5 years on 14 May 2012. Finally, the Company granted 150,000 incentive stock options at £0.53 for a period of 5 years on 4 September 2012. All of the above options vested immediately upon being granted. These options were fair valued with a Black-Scholes option pricing model using the following assumptions:

Date of Grant	3 April 2012	14 May 2012	4 September 2012
Share price on date of grant	£0.65	£0.47	£0.42
Exercise price	£0.81	£0.59	£0.53
Expected volatility	30%	30%	36%
Expected option life	3.5 yrs	3.5 yrs	3.5 yrs
Risk-free rate of return	0.75%	0.75%	0.75%
Expected dividends	Nil	Nil	nil
Fair Value	£0.10	£0.07	£0.08

The fair value of these option grants resulted in a share based payment expense for 2012 totalling $585,000.

The following table details the incentive stock options outstanding as at 31 December 2013:

Number of share options	Exercise price	Expiry date
3,350,000	£0.15	November 15, 2018
425,000	£0.25	May 17, 2018
200,000	£0.59	May 14, 2017
3,325,000	£0.81	April 3, 2017
2,510,000	£1.08	November 17, 2015
50,000	£0.73	July 2, 2015
50,000	£0.89	January 26, 2015
2,100,000	£0.91	November 17, 2014
12,010,000	£0.68	

NOTE 18 – CAPITAL AND RESERVES (continued)

Other Share Options

There were no changes in other share options during the year ended 31 December 2013.

	2013		2012	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding - beginning of year	**18,786,525**	**1.06**	8,578,431	1.17
Granted during the year	-	-	10,208,094	1.05
Outstanding - end of the year	**18,786,525**	**1.06**	18,786,525	1.06
Exercisable - end of the year	**18,786,525**	**1.06**	18,786,525	1.06

These options were issued as additional consideration to Macquarie Bank in connection with the interest bearing loan and had an immaterial fair value. Accordingly all of the proceeds received from the debt facility were attributed to the loan.

The following table details the other share options outstanding as at 31 December 2013:

Number of share options	Exercise price	Expiry date
6,944,444	$1.08	December 31, 2014
1,633,987	$1.08	December 31, 2014
680,828	$1.08	December 31, 2014
4,672,897	$1.07	December 31, 2014
4,854,369	$1.03	December 31, 2014
18,786,525	$1.06	

Dividends

The directors do not recommend the payment of a dividend.

Share Option Reserve

The share option reserve includes a credit based on the fair value of share options issued and remaining in issue at 31 December 2013.

Capital Maintenance

The directors manage the capital resources of the Company to ensure that there are sufficient funds available to continue in business. Share capital is generally raised for the purpose of funding capital developments and significant exploration programmes, and loans for the purpose of funding working capital requirements.

	At 31 December 2013 US$000	At 31 December 2012 US$000
Total interest bearing debt	**25,135**	20,000
Total equity	**132,028**	149,000
Debt-to-equity ratio	**19.0%**	13.4%

NOTE 19 – LIABILITIES

Interest bearing loans

	At 31 December 2013 US$000	At 31 December 2012 US$000
Non-current liabilities		
Bank loans due after one year	-	20,000
Current liabilities		
Bank loans due within one year	**25,135**	-

As at 31 December 2013, the Group had drawn $25,000,000 (31 December 2012: $20,000,000) on the interest bearing loan provided by Macquarie Bank (the "Facility"). In November 2012, the interest bearing loans were amended with the term of the loan being extended from December 31, 2012 to June 30, 2014 and the interest rate increased to LIBOR plus 5% (from LIBOR plus 3.5%). The loan is secured against the assets of the Group, with the exception of the Group's joint venture interest in Minera IRL Patagonia in Argentina. In addition, other share options were granted in connection with the loan extension. See note 18, "Capital and Reserves" for more details on the other share options.

In August 2013, the 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 Facility interest rate remains 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 will be granted to Macquarie Bank (the "Macquarie Royalty"). Once granted, the Company would have the right to buy back 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 tranche. The IRR would be calculated using the actual drawdown and actual repayment of each tranche, the upfront fee paid (1.5% of each tranche, payable on drawdown), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty.

