MINERA IRL LIMITED
Interim Financial Statements
For the Third Quarter ended 30 September 2016

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

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Group's independent auditor has not performed a review of these financial statements for the third quarter ended 30 September 2016 in accordance with the International Standard on Review Engagements for Reviews of Interim Financial Information.

Minera IRL Limited

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in thousands of United States Dollars, except per share amounts)

		Three Months Ended		Nine Months Ended	
	Notes	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue		$ 7,839	$ 5,872	$ 21,709	$ 19,915
Cost of sales		(5,616)	(4,192)	(16,125)	(15,429)
Gross profit		2,223	1,680	5,584	4,486
Administrative expenses		(2,182)	(1,531)	(5,181)	(5,345)
Exploration costs		-	(193)	(24)	(417)
Operating (loss) profit before impairment		41	(44)	379	(1,276)
Write-off of intangible asset		-	(2)	-	(3,036)
Operating (loss) profit		41	(46)	379	(4,312)
Finance expense	4	(3,032)	(2,362)	(8,168)	(5,691)
Loss before tax		(2,991)	(2,408)	(7,789)	(10,003)
Income tax expense		-	(259)	(302)	(452)
Loss and comprehensive loss for the period attributable to the equity shareholders of the parent		(2,991)	(2,667)	(8,091)	(10,455)
Total comprehensive loss		$ (2,991)	$ (2,667)	$ (8,091)	$ (10,455)
Loss per share (US cents)					
Basic and diluted - continuing operations	6	(1.3)	(1.0)	(3.5)	(4.5)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Minera IRL Limited

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	September 30, 2016	December 31, 2015
Assets			
Restricted cash	12	$ 4,605	$ 3,269
Property, plant and equipment	7	6,525	7,099
Intangible assets	8	136,448	133,159
Other receivables and prepayments	9	6,966	6,649
Total non-current assets		154,544	150,176
Inventory	10	2,762	2,591
Other receivables and prepayments	9	1,653	756
Current tax recoverable		64	703
Cash and cash equivalents	11	5,353	15,580
Total current assets		9,832	19,630
Total assets		$ 164,376	$ 169,806
Equity			
Share capital	13	$ 159,012	$ 159,012
Share option reserve	13	663	959
Accumulated losses		(84,117)	(76,322)
Total equity attributable to equity shareholders of the parent		75,558	83,649
Liabilities			
Interest bearing loan	14	-	63,542
Provisions	16	5,726	5,329
Royalty buyback liabilities	15	7,536	7,178
Total non-current liabilities		13,262	76,049
Interest bearing loan	14	68,088	2,190
Trade and other payables	17	7,468	7,918
Total current liabilities		75,556	10,108
Total liabilities		88,818	86,157
Total equity and liabilities		$ 164,376	$ 169,806

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Minera IRL Limited

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - Expressed in thousands of United States Dollars, except share amounts)

		Share capital		Reserves		
	Notes	Number of Shares	Amount	Share option	Accumulated losses	Total equity
Balance at 1 January 2015		**231,135,028**	**$ 159,012**	**$ 2,770**	**$ (63,482)**	**$ 98,300**
Loss for the period		-	-	-	(10,455)	(10,455)
Total comprehensive loss		-	-	-	(10,455)	(10,455)
Issuance of share options		-	-	434	-	434
Expiry/lapse of share options		-	-	(67)	67	-
Balance at 30 September 2015		231,135,028	159,012	3,137	(73,870)	88,279
Loss for the period		-	-	-	(4,630)	(4,630)
Total comprehensive loss		-	-	-	(4,630)	(4,630)
Expiry/lapse of share options		-	-	(2,178)	2,178	-
Balance at 31 December 2015		**231,135,028**	**159,012**	**959**	**(76,322)**	**83,649**
Loss for the period		-	-	-	(8,091)	(8,091)
Total comprehensive loss		-	-	-	(8,091)	(8,091)
Expiry/lapse of share options				(296)	296	
Balance at 30 Sep 2016		**231,135,028**	**$ 159,012**	**$ 663**	**$ (84,117)**	**$ 75,558**

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Minera IRL Limited

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in thousands of United States Dollars)

