MINERA IRL LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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CHAIRMAN'S STATEMENT

I have the honor to Chair the Board of Directors, which has received the mandate from our shareholders to pursue opportunities which generate value for the Company. Thus, in these few months we have made good progress in the company. The two most important milestones that we achieved last year were:

- The revocation of the cease trade orders issued by the Canadian and Peruvian securities regulators and subsequent recommencement of trading on the Lima Stock Exchange (BVL) and Canadian Securities Exchange (CSE) earlier this year.

- The successful drilling campaign carried out at Ollachea during the second half of 2016, proving the continuation of the Minapampa mineralization over 500m to the east. The results outline an exploration target of 370,000 to 550,000 ounces of gold contained within 3.1 to 4.6 million tonnes. The mineralization at Ollachea remains open to the east and at depth.

Our Corihuarmi Gold Mine continued to exceed expectations and provided strong cash contributions in 2016. The exploration campaign the Company carried out between December 2016 and March 2017 allows us to extend Corihuarmi's life of mine well into 2019. Whereas we have recorded a gross profit of US$7.2 million, we incurred an after-tax loss of US$10.4 million. The gold price is, at the date of this report above the US$1,200 level which compared to the price at the end of 2016 of US$1,159 per ounce, and US$1,062 at the end of 2015, shows a moderate upwards trend.

Regarding the Ollachea Project we are currently evaluating to optimize the CAPEX, the processing plant size, cutoff ore grade and mine development strategy.

The cash flow from the Corihuarmi mine covers our general, administrative and social costs. However, the financial resources required to advance the major Ollachea project in 2017 exceeds the cash generated by Corihuarmi.

Regarding the mandate for the U$240m structured financing subscribed with COFIDE dated June 2015, the agreement was revoked by COFIDE due to a strategy change of the organization by the government of Peru. Once the exclusivity clause of the mandate lapses on April 1st 2017, the company's objective is to secure financing for the Ollachea project during the second quarter of 2017.

Community relations at Ollachea remain strong. The Company supports important programs in health and welfare, nutrition, education and sustainable development.

I wish to convey my sincere appreciation to our current Board of Directors, management team and all employees for their loyalty, dedication and hard work. I would also like to thank our shareholders for their continuing support. I feel confident that continuing potential at our Corihuarmi gold mine and our Ollachea gold project places Minera IRL Limited in a good position to continue building a successful Gold Producer Company

Gerardo Perez
Chairman
Minera IRL Limited
31 March 2017

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The Group operates the Corihuarmi Gold Mine, has a project that has a completed feasibility study and environmental and construction permits (the Ollachea Gold Project), as well as a number of exploration projects.

A summary of the financial risk management policies and objectives is contained in the notes to the financial statements and the Group's Annual Information Form.

RESULTS AND DIVIDENDS

The total comprehensive loss for the year after tax was $10,413,000 (2015: loss of $15,085,000). No dividend was paid during the year and no final dividend is proposed. The loss of $10,413,000 (2015: loss of $15,085,000) is to be transferred to accumulated losses.

DIRECTORS

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

Director	Ordinary shares of no par value	
	31–Dec-2016	31-Dec-2015
D Jones (1)	-	292,936
R Fryer (2)	-	-
J Bavin (3)	-	-
F O'Kelly (4)	-	-
G Perez (5)	-	-
G Bee (6)	-	-
D Weyrauch (7)	-	-
R Schafer (8)	-	-
D Benavides (9)	-	-
M Iannacone (10)	-	-

(1) Mr. Jones resigned on 15 June 2016
(2) Mr. Fryer resigned on 15 June 2016
(3) Mr. Bavin resigned on 30 November 2016
(4) Mr. O'Kelly was appointed as director on 28 March 2016 and resigned on 30 November 2016
(5) Mr. Perez was appointed as director on 23 May 2016.
(6) Mr. Bee was appointed as director on 14 June 2016 and resigned on 12 September 2016
(7) Mr. Weyrauch was appointed as director on 21 June 2016 and resigned on 30 November 2016
(8) Mr. Schafer was appointed as director on 12 September 2016 and resigned on 30 November 2016
(9) Mr. Benavides was appointed as director on 2 December 2016
(10) Mr. Iannacone was appointed as director on 2 December 2016

On 31 December 2016, the directors who served during the year held the following share options under the Minera IRL Limited Incentive Stock Option Scheme:

Director	No. Held 31-Dec-2015	Granted	Exercised	Expired or cancelled	No. Held 31-Dec-2016	Exercise price (£)	Expiry Date
D Jones	160,000	-	-	(160,000)	-	0.8063	03-Apr-2017
	160,000	-	-	(160,000)	-	0.1500	15-Nov-2018
D Benavides	400,000	-	-	-	400,000	0.8063	03-Apr-2017
	400,000	-	-	-	400,000	0.1500	15-Nov-2018
F O'Kelly	150,000	-	-	-	150,000	0.8063	03-Apr-2017
	100,000	-	-	-	100,000	0.1500	15-Nov-2018

Details of these share options may be found in note 15 to the financial statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DONATIONS

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, the Group has been notified of the following substantial shareholdings in addition to those of the directors:

	Number of Shares	Percentage of Issued Share Capital
Rio Tinto Mining and Exploration Limited	44,126,780	19.1
Compañía Inversora en Minas S.A.	9,146,341	4.0

SUBSEQUENT EVENTS

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

DISCLOSURE OF INFORMATION

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

By order of the Board

Gerardo Perez
Chairman
Minera IRL Limited
31 March 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

In preparing these financial statements the directors are required to:

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Minera IRL Limited for the year ended 31 December 2016 which comprise the Consolidated and Parent Company Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion the Consolidated and Parent Company financial statements give a true and fair view of the financial position of Minera IRL Limited as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted out audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The accounting policies for revenue recognition are set out in note 1 in the financial statements.	The audit procedures relating to revenue recognition included : • Substantive test of detail on a sample of transactions to ensure revenue was accurately recorded and recognised in accordance with the recognition accounting policy. • Detailed analytical review procedures. • Cut off procedures to ensure revenue recognised relates to the accounting period.

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of Mining assets and Deferred exploration costs	
The carrying value of mining assets and deferred exploration costs was \$7.1 million and \$136.7 million respectively. The Group capitalises exploration and evaluation expenditure in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area. The recoverability of the deferred exploration cost is dependent upon the discovery of economically recoverable ore reserves, continuing compliance with the terms of relevant agreements, the ability of the Group to obtain the necessary financing to complete the development of ore reserves, and the future profitable production or profitable disposal of the area of interest. Mining assets are reviewed for impairment at the end of an accounting period with reference full details of the mining and processing schedule, head grade, strip ratios of waste to ore, operating costs and capital costs. As disclosed in note 1 to the financial statements, this determination of an impairment is highly subjective as significant judgement is required by the Directors in determining the value in use as appropriate.	Our audit procedures included : • Review of the cash flow forecasts and impairment assessments prepared by Management in relation to the Corihuarmi Gold Mine and Ollachea Gold Project, with a focus on the key assumptions and sensitivity to change. • Evaluating whether the model used to calculate value in use complies with the requirements of IAS 36 'Impairment of Assets'. • Validating the assumptions and inputs applied and agreeing, where applicable, to independently prepared reports. • Subjecting the key assumptions to sensitivity analysis. • Substantive testing of capitalised expenditure during 2016.
Going concern	
The Group has continued to make losses during the year and have not to date secured the Senior Debt Facility of up to \$240m for the development of the Ollachea Gold Project. The Group is due to repay its Bridge Loan of \$70m to COFIDE in June 2017 and are currently looking at alternative financing options. In our view, the application of the going concern basis of accounting is significant to our audit as it involves a significant level of judgment and a material uncertainty which is referred to below in the *Emphasis of matter – Going concern and recoverability of the Ollachea Gold Project*.	Management has prepared cash flow forecasts for the Corihuarmi Gold Mine up to 30 June 2018, which demonstrate it is expected to be sufficiently cash generating in order to meet the commitments of Minera IRL SA and the Parent Company's budgeted expenditure. The cash flow forecasts are sensitive to changes in key assumptions. The funds available from the Bridge Loan are restricted to expenditure on the advancement of the Ollachea Gold Project and not available generally for other aspects of the Group's operations. We have reviewed Management's cash flow forecasts, in conjunction with the underlying assumptions, and Management's assessment of going concern.

