



Management's Discussion and Analysis For the Year Ended 31 December 2017

The following Management's Discussion and Analysis ("MD&A"), prepared as of 28 March 2018, should be read together with the audited consolidated financial statements of Minera IRL Limited (the "Company") for the year ended 31 December 2017 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 24,536 ounces (2016: 23,343 ounces) at an average realized gold price of \$1,253 per ounce (2016: \$1,249 per ounce).
- Revenue of \$30.7 million, (2016: \$29.1 million).
- Gross profit of \$7.6 million (2016: \$7.2 million).
- Profit before tax of \$0.8 million (2016: Loss \$10.4 million).
- After tax profit of \$0.8 million (2016: Loss \$10.4 million).
- Cash balance of \$3.3 million at the end of the year (December 2016: \$6.8 million).
- Debt of \$76.5 million at 31 December 2017, up from \$69.2 million at 31 December 2016 (including amounts due to Rio Tinto).

Operational Performance

- **Corihuarmi, Peru**
 - Gold production from the Corihuarmi Gold Mine of 24,709 ounces (2016: 23,399 ounces).
 - Ore mined and staked of 3,109,206 tonnes (2016: 3,040,331 tonnes).
 - Waste of 2,213,433 tonnes (2016: 1,430,312 tonnes).
 - Total cash costs were \$849 per ounce produced (2016: \$806).
 - Total all-in sustaining costs (AISC) were \$1,106 per ounce produced (2016: \$1,074)
- **Ollachea, Peru**
 - In February 2018 the Company filed a claim for damages (Memorial de Demanda) in the arbitration proceeding against Corporación Financiera de Desarrollo S.A. (“COFIDE”) before the Arbitration Tribunal in Lima, Peru.
 - The Company is engaged in ongoing discussions with potential investors in a continuing effort to refinance the COFIDE Bridge Loan and advance the Ollachea project.
 - The Company continues with its Community programs and maintains an excellent relationship with the Ollachea Community.

Background and Business of the Company

Minera IRL Limited (“Minera IRL” or the “Company”) is a Jersey registered company which, together with its subsidiaries, engages in exploration, development and mining of precious metals. The Company was privately funded from inception in 2002 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”).

When the Company did not timely file its financial statements for the three and six month periods ended 30 June 2015, trading in the Company’s shares was suspended on AIM, BVL and TSX. 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 and the Company applied for a voluntary delisting from TSX. In March 2016, the Company delisted from AIM. The 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 (“CSE”). Trading on BVL resumed on 4 January 2017.

In Peru, the Company operates the Corihuarmi Gold Mine and has been advancing its flagship project, the Ollachea Gold Project (the “Ollachea 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 to refinance its Ollachea Project. In June 2015, the Company 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”). The Bridge Loan was part of a senior project credit finance facility of up to \$240,000,000 (the “Senior Project Debt Facility”), described in a Mandate Letter signed by COFIDE. The balance of the Senior Project Debt Facility (in excess of the Bridge Loan) was to finance construction of the Ollachea Project. However, in March 2017 COFIDE terminated the Mandate Letter without providing any reason for their decision and the COFIDE Bridge Loan matured in June 2017. Since then, the Company has been engaged in an effort to reverse COFIDE’s decision to terminate the Mandate Letter while taking steps to prevent COFIDE from taking action to collect the Bridge Loan or execute on its security while, at the same time, it has been attempting to identify an alternative source of financing that would replace both the Bridge Loan and the Mandate Letter.

On 6 June 2017 the Company obtained an order from the Superior Court of Justice of Lima. This order temporarily suspends any enforcement proceedings against the Company regarding the repayment of the COFIDE Bridge Loan 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 filed a request for arbitration against COFIDE with the Arbitration Centre of the Lima Chamber of Commerce. COFIDE objected to commencement of this arbitration proceeding but, on 4 October 2017 the Superior Council of Arbitration of the Chamber of Commerce of Lima rejected COFIDE’s objections, admitted the Company’s claims over COFIDE’s objections, and decided that the Arbitration should continue.

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 Company’s subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Company is not able to secure financing it will not have the funds available to develop the Ollachea Project and may be required to delay, scale back or eliminate various

programs related to the Project. If the Company cannot refinance the Bridge Loan, it could lose the Ollachea Project. The assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

The Company is currently evaluating its options, pursuing arbitration and seeking alternative source of financing its Ollachea Project.