		Three Months Ended		Nine Months Ended	
	Notes	September 2016	September 2015	September 2016	September 2015
OPERATING ACTIVITIES					
Loss before tax		$ (2,991)	$ (2,408)	$ (7,789)	$ (10,003)
Finance expense	4	3,032	2,362	8,168	5,691
Gain on sale of property, plant and equipment		-	-	(15)	-
Depreciation	7	736	236	2,439	1,983
Write-off of intangible asset			2		3,036
Changes in non-cash working capital items:					
(Increase) decrease in inventory	10	(72)	(684)	(171)	(430)
Increase in other receivables and prepayments		(330)	(107)	(1,450)	500
(Decrease) increase in trade and other payables		279	458	(911)	1,112
Payment of mine closure costs	16	(19)	(14)	(54)	(72)
		635	(155)	217	1,817
Corporation tax paid, net		406	(241)	387	(620)
Net cash provided by (used in) operating activities		1,041	(396)	604	1,197
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	7	(945)	(1,048)	(1,868)	(1,580)
Disposal of property, plant and equipment		-	-	18	-
Deferred exploration and development expenditures	8	(1,727)	(843)	(3,289)	(2,840)
Increase in restricted cash	12	-	(597)	(1,336)	(1,965)
Net cash used in investing activities		(2,672)	(2,488)	(6,475)	(6,385)
FINANCING ACTIVITIES					
Receipt of loans, net		-	-	-	65,476
Payment of loans		-	-	-	(30,000)
Payment of long term liabilities		-	-	-	(12,000)
Finance expense paid		(1,490)	(1,200)	(4,356)	(3,008)
Net cash used in financing activities		(1,490)	(1,200)	(4,356)	20,468
Change in cash		(3,121)	(4,084)	(10,227)	15,280
Cash at beginning of period		8,474	23,173	15,580	3,809
Cash at end of period		$ 5,353	$ 19,089	$ 5,353	$ 19,089

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Note 1 – Nature and Continuance of Operations

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

The principal activity of the Group and its subsidiaries is the exploration for and development of mines for the extraction of gold.

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

At 30 September 2016, the Group had working capital deficiency of $65,724,000. Working Capital is defined as current assets less current liabilities. On 3 June 2015, the Group entered into a $70,000,000 secured finance facility (the "Bridge Loan") structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE") and syndicated through Goldman Sachs Bank USA ("Goldman Sachs"). The Bridge Loan is expected to be the first step towards a senior debt facility of up to $240,000,000 (Senior Debt Facility"), described in a letter of mandate signed by COFIDE and the Group to build Minera IRL's Ollachea gold project. The Bridge Loan is due on 3 June 2017.

The proceeds from the loan were applied towards the repayment of the $30,000,000 Macquarie Bank Limited ("Macquarie Bank") debt facility and the payment of $12,000,000 of the $14,190,000 outstanding to Rio Tinto Mining and Exploration Limited ("Rio Tinto") under the Ollachea Mining Rights Transfer Contract. The remaining $2,190,000 outstanding was converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. Rio Tinto was also paid $941,000 in outstanding interest and incentive payments. As at 30 September 2016 the Group had repaid $700,000 of the $2,190,000.

The net proceeds from the loan, after the payment of fees related to the financing and repayment of existing debt and accrued interest, was $22,231,000. The funds are intended to advance initial aspects of project development needed to commence major site construction on the Ollachea Gold Project once the Senior Debt Facility is in place. This includes commencing the detailed engineering and design, recommencement of underground drilling at Minapampa East zone, and maintaining social and environmental programs.

The Bridge Loan is expected to be rolled into a Senior Debt Facility, which management hopes to be in place during the first quarter of 2017. However, no agreement has been entered into in respect of the Senior Debt Facility. If the Group is not able to secure the senior debt facility it will not have the funds available to develop the Ollachea Gold Project. Whilst the management expects to raise funds through the Senior Debt Facility there can be no guarantee that a funding agreement will be concluded in the required timescale. Additionally, an equity offering may be required to supplement any Senior Debt Facility in funding the development of the Ollachea Gold Project and for corporate and working capital purposes.

The above conditions indicate the existence of a material uncertainty which may cast doubt on the Group'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.

These condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 14 November 2016.