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

Emphasis of matter – Going concern and recoverability of the Ollachea Gold Project

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and Parent Company's ability to continue as a going concern. In March 2017 the Group was informed by COFIDE that it had revoked the mandate to structure the senior debt for the development of the Ollachea Gold Project, and would require repayment of the US$70 million Bridge Loan in June 2017. As a result, the Group now needs to raise funds from alternative sources or through new equity funds in order to repay the Bridge Loan and commence major site construction on the Ollachea Gold Project.

Failure to do so could result in relinquishing control of the subsidiary, Compania Minera Kurri Kullu S.A. and therefore the Ollachea Gold project, together with an impairment to the carrying values at that date. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern and on the recoverability of the Ollachea Gold Project. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern, the Ollachea Gold Project assets were required to be impaired and if the Parent Company relinquished control of the subsidiary at which point an impairment of the investment in that subsidiary would be required.

Management's responsibility for the Consolidated and Parent Company financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors are responsible for assessing the Parent Company's and the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the Parent Company or the Group's operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Board of Directors' use of the basis of accounting on which the financial statements have been prepared.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alistair Roberts.

PKF Littlejohn LLP

PKF Littlejohn LLP
Statutory auditor
London, UK
Date: 31 March 2017

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the years ended 31 December 2016 and 2015

Continuing operations	Notes	2016 US$000	2015 US$000
Revenue		**29,163**	**27,584**
Cost of sales		**(21,919)**	**(21,057)**
Gross profit		**7,244**	**6,527**
Administration expenses		**(6,455)**	**(8,862)**
Exploration costs		**(24)**	**(594)**
Operating profit/(loss) before write-off of intangible asset		**765**	**(2,929)**
Write-off of intangible asset	**10**	**(124)**	**(3,038)**
Operating profit/(loss)		**641**	**(5,967)**
Finance expense	**5**	**(11,094)**	**(8,748)**
Loss before tax		**(10,453)**	**(14,715)**
Income tax credit (expense)	**7**	**40**	**(370)**
Loss for the year attributable to the equity shareholders of the parent		**(10,413)**	**(15,085)**
Total comprehensive income for the year attributable to the equity shareholders of the parent		**(10,413)**	**(15,085)**

Earnings per ordinary share (US cents)			
Basic and diluted	**8**	**(4.5)**	**(6.5)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 and 2015

	Notes	2016 US$000	2015 US$000
Assets			
Restricted cash	**14**	**-**	**3,269**
Property, plant and equipment	**9**	**7,602**	**7,099**
Intangible assets	**10**	**138,256**	**133,159**
Other receivables and prepayments	**11**	**7,235**	**6,649**
Total non-current assets		**153,093**	**150,176**
Inventory	**12**	**2,729**	**2,591**
Other receivables and prepayments	**11**	**1,887**	**756**
Current tax recoverable		**894**	**703**
Cash and cash equivalents	**13**	**6,857**	**15,580**
Total current assets		**12,367**	**19,630**
Total assets		**165,460**	**169,806**
Equity			
Share capital	**15**	**159,012**	**159,012**
Share option reserve	**15**	**663**	**959**
Accumulated losses		**(86,439)**	**(76,322)**
Total equity attributable to the equity shareholders of the parent		**73,236**	**83,649**
Liabilities			
Interest bearing loans	**16**	**-**	**63,542**
Provisions	**18**	**6,738**	**5,329**
Royalty buyback provision	**17**	**7,906**	**7,178**
Total non-current liabilities		**14,644**	**76,049**
Interest bearing loans	**16**	**69,187**	**2,190**
Trade and other payables	**19**	**8,393**	**7,918**
Total current liabilities		**77,580**	**10,108**
Total liabilities		**92,224**	**86,157**
Total equity and liabilities		**165,460**	**169,806**

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 31 March 2017.

Gerardo Pérez
Chairman
Lima, Peru
31 March 2017

Carlos Ruiz de Castilla
Chief Financial Officer
Lima, Peru
31 March 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2016 and 2015

	Note	Share capital US$000	Share option reserve US$000	(Accul. losses) retained earnings US$000	Total US$000
Balance at 1 January 2015		159,012	2,770	(63,482)	98,300
Loss for the year		-	-	(15,085)	(15,085)
Total comprehensive income		-	-	(15,085)	(15,085)
Share options issued	15	-	434	-	434
Expiry/lapse of share options	15	-	(2,245)	2,245	-
Total transactions with owners, recognised directly in equity		-	(1,811)	2,245	434
Balance 31 December 2015		159,012	959	(76,322)	83,649

	Note	Share capital US$000	Share option reserve US$000	(Accul. losses) retained earnings US$000	Total US$000
Balance at 1 January 2016		159,012	959	(76,322)	83,649
Loss for the year		-	-	(10,413)	(10,413)
Total comprehensive income		-	-	(10,413)	(10,413)
Expiry/lapse of share options	15	-	(296)	296	-
Total transactions with owners, recognised directly in equity		-	(296)	296	-
Balance 31 December 2016	15	159,012	663	(86,439)	73,236

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2016 and 2015

	Notes	2016 US$000	2015 US$000
Cash flows from operating activities			
Loss before tax		**(10,453)**	**(14,715)**
Finance expense	**5**	**11,094**	**8,748**
Depreciation	**9**	**3,162**	**2,187**
Gain on sale of property, plant and equipment		**(8)**	**-**
Write-off of intangible asset	**10**	**124**	**3,038**
(Increase) Decrease in inventory		**(138)**	**616**
(Increase) Decrease in other receivables and prepayments		**(2,042)**	**1,574**
Increase in trade and other payables		**785**	**2,304**
Payment of mine closure costs	**18**	**(71)**	**(93)**
Cash generated from operations		**2,453**	**3,659**
Corporation tax paid		**(75)**	**(727)**
Net cash from operating activities		**2,378**	**2,932**
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(2,650)**	**(2,714)**
Decrease (Increase) in restricted cash		**3,269**	**(3,269)**
Disposal of property, plant and equipment		**18**	**-**
Deferred exploration and development expenditures	**10**	**(5,221)**	**(4,140)**
Net cash outflow from investing activities		**(4,584)**	**(10,123)**
Cash flows from financing activities			
Finance expense paid		**(5,817)**	**(4,514)**
Payment of loans	**16**	**(700)**	**(30,000)**
Payment of long term liabilities	**16**	**-**	**(12,000)**
Receipt of loans	**16**	**-**	**70,000**
Loan transaction costs		**-**	**(4,524)**
Net cash (outflow) / inflow from financing activities		**(6,517)**	**18,962**
Net (decrease) increase in cash and cash equivalents		**(8,723)**	**11,771**
Cash and cash equivalents at beginning of year		**15,580**	**3,809**
Cash and cash equivalents at end of year	**13**	**6,857**	**15,580**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

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

The consolidated financial statements of the Group for the year ended 31 December 2016 comprise the Group and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 31 March 2017.

Statement of Compliance

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

New and amended standards

The following new and amended standards were effective for the first time for the financial year beginning on or after 1 January 2016.

