Management's Discussion and Analysis
For the Three and Six Months Ended 30 June 2015

*The following Management's Discussion and Analysis ("MD&A"), prepared as of 9 May 2016, should be read together with the audited consolidated financial statements (the "Financial Statements") and related notes thereto of Minera IRL Limited ("**Minera IRL**", the "**Group**" or the "**Company**") for the fiscal year ended 31 December 2014 and the unaudited condensed interim consolidated financial statements of the Company for the six months ended 30 June 2015 and related notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information about Minera IRL, including the Company's most recently filed Annual Information Form and the risks and uncertainties discussed therein, may be found at the Company's website at www.minera-irl.com and within the Company's SEDAR profile at www.sedar.com. All figures are in United States dollars ("$") unless otherwise noted. References to "C$" are to Canadian dollars and to "£" are to British pound sterling.*

Background and Business of the Company

Minera IRL Limited is a Jersey registered company and together with its subsidiaries is a Latin American precious metals mining, development and exploration company. The Company was privately funded from inception in 2000 until an initial public offering and admission of its ordinary shares on the AIM Market of the London Stock Exchange plc ("AIM") in April 2007. Subsequently, the Company listed on the Lima Stock Exchange in Peru, Bolsa de Valores Lima ("BVL"), in December 2007 under the trading symbol of "MIRL". In April 2010, the shares of the Company were listed on the Toronto Stock Exchange ("TSX") under the trading symbol "IRL".

As a result of factors that caused the Company not to file its 30 June 2015 financial statements in a timely manner, trading in the company's shares was suspended on AIM, BVL and TSX in September 2015. In October 2015 the company applied for a voluntary delisting of its shares on TSX. Also in October 2015 the Ontario Securities Commission ("OSC") issued a Cease Trade Order which is still in effect. In March 2016 the company requested a delisting from AIM. The listing on BVL remains suspended. Currently the company is in the process of complying with all disclosure requirements in Canada and will then apply for lifting of the Cease Trade Order. When the Company meets all conditions it intends to apply for a new stock exchange listing in Canada.

In Peru, the Company operates the Corihuarmi Gold Mine and is advancing the Ollachea Gold Project, the Company's flagship project, towards production. At Ollachea, the Company has completed a post-definitive feasibility study ("DFS") optimization and received the Environmental and Social Impact Assessment ("ESIA") and the Construction Permit from the Peruvian authorities. The Company is currently working towards financing the Ollachea Gold

Project. In June 2015, the Company announced that it had secured a $70 million bridge loan from a Peruvian state-owned development and promotion bank. The loan is expected to be the first component of a senior debt facility of up to $240 million, and this initial component was used to repay existing debt, including the $30 million Macquarie Bank debt facility and the remaining Ollachea property payment due to Rio Tinto, and to advance many aspects of the project's development needed to commence major site construction. Additional detail on the bridge loan is provided below under the section entitled, "Ollachea Project, Peru – Development".

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine, Peru

The Company's 100% owned Corihuarmi Gold Mine ("Corihuarmi") is located approximately 160 kilometres ("km") southeast of Lima, Peru, in the Central Andes at an altitude of almost 5,000 metres ("m"). The Company acquired the Corihuarmi leases in 2002, and the mine was brought into production in March 2008. As a result of the last year's exploration drill program, the life of the Corihuarmi Mine has been extended into the end of 2017.

The Corihuarmi Mine has produced 12,171 ounces of gold during the six months ended 30 June 2015.

Below is a summary of the key operating statistics for Corihuarmi for the three and six months ended 30 June 2015 and 2014:

Operating Parameters	Three Month Period Ended 30 June		Six Month Period Ended 30 June	
	2015	2014	2015	2014
Waste (tonnes)	242,997	42,223	433,559	177,435
Ore mined & stacked on heaps (tonnes)	709,909	682,710	1,440,115	1,336,905
Ore grade, mined and stacked (g/t)	0.34	0.31	0.33	0.31
Gold produced (ounces)	6,285	5,863	12,171	11,697
Gold sold (ounces)	6,205	5,887	11,658	11,772
Realized gold price ($ per ounce)	1,194	1,286	1,202	1,288
Site operating cash costs ($ per ounce) [1]	659	744	689	741
Total cash costs ($ per ounce sold) [1]	816	914	824	873

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

<u>Three Months Ended 30 June 2015</u>

Gold production during the second quarter of 2015 was 6,285 ounces, approximately 7% higher than the 5,863 ounces produced in the same period of the prior year. A 4% increase in ore tonnes mined and stacked along with an 8% increase in the grade of the ore, was largely offset by a lower metallurgical recovery of gold.