In November 2013, the Company drew down $5,000,000 under Tranche 3. A total of $190,000 in fees were paid in connection with this transaction. As required under IAS 39, the Company recorded the present value of the estimated cash flows including the corresponding $2,500,000 royalty Buyback Fee to determine the effective interest rate. Between the date Tranche 3 was drawn and 31 December 2013, interest expense of $366,000 was recorded. The liability related to Tranche 3 on the balance sheet as at 31 December 2013 was $5,135,000. Total debt outstanding under the Facility at 31 December 2013 was $25,135,000.

Subsequent to 31 December 2013, the Company drew down on the remaining $5,000,000 under the Macquarie Bank Finance Facility, bringing the total outstanding to $30,000,000. The corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank.

Provisions

The Company has a provision of $3,965,000 against the present value of the cost of restoring the Corihuarmi site and Ollachea exploration tunnel site. This provision is an estimate of the cost of reversing the alterations to the environment which had been made up until 31 December 2013. The timing and cost of this rehabilitation is uncertain and depends upon the duration of the mine life and the quantity of ore which will be extracted from the mine. At present time, management estimates that the remaining mine life at Corihuarmi is approximately 22 months. Further, the directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 11 years based on the time to develop and the projected mine life.

NOTE 19 – LIABILITIES (continued)

	Environmental provisions US$000
Balance 1 January 2012	2,443
Additional provision	789
Paid during the year	(54)
Balance 31 December 2012	3,178
Additional provision	**856**
Paid during the year	**(69)**
Balance 31 December 2013	**3,965**

In addition to management's estimates of the costs of site rehabilitation over the life of the mine, the Company has made, and expects to make in the future, expenditures to comply with laws and regulations concerning the protection of the environment. The timing and amount of these expenditures are uncertain and could affect future financial results.

	2013 US$000	2012 US$000
Trade and other payables		
Non-current		
Other payables [1]	**14,698**	14,000
Current		
Trade payables	**7,229**	8,090
Other payables [1]	**7,427**	9,665
	14,656	17,755

[1] On July 11, 2013, the Company and Rio Tinto agreed to an amount of $21,500,000 as the amount due from the Company to Rio Tinto in connection with the second and final additional payment under the Mining Rights Transfer Contract for the Ollachea property. The amount due is included in the current and non-current portions of trade and other payables. The payment was originally to be made in three separate instalments. The first instalment, representing 34% of the amount due, $7,310,000, was 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 12 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). In September 2013 the Company and Rio Tinto amended these payment terms. The due date of the first instalment of $7,310,000 was rescheduled to January 11, 2014 and the second and third instalments were combined into a final instalment of $14,190,000, due July 1, 2016. Both instalments 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 payment could be settled in ordinary shares of Minera IRL Limited at the Company's election.

In December 2013, the Company and Rio Tinto agreed that up to 100% of the first instalment of $7,310,000 plus the accrued interest of $128,000 could be settled in shares of the Company. The price per share, for purposes of calculating the number of shares to be issued, on both the first and final instalments, would be the lower of C$0.179, representing the 5-day volume-weighted-average price ("VWAP") on the Toronto Stock Exchange ("TSX") on date of signing the most recently revised agreement, or the TSX's 5-day VWAP on the day on which an instalment is paid. Subsequent to 31 December 2013, the Company issued 44,126,780 ordinary shares at a price of C$0.179 to Rio Tinto to settle the first instalment of the final Ollachea payment ($7,310,000) and accrued interest ($128,000).

NOTE 20 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The Group's principal financial assets comprise of available-for-sale financial investments, cash and cash equivalents, and other receivables. The Company 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.

The Group's financial liabilities include trade and other payables, interest bearing loans and other long term liabilities. They are all classified as financial liabilities and measured at amortised cost.

Risk management

The Group is exposed to certain financial risks due to its business activities. The potential adverse effects of these risks are constantly assessed by the management of the Group with a view to minimising them, and the directors consider whether it is appropriate to make use of financial instruments for this purpose. The following are major financial risks which the Group is exposed to:

Exchange rate risk
The functional currency of the significant entities within the Group is deemed to be the US dollar because the revenues from the sale of minerals are denominated in US dollars and the costs of the Group are likewise predominantly in US dollars. However, some transactions are denominated in currencies other than US dollars. These transactions comprise operating costs and capital expenditure in the local currencies of the countries in which the Group works.