Note 2 – Basis of Preparation and Significant Accounting Policies

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

These condensed interim consolidated financial statements have been prepared by management and reported in thousands of United States dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and have been prepared following the same accounting policies and method of computation as the annual Financial Statements for the year ended 31 December 2015. The disclosures provided below are incremental to those included with the annual Financial Statements. Certain information and disclosures normally included in the notes to the annual Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2015 prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS expected to be effective for the year ended 31 December 2016.

Note 3 – 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 Chief Executive Officer. The Group identifies these units primarily according to the country of operation. Within the countries of operation the managerial functions are divided into mining operations, the exploration activities related to the individual properties which the Group has the rights to explore, the activities related to the acquisition of properties and the administration of the Group. The assessment of exploration activities is dependent principally on non-financial data.

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

	Peru ($'000)	**Other ($'000)**	**Total ($'000)**
For the Nine Months Ended 30 September 2016			
Revenue	21,709	-	21,709
Administration	(4,274)	(907)	(5,181)
Operating profit (loss)	1,540	(1,161)	379
Loss	(4,722)	(3,369)	(8,091)
For the Nine Months Ended 30 September 2015			
Revenue	19,915	-	19,915
Administration	(2,722)	(2,623)	(5,345)
Operating profit (loss)	(1,578)	(2,734)	(4,312)
Profit (loss)	(5,514)	(4,841)	(10,455)

	Peru ($'000)	**Other ($'000)**	**Total ($'000)**
As at 30 September 2016			
Non-current assets	154,544	-	154,544
Current	9,771	61	9,832
Total assets	164,315	61	164,376
As at 31 December 2015			
Non-current assets	150,176	-	150,176
Current	19,589	41	19,630
Total assets	164,315	41	169,806

Note 4 – Finance Expense

The following table details the finance expenses incurred during the three and nine months ended 30 September 2016 and 2015.

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Macquarie Bank finance facility	-	-	-	691
Macquarie Bank royalty buy-back provision	203	178	205	596
Macquarie Bank amortization of deferred fee	-	-	-	1,564
Rio Tinto Ollachea Mining Rights Contract payment	-	(90)	-	(393)
Cofide bridge loan effective interest	2,200	2,013	6,428	2,672
Other bridge loan finance costs	268	-	789	-
Sherpa royalty buy-back provision	147	137	152	174
Accretions	150	124	450	345
Other	64	-	144	42
	3,032	2,362	8,168	5,691

The increase in COFIDE bridge loan interest, for the nine months ended September 30, 2016 compared to the corresponding 2015 period, is due to nine months of interest costs in 2016 compared to four month in the corresponding 2015 period.

Note 5 – Remuneration of Key Management Personnel

Nine months ended 30 September 2016	Salary & Fees ($'000)	Bonus ($'000)	Other Benefits ($'000)	Share Based Payments ($'000)	Total ($'000)
Directors:					
R Fryer (1)	54	-	-	-	54
D Jones (2)	11	-	-	-	11
J Bavin (3)	82	-	-	-	82
F O'Kelly (4)	124	-	-	-	124
G Perez (5)	15	-	-	-	15
D Weyrauch (6)	14	-	-	-	14
R Schafer (7)	1	-	-	-	-
Directors total	301	-	-	-	301
Non-Directors (8)	502	-	48	-	550
TOTAL	803	-	48	-	851

Notes:

1. Mr. Fryer was appointed to the Board of Directors on 5 May 2015. Remuneration includes $43,000 consulting fees and $11,000 director fees. Mr. Fryer resigned on 15 June 2015.
2. Mr. Jones resigned on 15 June 2015.
3. Mr. Bavin was appointed to the Board of Directors on 16 December 2015. Remuneration includes $65,000 consulting fees and $17,000 director fees.
4. Mr. O'Kelly was appointed to the Board of Directors on 28 March 2016. Remuneration includes $121,000 consulting fees and $3,000 director fees.
5. Mr. Perez was appointed to the Board of Directors on 23 May 2016.Remuneration includes $7,000 consulting fees and $8,000 director fees.
6. Mr. Weyrauch was appointed to the Board of Directors on 21 June 2016. Remuneration includes $7,000 consulting fees and $7,000 director fees.
7. Mr. Schafer was appointed to the Board of Director on 12 September 2016.
8. Non-Directors include the President of the Peruvian subsidiaries, the Corihuarmi Mine Manager and the Interim CFO.