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine, Peru

The Company's 100% owned Corihuarmi gold mine 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. The most recent exploration drill program commenced in December 2016 and the corresponding exploration final report prepared by an independent consulting firm was received in April 2017.

Below is a summary of the key operating statistics for Corihuarmi for the three month period and the years ended 31 December 2017 and 2016:

Operating Parameters	Three Month Period Ended 31 December		Year Ended 31 December	
	2017	2016	2017	2016
Waste (tonnes)	494,714	426,499	2,213,433	1,430,312
Ore mined & stacked on heaps (tonnes)	869,315	729,904	3,109,206	3,040,331
Ore grade, mined and stacked (g/t)	0.26	0.40	0.32	0.32
Gold produced (ounces)	5,863	6,149	24,709	23,399
Gold sold (ounces)	5,724	6,206	24,536	23,343
Realized gold price (\$ per ounce sold)	1,267	1,201	1,253	1,249
Total cash costs (\$ per ounce) ¹	909	824	849	806
Total all-in sustaining costs (\$ per ounce) ¹	1,283	1,110	1,106	1,074

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

Gold production during the fourth quarter of 2017 was 5,863 ounces, a 5% decrease compared to the 6,149 ounces produced during the fourth quarter of 2016. Gold produced during the year ended 31 December 2017 was 24,709 ounces, a 6% increase compared to the 23,399 ounces produced during the same period of the prior year.

Gold sold during the fourth quarter of 2017 was 5,724 ounces, an 8% decrease compared to the 6,206 ounces sold in the fourth quarter of 2016. During the year ended 31 December 2017 gold sold was 24,536 ounces, a 5% increase compared to the 23,343 ounces of gold sold during the same period of the prior year.

The average realized gold price during the fourth quarter of 2017 was \$1,267, a 5% increase compared to the \$1,201 average realized gold price during the fourth quarter of 2016. During the year ended 31 December 2017 the average realized gold price was \$1,253, representing a very small increase from the average realized gold price of \$1,249 during the same period of the prior year.

Total cash costs of \$909 per ounce of gold produced during the fourth quarter of 2017 were 10% higher than total cash costs of \$824 during the fourth quarter of 2016. The increase was mainly the result of a 25% increase in indirect costs and a decrease of 5% in the number of gold ounces produced. During the year ended 31 December 2017 total cash costs were \$849 per ounce produced which was 5% higher than

total cash costs of \$806 during the same period of the prior year. The increase was mainly the result of a 116% increase in indirect costs and an increase of 6% in the number of gold ounces produced.

Total all-in sustaining costs (“AISC”) of \$1,283 per ounce of gold produced during the fourth quarter of 2017 were 16% higher than AISC of \$1,110 during the fourth quarter of 2016. The increase was mainly due to the 25% increase in indirect costs and the decrease of 5% in the number of gold ounces produced during this quarter, both mentioned in the previous paragraph combined with a 53% increase in capital expenditures and a 7% decrease in administrative expenses. During the year ended 31 December 2017 AISC was \$1,106 per ounce produced which was 3% higher than AISC of \$1,074 per ounce produced during the same period of the prior year. The increase was mainly due to the 116% increase in indirect costs and the increase of 6% in the number of gold ounces produced during this quarter, both mentioned in the previous paragraph combined with a 38% increase in capital expenditures and a 33% decrease in administrative expenses.

Ollachea Project, Peru – Development

During the second quarter of 2017 the Company, with assistance from Mining Plus and Ernst & Young, continued to work on optimizing its mining plan and financial model, reducing CAPEX and increasing the cut-off grade.

Expenditures capitalized during the fourth quarter of 2017 were \$1.1 million (\$3.6 million during the year ended 31 December 2017), which are related mainly to community development and environmental costs.

Ollachea Project, Peru - Exploration

During the second half of 2016 and at COFIDE’s request the Company carried out a drilling program on the Minapampa Far East zone. At COFIDE’s request this program was supervised by Mining Plus. On 13 February 2017, the Company announced the final assay results of the 2016 Minapampa Far East drill program. The drill hole results have been used to outline an exploration target in the Minapampa Far 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 Far East mineralized zone. The Company will include this information on its technical reports when additional funds are available to upgrade this exploration target.

Exploration Projects

Frontera Joint Venture

The Frontera project is a 35/65 joint venture with Teck Resources Limited, which is managed by Teck Resources. The property consists of a 12km² package of tenements located in Region I of northern Chile, on the northwestern border with Peru and close to the eastern border with Bolivia.

