



MINERA IRL LIMITED

Interim Consolidated Financial Statements For the Second Quarter ended 30 June 2017

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

NOTICE TO READER

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

Minera IRL Limited

Quarterly Consolidated Statement of Comprehensive Income and Results

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	Three Months Ended		Six Months Ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
Revenue		\$ 8,183	\$ 7,126	\$ 16,001	\$ 13,870
Cost of sales		(5,512)	(5,147)	(11,163)	(10,509)
Gross profit		2,671	1,979	4,838	3,361
Administrative expenses		(834)	(1,813)	(2,045)	(2,999)
Exploration costs		(22)	(2)	(30)	(24)
Operating profit before write-off and asset disposal		1,815	164	2,763	338
Net disposal of property plant and equipment		-	-	454	-
Write-off of intangible asset		(266)	-	(266)	-
Operating profit		1,549	164	2,951	338
Finance expense	3	(2,776)	(2,283)	(5,927)	(5,136)
Loss before tax		(1,227)	(2,119)	(2,976)	(4,798)
Income tax expense		(300)	(302)	(300)	(302)
Loss and comprehensive loss for the period attributable to the equity shareholders of the parent	5	(1,527)	(2,421)	(3,276)	(5,100)
Total comprehensive loss		\$ (1,527)	\$ (2,421)	\$ (3,276)	\$ (5,100)
Loss per share (US cents)					
Basic and diluted – continuing operations	5	(0.7)	(1.0)	(1.4)	(2.2)

Minera IRL Limited

Consolidated Statement of Financial Position

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	30 June 2017 US\$000	31 December 2016 US\$000
Assets			
Property, plant and equipment	6	10,534	7,602
Intangible assets	7	139,232	138,256
Other receivables and prepayments	8	7,749	7,235
Total non-current assets		157,515	153,093
Inventory	9	2,743	2,729
Other receivables and prepayments	8	1,217	1,887
Current tax recoverable		472	894
Cash and cash equivalents	10	4,154	6,857
Total current assets		8,586	12,367
Total assets		\$ 166,101	\$ 165,460
Equity			
Share capital	11	\$ 159,012	\$ 159,012
Share option reserve	11	479	663
Accumulated losses		(89,531)	(86,439)
Total equity attributable to equity shareholders of the parent		69,960	73,236
Liabilities			
Lease obligations	12	412	
Provisions	15	6,963	6,738
Royalty buyback liabilities	14	7,893	7,906
Total non-current liabilities		15,268	14,644
Lease obligations	12	530	
Interest bearing loans	13	73,117	69,187
Trade and other payables	16	7,226	8,393
Total current liabilities		80,873	77,580
Total liabilities		96,141	92,224
Total equity and liabilities		\$ 166,101	\$ 165,460

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on August 14, 2017.



Gerardo Pérez
Chairman
Lima, Peru
August 14, 2017



Carlos Ruiz de Castilla
Chief Financial Officer
Lima, Peru
August 14, 2017

Minera IRL Limited

Consolidated Statement of Changes in Equity

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	Share capital		Reserves		Total equity
		Number of Shares	Amount	Share option	Accumulated losses	
Balance at 1 January 2016		231,135,028	\$ 159,012	\$ 959	\$ (76,322)	\$ 83,649
Loss for the period		-	-	-	(5,100)	(5,100)
Total comprehensive loss		-	-	-	(5,100)	(5,100)
Balance at 30 June 2016		231,135,028	159,012	959	(81,422)	78,549
Loss for the period		-	-	-	(5,313)	(5,313)
Total comprehensive loss		-	-	-	(5,313)	(5,313)
Expiry/lapse of share options		-	-	(296)	296	-
Balance at 31 December 2016		231,135,028	159,012	663	(86,439)	73,236
Loss for the period	5	-	-	-	(3,276)	(3,276)
Total comprehensive loss		-	-	-	(3,276)	(3,276)
Expiry/lapse of share options		-	-	(184)	184	-
Balance at 30 June 2017		231,135,028	159,012	\$ 479	\$ (89,531)	\$ 69,960

Minera IRL Limited

Consolidated Statement of Cash Flows

(Unaudited - Expressed in thousands of United States Dollars)