Nine months ended 30 September 2015	**Salary & Fees ($'000)**	**Bonus ($'000)**	**Other Benefits ($'000)**	**Share Based Payments ($'000)**	**Total ($'000)**
Directors:					
C Chamberlain (1)	133	-	2	-	135
D Hodges (2)	138	-	-	-	138
R Fryer (3)	9	-	-	-	9
D Jones	18	-	-	-	18
J Pinto(4)	4	-	-	-	4
Directors total	302	-	2	-	304
Non-Directors (5)	786	-	114	-	900
TOTAL	1,088	-	116	-	1,204

Notes:

1. Mr. Chamberlain stepped down as Executive Chairman on 6 March 2015, but remained on the Board of Directors until 20 April 2015.
2. Mr. Hodges was appointed as Executive Chairman on 6 March 2015 and ceased to be a director on 26 August 2015
3. Mr. Fryer was appointed to the Board of Directors on 5 May 2015.
4. Mr. Pinto was appointed to the Board of Directors on 27 August 2015.
5. Non-Directors include the President of the Peruvian subsidiaries, Chief Financial Officer, VP of Exploration, the Corihuarmi Mine Manager and other senior executives.

Note 6 – Loss per Share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders for the nine months ended 30 September 2016 of $8,091,000 (2015: loss of $10,455,000) and the weighted average number of ordinary shares in issue during the nine month period ended 30 September 2016 of 231,135,028 (2015: 231,135,028).

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

	2016 Loss ($'000)	**2016 Number of shares ('000)**	**2016 Earnings per share (cents)**	2015 Loss ($'000)	2015 Number of shares ('000)	2015 Earnings per share (cents)
Basic loss	**(8,091)**	**231,135**	**(3.5)**	(10,455)	231,135	(4.5)
Dilutive effects-options	**-**	**-**	-	-	-	-
Diluted loss	**(8,091)**	**231,135**	**(3.5)**	(10,455)	231,135	(4.5)

As at 30 September 2016 and 2015, all options were excluded from the calculation of diluted loss per share because they were non-dilutive.

Note 7 – Property, Plant and Equipment

	Mining Assets & Deferred Development Costs ($'000)	Land & Buildings ($'000)	Motor Vehicles ($'000)	Computers & Other Equipment ($'000)	Total ($'000)
Cost					
Balance – 1 January 2015	50,832	396	2,626	2,935	56,789
Additions	3,075	-	-	55	3,130
Reclassifications	1,013	-	-	-	1,013
Balance – 31 December 2015	54,920	396	2,626	2,990	60,932
Additions	1,719	31	28	90	1,868
Disposals	-	-	(63)	-	(63)
Reclasifications	-	-	(35)	(41)	(76)
Balance – 30 September 2016	**56,639**	**427**	**2,556**	**3,039**	**62,661**
Accumulated Depreciation					
Balance – 1 January 2015	46,468	337	2,258	2,583	51,646
Depreciation for the year	1,888	7	174	118	2,187
Balance – 31 December 2015	48,356	344	2,432	2,701	53,833
Depreciation for the period	2,267	3	80	89	2,439
Disposals	-	-	(60)	-	(60)
Reclassifications	-	-	(35)	(41)	(76)
Balance – 30 September 2016	**50,623**	**347**	**2,417**	**2,749**	**56,136**
Carrying Amounts					
Balance - 1 January 2015	4,364	59	368	352	5,143
Balance – 31 December 2015	6,564	52	194	289	7,099
Balance – 30 September 2016	**6,016**	**80**	**139**	**290**	**6,525**

Note 8 – Intangible Assets

	Ollachea ($'000)	Other Peru ($'000)	Total ($'000)
Balance – 1 January 2015	128,578	4,492	133,070
Additions	3,854	286	4,140
Write-off of intangible asset	-	(3,038)	(3,038)
Reclassifications	-	(1,013)	(1,013)
Balance – 31 December 2015	132,432	727	133,159
Additions	2,840	449	3,289
Balance - 30 September 2016	**135,272**	**1,176**	**136,448**

The Group was required to make an option payment of $1,000,000 due in December 2015 to allow the Group to retain its option rights on the Bethania property. At the end of June 2015, the Group decided not to make the payment in order to conserve cash. Consequently, the Group wrote off the investment and recorded a charge of $3,038,000

The Ollachea property will require significant project financing in order to bring it into production and convert it into mining assets. The carrying values of the deferred exploration and development costs for the Ollachea property and the Group's other exploration properties in Peru at 31 December 2015 have been assessed for indications of impairment and the results of these assessments have been sufficiently encouraging to justify the retention of the deferred exploration and development assets on the consolidated statements of financial position. There were no new indicators of impairment as at 30 September 2016.