Standard		Effective Date
IAS 16 & 38 (Amendments)	Methods of Depreciation and Amortisation	1 January 2016
Annual Improvements	2012-2014 Cycle	1 January 2016
IAS 1	Disclosure Initiative	1 January 2016

New and amended standards issued but not yet effective for the financial year beginning 1 January 2016 and not early adopted:

Standard		Effective Date
IAS 7 (Amendments)	Disclosure Initiative	1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS16	Leases	1 January 2019
Annual Improvements	2014-2016 Cycle	1 January 2018
IFRS 2 (Amendments)	Classification and measurement of share based payments	1 January 2018
IFRIC (Interpretation 22)	Foreign Currency Translations and Advance Consideration	1 January 2018

The Directors do not anticipate that the adoption of these standards and interpretations will have a material effect on the reported income or net assets of the Group and Parent Company.

Basis of Preparation and Going Concern

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

At 31 December 2016, the Group had a working capital deficit of $65,213,000 (defined as current assets less current liabilities). On 3 June 2015, the Group entered into a $70,000,000 secured finance facility (the "Bridge Loan") structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE") and syndicated through Goldman Sachs Bank USA ("Goldman Sachs"). The Bridge Loan was expected to be the first step towards a senior debt facility of up to $240,000,000 described in a letter of mandate signed by COFIDE and the Group to develop Minera IRL's Ollachea Gold Project. The Group is restricted in its use of the proceeds from the Bridge Loan to the advancement of the Ollachea Gold Project.

The Group has not reached an agreement with COFIDE for a senior debt facility and in March 2017, COFIDE terminated the letter of mandate to exclusively structure the senior debt to a maximum of US$240 million for the development of the Ollachea Gold Project. The Group is currently evaluating its options for the repayment of the Bridge Loan which is due in June 2017.

The Bridge Loan is secured by the Ollachea Gold Project's assets, mining reserves, mining concessions and rights and guarantees from the Group's subsidiary Minera IRL S.A., together with a pledge of the shares of the Group's subsidiary, Compania Minera Kuri Kullu S.A., which holds the Ollachea Gold Project. If the Group is not able to secure an alternative source of funds to satisfy the Bridge Loan in June 2017, it may have to relinquish its ownership of the subsidiary, Compania Minera Kuri Kullu S.A. and therefore the Ollachea Gold project. All net assets associated with the Ollachea Gold Project would be fully impaired as a result.

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 Gold project. There can be no guarantee that alternative funding will be obtained within the required timescale. The Directors have prepared a cash flow forecast which shows that the net proceeds generated from the Corihuarmi gold mine will be sufficient to cover the Group's contractual liabilities and commitments, excluding the repayment of the Bridge Loan due in June 2017 and the Ollachea Gold Project development costs, for a period of at least 12 months from the date of approval of the financial statements.

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.

Accounting Policies

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

(a) Principles of Consolidation

The consolidated financial statements incorporate the statements of the Group and enterprises controlled by the Group (its subsidiaries) made up to 31 December each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

Subsidiaries

These consolidated financial statements include the financial statements of the Parent and its subsidiaries as follows:

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

(b) Revenue Recognition

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

(c) Income Tax

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

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(d) Foreign Currency

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits and money market investments readily converted to cash and have an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities. For the purposes of the cash flow statements, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts.

Restricted cash, comprising cash set aside to cover rehabilitation obligations, is not available for use by the Group and is excluded from cash and cash equivalents.

(f) Trade and Other Receivables

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

(g) Intangible Assets

Deferred exploration costs

Once legal title is obtained, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area. Accumulated costs in relation to an abandoned area are written off in full against the results in the year in which the decision to abandon the area is made. No amortisation is charged during the exploration and evaluation phase. Expenditure is transferred from ‘Deferred Exploration Costs’ to ‘Mining Assets’ in property, plant and equipment once the work completed to date supports the technical and commercial feasibility of the project, the appropriate permits have been issued and financing has been secured. Additional exploration and evaluation expenditure subsequent to transfer is capitalised within ‘Mining Assets’ within property, plant and equipment.

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

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

(h) Property, Plant and Equipment

(i) Owned asset

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Mining assets are depreciated over the expected life of the mine. The amount of ore remaining and the expected future life of the mine are reviewed each year.

(iv) Mining assets and Deferred development costs

When the technical and commercial feasibility of an area of interest has been demonstrated, financing has been secured and the appropriate permits have been issued, the area of interest enters its development phase. The accumulated costs are transferred from exploration and evaluation expenditure within intangible assets and reclassified as mining assets and deferred development costs. When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either recognised as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements to mineable reserve development.

Once mining commences the asset is amortised on a unit-of-production basis over the expected life of the mine. Provisions are made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

(i) Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out of impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell.

Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

i. sufficient data exists that render the resource uneconomic and unlikely to be developed
ii. title to the asset is compromised
iii. budgeted or planned expenditure is not expected in the foreseeable future
iv. insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

i. a significant deterioration in the spot price of gold
ii. a significant increase in production costs
iii. a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

(j) Inventory

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

(k) Trade and Other Payables

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

(l) Segment Reporting

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

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Royalty Buyback Provision

The Group records the present value of the estimated cash flows on the $5,000,000 buyback fee on the royalties granted under Tranche 3 and 4 of the Macquarie Bank loan to determine the effective interest rate.

The Group also records the present value of the estimated cash flows on the $5,566,000 buyback fee on the royalties granted as part of the fees paid to Sherpa, the structuring agent of the COFIDE Bridge Loan.

Additional details on the royalties granted to Macquarie Bank and Sherpa are provided under note 17, “Royalty Buyback Liabilities”.

(n) Share Based Payments

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

(o) Borrowings and Borrowings Costs

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

(p) Significant Accounting Estimates and Assumptions

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

Impairment

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

In assessing the carrying amounts of deferred exploration costs, the Directors have used an updated financial model based upon the original Definitive Feasibility Study prepared in conjunction with a number of independent experts. The study has been approved by the Directors.

Should any key parameters differ from the assumptions contained within the technical economic model, such as tonnes of ore mined, grade of ore mined, recovery profile or gold price, the net present value will be affected either positively or negatively. If the impact is negative, an impairment charge may be required that has not been recognised in these financial statements. Further information on the year end carrying values is disclosed in note 9, "Property, Plant and Equipment", and note 10, "Intangibles".

Depreciation

Mining assets are depreciated on a unit-of-production basis over the expected life of the mine. The amount of ore remaining and the expected future life of the mine are reviewed each year. Additional information on the depreciation of mining assets is provided in note 9, "Property, Plant and Equipment".

Environmental provisions

Management uses its judgement and experience, together with independently prepared reports by qualified valuers, to provide for and amortise the estimated costs for decommissioning and site rehabilitation over the life of the mine. The ultimate cost of decommissioning and site rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions estimated which could affect future financial results. Additional information on environmental provisions is provided under "Provisions" in note 18.

Estimation of recoverable gold contained on the leach pads

Valuations of gold on the leach pads require estimations of the amount of gold contained on the heaps. These estimations are based on the analysis of samples, historical operating data and prior experience. In addition, it requires an estimation of the costs associated with the gold on the leach pads.