		Three Months Ended		Six Months Ended	
	Notes	30 June 2017	30 June 2016	30 June 2017	30 June 2016
OPERATING ACTIVITIES					
Loss before tax		\$ (1,227)	\$ (2,119)	\$ (2,976)	\$ (4,798)
Finance expense	3	2,776	2,283	5,927	5,136
Depreciation	6	109	729	984	1,703
Gain on sale of property, plant and equipment		-	(15)	(454)	(15)
Write-off of intangible asset		266	-	266	-
Increase in inventory	9	(24)	(159)	(14)	(99)
Decrease (increase) in other receivables and prepayments		1,524	773	41	(1,120)
Increase (decrease) in trade and other payables		760	(1,163)	(1,371)	(1,190)
Payment of mine closure costs	15	(20)	(18)	(39)	(35)
Net cash from operations		4,164	311	2,364	(418)
Corporation tax recovered (paid), net		279	12	113	(19)
Net cash provided by operating activities		4,443	323	2,477	(437)
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	6	(771)	(658)	(1,243)	(923)
Disposal of property, plant and equipment		458	18	460	18
Deferred exploration and development expenditures	7	(1,102)	(1,044)	(2,420)	(1,562)
Increase in restricted cash		-	100	-	(1,336)
Net cash used in investing activities		(1,415)	(1,584)	(3,203)	(3,803)
FINANCING ACTIVITIES					
Payment of capital leases	12	(240)	-	(240)	-
Finance expense paid		(214)	(1,463)	(1,737)	(2,866)
Net cash used in financing activities		(454)	(1,463)	(1,977)	(2,866)
Change in cash		2,574	(2,724)	(2,703)	(7,106)
Cash at beginning of period		1,580	11,198	6,857	15,580
Cash at end of period		\$ 4,154	\$ 8,474	\$ 4,154	\$ 8,474

Minera IRL Limited

Notes to Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Note 1 – Basis of Preparation and Going Concern

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

At 30 June 2017, the Group had a working capital deficit of \$72,287,000 (defined as current assets less current liabilities). On 8 June 2015, the Group announced that it had arranged a \$70,000,000 secured finance facility (the “Bridge Loan”) structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. (“COFIDE”) and syndicated through Goldman Sachs Bank USA. The Bridge Loan was expected to be the first step towards a senior project credit finance facility of up to \$240,000,000, described in a Mandate Letter signed by COFIDE and Minera IRL (“Senior Project Debt Facility”). The Senior Project Debt Facility was to be structured by COFIDE, in conjunction with Minera IRL, to build the Ollachea Gold Project (the “Ollachea Project”).

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

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

On 20 June 2017 the Company announced it had filed an arbitration claim against COFIDE with the National and International Arbitration Centre of the Lima Chamber of Commerce. The intention to commence the Arbitration had been previously announced by the press release of 6 June 2017. Currently, the arbitrage process has started; COFIDE and the Company have appointed their arbitrators and then these two arbitrators will appoint a third arbitrator to complete the Arbitrage Court.

The Bridge Loan is secured by the Ollachea Project’s assets, mining reserves, mining concessions and rights and a pledge of the shares of the Group’s subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Group is not able to secure an alternative source of funds to refinance the debt with COFIDE it may have to relinquish its ownership of the subsidiary, Campaña Minera Kuri Kullu S.A. and therefore the Ollachea Project. All net assets associated with the Ollachea Project would be fully impaired as a result. The assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

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

The Directors consider that an alternative source of funding will be secured to be able to repay the Bridge Loan and obtain the necessary investment to develop the Ollachea Project. There can be no guarantee that alternative funding will be obtained within the required timescale.

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

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

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

These interim consolidated financial statements have been prepared by management and reported in thousands of United States dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and have been prepared following the same accounting policies and method of computation as the annual Financial Statements for the year ended 31 December 2016. 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 are disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2016 prepared in accordance with IFRS as issued by the IASB.