Note 9 – Other Receivables and Prepayments

	30 September 2016 ($'000)	31 December 2015 ($'000)
Non-current assets		
Other receivables	**6,966**	6,649
	6,966	6,649
Current assets		
Other receivables	**1,370**	466
Prepayments and deferred expenses	**283**	290
	1,653	756

Included in other receivables and prepayments is an amount of $8,180,000 (2015: $7,187,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the $8,180,000 sales tax recoverable, $6,966,000 (2015: $6,668,000) relates to purchases for the Ollachea project, which are not expected to be recovered during the next twelve months and have therefore been included in non-current assets.

Note 10 - Inventory

	30 September 2016 ($'000)	31 December 2015 ($'000)
Gold in process	**1,568**	1,399
Mining materials	**1,194**	1,192
	2,762	2,591

Note 11 – Cash and cash equivalents

	30 September 2016 ($'000)	31 December 2015 ($'000)
Bank balances	**5,353**	15,580

The $5,353,000 bank balance includes $3,606,000 of the COFIDE Bridge Loan funding. As per the terms of the loan agreement, the proceeds of this loan are to be used exclusively in connection with the development of the Ollachea project. The Group is in discussions with COFIDE and Goldman Sachs, however has not yet obtained, a waiver for approximately $2,500,000 of disbursements not related to the development of the Ollachea project.

Note 12 – Restricted cash

	30 September 2016 ($'000)	31 December 2015 ($'000)
Security on environmental performance guarantees	**4,605**	3,269

The Group has deposited cash in a Peruvian bank, as collateral against performance guarantees issued by the Peruvian bank to the Peruvian Ministry of Energy and Mines.The guarantees relate to future reclamation and rehabilitation cost for the Corihuarmi mine and Ollachea exploration tunnel. The performance guarantees are provided in the form of letters of guarantee and are renewed on an annual basis.

Note 13 – Capital and Reserves

As at 30 September 2016 and 31 December 2015, Minera IRL Limited's share capital is made up of no par shares. There is no upper limit on the value of shares to be issued.

Issued share capital	**Ordinary Shares**
Shares in issue 1 January 2015	231,135,028
Shares in issue 31 December 2015	231,135,028
Shares in issue 30 September 2016	**231,135,028**

Share Options
Minera IRL Limited 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 on or after 17 November 2009 allow immediate exercise. The options lapse on the fifth anniversary of the date of grant and have no performance conditions.

	30 September 2016		**31 December 2015**	
	Number of Options	**Weighted Average Exercise Price (£)**	**Number of Options**	**Weighted Average Exercise Price (£)**
Outstanding – beginning of period	4,570,000	0.51	9,230,000	0.68
Expired	(2,570,000)	(0.52)	(4,660,000)	(0.74)
Outstanding, end of period	2,000,000	0.51	4,570,000	0.51
Exercisable, end of period	2,000,000	0.51	4,570,000	0.51

The average remaining contractual life of the outstanding options as at 30 September 2016 was 1.2 years (2015: 2.0 years).

At the AGM in August 2015 the shareholders voted to not renew approval of this share option scheme. Consequently, no options were granted during the nine months ended 30 September 2016.

The following table details the incentive stock options outstanding as at 30 September 2016:

Number of share options	**Exercise price**	**Expiry date**
900,000	£0.15	15 November 2018
1,100,000	£0.81	3 April 2017
2,000,000	£0.51	

Other Share Options

On 30 June 2014, Minera IRL Limited granted 26,000,000 options at an exercise price of $0.176 for a period of two years to Macquarie Bank as partial consideration for the one-year extension of the Macquarie Bank loan facility. The options vested immediately upon being granted and were fair valued at $1,629,000. The options expired on 30 June 2016.