There were no exploration activities on this property during 2017 and no exploration activities are planned for 2018.

Quilavira Project

The Company signed an option agreement in February 2010 to acquire the Quilavira Gold Project from Newcrest Mining Ltd. The 51km² 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.

There were no exploration activities on this property during 2017 and no exploration activities are planned for 2018.

Summary of Quarterly Results

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

	Q1 Mar. '16	Q2 Jun. '16	Q3 Sep. '16	Q4 Dec. '16	Q1 Mar. '17	Q2 Jun. '17	Q3 Sep. '17	Q4 Dec. '17
Total revenue	6,744	7,126	7,839	7,454	7,818	8,183	7,486	7,255
Profit (loss) after-tax	(2,679)	(2,421)	(2,991)	(2,322)	(1,749)	(1,527)	(1,958)	6,046
Total comprehensive income (loss)	(2,679)	(2,421)	(2,991)	(2,322)	(1,749)	(1,527)	(1,958)	6,046
Net earnings (loss) per share (US cents)	(1.2)	(1.0)	(1.3)	(1.0)	(0.7)	(0.7)	(0.8)	2.6

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 level of expenses incurred and the impairment of exploration, development and mining assets.

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	
	2017	2016	2017	2016
Revenue (\$'000)	7,255	7,454	30,742	29,163
Gold sold (ounces)	5,724	6,206	24,536	23,343
Realized gold price (\$ per ounce)	1,267	1,201	1,253	1,249
Gross profit (\$'000)	1,469	1,660	7,596	7,244
Loss after-tax (\$'000)	6,046	(2,322)	812	(10,413)
Comprehensive loss (\$'000)	6,046	(2,322)	812	(10,413)
Loss per share – (cents)	2.6	(1.0)	0.4	(4.5)

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

Results of Operations

During the fourth quarter of 2017 the Company reported an after-tax profit of \$6,046,000 compared with a loss of \$2,322,000 during the fourth quarter of 2016. The \$8,368,000 higher profit was mainly the result of a reversal of the royalty buyback provision of \$8,695,000 and a \$124,000 decrease in write-off of intangible assets partly offset by a decrease of \$191,000 in gross profit and an increase of \$261,000 in administrative expenses. During the year ended 31 December 2017 after tax profit was \$812,000 compared with a loss of \$10,413,000 during the same period in the prior year. The \$11,225,000 higher profit was mainly the result of a one-time provision recovery of \$8,695,000, a decrease in administrative

expenses of \$1,598,000, a decrease in finance expenses of \$481,000 and an increase in gains on disposal of property plant and equipment of \$443,000.

Sales revenue during the fourth quarter of 2017 was \$7,255,000, a 3% decrease compared to the \$7,454,000 sales revenue during the fourth quarter of 2016. The decrease was attributed to an 8% decrease in the number of ounces of gold ounces sold, combined with a 5% increase in the average realized gold price. Sales revenue during the year ended 31 December 2017 was \$30,742,000, a 5% increase compared to the \$29,163,000 sales revenue during the fourth quarter of 2016. The increase was attributed to a 5% increase in the number of ounces of gold sold.

Cost of sales during the fourth quarter of 2017 was \$5,786,000, a negligible decrease compared with cost of sales of \$5,794,000 during the fourth quarter of 2016. Cost of sales during the year ended 31 December 2017 was \$23,146,000, a 6% increase compared with \$21,919,000 cost of sales during the same period of the prior year. The increase was mainly due to an increase of \$1,571,000 in community and environmental costs and \$563,000 in site operating costs partially offset by a decrease of \$900,000 in depreciation and amortization. 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	
	2017 (\$'000s)	2016 (\$'000s)	2017 (\$'000s)	2016 (\$'000s)
Site operating costs	4,119	3,948	16,278	15,715
Depreciation and amortization	421	718	2,144	3,044
Community and environmental costs	864	690	2,924	1,353
Other costs (royalties and taxes, selling)	382	438	1,800	1,807
Total	5,786	5,794	23,146	21,919