Note 2 – Segment Reporting

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

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

	Peru US\$000	Other US\$000	Total US\$000
For the Period Ended 30 June 2017			
Revenue	16,001	-	16,001
Administration expenses	(1,586)	(459)	(2,045)
Operating profit (loss)	3,410	(459)	2,951
Loss	(2,701)	(575)	(3,276)
For the Period Ended 30 June 2016			
Revenue	13,870	-	13,870
Administration Expenses	(2,390)	(609)	(2,999)
Operating profit (loss)	1,201	(863)	338
Loss	(4,111)	(989)	(5,100)

	Peru US\$000	Other US\$000	Total US\$000
As at 30 June 2017			
Non-current assets	157,515	-	157,515
Current	8,505	81	8,586
Total assets	166,020	81	166,101
As at 31 December 2016			
Non-current assets	153,093		153,093
Current	12,367		12,367
Total assets	165,460		165,460

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Note 3 – Finance Expense

The following table details the finance expenses incurred during the three and six months ended 30 June 2017 and 2016.

	Three Months Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Macquarie Bank royalty buyback provision ¹	(235)	(199)	(8)	2
COFIDE bridge loan effective interest	2,727	2,164	5,063	4,228
Other bridge loan finance costs	269	272	539	521
Sherpa royalty buyback provision ¹	(160)	(141)	(5)	5
Other	175	187	338	380
	2,776	2,283	5,927	5,136

1. The Macquarie and Sherpa royalty buyback provisions have been adjusted to reflect the new estimated date of payment of 31 December 2018.

Note 4 – Remuneration of Key Management Personnel

30 June 2017	Salary & Fees US\$000	Bonus (\$'000)	Other Benefits US\$000	Total US\$000
Directors:				
G Perez ¹	12	-	-	12
M Iannacone ²	12	-	-	12
D Benavides ³	12	-	-	12
Directors total	36	-	-	36
Other key management personnel ⁴	311	24	-	335
Total	347	24	-	371

Notes:

1. Mr. Perez was appointed to the Board of Directors on 23 May 2016.
2. Mr. Iannacone was appointed to the Board of Directors on 2 December 2016.
3. Mr. Benavides was appointed to the Board of Directors on 2 December 2016.
4. Other key management personnel include salaries of the Chief Executive Officer, Chief Financial Officer and the Corihuarmi Mine Manager.

Minera IRL Limited

Notes to Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

30 June 2016	Salary & Fees US\$000	Other Benefits US\$000	Total US\$000
Directors:			
R Fryer ¹	54	-	54
D Jones ²	11	-	11
J Bavin ³	55	-	55
F O’Kelly ⁴	65	-	65
G Perez ⁵	2	-	2
G Bee ⁶	-	-	-
D Weyrauch ⁷	-	-	-
Directors total	187	-	187
Other key management personnel ⁸	312	18	330
Total	499	18	517

Notes:

1. Mr. Fryer was appointed to the Board of Directors on 5 May 2015, he resigned on 15 June 2016.
2. Mr. Jones resigned on 15 June 2016.
3. Mr. Bavin was appointed to the Board of Directors on 16 December 2015, he resigned on 30 November 2016.
4. Mr. O’Kelly was appointed to the Board of Directors on 28 March 2016, he ceased on 30 November 2016.
5. Mr. Perez was appointed to the Board of Directors on 23 May 2016.
6. Mr. Bee was appointed to the Board of Directors on 14 June 2016, he resigned on 12 September 2016.
7. Mr. Weyrauch was appointed to the Board of Directors on 21 June 2016, he resigned on 30 November 2016.
8. Other key management personnel include the President of the Peruvian subsidiaries, the Corihuarmi Mine Manager and the Interim CFO.

Note 5 – Loss per Share

The calculation of the loss per share is based on the loss attributable to ordinary shareholders for the six months ended 30 June 2017 of \$3,276,000 (2016: loss of \$5,100,000) and the weighted average number of ordinary shares in issue during the six month period ended 30 June 2017 of 231,135,028 (2016: 231,135,028).

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

	2017 Loss US\$000	2017 Number of shares ‘000	2017 Loss per share US\$ cents	2016 Loss US\$000	2016 Number of shares ‘000	2016 Loss per share US\$ cents
Basic loss	(3,276)	231,135	(1.4)	(5,100)	231,135	(2.2)
Dilutive effects-options	-	-	-	-	-	-
Diluted loss	(3,276)	231,135	(1.4)	(5,100)	231,135	(2.2)

As at 30 June 2017 and 2016, all options were excluded from the calculation of diluted loss per share because they were non-dilutive.