	30 September 2016		**31 December 2015**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	26,000,000	0.18	26,000,000	0.18
Expired on June 30, 2016	(26,000,000)	0.18	-	-
Outstanding – end of period	-	-	26,000,000	0.18
Exercisable – end of period	-	-	26,000,000	0.18

As part of the fees paid in connection to the Bridge Loan to the structuring agent Inversiones y Asesoría SHERPA S.C.R.L. ("Sherpa"), Minera IRL Limited is required to grant 11,556,751 options (subject to receipt of all regulatory approvals of the TSX, AIM and BVL stock markets). Each option will be exercisable to purchase one ordinary share of the Group at a price of C$0.20 ($0.16) per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Gold Project. The options have not been granted yet.

The options vest immediately upon being granted and have been fair valued at $434,000 based on the Black-Scholes option pricing model using the following assumptions:

Date of Grant	**3 June 2015**
Share price on date of grant	C$0.11
Exercise price	C$0.20
Expected volatility	88.1%
Expected option life	3 yrs
Risk-free rate of return	0.50%
Expected dividends	Nil
Fair value	$0.04

Share Option Reserve

The share option reserve includes a credit based on the fair value of share options issued and remaining in issue at 30 September 2016.

Capital Maintenance

The directors manage the capital resources of the Group to ensure that there are sufficient funds available to continue in business. Share capital is generally raised to fund capital development, exploration programmes, and for working capital requirements.

	30 September 2016 ($'000)	31 December 2015 ($'000)
Total interest bearing debt	**68,088**	65,732
Total equity	**75,558**	83,649
Debt-to-equity ratio	**90.1%**	78.6%

Note 14 –Interest Bearing Loans

	30 September 2016 ($'000)	31 December 2015 ($'000)
Non-Current liabilities		
Bank loans	**-**	63,542
Current liabilities		
Bank loans	**66,545**	-
Promissory note due within a year	**1,543**	2,190
	68,088	2,190

COFIDE Bridge Loan
In June 2015, the Group secured a $70,000,000 Bridge Loan from the Peruvian state-owned development and promotion bank, COFIDE, which was syndicated through Goldman Sachs. The Bridge Loan is expected to be the first component of a Senior Debt Facility of up to $240,000,000 to be structured by COFIDE to develop the Group's Ollachea Gold Project. The Bridge Loan, net of fees and expenses, has been recorded as an interest bearing loan on the balance sheet under non-current liabilities.

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

The tenor of the loan is for 24 months, at an interest rate of LIBOR plus 6.17%. The Bridge Loan terms included financing fees of 2.25% ($1,575,000) paid to COFIDE along with an upfront fee of $300,000 to Goldman Sachs. In addition, the Group paid certain fees to the structuring agent, Sherpa, including a 3% fee ($2,100,000) paid in cash as well as a 0.9% net smelter return royalty on the Ollachea Gold Project; in addition Sherpa is entitled to 11,556,751 share options, each of which is exercisable to purchase one ordinary share of Minera IRL Limited at a price of C$0.20 per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Gold Project (subject to the receipt of all regulatory approvals).

The 0.9% net smelter return royalty granted to Sherpa is subject to a buy back at the Group's option. Details on the royalty buy back are provided in note 15, "Royalty Buyback Liabilities".

The total cost of the Bridge Loan, including the estimated value of the share options and the Sherpa Royalty Buyback, was deferred, and will be expensed over the two-year life of the loan. Additional details on the Bridge Loan and letter of mandate can be found in note 15, "Royalty buy back liabilities".

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

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

Except as disclosed in Note 11, the net proceeds from the Bridge Loan, after the payment of existing debt, and financing fees and expenses, will be used to advance project development needed to position the Group to commence major site construction on the Ollachea Gold Project, once the Senior Debt Facility is in place. This includes commencing the detailed engineering and design, recommencement of underground drilling at the Minapampa East zone, and maintaining social and environmental programs.

The Group has signed a letter of mandate with COFIDE to structure the Senior Debt Facility for up to $240,000,000, under which the Bridge Loan is expected to be refinanced. The Senior Debt Facility is expected to be in place by the end of 2016; however, the availability of the Senior Debt Facility is not guaranteed and its terms, including the size of the facility, are still to be negotiated. The Group may also seek to raise equity funding to reduce the amount of debt and leverage on the Ollachea Gold Project to what is determined to be an acceptable level, and for general corporate and working capital purposes.