Site operating cash costs of $659 per ounce of gold produced in the current quarter were 11% lower than the site operating costs of $744 per ounce in the same period of the prior year. The decrease in the site operating cash cost on a per ounce basis, despite a higher strip ratio are largely due to a higher grade of ore mined and stacked and the lower site operating costs.

Total cash costs, which includes site operating cash costs and reflects certain non-site costs such as royalties and workers' profit participation costs, were $816 per ounce of gold sold in the second quarter of 2015, compared to the $914 per ounce in the second quarter of 2014. The lower total cash costs were the result of lower site operating cash costs on a per ounce basis along with lower royalty and Special Mining Taxes, and changes in the value of ounces in inventory.

First Half 2015

Gold production during the first half of 2015 increased by 4% to 12,171 ounces, versus the 11,697 ounces produced in the same period of the prior year. The average grade was 6% higher and the number of tonnes mined and stacked was 8% higher for the six-month period in 2015, when compared with the same period in the prior year. This was partially offset by a lower metallurgical recovery of gold.

Site operating cash costs of $689 per ounce of gold produced were 7% lower for the first six months of 2015, compared to the same period in the prior year. The decrease in the site operating cash costs on a per ounce basis, despite a higher strip ratio are largely due to a higher grade of ore mined and stacked and the lower site operating costs.

Total cash costs were $824 per ounce of gold sold in the first half of 2015, a decrease of 6% relative to the comparable period in 2014. The decrease was the result of a small decrease in the number of ounces sold being more than offset by lower site operating cash costs and lower royalty, Special Mining Taxes, workers' profit participation costs and lower environmental and community costs relative to the prior year.

Ollachea Project, Peru - Development

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

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

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

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

The Ollachea Optimization Study reported an Indicated Mineral Resource (at a 2.0g/t Au cut-off) of 10.1 million tonnes grading 4.0g/t Au for approximately 1.3 million ounces of contained gold. Within the Indicated Mineral Resource, there is a Probable Mineral Reserve (at a 2.1g/t Au cut-off) of 9.2 million tonnes grading 3.4g/t Au for 1.0 million contained ounces of gold. In addition, there is an Inferred Mineral Resource (at a 2.0g/t Au cut-off) of 1.7 million tonnes grading 4.0g/t Au for 0.2 million contained ounces of gold at Minapampa.

The Ollachea Optimization Study has scheduled production of 930,000 ounces over an initial nine-year mine life at an average total cash cost of $587 per ounce of gold produced (from $583 per ounce in the Ollachea DFS). The projected capital costs required to construct the mine is $165 million (from $178 million in the Ollachea DFS) and including life-of-mine sustaining capital and closure costs is $220 million (from $223 million in the Ollachea DFS). The after-tax net present value on a 100% equity basis, using a base case gold price of $1,300 per ounce and a 7% discount rate, is $181 million (from $155 million in the Ollachea DFS), with an after-tax internal rate of return of 28% (from 22% in the Ollachea DFS). The payback period from the start of construction is projected to be 3.1 years (from 3.7 years in the Ollachea DFS).

The aforementioned figures are based upon third quarter 2012 cost estimates and do not consider the financial impact of the 1% gross revenue royalty that was granted to Macquarie Bank that has a $5 million buyback option. Nor do the figures consider the financial impact of the 0.9% net smelter royalty granted as part of the recently announced bridge loan financing. The financial results are on a 100% project basis and exclude the agreement with the community for a 5% participation in MKK on commencement of production and exclude the Second Additional Payment of $14.2 million which was due to Rio Tinto in July 2016.

In addition to the 1.3 million ounces of Indicated Resources utilized in the Optimized Ollachea Study and the 0.2 million ounces of Inferred Resource, both at Minapampa, the Company has delineated an Inferred Resource (at a 2.0g/t Au cut-off) of 10.4 million tonnes grading 2.8g/t Au for 0.9 million contained ounces of gold at the Concurayoc Zone, part of the Ollachea Gold Property. The potential addition of these resources to the mine plan represents an opportunity to extend the life of mine beyond what is envisaged in the Ollachea DFS and subsequently enhance the economics of the project.

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

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

In June 2015, the Company announced that it had secured a $70 million finance facility (the "Bridge Loan") from the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE"), which was syndicated through Goldman Sachs Bank USA ("Goldman Sachs"). The Bridge Loan is expected to be the first component of a senior debt facility ("Senior Debt Facility") of up to $240 million to be structured by COFIDE to develop the Company's Ollachea Gold Project. Additional details on the Bridge Loan can be found under "COFIDE Bridge Loan" in the section entitled "Liquidity and Capital Resources".

