Management's Discussion and Analysis
For the Year Ended 31 December 2016

The following Management's Discussion and Analysis ("MD&A"), prepared as of 31 March 2017, should be read together with the audited consolidated financial statements of Minera IRL Limited (the "Company") for the year ended 31 December 2016 and related notes thereto, 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 expressed in United States dollars ("$") unless otherwise noted. References to "C$" are to Canadian dollars and to "£" are to British pound sterling.

HIGHLIGHTS

Financial

- Gold sales of 23,343 ounces (2015: 24,056 ounces) at an average realized gold price of $1,245 per ounce (2015: $1,143 per ounce).
- Revenue of $29.1 million, (2015: $27.6 million).
- Gross profit of $7.2 million (2015: $6.5 million).
- Loss before tax of $10.4 million (2015: 14.7 million).
- After tax loss of $10.4 million (2015: 15.1 million).
- Cash balance of $6.8 million at the end of the year (December 2015: $15.6 million).
- Debt of $69.2 million at 31 December 2016, up from $65.7 million at 31 December 2015 (including amounts due to Rio Tinto).

Operational Performance

- **Corihuarmi, Peru**
  - Gold production from the Corihuarmi Gold Mine of 23,399 ounces (2015: 23,917 ounces).
  - Ore mined and staked of 3,040,331 tonnes (2015: 2,965,576 tonnes).
  - Waste of 1,430,311 tones (2015: 825,985 tonnes).
  - Total cash costs were $806 per ounce produced (2015: $793).
  - Total all-in sustaining costs (AISC) were $1,074 per ounce produced (2015: $1,047)
- **Ollachea, Peru**
  - Results of the 2016 Minapampa East zone drill program outline an exploration target of 370,000 to 550,000 ounces of gold contained within 3.1 to 4.6 million tonnes, grading 2.9 to 4.3 g/t gold

Background and Business of the Company

Minera IRL Limited is a Jersey registered company which, together with its subsidiaries, engages in exploration, development and mining of precious metals in Latin America. 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, the Bolsa de Valores Lima ("BVL"), in December 2007. In April 2010, the shares of the Company were listed on the Toronto Stock Exchange ("TSX").

The Company did not timely file its financial statements for the three and six month periods ended 30 June 2015 and trading in the Company's shares was suspended on AIM, BVL and TSX in September 2015. In March 2016, the Company requested a delisting from AIM. In October 2015 the Company applied for a voluntary delisting on TSX. Also in October 2015, both the Ontario Securities Commission and the British Columbia Securities Commission issued Cease Trade Orders for the Company's failure to timely file its periodic disclosure documents. This Cease Trade Orders were revoked on 20 January 2017 and on 3 February 2017 the Company's ordinary shares began trading on the Canadian Securities Exchange. Trading on BVL resumed on 4 January 2017 after the Peruvian securities regulator lifted the trade suspension issued in 2015.

In Peru, the Company operates the Corihuarmi Gold Mine and has been advancing its flagship project, the Ollachea Gold Project, towards production. At Ollachea, the Company has completed a post-definitive feasibility study optimization and received an Environmental and Social Impact Assessment ("ESIA") and construction permit from the Peruvian authorities.

The Company is currently working towards financing the Ollachea Gold Project. On 3 June 2015, The Company through one of the its subsidiaries entered into a two-year $70,000,000 secured finance facility (the "Bridge Loan") structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE") and syndicated through Goldman Sachs Bank USA. The Bridge Loan was expected to be the first step towards a senior debt facility of up to $240,000,000 described in a letter of mandate signed by COFIDE and the Company to build the Ollachea Gold Project. The Bridge Loan was to be the initial component of the senior debt facility.

In March 2017 COFIDE terminated the letter of mandate. The Company is currently evaluating its options for the repayment of the Bridge Loan which is due in June 2017.

The Bridge Loan is secured by the Ollachea Gold Project's assets, mining reserves, mining concessions and rights, guarantees from the Company's Peruvian subsidiary Minera IRL S.A., which owns the Corihuarmi mine, and a pledge of the shares of the Company's subsidiary, Compania Minera Kuri Kullu S.A., which holds the Ollachea Gold Project. If the Company is not able to secure financing it will not have the funds available to develop the Ollachea Gold Project and may be required to delay, scale back or eliminate various programs related to the Project.