Minera IRL Limited

Notes to Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Note 6 – Property, Plant and Equipment

	Mining Assets & Deferred Development Costs US\$000	Land & Buildings US\$000	Motor Vehicles US\$000	Computers & Other Equipment US\$000	Total US\$000
Cost					
Balance – 1 January 2016	54,920	396	2,626	2,990	60,932
Additions	3,457	31	53	134	3,675
Disposal	-	-	(110)	(41)	(151)
Balance at 31 December 2016	58,377	427	2,569	3,083	64,456
Balance – 1 January 2017	58,377	427	2,569	3,083	64,456
Leasing additions	-	-	1,501	-	1,501
Cash additions	1,012	-	202	28	1,242
Reclassifications from Intangibles	1,178	-	-	-	1,178
Other reclassifications	(21)	-	-	21	-
Disposal	-	-	(1,886)	-	(1,886)
Balance at 30 June 2017	60,546	427	2,386	3,132	66,491
Accumulated Depreciation					
Balance – 1 January 2016	48,356	344	2,432	2,701	53,833
Disposal	-	-	(100)	(41)	(141)
Depreciation for the year	2,920	3	110	129	3,162
Balance at 31 December 2016	51,276	347	2,442	2,789	56,854
Balance – 1 January 2017	51,276	347	2,442	2,789	56,854
Disposal	-	-	(1,881)	-	(1,881)
Depreciation for the year	911	2	31	40	984
Balance at 30 June 2017	52,187	349	592	2,829	55,957
Carrying Amounts					
Balance - 1 January 2016	6,564	52	194	289	7,099
Balance – 31 December 2016	7,101	80	127	294	7,602
Balance at 30 June 2017	8,359	78	1,794	303	10,534

Minera IRL Limited

Notes to Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Note 7 – Intangible Assets

	Ollachea	Other	Total
Carrying values of the deferred exploration	US\$000	Peru	US\$000
Balance 1 January 2016	132,432	727	133,159
Additions	4,273	948	5,221
Reclassifications	-	(124)	(124)
Balance 31 December 2016	136,705	1,551	138,256
Additions	1,732	688	2,420
Reclassifications to PPE		(1,178)	(1,178)
Write-off of intangible asset		(266)	(266)
Balance at 30 June 2017	138,437	795	139,232

The Ollachea property will require significant project financing in order to bring it into production and convert it into mining assets. However, 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 2016 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.

Note 8 – Other Receivables and Prepayments

	30 June	31 December
	2017	2016
	US\$000	US\$000
Non-current assets		
Other receivables	7,749	7,235
	7,749	7,235
Current assets		
Other receivables	914	1,693
Prepayments and deferred expenses	303	194
	1,217	1,887

Included in other receivables and prepayments is an amount of \$8,460,000 (2016: \$8,584,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the \$8,460,000 sales tax recoverable, \$7,749,000 (2016: \$7,235,000) relates to purchases for the Ollachea Project, which is not expected to be recovered in the next accounting period and has therefore been included in non-current assets.

Note 9 - Inventory

	30 June	31 December
	2017	2016
	US\$000	US\$000
Gold in process	1,595	1,384
Mining materials	1,148	1,345
	2,743	2,729

Minera IRL Limited

Notes to Interim Consolidated Financial Statements
Three Months Ended 30 June 2017 and 2016
(Unaudited – Expressed in United States Dollars)

Note 10 – Cash and cash equivalents

	30 June 2017 US\$000	31 December 2016 US\$000
Bank balances	4,154	6,857

Note 11 – Capital and Reserves

As at 30 June 2017 and 31 December 2016, 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 2016	231,135,028
Shares in issue 31 December 2016	231,135,028
Shares in issue June 30, 2017	231,135,028

Share Options

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

	30 June 2017		31 December 2016	
	Number of Options	Weighted Average Exercise Price (£)	Number of Options	Weighted Average Exercise Price (£)
Outstanding – beginning of period	2,000,000	0.51	4,570,000	0.51
Expired	(1,300,000)	0.71	(2,570,000)	(0.52)
Outstanding, end of period	700,000	0.15	2,000,000	0.51
Exercisable, end of period	700,000	0.15	2,000,000	0.51

The average remaining contractual life of the outstanding options as at 30 June 2017 was 1.5 years (2016: 1.0 years).