During the first half of 2015, total expenditures on the Ollachea Gold Project were $2.2 million, most of which was capitalized. Investments at Ollachea during the first half of 2015 related to maintaining the exploration tunnel, community development, and ongoing environmental and security costs.

Ollachea Project, Peru - Exploration

Since Minera IRL commenced drilling in October 2008, it has completed 82,275m of drilling in 211 holes during the ensuing three and one half years over a strike length of approximately 2km, resulting in the delineation of significant gold mineral resources and reserves at Ollachea. There is significant exploration upside at Ollachea, as all zones of known mineralization remain open-ended both along strike and down-dip.

On 29 August 2011, the Company announced that it had committed to the construction of a 1.2km exploration tunnel into the hanging wall of the Minapampa orebody at the Ollachea Gold Project. In addition to providing access for underground exploration drilling, the tunnel has been designed to later serve as a production tunnel, which is expected to facilitate rapid mine development once financing is in place.

In January 2013, the exploration tunnel reached its planned 1.2km objective, and did so more than a month ahead of schedule and under budget. The speed and reduced cost associated with the completion of the tunnel, as well as the practical experience gained, indicated that certain technical considerations utilized in the DFS were likely conservative. Specifically, the tunnel exhibits significantly better ground conditions, a much higher advance rate and minimal water infiltration, which are likely to positively affect the project economics outlined in the Ollachea DFS.

The Company commenced an underground drilling campaign in January 2013. The initial program consisted of three completed diamond drill holes, all of which intersected potentially ore grade gold mineralization:

DDH13-T01 intersected 20m grading 4.48g/t gold;
DDH13-T03 intersected 11m grading 5.47g/t gold; and
DDH13-T04 intersected 9m grading 5.45g/t gold.

The eastern-most intersection (DDH13-T03) is located approximately 320m east of the defined Minapampa mineral resources upon which the Ollachea DFS is based upon. These drilling results indicate the presence of a significant extension to the strike length of the mineralized trend, which remains open-ended to the east. In addition, the average grade of these underground drill intercepts is substantially higher than the average grade of the Minapampa and Concurayoc mineral resources, further increasing the prospectivity of this zone of mineralization.

During 2016, using funds from the COFIDE Bridge Loan, the Company plans to undertake a 5,200m drill program on the eastern extension of the Minapampa ore zone as a continuation of the drilling campaign in 2013. The estimated cost of the drill program is $1.2 million.

Exploration Projects

Bethania Prospect

The Bethania Project comprises three exploration licenses held for some years by Minera IRL plus an additional 0.14km^2 lease under option from Minera Monterrico Peru SAC to acquire 100% ownership for a total holding of 33km^2 that was amended in late 2012 and extended for five years. Bethania is located only 10km from Minera IRL's Corihuarmi Gold Mine in the high Andes of central Peru and, prior to being optioned by Minera IRL, had undergone limited exploration by Newcrest in 1998.

Between the third quarter of 2010 and the fourth quarter of 2011, the Company drilled 25 holes for a total of 7,678m at Bethania over the course of two exploratory drill programs to test portions of an extensive alteration zone, measuring approximately 3.5km by 1.2km, associated with an induced polarization chargeability/resistivity anomaly. The drilling programs encountered substantial intersections of low-grade gold, copper and molybdenum in a porphyry setting, often near or at surface. The encouraging tenor and consistency of grade distribution that has been intersected from surface justifies continued exploration work in this mineralized porphyry system, which is interpreted to form a minor part of a far larger hydrothermally altered lithocap that is known to extend for more than 15km along the Central Andean trend.

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. In consequence the Group recorded a write off charge of $3,034,000

Frontera Joint Venture

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

No exploration activities are currently planned for 2015 or 2016.

Quilavira Project

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

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

No exploration activity is planned for 2015 or 2016.