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 the mine was brought into production in

March 2008. As a result of the last year's exploration drill program, the life of the Corihuarmi Mine has been extended into mid 2019.

The Corihuarmi Mine produced 23,399 ounces of gold during the year ended 31 December 2016.

Below is a summary of the key operating statistics for Corihuarmi for the year ended 31 December 2016 and 2015:

Operating Parameters	Three Month Period Ended 31 December		Year Ended 31 December	
	2016	2015	2016	2015
Waste (tonnes)	426,499	143,187	1,430,312	825,985
Ore mined & stacked on heaps (tonnes)	729,904	778,038	3,040,331	2,965,576
Ore grade, mined and stacked (g/t)	0.40	0.30	0.32	0.33
Gold produced (ounces)	6,149	6,036	23,399	23,917
Total cash costs ($ per ounce) [1]	824	892	806	793
Total all-in sustaining costs ($ per ounce) [1]	1,110	1,304	1,074	1,047

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

Gold production during the fourth quarter of 2016 was 6,149 ounces, a 2% increase compared to the 6,036 ounces produced in the same period of the prior year. Gold produced during the year ended 31 December 2016 was 23,399 ounces a 2% decrease compared to the 23,917 ounces produced in the same period of the prior year.

Total cash costs of $824 per ounce of gold produced during the fourth quarter of 2016 were 8% lower than cash costs of $892 per ounce of gold produced during the same period of the prior year. Total all-in sustaining costs of $1,110 per ounce of gold were 15% lower than total All-in Sustaining costs of $1,304 per ounce of gold during the same period of the prior year. The decrease in All-in sustaining costs quarter to quarter was due mainly to lower capital expenditures as well as a downward adjustment of the accrual for labour related termination costs and lower operating costs during the fourth quarter of 2016.

Total cash costs of $806 per ounce of gold produced during the year 2016 were only slightly higher than cash costs of $793 per ounce of gold produced during the same period of the prior year. The same occurred with the All-in sustaining costs, the $1,074 All-in sustaining costs per ounce produced during the year 2016 was only slightly higher than the $1,047 per ounce produced during the year 2015.

Ollachea Project, Peru – Development

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

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

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

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

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

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

During the fourth quarter of 2016 and the year ended 31 December 2016, expenditures capitalized on the Ollachea Gold Project were $1.5 and $4.3 million respectively, which are related mainly to community development, environmental costs and a drilling campaign.

Ollachea Project, Peru - Exploration

Over the three and one-half year period following commencement of drilling in October 2008, the Company completed 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 ore body at the Ollachea Gold Project. In addition to providing access for underground exploration drilling, the tunnel was designed to later serve as a production tunnel, which is expected to facilitate rapid mine development project once the Company secures financing for the project.

In January 2013, the exploration tunnel reached its planned 1.2km objective, 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 may be conservative. Specifically, the tunnel exhibits significantly better ground conditions, a much higher advance rate and minimal water infiltration; these factors could positively affect the project economics outlined in the Ollachea DFS, though the extent of their impact cannot be accurately predicted.

During the second half of 2016 the Company carried out a drilling program on the Minapampa East zone. On 13 February 2017, the Company announced the final assay results of the 2016 Minapampa East drill program. The drill hole results have been used to outline an exploration target in the Minapampa East mineralized zone of 370,000 to 550,000 ounces of gold contained within 3.1 to 4.6 million tonnes, grading 2.9 to 4.3 g/t gold. The potential tonnages and grades are conceptual in nature and are based on drill results that define the approximate length, thickness, depth and grade of mineralization in the Minapampa East mineralized zone.

Exploration Projects

Frontera Joint Venture

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

No exploration activities are planned for 2017.

Quilavira Project

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

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

No exploration activities are planned for 2017.