On the expiry and lapsing of 1,300,000 options during the period ended 30 June 2017, a total of \$184,000 was transferred from share option reserve to accumulated losses. On the expiry and lapsing of 2,570,000 options during the year ended December 31, 2016, a total of \$296,000 was transferred from share option reserve to accumulated losses.

Minera IRL Limited

Notes to Interim Consolidated Financial Statements
Three Months Ended 30 June 2017 and 2016
(Unaudited – Expressed in United States Dollars)

The following table details the incentive stock options outstanding as at 30 June 2017:

Number of share options	Exercise price	Expiry date
700,000	£0.15	15 November 2018

Other Share Options

	30 June 2017		31 December 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	11,556,751	0.16	37,556,751	0.17
Expired/Cancelled	-	-	(26,000,000)	0.18
Outstanding – end of period	11,556,751	0.16	11,556,751	0.16
Exercisable – end of period	-	-	-	-

As part of the fees paid in connection 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 and shareholder approval). Each option 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 Project. During the Annual General Meeting held on 30 November 2016 the resolution granting the directors the authority to allot shares did not pass, in consequence these options have not been granted.

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 June 2017.

Capital Maintenance

The directors manage the capital resources of the Group to ensure that there are sufficient funds available to continue in business. The Group monitors capital on the basis of the gearing ratio.

	30 June 2017 US\$000	31 December 2016 US\$000
Total interest bearing debt	73,117	69,187
Total equity	69,960	73,236
Debt-to-equity ratio	104.5%	94.5%

Note 12 - Lease Obligations

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

Minera IRL Limited

Notes to Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Lease Obligations	
Balance - 1 January 2017	-
Dump trucks acquired	1,501
Proceeds from disposition of dump trucks	(458)
Deferred interest	139
Paid during the period	(240)
Balance at 30 June 2017	942

Statement of Financial Position presentation	
Lease obligations - current	530
Lease obligations – non current	412
Balance at 30 June 2017	942

Note 13 –Interest Bearing Loans

	30 June 2017 US\$000	31 December 2016 US\$000
Non-Current liabilities		
Bank loan	-	-
Current liabilities		
Promissory note	1,542	1,551
Bank Loan	71,575	67,636
	73,117	69,187

COFIDE Bridge Loan

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

The length of the loan 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 Project. Sherpa is also entitled to 11,556,751 share options, each of which is exercisable to purchase one ordinary share of Minera IRL Limited at a price of C\$0.20 per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Project (subject to receipt of all regulatory and shareholder approval). During the Annual General Meeting held on 30 November 2016 the resolution granting the directors the authority to allot shares did not pass, in consequence these options have not been granted.

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

The 0.9% net smelter return royalty granted to Sherpa is subject to a buyback at the Group's option. Details on the royalty buy back are provided in note 14, "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 is being expensed over the two-year life of the loan on an effective interest basis.

The net proceeds from the Bridge Loan were applied towards the repayment of the \$30,000,000 Macquarie Bank debt facility and the payment of \$12,000,000 of the \$14,190,000 outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract. The remaining \$2,190,000 outstanding to Rio Tinto has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. The promissory note was recorded as an interest bearing loan on the statement of financial position under current liabilities. The Group had negotiated the option of settling the \$2,190,000 promissory note with cash or the issuance of Minera IRL Limited ordinary shares, subject to shareholder approval. However, the resolution to approve the issuance of ordinary shares in settlement of the promissory note at the Annual General Meeting held on 27 August 2015, was not approved by shareholders. The Group has repaid \$700,000 of the principal plus interest during 2016. The balance as at 30 June 2017 is \$1,490,000 of principal and \$52,000 of interest.

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

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

On 20 June 2017 the Company announced it had filed an arbitration claim against COFIDE with the National and International Arbitration Centre of the Lima Chamber of Commerce. The intention to commence the Arbitration had been previously announced by the press release of 6 June 2017. Currently, the arbitrage process has started; COFIDE and the Company have appointed their arbitrators and then these two arbitrators will appoint a third arbitrator to complete the Arbitrage Court.