NOTE 2 - SEGMENT REPORTING

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

During 2016 the Group had one customer. The following table sets out the income and expenditure of the Group according to these reporting segments:

2016	**Peru US$000**	**Jersev US$000**	**Total US$000**
Mining revenue	29,163	-	29,163
Mining cost of sales	(18,875)	-	(18,875)
Mining gross profit	10,288	-	10,228
Exploration costs expensed	(20)	-	(20)
Administrative expenses	(4,728)	(1,648)	(6,376)
Net income	5,540	(1,648)	3,892
Exploration of properties - deferred	(5,221)	-	(5,221)
Capital expenditure	(3,675)	-	(3,675)
Reconciliations			
Segmental Revenue			
Customer A	29,163	-	29,163
Group revenues	29,163	-	29,163
Segment Result			
Segmental net income	5,540	(1,648)	3,892
Depreciation and amortisation	(2,874)	(253)	(3,127)
Write-off of Intangible asset	(124)	-	(124)
Group operating loss	2,542	(1,901)	641
Finance expense	(10,423)	(671)	(11,094)
Group loss before tax	(7,881)	(2,572)	(10,453)
Group Assets			
(not allocated for internal reporting)			
Non-current assets	143,742	9,351	153,093
Inventory	2,729	-	2,729
Current tax recoverable	894	-	894
Other receivables and prepayments	1,867	20	1,887
Cash and cash equivalents	6,857	-	6,857
Group total assets	156,089	9,371	165,460

NOTE 2 – SEGMENT REPORTING (continued)

2015	Peru US$000	Jersey US$000	Total US$000
Mining revenue	27,584	-	27,584
Mining cost of sales	(18,978)	-	(18,978)
Mining gross profit	8,606	-	8,606
Exploration costs expensed	(594)	-	(594)
Administration	(4,556)	(4,224)	(8,780)
Net income	3,456	(4,224)	(768)
Exploration of properties - deferred	(4,140)	-	(4,140)
Capital expenditure	(3,130)	-	(3,130)
Reconciliations			
Segmental Revenue			
Customer A	19,749	-	19,749
Customer B	5,489	-	5,489
Customer C	2,180	-	2,180
Customer D	166	-	166
Group revenues	27,584	-	27,584
Segment Result			
Segmental net income	3,456	(4,224)	(768)
Depreciation and amortisation	(1,933)	(228)	(2,161)
Write-off of intangible asset	(3,038)	-	(3,038)
Group operating loss	(1,515)	(4,452)	(5,967)
Finance expense	(6,185)	(2,563)	(8,748)
Group loss before tax	(7,700)	(7,015)	(14,715)
Group Assets (not allocated for internal reporting)			
Non-current assets	150,176	-	150,176
Inventory	2,591	-	2,591
Current tax recoverable	703	-	703
Other receivables and prepayments	756	-	756
Cash and cash equivalents	15,539	41	15,580
Group total assets	169,765	41	169,806

NOTE 3 – EXPENSES BY NATURE

	2016 US$000	2015 US$000
Site operating costs	15,715	15,912
Community and environmental costs	1,342	1,691
Depreciation and amortisation	3,162	2,161
Royalties, taxes and selling costs	1,718	1,375
Foreign exchange	210	1,090
Investor relations and Stock Exchange fees	304	425
Legal, professional and consulting fees	1,570	2,006
Director and employee benefit expense	3,187	3,107
Property costs and utilities	629	588
Travel costs	354	331
Project finance costs	-	980
Other	183	253
Total cost of sales and administration expenses	28,374	29,919

Auditor's remuneration:

Fees payable to the Group's auditor and its associates for the audit of the consolidated and subsidiaries' financial statements	**80**	118

NOTE 4 - STAFF NUMBERS AND COSTS

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

	Number of employees 2016	Number of employees 2015
Corporate finance and administration	**39**	35
Technical	**25**	42
Construction and production	**314**	356
	378	433

The aggregate payroll costs of these persons were as follows:

	2016 US$000	2015 US$000
Wages and salaries	**6,582**	7,223
Social security	**616**	633
	7,198	7,856

NOTE 5 - FINANCE EXPENSE

	2016 US$000	2015 US$000
Macquarie Bank finance facility	**-**	691
Macquarie Bank royalty buyback provision (note 17)	**423**	786
Macquarie Bank amortization of deferred extension fee	**-**	1,564
Rio Tinto Ollachea Mining Rights Transfer Contract payment [(1)]	**-**	(354)
COFIDE Bridge Loan effective interest	**8,697**	4,702
Other Bridge loan finance costs – unwinding of discount	**1,052**	322
Sherpa royalty buyback provision (note 17)	**305**	317
Other (includes unwinding of discount on environmental provisions)	**617**	720
	11,094	8,748

(1) On the payment of the amount due to Rio Tinto under the Ollachea Mining Rights Transfer Contract Rio Tinto forgave interest accrued in prior periods, resulting in a net reduction in interest expense of $354,000.

NOTE 6 - REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Salary & Fees US$000	Compensation for loss of office US$000	Other Benefits US$000	2016 Total Remuneration US$000
2016				
Directors:				
R Fryer [1]	90	-	-	**90**
D Jones [2]	11	-	-	**11**
J Bavin [3]	101	-	-	**101**
F O'Kelly [4]	163	120	-	**283**
G Perez [5]	30	-	-	**30**
G Bee [6]	-	-	-	**-**
D Weyrauch [7]	32	-	-	**32**
R Schafer [8]	5	-	-	**5**
D Benavides [9]	278	-	46	**324**
M Iannacone [10]	2	-	-	**2**
Directors Total	712	120	46	**878**
Non-Directors:	312	-	14	**326**
TOTAL	1,024	120	60	**1,204**

Notes:

1. Mr. Fryer was appointed to the Board of Directors on 5 May 2015. Mr. Fryer resigned on 15 June 2016. Remuneration includes $79,000 consulting fees and $11,000 director fees.
2. Mr. Jones was appointed to the Board of Directors on 23 August 2003. Mr. Jones resigned on 15 June 2016.
3. Mr. Bavin was appointed to the Board of Directors on 16 December 2015 and ceased to be a director on 30 November 2016. Remuneration includes $79,000 consulting fees and $22,000 director fees.
4. Mr. O'Kelly was appointed to the Board of Directors on 28 March 2016 and ceased to be a director on 30 November 2016. Remuneration includes $160,000 consulting fees as Interim CEO, $3,000 director fees and a $120,000 settlement on termination of his services contract..
5. Mr. Perez was appointed to the Board of Directors on 23 May 2016.Remuneration includes $16,000 consulting fees and $14,000 director fees.
6. Mr. Bee was appointed to the Board of Directors on 14 June 2016 and resigned on 12 September 2016.
7. Mr. Weyrauch was appointed to the Board of Directors on 21 June 2016 and ceased to be a director on 30 November

2016. Remuneration includes $22,000 consulting fees and $10,000 director fees.

8. Mr. Schafer was appointed to the Board of Directors on 12 September 2016 and ceased to be a director on 30 November 2016.
9. Mr. Benavides was appointed to the Board of Directors on 2 December 2016. Remuneration was $2,000 director fees.
10. Mr. Iannacone was appointed to the Board of Directors on 2 December 2016. Remuneration was $2,000 director fees.
11. Non-Directors include the President of the Peruvian subsidiaries, the Corihuarmi Mine Manager and the Interim CFO.

	Salary & Fees US$000	**Bonus US$000**	**Other Benefits US$000**	**Share Based Payments [3] US$000**	**2015 Total Remuneration US$000**
2015					
Directors:					
C Chamberlain [1]	133	-	2	-	135
D Hodges [2]	153	280	-	-	433
R Fryer [3]	15	-	-	-	15
D Jones	24	-	-	-	24
J Pinto	14	-	-	-	14
J Bavin [4]	1	-	-	-	1
Directors Total	340	280	2	-	622
Non-Directors:	1,030	-	149	-	1,179
TOTAL	1,370	280	151	-	1,801

Notes:

1. Mr. Chamberlain stepped down as Executive Chairman on 6 March 2015, but remained on the Board of Directors until 20 April 2015.
2. Mr. Hodges was appointed as Executive Chairman on 6 March 2015 and ceased to be a director on 26 August 2015
3. Mr. Fryer was appointed to the Board of Directors on 5 May 2015.
4. Mr. Bavin was appointed to the Board of Directors on 16 December 2015.
5. Non-Directors include the President of the Peruvian subsidiaries, Chief Financial Officer, VP of Exploration, the Corihuarmi Mine Manager and other senior executives.