Summary of Quarterly Results

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

	Q1 Mar. ‘15	Q2 Jun. ‘ 15	Q3 Sep. ‘15	Q4 Dec. ‘15	Q1 Mar. ‘16	Q2 Jun. ’16	Q3 Sep. ’16	Q4 Dec. ‘16
Total revenue	6,609	7,434	5,872	7,669	6,744	7,126	7,839	7,454
Profit (loss) after-tax	(2,003)	(5,785)	(2,667)	(4,630)	(2,679)	(2,421)	(2,991)	(2,322)
Total comprehensive income (loss)	(2,003)	(5,785)	(2,667)	(4,630)	(2,679)	(2,421)	(2,991)	(2,322)
Net earnings (loss) per share								
(US cents)	(0.9)	(2.5)	(1.2)	(1.9)	(1.2)	(1.0)	(1.3)	(1.0)

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

Over the last eight quarters, as forecasted, the Company’s Corihuarmi Mine has experienced diminishing ore grades. During 2016, the impact of the diminishing grades has been offset by an increase of 18% in tonnes of ore and waste mined. The average London PM Fix during 2014 was $1,266 per ounce, decreasing to $1,160 per ounce in 2015 and averaging $1,251 per ounce during 2016.

Overview of Financial Results

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

Data	Three Month Period Ended 31 December		Year Ended 31 December	
	2016	2015	2016	2015
Revenue ($’000)	7,454	7,669	29,163	27,584
Gold sold (ounces)	6,206	6,987	23,343	24,056
Realized gold price ($ per ounce)	1,196	1,098	1,245	1,143
Gross profit ($’000)	1,660	2,041	7,244	6,527
Loss after-tax ($’000)	(2,322)	(4,630)	(10,413)	(15,085)
Comprehensive loss ($’000)	(2,322)	(4,630)	(10,413)	(15,085)
Loss per share – (cents)	(1.0)	(2.0)	(4.5)	(6.5)

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

<u>Results of Operations</u>

During the fourth quarter of 2016 the Company reported an after-tax loss of $2,322,000 compared with a loss of $4,630,000 during the same period in the prior year. The $2,308,000 lower loss in the fourth quarter of 2016 was mainly the result of decreases in administrative expenses. During the year ended 31 December 2016 after tax loss was $10,413,000 compared with $15,085,000 during the same period in the prior year. The $4,672,000 lower loss was mainly the result of decreases in administrative expenses, write-off charges, exploration and tax expenses as well as an increase in gross profits, partially offset by an increase in finance expenses.

The average realized gold price during the fourth quarter of 2016 was $1,196, a 9% increase compared to the $1,098 average realized gold price during the same period of the prior year.

During the fourth quarter of 2016, sales revenue decreased slightly compared to the same quarter in 2015. The decrease was attributed to a decrease in the number of gold ounces sold, combined with an increase in the average realized gold price for the period. During the year ended 31 December 2016 sales revenue increased by 6% compared to the same period in the prior year. The increase was attributed to a 9% increase in the average realized gold price partially offset by a small decrease in the number of gold ounces sold.

Cost of sales during the fourth quarter of 2016 was $5,794,000, compared with cost of sales of $5,628,000 during the fourth quarter of 2014, an increase of 3%. During the year ended 31 December 2016 cost of sales was $21,919,000 compared with $21,057,000 during the same period in 2015, an increase of 4%. 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**	
	2016 ($'000s)	**2015 ($'000s)**	**2016 ($'000s)**	**2015 ($'000s)**
Site operating costs	3,948	4,325	15,715	15,912
Depreciation and amortization	718	244	1,353	1,691
Community and environmental costs	690	647	3,044	2,079
Other costs (royalties and taxes, selling expense, adjustments)	438	412	1,807	1,375
Total	5,794	5,628	21,919	21,057

Administrative expenses decreased $2,243,000 during the fourth quarter of 2016 and $2,407,000 during the year ended 31 December 2016 compared to the same periods of the prior year. The decrease during the fourth quarter of 2016 was mainly due to decreases in professional and consulting fees, foreign exchange expenses and other expenses. The decrease during the year ended 31 December 2016 was due mainly to decreases in professional and consulting fees, foreign exchange expenses and amortization of deferred finance costs. A period-over-period comparison for the cost of sales is provided in the table below.