Summary of Quarterly Results

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

	Q3 Sep. '13	**Q4 Dec. '13**	**Q1 Mar. '14**	**Q2 Jun. '14**	**Q3 Sep. '14**	**Q4 Dec. '14**	**Q1 Mar. '15**	**Q2 Jun. '15**
Total revenue	8,530	7,862	7,592	7,590	7,294	7,390	6,609	7,434
Loss after-tax	(13,888)	(18,590)	(1,486)	(33,040)	(3,993)	(4,844)	(2,003)	(5,785)
Total comprehensive loss	(14,119)	(18,590)	(1,486)	(33,040)	(3,993)	(4,844)	(2,003)	(5,785)
Loss per share								
Basic (US cents)	(8.0)	(10.2)	(0.7)	(14.4)	(1.7)	(2.1)	(0.9)	(2.5)
Diluted (US cents)	(8.0)	(10.2)	(0.7)	(14.4)	(1.7)	(2.1)	(0.9)	(2.5)

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

Over the last eight quarters, as forecasted, the Company's Corihuarmi Mine has experienced diminishing ore grades, leading to correspondingly lower gold production. The impact of the diminishing grades has been partially offset by an increase in tonnes mined and stacked on the heaps. Over the last eight quarters the gold price has trended down. The average London PM Fix during the second half of 2013 was $1,301 per ounce, decreasing to $1,266 per ounce in 2014 and averaged $1,206 per ounce in the first half of 2015.

During the three months ended 30 September 2013, the Company recorded a loss of $12.5 million on the deconsolidation of Minera IRL Patagonia as a result of the August 2013 transaction with CIMINAS.

During the three months ended 31 December 2013, the Company recorded an impairment charge of $13.7 million against its mining assets at the Corihuarmi operation. The impairment charge was largely the result of a reduction in the estimate of future gold prices over the expected remaining life of the mine at that time (to the end of 2015).

During the three months ended 30 June 2014, the Company recorded a charge of $30.7 million against its investment in the Don Nicolás joint venture. In July 2014, the Company announced that it had entered into an agreement with its joint venture partner, Compañía Inversora en Minas ("CIMINAS"), to sell its remaining interest in Minera IRL Patagonia for total consideration of $11.5 million. As a result, the Company recorded a write down on its investment in the Don Nicolás joint venture to the expected proceeds on the sale. The write down was increased in the fourth quarter of 2014 with the write off of a $1.4 million receivable outstanding from CIMINAS.

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

Overview of Financial Results

Data	Three Month Period Ended 30 June		Six Month Period Ended 30 June	
	2015	**2014**	**2015**	**2014**
Corihuarmi				
Waste (tonnes)	242,997	42,223	433,559	177,435
Ore mined & stacked on heaps (tonnes)	709,909	682,710	1,440,115	1,336,905
Ore grade, mined and stacked (g/t)	0.34	0.31	0.33	0.31
Gold produced (ounces)	6,285	5,863	12,171	11,697
Gold sold (ounces)	6,205	5,887	11,658	11,772
Realized gold price ($ per ounce)	1,194	1,286	1,202	1,288
Site operating cash costs ($ per ounce produced) [1]	659	744	689	741
Total cash costs ($ per ounce sold) [1]	816	914	824	873
Financial				
Revenue ($'000)	7,434	7,590	14,043	15,182
Gross profit ($'000)	1,444	1,525	2,806	3,603
Loss from continuing operations ($'000)	(5,797)	(915)	(7,595)	(1,522)
Loss after-tax ($'000)	(5,785)	(903)	(7,788)	(1,797)
Comprehensive loss ($'000)	(5,785)	(33,040)	(7,788)	(34,526)
Loss per share–Basic and diluted (cents)				
Continuing operations	(2.5)	(0.4)	(3.4)	(0.9)
Discontinued operation	-	(14.0)	-	(14.7)

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

Results of Operations

The Company reported an after-tax loss of $2,978,000 in the second quarter of 2015, compared with a loss of $33,040,000 in the same period in the prior year. The higher loss in the second quarter of 2014 was due to the loss on discontinued operations of $32,137,000. The loss on discontinued operations is largely the result of an impairment charge of $30,714,000 against the Company's investment in the Don Nicolás joint venture which has been reclassified as an asset held for sale. The after tax loss from continuing operations was $903,000 during the comparable quarter. The increase in loss from continuing operations during the current quarter was largely due to decreased revenue resulting from a lower gold price, increased finance expenses, higher administration expenses and the expensing of $980,000 in expenditures related to the search for financing of the Ollachea Gold Project that had previously been deferred. This was partially offset by reduced costs of sales.

During the six months ended 30 June 2015, the Company recorded an after-tax loss of $7,788,000, compared with a loss of $34,526,000 in the comparative period in 2014. The loss in the comparative six month period in 2014 included a loss from discontinued operations of $32,729,000 on the sale of the Don Nicolás joint venture. The after tax loss from continuing operations in the first half of 2014 was $1,797,000. The increase in the loss from continuing operations in the first half of 2015 was due to decreased revenue and increased finance expenses and the expensing of deferred financing costs as mentioned above, partially offset by reduced costs of sales, lower administration expenses and lower income tax expense. A gain on the sale of exploration property of $879,000 was also recorded in the first half of 2014.