NOTE 7 - INCOME TAX EXPENSE

	2016 US$000	2015 US$000
Current tax	**258**	282
Current tax-recovery	**(298)**	-
Deferred tax	**-**	88
Income tax (recovery) / expense	**(40)**	370

NOTE 7 - INCOME TAX EXPENSE (continued)

The differences are explained below:

	2016 US$000	2015 US$000
Tax reconciliation		
Loss for the year	**(10,413)**	(15,085)
Tax	**(40)**	370
Loss before tax	**(10,453)**	(14,715)
Tax at 28% (2015: 28%)	**(2,927)**	(4,120)
Effects (at 28%) of:		
Expenses not deductible for tax purposes and losses carried forward on which no deferred tax asset is recognised	**3,185**	4,402
Tax recovery	**(298)**	
Unrecognised deferred tax movements	**-**	88
Income tax (recovery) expense	**(40)**	370

The Group has estimated tax losses of approximately $9,776,000 (2015: $14,464,000) available to carry forward for offset against future profits. A potential deferred tax asset of $2,951,000 (2015: $1,106,000) has not been recognised because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

At the year end, an additional potential deferred tax asset of $3,096,000 (2015: $3,220,000) in respect of fixed asset timing differences has not been recognized because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

The total unrecognised deferred tax asset is $6,047,000.

NOTE 8 – EARNINGS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders of $10,413,000 (2015: loss of $15,085,000) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2016 of 231,135,028 (2015: 231,135,028).

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

	2016 Loss US$000	**2016 Number of shares '000**	**2016 Loss per share US cents**	2015 Loss US$000	2015 Number of shares '000	2015 Earnings per share US cents
Continuing Operation						
Basic loss	**(10,413)**	**231,135**	**(4.5)**	(15,085)	231,135	(6.5)
Dilutive effects-options	**-**	**-**	**-**	-	-	-
Diluted loss	**(10,413)**	**231,135**	**(4.5)**	(15,085)	231,135	(6.5)

As at 31 December 2016 and 2015, all options were excluded from the calculation of diluted loss per share because they were anti-dilutive. Note 15, "Capital and Reserves", provides additional detail on the Group's share options.

NOTE 9 - 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 at 1 January 2015	50,832	396	2,626	2,935	56,789
Additions	3,075	-	-	55	3,130
Reclassifications	1,013	-	-	-	1,013
Balance - 31 December 2015	54,920	396	2,626	2,990	60,932
Balance at 1 January 2016	**54,920**	**396**	**2,626**	**2,990**	**60,932**
Additions	**3,457**	**31**	**53**	**134**	**3,675**
Disposals	**-**	**-**	**(110)**	**(41)**	**(151)**
Balance - 31 December 2016	**58,377**	**427**	**2,569**	**3,083**	**64,456**
Depreciation					
Balance - 1 January 2015	46,468	337	2,258	2,583	51,646
Depreciation for the year	1,888	7	174	118	2,187
Balance - 31 December 2015	48,356	344	2,432	2,701	53,833
Balance - 1 January 2016	**48,356**	**344**	**2,432**	**2,701**	**53,833**
Depreciation for the year	**2,920**	**3**	**110**	**129**	**3,162**
Disposals	**-**	**-**	**(100)**	**(41)**	**(141)**
Balance - 31 December 2016	**51,276**	**347**	**2,442**	**2,789**	**56,854**
Carrying amounts					
Balance - 1 January 2015	4,364	59	368	352	5,143
Balance - 31 December 2015	**6,564**	**52**	**194**	**289**	**7,099**
Balance - 31 December 2016	**7,101**	**80**	**127**	**294**	**7,602**

NOTE 10 - INTANGIBLE ASSETS

Deferred Exploration Costs	Ollachea US$000	Other Peru US$000	Total US$000
Balance – 1 January 2015	128,578	4,492	133,070
Additions	3,854	286	4,140
Write-off of intangible assets	-	(3,038)	(3,038)
Reclassifications	-	(1,013)	(1,013)
Balance – 31 December 2015	132,432	727	133,159
Additions	4,273	948	5,221
Write-off of intangible assets	-	(124)	(124)
Balance - 31 December 2016	**136,705**	**1,551**	**138,256**

NOTE 10 - INTANGIBLE ASSETS (continued)

The Group was required to make an option payment of $1,000,000 due in December 2015 to allow the Group to retain its option rights on the Bethania property. At the end of June 2015 the Group decided not to make the payment in order to preserve cash. As a consequence, the Group recorded an impairment charge of $3,038,000. In December 2016, the Group also recorded a write-off charge of $124,000 related to some small mining concessions around the Corihuarmi area.

The Ollachea property will require significant project financing in order to bring it into production and convert it into mining assets. The carrying values of the deferred exploration and development costs for the Ollachea property and the Group's other exploration properties in Peru at 31 December 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 statement of financial position.

As disclosed in note 1 'Basis of Preparation and Going Concern', the Ollachea property is pledged as security for the Bridge Loan which is due for repayment in June 2017. If the Group is not able to satisfy the Bridge Loan then control over the Ollachea Gold project will be relinquished.

NOTE 11 - OTHER RECEIVABLES AND PREPAYMENTS

	2016 US$000	2015 US$000
Non-current assets		
Other receivables	**7,235**	6,649
	7,235	6,649
Current assets		
Other receivables	**1,693**	466
Prepayments	**194**	290
	1,887	756

Included in other receivables is an amount of $8,584,000 (2015: $6,947,000) relating to recoverable sales tax paid on the purchase of goods and services in Peru. Of the $8,584,000 sales tax recoverable, $7,235,000 (2015: $6,649,000) relates to purchases for the Ollachea project which is only recoverable upon commencement of metal sales from that project. Commercial production is not expected to commence in 2017, therefore this element has been included in non-current assets.

NOTE 12 - INVENTORY

	2016 US$000	2015 US$000
Gold in process	**1,384**	1,399
Mining materials	**1,345**	1,192
	2,729	2,591

NOTE 13 - CASH AND CASH EQUIVALENTS

	2016 US$000	2015 US$000
Bank balances	**6,857**	15,580

NOTE 14 – RESTRICTED CASH

	2016 US$'000	2015 US$'000
Security on environmental performance guarantees	**-**	3,269

The Group had provided cash to a Peruvian bank as collateral against letters of guarantee the bank had provided to the Peruvian Ministry of Energy and Mines relating to the future reclamation and rehabilitation of the Group's Corihuarmi mine site and Ollachea exploration tunnel site. In December 2016 the Group cancelled these letters of guarantee with the Peruvian bank and obtained letters of guarantee from another Peruvian financial institution. After cancelling the original letters of guarantee the Peruvian bank released the $4.6 million cash fund backing these letters of guarantee. The letters of guarantee are renewed on an annual basis.

NOTE 15 - CAPITAL AND RESERVES

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

Issued share capital	**Ordinary shares**
Shares in issue 31 December 2015	231,135,028
Shares in issue 31 December 2016	**231,135,028**

<u>Share Options</u>

<u>Group Share Option Scheme</u>

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.