Breakdown of Administration Expenses

	Three months ended 31 December		Year ended 31 December	
	2016 ($'000s)	**2015 ($'000s)**	**2016 ($'000s)**	**2015 ($'000s)**
Depreciation	16	36	79	82
Director fees	21	33	79	70
Foreign exchange	(43)	428	210	1,090
Investor relations	6	102	73	222
Stock exchange fees	65	102	231	203
Office rent and administration	173	(14)	511	479
Professional and consulting fees	231	1,142	1,570	2,006
Salaries and wages	1,120	1,366	3,029	3,037
Telecommunication	31	34	118	109
Travel	100	102	354	331
Amortization of deferred finance costs	-	-	-	980
Other	(446)	186	201	253
Total	1,274	3,517	6,455	8,862

Finance expense during the fourth quarter of 2016 and the year ended 31 December 2016 was $2,926,000 and $11,094,000 compared to $3,057,000 and $8,748,000 during the same periods of the prior year. Finance expenses during the fourth quarter of 2016 remained at the same level of that during the fourth quarter of 2015. The increase in finance expense during the year ended 31 December 2016 was mainly due to higher interest expense during 2016 on the COFIDE Bridge Loan which was disbursed in June 2015.

Cash Flow

Cash provided by operating activities during the fourth quarter of 2016 was $1,074,000, compared with $1,734,000 provided in the fourth quarter of 2015. During the year ended 31 December 2016 cash provided by operating activities was $2,378,000, compared with cash provided of $2,932,000 during the same period in 2015.

Investing activities during the fourth quarter of 2016 provided $1,891,000, compared with $3,738,000 used during the fourth quarter of 2015. The change was due mainly to the release of the $4,605,000 restricted funds as collateral for letters of guarantee issued by a Peruvian bank in connection with the future reclamation and rehabilitation expenditures of the Corihuarmi mine and the Ollachea exploration tunnel. This was partially offset by increases in development expenditures. During the year ended 31 December 2016 investment activities used $4,584,000 compared with $10,123,000 during the same period in 2015. The significant difference due to set up of the restricted funds account in 2015 and its release in 2016 as explained above. A period-over-period comparison for the investing activities is provided in the table below.

Breakdown of Investment activities

	Three months ended 31 December		Year ended 31 December	
	2016 ($'000s)	2015 ($'000s)	2016 ($'000s)	2015 ($'000s)
Acquisition of property, plant and equipment	782	1,134	2,650	2,714
Deferred exploration and development expenditures	1,932	1,300	5,221	4,140
Increase in restricted cash	(4,605)	1,304	(3,269)	3,269
Disposal of vehicles	-	-	(18)	-
Total cash (provided) used	(1,891)	3,738	4,584	10,123

Financing activities during the fourth quarter of 2016 used $1,461,000, compared with $1,506,000 used during the fourth quarter of 2015. During the year ended 31 December 2016 financing activities used $6,517,000 compared with net cash provided of $18,962,000 during the same period in 2015. The significant change is due to the receipt of the funds from the COFIDE Loan during the second quarter of 2015. These funds were used to repay the Macquarie and Rio Tinto debt. The increase in finance expense paid during the year ended 31 December 2016 compared to the prior year is due to the fact that the COFIDE interest bearing loan was subject to a full year of interest in 2016 but only half a year in 2015. A period over period comparison for the financing activities is provided in the table below:

Breakdown of Financing activities

	Three months ended 31 December		Year ended 31 December	
	2016 ($'000s)	2015 ($'000s)	2016 ($'000s)	2015 ($'000s)
Receipt of loans, net	-	-	-	65,476
Payment of loans	-	-	(700)	(30,000)
Payment of long term liabilities	-	-	-	(12,000)
Finance expense paid	(1,461)	(1,506)	(5,817)	(4,514)
Total cash (used), provided	(1,461)	(1,506)	(6,517)	18,962

Selected Annual Information

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

Financial Data	2016	2015	2014
Revenue ($'000)	29,163	27,584	29,866
(Loss) profit after-tax ($'000)	(10,413)	(15,085)	(43,363)
(Loss) earnings per share			
Basic (cents)	(4.5)	(6.5)	(19.2)
Diluted (cents)	(4.5)	(6.5)	(19.2)
Total assets ($'000)	165,460	169,806	154,349
Total liabilities ($'000)	92,224	86,157	56,049

During the year ended 31 December 2016 sales revenue increased by 6% compared to the same period in the prior year. The increase was attributed to a 9% increase in the average realized gold price partially offset by a small decrease in the number of gold ounces sold. During 2015 the Company recorded a one-time loss of $3,038,000 due to the write-off of the Bethania property and during 2014 the Company recorded another one-time loss of $32,119,000 on the disposal of Minera IRL Patagonia.