Administrative expenses during the fourth quarter of 2017 were \$1,535,000, a 20% increase compared with administrative expenses of \$1,274,000 during the fourth quarter of 2016. The increase was mainly due to increase in arbitration costs and other expenses partially offset by a decrease in salaries and wages. Administrative expenses during the year ended 31 December 2017 were \$4,857,000, a 25% decrease compared with \$6,455,000 administrative expenses during the same period of the prior year. The decrease was mainly due to a decrease of salaries and wages, office rent, administration, consulting fees and foreign exchange partially offset by increases in arbitration 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	
	2017 (\$'000s)	2016 (\$'000s)	2017 (\$'000s)	2016 (\$'000s)
Depreciation	38	16	61	79
Director fees	30	21	66	79
Foreign exchange	(40)	(43)	(40)	210
Investor relations	9	6	35	73
Stock exchange fees	64	65	197	231
Office rent and administration	79	173	365	511
Professional and consulting fees	297	231	1,234	1,570
Arbitration costs	463	-	463	-
Salaries and wages	566	1,120	1,961	3,029
Telecommunication	22	31	82	118
Travel	114	100	278	354
Other	(107)	(446)	155	201
Total	1,535	1,274	4,857	6,455

Finance expenses during the fourth quarter of 2017 were \$2,783,000, a 5% decrease compared with finance expense of \$2,926,000 during the fourth quarter of 2016. The decrease was mainly due to decreases in interest and other Bridge Loan costs partially offset by an increase in other finance expenses. Finance expenses during the year ended 31 December 2017 were \$10,613,000, a 4% decrease compared with \$11,094,000 finance expenses during the same period of the prior year. The decrease was mainly due to decreases in interest and other Bridge Loan costs partially offset by an increase in other finance expenses. A period-over-period comparison for the cost of sales is provided in the table below.

	Three Months Ended 31 December		Year Ended 31 December	
	2017 (\$'000s)	2016 (\$'000s)	2017 (\$'000s)	2016 (\$'000s)
COFIDE Bridge Loan interest	2,095	2,269	8,454	8,697
Other Bridge Loan finance costs	-	263	539	1,052
Royalty buyback provisions	412	371	789	728
Other finance expenses	276	23	831	617
Total	2,783	2,926	10,613	11,094

Cash Flow

Cash balance decreased from \$4,205,000 to \$3,276,000 during the fourth quarter of 2017. Operating activities generated \$1,487,000 whereas investing and financing activities used \$2,087,000 and \$329,000 respectively, which explains the net cash decrease of \$929,000. During the year ended 31 December 2017 cash balance decreased from \$6,857,000 to \$3,276,000. Operating activities generated \$5,978,000 whereas investing and financing activities used \$7,053,000 and \$2,506,000 respectively, which explains the net cash decrease of \$3,581,000.

During the fourth quarter of 2017 investing activities used \$2,087,000, an increase of \$3,978,000 compared with \$1,891,000 provided during the fourth quarter of 2016. The change was due mainly to the release of restricted funds. During the year ended 31 December 2017 investment activities used \$7,053,000, an increase of \$2,469,000 compared with \$4,584,000 used during the same period of the

previous year. The increase was due mainly to the release of restricted funds. 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	
	2017 (\$'000s)	2016 (\$'000s)	2017 (\$'000s)	2016 (\$'000s)
Acquisition of property, plant and equipment	1,077	782	3,190	2,650
Deferred exploration and development expenditures	1,010	1,932	4,334	5,221
Decrease in restricted cash	-	(4,605)	-	(3,269)
Disposal of property, plant & equipment	-	-	(471)	(18)
Total cash (provided) used	2,087	(1,891)	7,053	4,584

During the fourth quarter of 2017 financing activities used \$329,000, a decrease of \$1,132,000 compared with \$1,461,000 used during the fourth quarter of 2016. The change was due mainly to a decrease in finance expense paid and an increase in leasing payments. During the year ended 31 December 2017 financing activities used \$2,506,000, a decrease of \$4,011,000 compared with \$6,517,000 used during the same period of the prior year. The change was mainly due a decrease in finance expense paid and an increase in leasing payments. 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	
	2017 (\$'000s)	2016 (\$'000s)	2017 (\$'000s)	2016 (\$'000s)
Payment of loans	-	-	-	700
Payment of leasing	133	-	505	-
Finance expense paid	196	1,461	2,001	5,817
Total cash used	329	1,461	2,506	6,517

Selected Annual Information

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

Financial Data	2017	2016	2015
Revenue (\$'000)	30,742	29,163	27,584
Profit (Loss) after-tax (\$'000)	812	(10,413)	(15,085)
(Loss) earnings per share			
Basic (cents)	0.4	(4.5)	(6.5)
Diluted (cents)	0.4	(4.5)	(6.5)
Total assets (\$'000)	169,882	165,460	169,806
Total liabilities (\$'000)	95,834	92,224	86,157

During the year ended 31 December 2017 sales revenue increased by 5% compared to the same period in the prior year. The increase was attributed to a 5% increase in the number of ounces of gold sold.