The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Group's subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Group is not able to secure an alternative source of funds to refinance the debt with COFIDE it may have to relinquish its ownership of the subsidiary, Campaña Minera Kuri Kullu S.A. and therefore the Ollachea Project. All net assets associated with the Ollachea Project would be fully impaired as a result. The assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

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

Note 14 –Royalty Buyback Liabilities

The Group has granted royalties on the Ollachea Project to Sherpa and to Macquarie Bank that can be bought out at the Group's option. The Group intends to exercise those options and is expensing the present value of the estimated cash flows relating to the royalty buyback over the life of the associated respective loans.

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

A reconciliation of the royalty buyback provision is as follows:

	Sherpa Royalty US\$000	Macquarie Royalty US\$000	Total US\$000
Balance 1 January 2016	4,239	2,939	7,178
Finance expense recorded	305	423	728
Balance 31 December 2016	4,544	3,362	7,906
Finance expense recorded	(5)	(8)	(13)
Balance at 30 June 2017	4,539	3,354	7,893

Sherpa Royalty Buyback Liability

In June 2015, the Group secured a \$70,000,000 Bridge Loan from COFIDE. The financial structuring costs related to the Bridge Loan included a 0.9% net smelter return royalty on gold production from the Group's Ollachea Project. The Group would have the right to buyback and cancel this royalty by paying a buy-back fee of \$5,566,000. The Group has the intention to pay the buyback fee before starting production and estimates to make the payment on 31 December 2018, subject to the availability of capital. As at 30 June 2017 the Group has made a provision of \$4,539,000 which will be increased up to the aforementioned \$5,566,000. The increases of the provision are accounted for as finance expenses as shown in Note 3. Upon payment of the buyback fee, Sherpa will cease to have any royalty rights on revenues from the Ollachea Project.

Macquarie Royalty Buyback Liability

In August 2013, the Macquarie Finance Facility was amended to increase the amount available by \$10,000,000. As a condition of drawing down these funds the Group awarded a 1% royalty on gross revenue minus refining costs on gold production from the Group's Ollachea Project. The Group would have the right to buyback and cancel this royalty by paying a buyback fee of \$5,000,000. The Group has the intention to pay the buyback fee before starting production and estimates to make the payment on 31 December 2018, subject to the availability of capital. As at 30 June 2017 the Group has made a provision of \$3,354,000 which will be increased up to the aforementioned \$5,000,000. The increases of the provision are accounted for as finance expenses as shown in Note 3. Upon payment of the buyback fee, Macquarie bank will cease to have any royalty rights on revenues from the Ollachea Project.

Note 15 – Provisions

The Group has a provision of \$6,963,000 (2016: \$6,738,000) against the present value of the cost of restoring the Corihuarmi mine site and Ollachea exploration tunnel site. This provision is an estimate of the cost of reversing the alterations to the environment that had been made to date. The timing and cost of this rehabilitation is uncertain and depends upon the duration of the mine life and the quantity of ore that will be extracted from the mine. As at 30 June 2017, management estimates that the remaining mine life at Corihuarmi is approximately 36 months. The directors have currently estimated the rehabilitation of the Ollachea tunnel to begin in 2 years' time, based on the time to develop the mine prior to commencement of commercial production, and on the assumption that commercial production does not proceed.

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

	Environmental Provisions US\$000
Balance - 1 January 2016	5,329
Accretion expense	456
Additional provision	1,024
Paid during the year	(71)
Balance 31 December 2016	6,738
Accretion	264
Paid during the period	(39)
Balance at 30 June 2017	6,963

Note 16 – Trade and other payables

	30 June 2017 US\$000	31 December, 2016 US\$000
Non-current		
Other payables	-	-
Current		
Trade payables	4,931	5,950
Other payables	2,295	2,443
	7,226	8,393

Note 17 – Financial Instruments and Financial Risk Management**Financial instruments**

The Group's principal financial assets comprise of available cash and cash equivalents, and other receivables. The Group's financial assets are classified as loans and receivables and initially recognised at fair value. After initial measurement, such financial assets are measured at amortised cost using the effective interest method, less provision for impairment.

The Group's financial liabilities include trade and other payables, interest bearing loans and other long term liabilities. All financial liabilities are recognised initially at fair value and, in the case of interest bearing loans, net of directly attributable transaction costs. Trade and other payables and interest bearing loans are subsequently measured at amortised cost using the effective interest method.