NOTE 15 - CAPITAL AND RESERVES (continued)

Share Options (continued)

Group Share Option Scheme (continued)

	2016 Number of share options	Weighted average exercise price (£)	2015 Number of share Options	Weighted average exercise price (£)
Outstanding - beginning of year	**4,570,000**	**0.51**	9,230,000	0.68
Granted during the year	**-**	**-**	-	-
Expired during the year	**(2,570,000)**	**(0.52)**	(4,660,000)	(0.74)
Lapsed during the year	**-**	**-**	-	-
Outstanding - end of the year	**2,000,000**	**0.51**	4,570,000	0.51
Exercisable - end of the year	**2,000,000**	**0.51**	4,570,000	0.51

The average remaining contractual life of the outstanding options as at 31 December 2016 was 1.0 years (2015: 2.0 years).

On the expiry and lapsing of 2,570,000 options during the year ended 31 December 2016, a total of $296,000 was transferred from share option reserve to accumulated losses (2015: 4,660,000 options expired and lapsed, $2,245,000 transferred to accumulated losses).

The following table details the incentive stock options outstanding as at 31 December 2016:

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

Other Share Options

	2016 Number of share options	Weighted average exercise price ($)	2015 Number of share options	Weighted average exercise price ($)
Outstanding - beginning of year	**37,556,751**	**0.17**	26,000,000	0.18
Granted	**-**	**-**	11,556,751	0.16
Expired	**(26,000,000)**	**0.18**	-	-
Outstanding - end of the year	**11,556,751**	**0.16**	37,556,751	0.17
Exercisable - end of the year	**-**	**-**	26,000,000	0.18

As part of the fees paid in connection with the Bridge Loan to structuring agent Inversiones y Asesoría SHERPA S.C.R.L. ("Sherpa"), Minera IRL Limited is required to grant 11,556,751 options (subject to receipt of all regulatory approvals). Each option will be exercisable to purchase one ordinary share of the Group at a price of C$0.20 ($0.16) per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Gold Project.

NOTE 15 - CAPITAL AND RESERVES (continued)

Other Share Options (continued)

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

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

Share Option Reserve

The share option reserve includes a credit based on the fair value of share options issued and remaining in issue at 31 December 2016.

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.

	At 31 December 2016 US$000	At 31 December 2015 US$000
Total interest bearing debt	**69,187**	65,732
Total equity	**73,236**	83,649
Debt-to-equity ratio	**94.5%**	78.6%

NOTE 16 – INTEREST BEARING LOANS

	At 31 December 2016 US$000	At 31 December 2015 US$000
Non-Current liabilities		
Bank loan	-	63,542
Current liabilities		
Promissory note	**1,551**	2,190
Bank loan	**67,636**	-
	69,187	2,190

COFIDE Bridge Loan

In June 2015, the Group secured a $70,000,000 Bridge Loan from the Peruvian state-owned development and promotion bank, COFIDE, which was syndicated through Goldman Sachs. The Bridge Loan was expected to be the first component of a senior debt facility of up to $240,000,000 to be structured by COFIDE to develop the Group's Ollachea Gold Project. COFIDE is a Peruvian state-owned development bank with a charter to provide financing to projects of national interest. COFIDE is also actively involved with several Peruvian community programs which provide economic, health, social, educational and sustainable large-scale development.

The 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 Gold 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 Gold Project (subject to the receipt of all regulatory approvals). See note 15, "Capital and Reserves" for more details on the share options.

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 17, "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 be expensed over the two-year life of the loan on an effective interest basis.

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

The net proceeds from the Bridge Loan 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 31 December 2016 is $1,490,000 of principal and $61,000 of interest.

The Group has not reached an agreement with COFIDE for a senior debt facility and in March 2017, COFIDE terminated the letter of mandate to exclusively structure the senior debt to a maximum of US$240 million for the development of the Ollachea gold project. The Group is currently evaluating its options for the repayment of the Bridge Loan which is due in June 2017.

The Bridge Loan is secured by the Ollachea Gold Project's assets, mining reserves, mining concessions and rights, guarantees from the Company's subsidiary Minera IRL S.A., and a pledge of the shares of the Company's subsidiary, Compania Minera Kuri Kullu S.A., which holds the Ollachea Gold Project. Should the Group be unable to find an alternative source of funding to satisfy the repayment due in June 2017, the Group may have to relinquish control of the subsidiary, Compania Minera Kuri Kullu S.A., and therefore the Ollachea Gold Project.

Macquarie Bank Finance Facility

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

NOTE 17 – ROYALTY BUYBACK LIABILITIES

The Group has granted royalties on the Ollachea Gold Project to Sherpa under the COFIDE Bridge Loan and to Macquarie Bank under the Finance Facility that can be bought out at the Group's option. The Group 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.

A reconciliation of the royalty buyback provision is as follows:

	Sherpa Royalty US$000	**Macquarie Royalty US$000**	**Total US$000**
Balance 1 January 2015	-	2,153	2,153
Initial liability recorded	3,922	-	3,922
Finance expense recorded	317	786	1,103
Balance 31 December 2015	4,239	2,939	7,178
Finance expense recorded	305	423	728
Balance 31 December 2016	**4,544**	**3,362**	**7,906**

NOTE 17 – ROYALTY BUYBACK LIABILITIES (continued)

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 paid to Sherpa, as discussed on Note 16, included a 0.9% net smelter return royalty on gold production from the Group's Ollachea Gold 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 30 June 2018, subject to the availability of capital. As at 31 December 2016 the Group has made a provision of $4,544,000 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 5. Upon payment of the buyback fee, Sherpa will cease to have any royalty rights on revenues from the Ollachea Gold 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 Gold 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 30 June 2018, subject to the availability of capital. As at 31 December 2016 the Group has made a provision of $3,362,000 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 5. Upon payment of the buyback fee, Macquarie bank will cease to have any royalty rights on revenues from the Ollachea project.

NOTE 18 - PROVISIONS

The Group has a provision of $6,738,000 (2015: $5,329,000) 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. At the year end, management estimates that the remaining mine life at Corihuarmi is approximately 30 months. The directors have currently estimated the rehabilitation of the Ollachea exploration 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.

	Environmental provisions US$000
Balance 1 January 2015	4,485
Accretion expense	522
Additional provision	415
Paid during the year	(93)
Balance 31 December 2015	5,329
Accretion expense	**456**
Additional provision	**1,024**
Paid during the year	**(71)**
Balance 31 December 2016	**6,738**

NOTE 19 – TRADE AND OTHER PAYABLES

	2016 **US$000**	2015 US$000
Non-current		
Other payables	**-**	-
Current		
Trade payables	**5,950**	5,170
Other payables	**2,443**	2,748
	8,393	7,918

NOTE 20 - 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:

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:

	2016	2015
	US$000	US$000
Canadian dollars	**-**	29
Peruvian nuevos soles	**294**	250
United States dollars	**6,563**	15,301
	6,857	15,580

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

	2016	2015
	US$000	US$000
Pounds sterling	**(127)**	(184)
Australian dollars	**-**	(61)
Canadian dollars	**(171)**	(281)
Peruvian nuevos soles	**2,353**	1,557
United States dollars	**(77,406)**	(63,869)
	(75,351)	(62,838)

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

	2016	2015
	US$000	US$000
10% weakening of the US dollar	**205**	99
20% weakening of the US dollar	**411**	197
10% strengthening of the US dollar	**(205)**	(99)
20% strengthening of the US dollar	**(411)**	(197)

Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents as well as an adequate amount of committed credit facilities. 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.

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 Accounting Policies, paragraph (p) 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.

2016

Financial Liabilities	**Due in less than 3 months US$000**	**Due between 3 months to 1 year US$000**	**Due between 1 to 5 years US$000**	**Total US$000**
Trade payables	5,950	-	-	5,950
Other payables	2,443	-	-	2,443
Interest bearing loan - current	1,551	-	-	1,551
Interest bearing loan – non-current	1,129	71,129	-	72,258
	11,073	71,129	-	82,202

2015

Financial Liabilities	Due in less than 3 month US$000	Due between 3 months to 1 year US$000	Due between 1 to 5 years US$000	Total US$000
Trade payables	4,965	135	70	5,170
Other payables	2,748	-	-	2,748
Interest bearing loan - current	2,267	-	-	2,267
Interest bearing loan – non-current	1,129	3,386	72,258	76,773
	11,109	3,521	72,328	86,958

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 13. 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 11, by the government of Peru.