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

	2013 **US$000**	2012 US$000
Pounds sterling	**40**	72
Australian dollars	**25**	242
Canadian dollars	**28**	174
Argentine pesos	**-**	206
Chilean pesos	**6**	22
Peruvian nuevo soles	**122**	1,164
United States dollars	**3,168**	4,366
	3,389	6,246

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

	2013 **US$000**	2012 US$000
Pounds sterling	**(184)**	(89)
Australian dollars	**(120)**	(230)
Canadian dollars	**(341)**	406
Argentine pesos	**(46)**	5,791
Chilean pesos	**5**	(7)
Peruvian nuevo soles	**4,294**	1,605
United States dollars	**(48,665)**	(39,961)
	(45,057)	(32,485)

NOTE 20 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The table below shows the profit/(loss) effect on the Group's results of a 10% and 20% weakening or strengthening of the US dollar against the net monetary assets shown in the table above:

	2013 US$000	2012 US$000
10% weakening of the US dollar	**361**	748
20% weakening of the US dollar	**722**	1,495
10% strengthening of the US dollar	**(361)**	(748)
20% strengthening of the US dollar	**(722)**	(1,495)

Liquidity risk

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

An analysis of the financial liabilities presented by maturity is detailed below. The contractual amounts disclosed in the maturity analysis are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

2013 Financial Liabilities	Due in less than 3 months US$000	Due between 3 months to 1 year US$000	Due between 1 to 5 years US$000	Total US$000
Trade payables	4,208	3,021	-	7,229
Other payables	-	993	16,176	17,169
Other payables - current portion[1]	7,438	-	-	7,438
Interest bearing loan	-	25,750	2,500	28,250
	11,646	29,764	18,676	60,086

1. "Other payables – current portion" at 31 December 2013 was an amount due to Rio Tinto, with accrued interest, that was settled in ordinary shares of Minera IRL Limited on 28 January 2014. Additional details are provided in note 19, "Liabilities".

2012 Financial Liabilities	Due in less than 3 month US$000	Due between 3 months to 1 year US$000	Due between 1 to 5 years US$000	Total US$000
Trade payables	8,090	-	-	8,090
Other payables	-	-	14,000	14,000
Other payables - current portion	-	9,665	-	9,665
Interest bearing loan	-	1,200	20,600	21,800
	8,090	10,865	34,600	53,555

NOTE 20 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market price of minerals risk

The Group's business exposes it to the effects of changes in the market price of minerals. Severe changes in the market price of minerals may affect the recoverability of the Group's investments in its mine, exploration assets and mining rights, and of the Company's intercompany receivables. However, considering the market prices in the last few years and available projections of future prices, the management believes that changes in market prices of minerals will not have a damaging impact on the Group's financial statements.

Credit risk

The Group is exposed to credit risk in so far as it deposits cash with its banks as detailed in note 17. However the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in note 15, by the governments of the Latin American countries in which it works.

Interest rate risk

The Group has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 5% over LIBOR and allows 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. It is the policy of the Group to settle trade payables within the agreed terms and no interest is incurred on those liabilities.

Price risk

Investments by the Group in available-for-sale financial investments expose the Group to price risk. All of the available-for-sale investments are valued by reference to quoted market prices. The directors do not consider this risk to be material as the Group does not have a significant portfolio of available-for-sale financial investments.

Fair values of financial assets and liabilities

The Group uses various methods in estimating the fair value of financial instruments. The methods comprise of:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	At 31 December 2013 US$000	At 31 December 2012 US$000
	Level 1	Level 1
Financial assets		
Available-for-sale investments	**30**	183
	30	183

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

NOTE 21 – OTHER INCOME

In October 2013, the Company signed an agreement transferring mining rights over 802 hectares of its Huaquirca project to arms' length third party for a period of ten years. Consideration for this transfer was a total of $750,000 (paid) plus a 2% net smelter royalty.

NOTE 22 – CAPITAL 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. An 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 $1,784,000 would be payable.