The Senior Debt Facility is expected to be subject to similar financing fees and would be subject to fees payable to Sherpa, including a 3% fee paid in cash; an additional net smelter return royalty on the Ollachea Gold Project of up to 1.1% (depending on the size of the Senior Debt Facility); and the issuance of up to 23.1 million options (also depending on the size of the Senior Debt Facility). The options will be exercisable to purchase one ordinary share of the Group at a price of C$0.20 per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Gold Project (subject to receipt of all regulatory approvals of the TSX, AIM and BVL stock markets).

Macquarie Bank Finance Facility
In June 2015, the $30,000,000 due under the Macquarie Finance Facility, along with $300,000 in accrued interest, was paid from proceeds from the COFIDE Bridge Loan.

Note 15 –Royalty Buyback Liabilities

The Group has granted royalties on the Ollachea Gold Project to Sherpa under the COFIDE Bridge Loan and to Macquarie Bank under the Finance Facility that can be bought out at the Group's option. The Group is expensing the present value of the estimated cash flows relating to the royalty buyback over the life of the respective loans.

A reconciliation of the royalty buyback provision is as follows:

	Sherpa Royalty US$000	Macquarie Royalty US$000	Total US$000
Balance 1 January 2015	-	2,153	2,153
Initial liability recorded	3,922	-	3,922
Finance expense recorded	317	786	1,103
Balance 31 December 2015	4,239	2,939	7,178
Finance expense recorded	152	206	358
Balance 30 September 2016	**4,391**	**3,145**	**7,536**

Sherpa Royalty Buyback Liability
In June 2015, the Group secured a $70,000,000 Bridge Loan from COFIDE. Upon completion of the Bridge Loan, fees to the Group's structuring agent, Sherpa, as described in Note 14, including a 0.9% net smelter return royalty on the Ollachea Gold Project ("Sherpa Royalty"), were payable. In addition to the Group's right of first refusal on the sale of any royalty granted to Sherpa, the agreement provided the Group with the option to buy out any Sherpa Royalty. Under the terms of the agreement, until the Ollachea Gold Project achieves commercial production, the Group has the option to buy back the Sherpa Royalty ("Sherpa Royalty Buyback") at a price of $6,184,000 for every 1% royalty purchased ($5,566,000 for the 0.9% royalty granted). As at 30 September 2016, the Group has the option to buy back any Sherpa royalty at a price of $6,184,000 for every 1% royalty purchased ($5,566,000 for the 0.9% royalty granted).

Macquarie Royalty Buyback Liability
In August 2013, the Macquarie Finance Facility was amended to increase the amount available by $10,000,000, in two separate $5,000,000 tranches, increasing the total amount available under the Facility to $30,000,000. The Macquarie Finance Facility interest rate remained LIBOR plus 5.0%; however, as a condition of drawing down on

each additional $5,000,000 tranche, a 0.5% gross revenue royalty on gold production from the Group's Ollachea Gold Project for the life of the mine was to be granted to Macquarie Bank. Once granted, the Group would have the right to buyback and cancel each tranche of the Macquarie Royalty by paying a buyback fee (the "Buyback Fee"). The Buyback Fee would be calculated as the amount required to generate an internal rate of return ("IRR") to Macquarie Bank of 25% for each tranche, but shall not be less than $2,500,000 for each 0.5% gross revenue royalty. The IRR would be calculated using the actual drawdown and actual repayment of each tranche, the upfront fee paid (1.5% of each tranche), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty.

In November 2013, the Group drew down $5,000,000 under Tranche 3, and on 31 March 2014, the Group drew down $5,000,000 under Tranche 4. The corresponding 0.5% gross revenue royalties were registered against the Ollachea property in favour of Macquarie Bank at each draw down.

In June 2015, the Macquarie Finance Facility was refinanced with proceeds from the COFIDE Bridge Loan. However, the Macquarie Royalties along with the Group's option to buy the royalties back remain in place.