Legal Actions Involving the Company

During the second half of 2015, various legal actions were filed by the Company against the General Manager of its Peruvian subsidiary, Minera IRL S.A., and by the General Manager against the directors and certain senior officers of the Company. During the first half of 2016 most of the parties involved signed a settlement agreement and these legal actions were discontinued.

Claims for wrongful dismissal and alleged damage to personal reputation have been filed against one of the Company's subsidiaries in Peru by a former executive and a former employee. The Company has made an accrual of $240,000.

Outlook

At 31 December 2016, the Company had a working capital deficit of $65,213,000 (defined as current assets less current liabilities).

In 2017, the Company is forecasting gold production of 22,000 ounces from Corihuarmi. Production is expected to come mainly from the Cayhua zone, along with continued production from zones Susan, Laura, Tambo Nuevo, Diana extension, plus nearby Scree Slope material.

The 2017 Corihuarmi capital budget is $2.0 million for the construction of a heap leach pad. This expansion is to accommodate all of the material that is scheduled to be mined and stacked until the second quarter of 2018.

Between December 2016 and March 2017, the Company completed 7,291 metres of exploration drilling in 86 drill holes at the Corihuarmi mine. The exploration program defined additional material at the Cayhua, Tambo Nuevo and Laura zones. As a result of the exploration activities and evaluation, the Corihuarmi life of mine has been extended until mid 2019.

Ollachea and the COFIDE Bridge Loan
In March 2017 COFIDE terminated the letter of mandate to exclusively structure the senior debt to a maximum of US$240 million for the development of the Ollachea gold project. The Company is currently evaluating its options for the repayment of the Bridge Loan which is due in June 2017.

The Bridge Loan is secured by the Ollachea Gold Project's assets, mining reserves, mining concessions and rights, guarantees from the Company's Peruvian subsidiary Minera IRL S.A., which owns the Corihuarmi mine, and a pledge of the shares of the Company's subsidiary, Compania Minera Kuri Kullu S.A., which holds the Ollachea Gold Project. If the Company is not able to secure financing it will not have the funds available to develop the Ollachea Gold Project and may be required to delay, scale back or eliminate various programs related to the 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, development and operation of its mining assets. 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 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.

Liquidity and Capital Resources

As at 31 December 2016, the Company had cash of $6,857,000, compared with $15,580,000 as at 31 December 2015.

As at 31 December 2016, the Company had a working capital deficiency of $65,213,000. Working capital is defined as current assets less current liabilities.

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.

<u>Future Contractual Obligations</u>

As at 31 December 2016, 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	72,258	72,258	-	-	-	-	-
Promissory note	1,551	1,551	-	-	-	-	-
Asset retirement obligation +	8,439	801	293	1,348	2,695	2,693	609

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

<u>Going Concern Basis</u>

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. As a result of examinations conducted by the Ministry of Energy and Mines at the Corihuarmi mine, the Company has been fined for failure to comply with environmental obligations. The Company has appealed the aforesaid resolutions. As at 31 December 2016 the Company estimates an amount of $457,000 as contingencies related to liabilities for breach of environmental issues. No provision has been made as the Directors believe that the Company will be successful in its appeal.

During 2013, the Company was issued tax reassessments by the Peruvian tax authorities for the years ended 31 December 2008, 2009 and 2011 related to the deductibility of depreciation claimed by the Company. The appeal filed by the Company with the tax authorities was unsuccessful and the Company subsequently filed an appeal with the Peruvian Tax Court. If the Company is unsuccessful in its appeal of the reassessments, taxes in the amount of approximately $1,407,000 would be payable. No provision has been made as the Directors consider that the Company will be successful in its appeal.