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. These legal actions were discontinued in 2016.

In March 2017, COFIDE terminated the Mandate Letter for the Senior Project Debt Facility without providing any reason for its decision and the COFIDE Bridge Loan matured in June 2017. Since then, the Company has been engaged in an effort to reverse COFIDE's decision to terminate the Mandate Letter while taking steps to prevent COFIDE from taking action to collect the Bridge Loan or execute on its security while, at the same time, it has been attempting to identify an alternative source of financing that would replace both the Bridge Loan and the Mandate Letter.

On 6 June 2017 the Company obtained an order from the Superior Court of Justice of Lima. This order temporarily suspends any enforcement proceedings against the Company regarding the repayment of the COFIDE Bridge Loan 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 filed an arbitration claim against COFIDE with the Arbitration Centre of the Lima Chamber of Commerce. COFIDE objected to commencement of this arbitration proceeding but, on 4 October 2017 the Superior Council of Arbitration of the Chamber of Commerce of Lima rejected COFIDE's objections, admitted the Company's claims over COFIDE's objections, and decided that the Arbitration should continue.

Outlook

At 31 December 2017, the Company had a working capital deficit of \$71,138,000 (defined as current assets less current liabilities).

In 2018, the Company is forecasting gold production of 22,000 ounces from Corihuarmi. Production is expected to come mainly from the Cayhua and Cayhua Norte zones, along with continued production from the Diana Extension, Susan and Laura zones plus nearby Scree Slope material.

The 2018 Corihuarmi capital budget is \$0.3 million to finalize heap leach pad 5C sector 1. This expansion is to accommodate all of the material that is scheduled to be mined and stacked until the first quarter of 2019.

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, Ampliación Scree Slope and Laura zones.

Ollachea and the COFIDE Bridge Loan

In March 2017, COFIDE terminated the Mandate Letter for the Senior Project Debt Facility without providing any reason for its decision and the COFIDE Bridge Loan matured in June 2017. Since then, the Company has been engaged in an effort to reverse COFIDE's decision to terminate the Mandate Letter while taking steps to prevent COFIDE from taking action to collect the Bridge Loan or execute on its security while, at the same time, it has been attempting to identify an alternative source of financing that would replace both the Bridge Loan and the Mandate Letter.

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 Company's subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Company is not able to secure financing it will not have the funds available to develop the Ollachea Project and may be required to delay, scale back or eliminate various programs related to the Project. If the Company cannot refinance the Bridge Loan, it could lose the Ollachea Project. The assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

For further information, please refer to paragraph "Background and Business of the Company" on page 3.

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 2017, the Company had cash of \$3,276,000, compared with \$6,857,000 as at 31 December 2016.

As at 31 December 2017, the Company had a working capital deficiency of \$71,138,000. 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.

Future Contractual Obligations

As at 31 December 2017, 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	74,967	74,967	-	-	-	-	-
Promissory note	1,516	1,516	-	-	-	-	-
Asset retirement obligation ⁺	10,236	1,776	1,471	3,085	3,255	136	513
Note: ⁺ This cost relates to the Corihuarmi mine rehabilitation and Ollachea exploration tunnel rehabilitation.							

Going Concern Basis

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. The Company does not currently have the capital required to repay the Bridge Loan or advance the Ollachea Project. If the Company cannot refinance the Bridge Loan, it could lose the Ollachea Project. If it cannot replace the Senior Project Debt Facility, 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 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 at 31 December 2017 the Company estimates an amount of \$255,000 as contingencies related to environmental issues.

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 \$1,456,000 would be payable.

The Company entered into contracts with a legal firm in connection with the arbitration process described on paragraph "Background and Business of the Company" on page 3, and with a legal advisor in connection with legal processes also related to the COFIDE outstanding loan. These contracts include success fees for an aggregate amount of \$380,000.