Note 16 – Provisions

The Group has made a provision of $5,726,000 (2015: 5,329,000) against the present value of the cost of restoring the Corihuarmi site and the Ollachea exploration tunnel site. This provision is an estimate of the cost of reversing the alterations to the environment which have been made to date. The timing and cost of this rehabilitation is uncertain and depends upon the duration of the mine life and the quantity of ore that will be extracted from the mine. At the present time, management estimates that the remaining mine life at Corihuarmi is approximately 18 months. Further, management has currently estimated that the rehabilitation of the Ollachea exploration tunnel is to begin in 11 years based on the time to develop the mine and the projected mine life.

	Environmental Provisions ($'000)
Balance - 1 January 2015	4,485
Accretion	522
Additional provision	415
Paid during the year	(93)
Balance - 31 December 2015	5,329
Accretion	451
Paid during the period	(54)
Balance - 30 September 2016	**5,726**

Note 17 – Trade and other payables

	30 September 2016 ($'000)	31 December 2015 ($'000)
Current		
Trade payables	**4,646**	5,170
Other payables	**2,822**	2,748
	7,468	7,918

Note 18 – Financial Instruments and Financial Risk Management

Financial instruments

The Group's principal financial assets comprise of cash and cash equivalents, and other receivables. 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 operates.

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

	30 September 2016 ($'000)	31 December 2015 ($'000)
Canadian dollars	**23**	29
Peruvian nuevos soles	**124**	250
United States dollars	**5,206**	15,301
	5,353	15,580

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

	30 September 2016 ($'000)	31 December 2015 ($'000)
Pounds sterling	**(88)**	(184)
Australian dollars	**-**	(61)
Canadian dollars	**(135)**	(281)
Peruvian nuevos soles	**1,820**	1,557
United States dollars	**(71,774)**	(63,869)
	(70,177)	(62,838)

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 liabilities shown in the table above:

	30 September 2016 ($'000)	31 December 2015 ($'000)
10% weakening of the US dollar	**160**	99
20% weakening of the US dollar	**320**	197
10% strengthening of the US dollar	**(160)**	(99)
20% strengthening of the US dollar	**(320)**	(197)

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.

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 Group'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 notes 11 and 12. However, the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in note 9, by the government of Peru.

Interest rate risk
The Group has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 6.17% over LIBOR. A change in LIBOR of +/- 1% would not have a material effect on the financial results of the Group. It is the policy of the Group to settle trade payables within agreed terms so that no interest is incurred on those liabilities.

Note 19 – Capital Commitments and Contingent Liabilities

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

During 2013, the Group was issued tax reassessments by the Peruvian tax authorities for the years ended 31 December 2008, 2009 and 2011 related to the deductibility of depreciation claimed by the Group. The appeal filed by the Group with the tax authorities was unsuccessful and the Group subsequently filed an appeal with the Peruvian Tax Court.

The Group has entered into certain contracts for the purchase of electrical equipment and the supply of power for the construction and operation of the Ollachea project. The contract for the supply of power included certain minimum power usages in the event that construction of Ollachea had not commenced by June 2015. In March 2015, the Group entered into an amended power contract deferring the requirement to make minimum power usage payments for twelve months, until June 2016. In December 2015 the contract was extended until June 2017.

Equipment related to the purchase of long lead time items for the Group's main substation for the supply of power has been ordered through a third party. If the Group cancels these orders a penalty of 10% of the value of the purchases would be payable.

As part of the Bridge Loan financing entered into with COFIDE, the Group signed a letter of mandate in regards to a larger senior debt facility for up to $240,000,000. Additional details on the Bridge Loan and letter of mandate can be found in note 14, "Interest Bearing Loans". The mandate letter provides for a payment of $1,440,000 from the Group to COFIDE in the event that the Group does not proceed with the Senior Debt Facility once COFIDE has achieved the approval of all the banks to be participants in the facility.

A former executive and a former employee have filed a claim against a subsidiary for wrongful dismissal and alleged damages to their personal reputations.

Note 20 – Related Parties

The Group's portion of transactions between the Group and its jointly controlled entities are eliminated on consolidation.

During the period ended 30 September 2016, the Group did not enter into transactions with related parties with the exception of key management as disclosed in note 5.

Note 21 – Subsequent events

There are no subsequent events.

The Directors of Minera IRL are listed in note 5 above.

By order of the Board

Frank O'Kelly