The Company has entered into certain contracts for the purchase of electrical equipment and the supply of power for the construction and operation of the Ollachea project. The supply of power contract included certain minimum power usages in the event that construction of Ollachea had not commenced by June 2015. In March 2015, the Company entered into an amended power contract deferring the requirement to make minimum power usage payments for twelve months, until June 2016. As compensation for deferring the minimum power usage requirements for twelve months, the Company agreed to pay fixed monthly compensation for a period of nine and a half years starting six months after Ollachea commences production. The monthly compensation amount will vary depending on the start date of the construction of Ollachea, but could be as high as $11,000 per month for total payments of $1,254,000 over the nine and a half year period. Minimum power usage, beginning in June 2017, would amount to approximately $16,000 per month for the first three months, increasing to $78,000 per month thereafter. If the Company chooses to terminate the power supply agreement prior to the commencement of production, there would be a penalty of approximately $1,570,000. The contract has been extended until June 2017.

Claims for wrongful dismissal and alleged damage to personal reputation have been filed against one of the Company's subsidiaries in Peru by a former executive and a former employee. The Company has made an accrual of $240,000.

Financial Instruments

The Company's principal financial assets comprise of cash and cash equivalents, and other receivables. The Company's financial assets are classified as loans and receivables and are measured at amortised cost.

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

In March 2017 the Company was informed by COFIDE that it had revoked the mandate to structure the senior debt for the development of the Ollachea Gold Project, and would require repayment of the US$70 million Bridge Loan in June 2017. As a result, the Company now needs to raise funds from alternative sources or through new equity funds in order to repay the Bridge Loan and commence major site construction on the Ollachea Gold Project. Failure to do so may result in relinquishing control of the subsidiary

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 is exposed to credit risk in so far as it deposits cash with its banks. However, the banks used are international institutions of the highest standing. In addition the Company is exposed to sovereign risk in so far as it is owed recoverable sales tax by the government of Peru.

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Debt obligations are exposed to interest rate variations. The Company 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 Company. It is the policy of the Company to settle trade payables within agreed terms so that no interest is incurred on those liabilities.

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.

During the year ended 31 December 2016, the Company had no transactions with related parties with the exception disclosed in note 6 of the consolidated financial statements for year ended 31 December 2016.

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 2016, which have been filed on SEDAR.

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.

<u>Intangible Assets</u>

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 the Company. An alternative policy would be to expense these costs until a feasible mineral resource has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down is charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Impairment

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

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

Asset Retirement Provisions

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

Depreciation Rate

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

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 condensed interim consolidated financial statements.

Disclosure Controls and Internal Control over Financial Reporting

Management of the Company is responsible for the design and implementation of disclosure controls and procedures and for internal controls over financial reporting ("ICFR") as required by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure. Management has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company has concluded that, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB. The Company's internal control over financial reporting includes policies and procedures that:

- require maintaining records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary for preparation of financial statements in accordance with IFRS;
- provide reasonable assurance that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's internal control over financial reporting may not prevent or detect all misstatements, whether due to error or fraud, because of inherent limitations. A control system, no matter how well designed or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Additionally, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

There has been no change in the Company's internal control over financial reporting during the year ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Outstanding Share Data

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

As at the date of this report, the Company had 2,000,000 options issued for the benefit of directors, employees and consultants of the Company under the Company's Share Option Plans and the balance were issued in connection with a finance facility. Additionally, 11,556,750 options were to be issued as part of the fees payable to Sherpa in regards to the COFIDE Bridge Loan financing. The options, which will have an exercise price of C$0.20, are subject to shareholder and regulatory approval. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. of options outstanding
Share Option Plan Issued Options				
3 April 2012	3 April 2012	3 April 2017	£0.8063	1,100,000
15 November 2013	15 November 2013	15 November 2018	£0.1500	900,000
Total				**2,000,000**

1. In connection with the one year extension of the Macquarie Finance Facility to 30 June 2015, Macquarie Bank was granted 26,000,000 options, which expired on 30 June 2016. On the grant of these options, the existing 18,786,525 options previously held by Macquarie Bank were cancelled.

Changes in Accounting Policies including Initial Adoption

The Company did not adopt any new accounting policies during the year ended December 31, 2016.