In June 2013, the Province of Santa Cruz in Argentina passed amendments to the Provincial Tax Code and Provincial Tax Law that imposed a new tax on mining reserves. The law came into effect on July 5, 2013. The tax will amount to 1% of the value of mine reserves reported in feasibility studies and financial statements inclusive of variations resulting from ongoing operations. Regulations require that the tax be calculated on "measured" reserves, and Minera IRL's legal counsel has interpreted this to mean "proven" reserves. The Province has disputed this interpretation but has not provided further clarification on the definition of "measured" reserves, and the effect of this new mining tax is not clear at this time. The Company continues to monitor the situation closely.

The Company has entered into a contract with Generacion Electrica San Gaban SA for the supply of power to the construction and operation of the Ollachea project. The contract includes certain minimum power usages, including the payment of a penalty of $500,000 in the event that the construction of Ollachea has not commenced by the end of March 2015.

NOTE 23 – RELATED PARTIES

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

During the year ended 31 December 2013, the Group did not enter into transactions with related parties other than Minera IRL Patagonia as discussed above and with key management as disclosed in note 6.

NOTE 24 – SUBSEQUENT EVENTS

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.

On 28 January 2014, the Company issued 44,126,780 ordinary shares at a price of C$0.179 per share to Rio Tinto to settle the first instalment of the final Ollachea payment for $7,310,000 and accrued interest due of $128,000. Additional details with respect to the final Ollachea payment are provided under note 19, "Liabilities".

Subsequent to 31 December 2013, the Company drew down on the remaining $5,000,000 under the Macquarie Bank Finance Facility, bringing the total outstanding to $30,000,000. The corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank. Additional details on the Macquarie Bank Facility are provided under note 19, "Liabilities".

In March 2014, the Company sold its Chapi Chapi project in Peru for proceeds of $1,125,000.

CORPORATE INFORMATION

DIRECTORS
Courtney Chamberlain (Executive Chairman)
Daryl Hodges (Non-Executive)
Douglas Jones (Non-Executive)
Napoleon Valdez Ferrand (Non-Executive)

COMPANY SECRETARY
Brad Boland

REGISTERED OFFICE
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

NOMINATED ADVISOR & BROKER
Canaccord Genuity Limited
88 Wood Street
London EC2V 7Q4

CO-BROKER (UK)
FinnCap Limited
60 New Broad Street
London EC2M1JJ

AUDITOR
BDO LLP
55 Baker Street
London W1U 7EU
United Kingdom

BANKER
Royal Bank of Scotland International Ltd
Royal Bank House
71 Bath Street
St Helier
Jersey JE4 8PJ

SOLICITORS
English Law
Fasken Martineau LLP
2nd Floor
17 Hanover Square
London W1S 1HU

Canadian Law
Fasken Martineau Du Moulin LLP
333 Bay Street, Suite 2400
Toronto, ON M5M 2T6
Canada

Jersey Law
Mourant Ozannes
PO Box 87
22 Grenville Street
St Helier
Jersey JE4 8PX
Channel Islands

Peruvian Law
Rodrigo, Elias & Medrano
Av. San Felipe 758 – Jesús Maria
Lima
Perú

Argentinean Law
Gonzales & Ferraro Mila Sociedad Civil
Juan María Gutierrez 3765, Piso 4to
(C1425 ARA) Buenos Aires
Argentina

REGISTRAR
Computershare Investor Services
(Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES

Canadian Transfer Agent
Computershare Investor Services Inc.
University Avenue
Toronto, Ontario
M5J 2Y1
Canada

Registered in Jersey under number 94923

www.minera-irl.com

For more information contact:

Courtney Chamberlain
Executive Chairman

Brad Boland
Chief Financial Officer & Company Secretary

Diego Benavides
President of Minera IRL S.A.

Jeremy Link
Corporate Development

Advisors
London

Canaccord Genuity Limited (Nominated Adviser & Broker, London)	+ 44 (0) 20 7523 8350
finnCap (Co Broker)	+ 44 (0) 20 7600 1658
Buchanan (Financial PR, London)	+ 44 (0) 20 7466 5000

PERU OFFICE: Av. Santa Cruz 830 Of. 401, Miraflores, Lima 18 / Tel. (51 1) 418-1230 / Fax (51 1) 418-1270
REGISTERED OFFICE: Ordnance House, 31 Pier Road, St. Helier Jersey JE4 8PW