The Company entered into a contract with Empresa de Generación Eléctrica San Gabán S.A. for the supply of power during the construction and operation stages of the Ollachea project. This contract included certain minimum power usages for each of the construction and operation stages. In March 2017 the Company entered into an amended power contract extending the term to start the construction stage for sixty months after 1 March 2017. If the contract is terminated because the construction stage does not commence after the sixty months term the Company would have to pay a penalty for an amount equivalent to approximately \$2,400,000. Otherwise, the Company agreed to pay a fixed monthly compensation for an amount equivalent to approximately \$11,000 for a period of nine and a half years starting on the seventh month after Ollachea commencing the operation stage.

In June 2015, the Company secured the \$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 Ollachea Project. The Company would have the right to purchase and cancel this royalty by paying a fee of \$5,566,000. 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 Company awarded a 1% royalty on gross revenue minus refining costs on gold sales from the Company's Ollachea Project. The Company would have the right to buyback and cancel this royalty by paying a fee of \$5,000,000.

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.

Risks

The Company operates in the resource industry, which is highly speculative, and has certain inherent exploration, development and operating 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.

Additionally, there are risks specifically related to the COFIDE Bridge Loan. For further information, please refer to paragraph "Background and Business of the Company" on page 3 and section 5 Risk Factors on the Company's 2017 Annual Information Form filed on SEDAR at www.sedar.com.

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 COFIDE terminated the Mandate Letter for the Senior Project Debt Facility that was to fund development of the Ollachea Project, and the \$70,000,000 Bridge Loan matured on 5 June 2017. The Company does not currently have the funds required to repay the Bridge Loan or develop the Ollachea Project. As a result, the Company must now raise the funds required from alternative sources. Failure to do so may result in loss of the Ollachea Project.

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 reputable international institutions. 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 payable to COFIDE and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 6.17% over LIBOR plus a 2% interest surcharge after the date the Bridge Loan was due. 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 gold prices. The 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 gold prices to determine appropriate actions to be undertaken. The Company has not entered into any agreements or purchased any instruments to hedge possible gold 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

During the year ended 31 December 2017, the Group did not enter into transactions with related parties with the exception of directors and key management as disclosed on Note 6. As at 31 December 2017, the Group owed salaries for \$169,000 to directors and key management.

Significant Accounting Policies

The Company follows the accounting policies described in the audited consolidated financial statements for the year ended 31 December 2017, which have been filed on SEDAR www.sedar.com.

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

Critical Accounting Estimates

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

Intangible Assets

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or impaired, where appropriate. The Company's accounting policy is to capitalize exploration costs, which is consistent with IFRS, and the policy is consistent with other resource companies which are similar to 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 31 December 2017 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 700,000 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				
15 November 2013	15 November 2013	15 November 2018	£0.1500	700,000
Total				700,000

Changes in Accounting Policies including Initial Adoption

The Company did not adopt any new accounting policies during the year ended 31 December 2017.

Subsequent Events

There have been no subsequent events between the end of the period date and the date of filing of this report.

Management and Board Changes

On 29 September 2017 the Company appointed Mr. Jesus Armando Lema and Mr. Santiago Valverde as directors of the Company. With these appointments, the Company's Board now consists of five directors, three of whom are independent directors.

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2017 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, the Company's ability to refinance the COFIDE Bridge Loan and replace the Senior Project Debt Facility, 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

“Total 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 “Total 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	
	2017	2016	2017	2016
Cost of sales	\$5,786	\$5,794	\$23,146	\$21,919
Less:				
Inventory adjustment	34	12	34	12
Depreciation	421	718	2,144	3,044
Total cash costs	\$5,331	\$5,064	\$20,968	\$18,863
<i>Ounces of gold produced</i>	<i>5,863</i>	<i>6,149</i>	<i>24,709</i>	<i>23,399</i>
Total cash costs per ounce produced	\$909/oz	\$824/oz.	\$849/oz.	\$806/oz.
Total cash costs plus:				
Administrative expenses	\$805	\$869	\$2,152	\$3,208
Mine closure accretion	115	112	457	446
Exploration expenses	78	-	186	19
Capital Leases payments	132	-	505	-
Capital expenditure	1,061	778	3,067	2,589
Total all-in Sustaining costs	\$7,522	\$6,823	\$27,335	\$25,125
<i>Ounces of gold produced</i>	<i>5,863</i>	<i>6,149</i>	<i>24,709</i>	<i>23,399</i>
Total all-in sustaining costs per ounce produced	\$1,283/oz.	\$1,110/oz.	\$1,106/oz.	\$1,074/oz.