Subsequent Events

On 10 March 2017 the Company announced that Corporacion Financiera de Desarrollo of Peru ("COFIDE") had revoked the mandate to exclusively structure the senior debt to a maximum of US$240 million for the development of the Ollachea gold project.

Management and Board Changes

On 28 March 2016 the Company announced the resignation of its Chief Operating Officer, Mr. Eric Olson and the appointment of Mr. Francis O'Kelly as a non-executive director.

On 23 May 2016 the Company announced the appointment of Mr. Gerardo Perez as a non-executive director. Additionally the company announced the appointment of Mr. Francis O'Kelly as Chairman and Interim Chief Executive Officer and Mr. Carlos Ruiz de Castilla as Interim Chief Financial Officer.

On 14 June 2016 the Company announced the appointment of Mr. George Bee as a non-executive director.

On 15 June 2016 the Company announced the resignation of Dr. Douglas Jones and Mr. Robin Fryer as non-executive directors.

On 21 June 2016 the Company announced the appointment of Mr. Derrick Weyrauch as a non-executive director.

On 12 September 2016 the Company announced the resignation of Mr. George Bee and the appointment of Mr. Robert Schafer as a non-executive director.

On 30 November 2016 the Company announced the results of its Annual General Meeting. Prior to the AGM, each of Mr. Julian Bavin, Mr. Derrick Weyrauch and Mr. Robert Schafer withdrew their consent to stand for election/re-election and as such the resolutions relating to such directors were not put to the AGM. Accordingly, each of Mr. Bavin, Mr. Weyrauch and Mr. Schafer ceased to be directors of the Company. The resolution to elect Mr. O Kelly was not passed and as such Mr O Kelly also ceased to be a director of the Company. Mr. Gerardo Perez was elected and became the sole director of the Company.

On 5 December 2016 the Company announced the appointment of Mr. Diego Benavides as director and Chief Executive Officer, Mr. Michael Iannacone as independent director, Mr. Gerardo Perez as Chairman of the Board of Directors and Mr. Carlos Ruiz de Castilla as Chief Financial Officer, effective December 5th, 2016.

Additional details are provided in the press releases on the Company's website at www.minera-irl.com

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.

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2016 is available on the Company's website at www.minera-irl.com or on SEDAR at www.sedar.com.

Cautionary Statement on Forward-Looking Information

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

Qualified Person

Pursuant to National Instrument 43-101, Mr. Francis O'Kelly FIMM, CEng. a Fellow of the UK Institute of Mining and Metallurgy, is the Qualified Person ("QP") responsible for the technical disclosure in this MD&A.

Non-IFRS Measures

"Cash costs" includes include costs such as mining, processing and administration (excluding depreciation and amortization) plus applicable royalties, workers' profit participation cost, and other non-site costs (transport and refining of metals, community and environmental costs). These costs are then divided by the ounces sold to arrive at "total cash cost per ounce produced".

"Total all-in sustaining costs" includes "Cash costs" plus administrative expenses, mine closure accretion, exploration expenses and capital expenditure. These costs are then divided by the ounces sold to arrive at "total all-in sustaining cost per ounce produced".

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.

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	
	2016	**2015**	**2016**	**2015**
Cost of sales	$5,794	5,628	$21,919	$21,057
Less:				
Inventory adjustment	12	-	12	-
Depreciation	718	244	3,044	2,079
Cash costs	$5,064	$5,384	$18,863	$18,978
Ounces of gold produced	*6,149*	*6,036*	*23,399*	*23,917*
Total cash costs per ounce produced	**$824/oz.**	**$892/oz.**	**$806/oz.**	**$793/oz.**
Total cash costs plus:				
Administrative expenses	$869	1,096	$3,208	$2,438
Mine closure accretion	112	83	446	334
Exploration expenses	-	171	19	583
Capital expenditure	778	1,134	2,589	2,714
Total all-in Sustaining costs	$6,823	$7,868	$25,125	$25,047
Ounces of gold produced	*6,149*	*6,036*	*23,399*	*23,917*
Total all-in sustaining costs per ounce produced	**$1,110/oz.**	**$1,304/oz.**	**$1,074/oz.**	**$1,047/oz.**