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:

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Exchange rate risk

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

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

	30 June 2017 US\$000	31 December 2016 US\$000
Peruvian nuevos soles	1,085	294
United States dollars	3,069	6,563
	4,154	6,857

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

	30 June 2017 US\$000	31 December 2016 US\$000
Pounds sterling	(7)	(127)
Canadian dollars	(81)	(171)
Peruvian nuevos soles	3,361	2,353
United States dollars	(85,822)	(77,406)
	(82,549)	(75,351)

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 June 2017 US\$000	31 December 2016 US\$000
10% weakening of the US dollar	327	205
20% weakening of the US dollar	655	411
10% strengthening of the US dollar	(327)	(205)
20% strengthening of the US dollar	(655)	(411)

Liquidity risk

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

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

An analysis of the financial liabilities presented by maturity is detailed below. The contractual amounts disclosed in the maturity analysis are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. Moreover, as disclosed in the 2016 annual financial statements, section Accounting Policies, paragraph (o) Borrowings and Borrowing costs, interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost on an effective interest basis. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

30 June 2017	Due in less than 3 months US\$000	Due between 3 months to 1 year US\$000	Due between 1 to 5 years US\$000	Total US\$000
Financial Liabilities				
Trade payables	4,931	-	-	4,931
Other payables	2,295	-	-	2,295
Lease obligations	132	398	412	942
Interest bearing Promissory Note	1,542	-	-	1,542
Interest bearing loan	71,575	-	-	71,575
	80,475	398	412	81,285

31 December 2016	Due in less than 3 month US\$000	Due between 3 months to 1 year US\$000	Due between 1 to 5 years US\$000	Total US\$000
Financial Liabilities				
Trade payables	5,950	-	-	5,950
Other payables	2,443	-	-	2,443
Interest bearing Promissory Note	1,551	-	-	1,551
Interest bearing loan	1,129	71,129	-	72,258
	11,073	71,129	-	82,202

Market price of minerals risk

The Group's business exposes it to the effects of changes in the market price of minerals, primarily gold. Severe changes in the market price of gold may affect the recoverability of the Group's investments in its mine, exploration assets and mining rights, and of the Group's intercompany receivables. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold including governmental reserves, and stability of exchange rates can all cause significant fluctuations in the market price of gold. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Credit risk

The Group is exposed to credit risk in so far as it deposits cash with its banks as detailed in note 10. However, the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in note 8, by the government of Peru.

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Interest rate risk

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

Additionally, there are risks specifically related to the COFIDE Bridge Loan. For further information, please refer to Note 1 Basis of Preparation and Going Concern on page 6.

Note 18 – Capital Commitments and Contingent Liabilities

The Company is subject to various laws and regulations governing its mining, development and exploration activities. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. As at 30 June 2017 the Company has accrued \$ 145,000 regarding liabilities related to environmental issues.

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

The Group entered into a contract with Empresa de Generación Eléctrica San Gabán S.A. for 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 the Ollachea Project had not commenced by June 2015. In March 2015, the Group amended the 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 Group agreed to pay fixed monthly compensation for a period of nine and a half years starting six months after the Ollachea Project commences production. The monthly compensation amount will vary depending on the start date of the construction of the Ollachea Project, but could be as high as \$11,000 per month for a total amount of \$934,000 over the nine and a half year period. The term of the agreement was extended 5 years to start the construction stage with no penalty or minimum monthly payments. If the Group chooses to terminate the power supply agreement prior to the commencement of production, there would be a penalty of approximately \$2,400,000. The contract was extended until March 2022.

Claims for wrongful dismissal have been filed against one of the Company's subsidiaries in Peru. As at 30 June 2017 the Company has made an accrual of \$190,000 related to this matter.

Note 19 – 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 June 2017, the Group did not enter into transactions with related parties with the exception of key management as disclosed in note 4. As at 31 March 2017, the Group owed Mr. Michael Iannacone \$6,000 and Mr. Diego Benavides \$6,000.

Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended 30 June 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Note 20 – Subsequent events

There have been no subsequent events between the end of the period date and the date of filing of the financial statements.

By order of the Board

Gerardo Perez

Chairman

Minera IRL Limited

14 Aug 2017