Interest rate risk

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

NOTE 21 - CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group is subject to various laws and regulations governing its mining, development and exploration activities. These laws and regulations are continually changing and generally becoming more restrictive. The Group has made, and expects to make in the future, expenditures to comply with such laws and regulations. As a result of examinations conducted by the Ministry of Energy and Mines to the Corihuarmi mine the Group has been fined for failure to comply with environmental obligations. The Group has appealed the aforesaid resolutions. As at 31 December 2016 the Group estimates an amount of $457,000 (2015: $117,000) as contingencies related to liabilities for breach of environmental issues. No provision has been made as the Directors consider that the Group will be successful in its appeal.

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 has entered into a contract with Empresa de Generacion Electrica San Gaban 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 Ollachea had not commenced by June 2015. In March 2015, the Group entered into an amended power contract deferring the requirement to make minimum power usage payments for twelve months, until June 2016. 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 Ollachea commences production. The monthly compensation amount will vary depending on the start date of the construction of Ollachea, but could be as high as $11,000 per month for total payments of $1,254,000 over the nine and a half year period. Minimum power usage, beginning in June 2017, would amount to approximately $16,000 per month for the first three months, increasing to $78,000 per month thereafter. If the Group chooses to terminate the power supply agreement prior to the commencement of production, there would be a penalty of approximately $1,570,000. The contract was extended until June 2017.

Claims for wrongful dismissal and alleged damage to personal reputation have been filed against one of the Group's subsidiaries in Peru by a former executive and a former employee. The Group has recognised an accrual of $240,000 in respect of these claims as at 31 December 2016.

NOTE 22 - RELATED PARTIES

During the year 2016, the Group did not enter into transactions with related parties with the exception of key management as disclosed in note 5. As at 31 December 2016, the Group owed Ladykirk Capital Advisors Inc., a company controlled by Mr Daryl Hodges, $100,000 (2015: $250,000), Mr Julian Bavin $7,531 (2015: $979), Mr Derrick Weyrauch $11,117 (2015: $nil), Mr. Francis O'Kelly $119,750 (2015: $nil), Mr. Robert Schafer $3,917 (2015: $nil), Mr. Michal Iannacone $1,676 (2015: $nil), Mr. Diego Benavides $1,676 (2015: $nil) and Mr Carlos Ruiz de Castilla $12,000 (2015: $nil).

NOTE 23 - SUBSEQUENT EVENTS

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

STAND ALONE ACCOUNTS OF MINERA IRL LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

Minera IRL
LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME
for the years ended 31 December 2016 and 2015

		31 December, 2016 US$000	31 December, 2015 US$000
Administrative expenses	3	(1,860)	(4,454)
Impairment of Investment in Subsidiaries	7	(35,422)	-
Finance expenses	4	(671)	(2,563)
Operating loss		(37,953)	(7,017)
Intercompany interest		(2,513)	(1,375)
Dividends received	14	-	27,330
(Loss) / Profit for the year attributable to the equity shareholders of the parent		(40,466)	18,938
Total comprehensive income for the year attributable to the equity shareholders of the parent		(40,466)	18, 938

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 and 2015

		31 December, 2016 US$000	31 December, 2015 US$000
Assets			
Property, plant and equipment	**5**	**-**	**253**
Intangible assets	**6**	**9,351**	**9,351**
Investment in Subsidiaries	**7**	**117,331**	**152,753**
Total non-current assets		**126,682**	**162,357**
Cash		**-**	**32**
Other receivables and pre-payments		**144**	**372**
Inter-group receivables	**8**	**7,438**	**7,335**
Total current assets		**7,582**	**7,739**
Total assets		**134,264**	**170,096**
Equity			
Share Capital	**9**	**159,012**	**159,012**
Share options reserve	**10**	**663**	**959**
Accumulated losses		**(69,129)**	**(28,959)**
Total equity attributable to the equity shareholders of the parent		**90,546**	**131,012**
Liabilities			
Royalty buyback provisión	**11**	**3,362**	**2,939**
Inter-group liabilities	**12**	**39,765**	**35,080**
Total non-current liabilities		**43,127**	**38,019**
Trade and other payables	**13**	**591**	**1,065**
Total current liabilities		**591**	**1,065**
Total liabilities		**43,718**	**39,084**
Total equity and liabilities		**134,264**	**170,096**

STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2016 and 2015

	Number of shares	Share Capital US$000	Share options reserve US$000	Acumulated Losses US$000	Total US$000
Balance at 1 January 2015	**231,131,028**	**159,012**	**2,770**	**(50,142)**	**111,640**
Profit for the year	-	-	-	**18,938**	**18,938**
Total comprehensive income	-	-	-	**18,938**	**18,938**
Share options issued	-	-	**434**	-	**434**
Expiry/lapse of share options	-	-	**(2,245)**	**2,245**	-
Total transactions with owners, recognised directly in equity	-	-	**(1,811)**	**2,245**	**434**
Balance 31 December 2015	**231,135,028**	**159,012**	**959**	**(28,959)**	**131,012**

	Number of shares	Share Capital US$000	Share options reserve US$000	Acumulated Losses US$000	Total US$000
Balance at 1 January 2016	**231,135,028**	**159,012**	**959**	**(28,959)**	**131,012**
Loss for the year	-	-	-	**(40,466)**	**(40,466)**
Total comprehensive income	-	-	-	**(40,466)**	**(40,466)**
Expiry/lapse of share options	-	-	**(296)**	**296**	-
Total transactions with owners, recognised directly in equity	-	-	**(296)**	**296**	-
Balance 31 December 2016	**231,135,028**	**159,012**	**663**	**(69,129)**	**90,546**

CASH FLOW STATEMENT
For the years ended 31 December 2016 and 2015

	Nota	December 31, 2016	December 31, 2015
Cash flows from operating activities		**US$000**	**US$000**
Loss		**(40,466)**	18,938
Finance expenses	**4**	**671**	2,563
Intercompany interest		**2,513**	1,375
Depreciation	**5**	**253**	218
Amortization of deferred finance costs		**-**	982
Impairment of Investment in Subsidiaries	**7**	**35,422**	-
Dividends received in the form of shares	**14**	-	(27,330)
Increase in account receivables		**(61)**	(104)
Decrease in accounts payable		**(474)**	415
Net cash outflow from operating activities		**(2,142)**	(2,943)
Cash flows from investing activities		-	-
Increase in deferred finance costs		-	(224)
Net cash outflow from investing activities		-	(224)
Cash flows from financing activities			
Funds transferred from subsidiary		**2,110**	33,809
Payment of loans		**-**	(30,000)
Payment of interests		**-**	(832)
Net cash inflow from financing activities		**2,110**	2,977
Net cash outflow		**(32)**	(190)
Cash balance at beginning of year		**32**	222
Cash balance at end of year		**-**	**32**

Note 1 – Nature and Continuance of Operations

Minera IRL Limited (the “Company”) is registered in Jersey and its registered office is at Ordnance House, 31 Pier Road, St. Helier, Jersey. The principal activity of the Group and its subsidiaries is the exploration for and development of mines for the extraction of metals.

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

At 31 December 2016, the Company had working capital deficiency of $6,991,000. Working capital is defined as current assets less current liabilities. The Company has no operations by itself and does not generate revenue, does not have a bank account and carries out its operations through its subsidiaries. All payments are made through Minera IRL SA, one of its Peruvian subsidiaries.

Note 2 – Basis of Preparation

According the Companies (Jersey) Law of 1991 this report is not mandatory and has not been filed with the Companies Registry in Jersey. This report has been prepared by management at request of the Peruvian securities regulator in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") except for IFRS 10 Consolidated Financial Statements. This standard requires a controlling entity to prepare Consolidated Financial Statements of a Group in which the assets, liabilities, equity, income and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Note 3 – Administrative expenses

	2016 US$000	**2015 US$000**
Director fees	79	70
Travel expenses	114	165
Senior management salaries	795	1,008
Professional fees	587	1,602
Depreciation	253	218
Other	32	410
Amortization of finance costs	-	982
Balance at 31 December 2016	**1,860**	**4,454**

Note 4 – Finance expense

	2016 US$000	**2015 US$000**
Macquarie Bank royalty buyback provision	423	786
Amortization of deferred finance expenses	248	1,777
Balance at 31 December 2016	**671**	**2,563**

Note 5 – Property, plant and equipment

	Mining assets & deferred development costs	Computers & other equipment
	US$000	US$000
Cost		
Balance at 1 January 2015	453	10
Additions	328	-
Balance at 31 December 2015	781	10
Balance at 1 January 2016	781	10
Additions	-	-
Balance at 31 December 2016	781	10
Depreciation		
Balance at 1 January 2015	(311)	(9)
Depreciation for the year	(217)	(1)
Balance at 31 December 2015	(528)	(10)
Balance at 1 January 2016	(528)	(10)
Depreciation for the year	(253)	-
Balance at 31 December 2015	(781)	(10)
Carrying amounts		
Balance 31 December 2015	253	-
Balance 31 December 2016	-	-

Note 6 – Intangible Assets

The balance of intangible assets is the amount invested and capitalized on the Ollachea Gold Project which is owned by the Company's subsidiary Minera Kuri Kullu SA. There were no changes to the amount invested during the years ended 31 December 2016 and 31 December 2015.

Note 7 – Investment in Subsidiaries

	2016	2015
	US$000	US$000
Cost		
At 1 January	152,753	125,423
Additions	-	27,330
Balance at 31 December	**152,753**	**152,753**
Provision for impairment		
At 1 January	**-**	**-**
Charge for the year	35,422	**-**
Balance at 31 December	**35,422**	**-**
Carrying value		
Balance at 31 December	**117,331**	**152,753**

During the year ended 31 December 2016 the following Investments in Subsidiaries were fully impaired because they are no longer considered to be recoverable; Minera IRL Argentina, Minera IRL Chile and Hidefield Gold of $2,963,000, $1,947,000 and $30,512,000 respectively. These subsidiaries are currently dormant and are expected to be liquidated during 2017.

During the year ended 31 December 2015, the Company received a dividend in the form of shares from its subsidiary, Minera IRL SA of $27,330,000. The Company's investment in Minera IRL SA was increased as a result of the distribution.

The Company holds investments in the following subsidiaries:

	Location	**Ownership**
Minera IRL S.A. ("MIRLSA") – MIRLTD's subsidiary	Peru	100%
Compañía Minera Kuri Kullu S.A. ("MKKSA") – MIRLSA's subsidiary	Peru	100%
Minera IRL Argentina S.A. – MIRLTD's subsidiary	Argentina	100%
Hidefield Gold Limited ("HGL") – MIRLTD's subsidiary	UK	100%
Hidefield Gold (Alaska) Inc. HGL subsidiary	USA	100%
Minera IRL Chile S.A. – MIRLTD's subsidiary	Chile	100%

Note 8 – Intra-group receivables

	31 December 2016 US$000	31 December 2015 US$000
Intercompany receivable from Minera Kuri Kullu SA	7,438	7,335
Balance at 31 December 2016	**7,438**	**7,335**

Note 9 - Share Capital

The Company has an authorized share capital of an unlimited number of Common Shares without par value, of which 231,135,028 have been issued as of the date of this report. Each share grants its holder the right to one vote. All shares of the Company have the same rank in terms of dividends, number of votes and participation in the assets at the time of dissolution or liquidation of the Company.

There was no share capital issuances during the year ended 31 December 2016.

Note 10 – Share options reserve

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.

	2016		2015	
	Number of share options	**Weighted average exercise price (£)**	Number of share Options	Weighted average exercise price (£)
Outstanding - beginning of year	**4,570,000**	**0.51**	9,230,000	0.68
Granted during the year	**-**	**-**	-	-
Expired during the year	**(2,570,000)**	**(0.52)**	(4,660,000)	(0.74)
Lapsed during the year	**-**	**-**	-	-
Outstanding - end of the year	**2,000,000**	**0.51**	4,570,000	0.51
Exercisable - end of the year	**2,000,000**	**0.51**	4,570,000	0.51

The average remaining contractual life of the outstanding options as at 31 December 2016 was 1.0 years (2015: 2.0 years).

On the expiry and lapsing of 2,570,000 options during the year ended 31 December 2016, a total of $296,000 was transferred from share option reserve to accumulated losses (2015: 4,660,000 options expired and lapsed, $2,245,000 transferred to accumulated losses).

The following table details the incentive stock options outstanding as at 31 December 2016:

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

<u>Other Share Options</u>

	2016		2015	
	Number of share options	**Weighted average exercise price ($)**	Number of share options	Weighted average exercise price ($)
Outstanding - beginning of year	**37,556,751**	**0.17**	26,000,000	0.18
Granted	**-**	**-**	11,556,751	0.16
Expired	**(26,000,000)**	**0.18**	-	-
Outstanding - end of the year	**11,556,751**	**0.16**	37,556,751	0.17
Exercisable - end of the year	**-**	**-**	26,000,000	0.18

As part of the fees paid in connection with the Bridge Loan to structuring agent Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”), Minera IRL Limited is required to grant 11,556,751 options (subject to receipt of all regulatory approvals). Each option will be exercisable to purchase one ordinary share of the Group at a price of C$0.20 ($0.16) per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Gold Project.

Other Share Options (continued)

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

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

Share Option Reserve

The share option reserve includes a credit based on the fair value of share options issued and remaining in issue at 31 December 2016.

Note 11 – Royalty buyback liabilities

The Company has granted royalties on the Ollachea Gold Project to Macquarie Bank that can be bought out at the Company's option. The Company 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.

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 Gold 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 30 June 2018, subject to the availability of capital. As at 31 December 2016 the Group has made a provision of $3,362,000 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 4. Upon payment of the buyback fee, Macquarie bank will cease to have any royalty rights on revenues from the Ollachea project.

A reconciliation of the royalty buyback provision is as follows:

	($'000)
Balance at 1 January 2015	2,153
Accretion expense	786
Balance at 31 December 2015	2,939
Accretion expense	423
Balance at 31 December 2016	**3,362**

Note 12 – Inter-group liabilities

	31 December 2016 US$000	31 December 2015 US$000
Intercompany payable to Minera IRL SA	39,765	35,080
Balance at 31 December 2015 and 2016	39,765	35,080

During the year ended 31 December 2016 the balance payable by the Company to its subsidiary Minera IRL Peru SA has increased by $2,172,000 due the payments made by Minera IRL SA on behalf of the Company as well as an increase of $2,513,000 in interest charged by the subsidiary. There were no other intercompany transactions.

Note 13 – Trade and other payables

	2016 US$000	2015 US$000
Fees and services	338	703
Other	253	362
Balance at 31 December 2015 and 2016	**591**	**1,065**

Note 14 – Dividends receivable

During the year, the Company received dividends of $nil (2015: $27,330,000). In the prior year, non-cash dividends were paid to the Company in the form of an issue of shares.