During the second quarter of 2015, sales revenue decreased by 2% compared to the same quarter in 2014. The decrease was attributed to a 7% drop in the average realized gold price, partially offset by a 5% decrease in the number of ounces sold. During the quarter, the Company realized an average gold price of $1,194 per ounce, compared with an average of $1,286 per ounce during the second quarter of 2014. Similarly, revenue during the first half of 2015 decreased by 8%, due to a 7% drop in the average realized gold price and a 1% decrease in the number of ounces sold for the period. During the six months ended 30 June 2015, the Company realized an average gold price of $1,202 per ounce, compared with an average of $1,288 per ounce during the six months ended 30 June 2014.

Site operating costs of $4,315,000 during the three months ended 30 June 2015 were down by 2% against the comparative quarter in 2014, despite a 4% increase in the tonnes of ore mined and stacked and an almost fivefold increase in waste tonnes handled. Site operating costs of $8,136,000 during the six months ended 30 June 2015 were 5% lower than the same period in 2014, despite an 8% increase in the tonnes of ore mined and stacked and twice the amount of waste tonnes handled. This is a result of continued cost reduction measures and very close attention to cost control.

A period-over-period comparison for the cost of sales is provided in the table below. The higher depreciation and amortization expense is related to the pad expansion at Corihuarmi completed in 2014. The reduction in the royalties and production taxes, selling expense and the workers' profit participation provision is largely due to lower revenue resulting from lower gold prices.

Breakdown of Cost of Sales

	Three Months Ended 30 June			Six Months Ended 30 June		
	2015 ($'000s)	**2014 ($'000s)**	**Change (%)**	**2015 ($'000s)**	**2014 ($'000s)**	**Change (%)**
Site operating costs	4,315	4,388	(2%)	8,136	8,534	(5%)
Depreciation and amortization	925	684	35%	1,635	1,305	25%
Community and environmental costs	439	730	(40%)	818	1,160	(29)%
Other costs (royalties and taxes, selling expense, adjustments)	311	263	18%	648	580	12%
Total	5,990	6,065	(1%)	11,237	11,579	(3%)

Administration expenses increased 73% during the current quarter compared with the second quarter of 2014, to $2,447,000 which includes a one-time charge of $980,000 of deferred expenses. During the first half of 2015, administration expenses increased by 28%, to $3,814,000. A period-over-period comparison for administration expenses is provided in the table below. Administrative expenses include foreign exchange expense that is impacted by the movement of local currencies in relation to the US dollar. During the three months ended 30 June 2015, the Company recorded foreign exchange losses of $473,000, compared with $104,000 in the same period in 2014. During the first half of 2015, the Company recorded foreign exchange losses of $518,000, compared with $155,000 in the same period in 2014. Excluding the impact of foreign exchange, administrative expenses were lower by 20% and 16% during the second quarter and first half of 2015, respectively. The reduction was the result of the Company's continued cost cutting initiatives.

Breakdown of Administration Expenses

	Three Months Ended 30 June			Six Months Ended 30 June		
	2015 ($'000s)	**2014 ($'000s)**	**Change (%)**	**2015 ($'000s)**	**2014 ($'000s)**	**Change (%)**
Depreciation	15	12	25%	44	36	22%
Director fees	9	17	(47%)	21	35	(40%)
Foreign exchange	473	104	355%	518	155	234%
Investor relations	31	59	(47%)	75	128	(41%)
Nomad and exchange fees	26	48	(46%)	77	94	(18%)
Office rent and administration	127	98	30%	248	196	27%
Professional and consulting fees	108	339	(68%)	558	664	(16%)
Salaries and wages	564	598	(6%)	1,106	1,408	(21%)
Telecommunication	30	38	(21%)	76	80	(5%)
Travel	71	76	(7%)	115	141	(18%)
Workers' profit participation	-	4	(100%)	-	5	(100%)
Other	13	24	(46%)	(4)	23	(117%)
Amortization of deferred finance project costs	980	-	100%	980	-	100%
Total	2,447	1,417	73%	3,814	2,965	29%

As a result of the sale of the Company's remaining interest in Minera IRL Patagonia, the expenses and charges related to Minera IRL Patagonia have been reclassified to discontinued operations. During the six months ended 30 June 2014, the Company recorded a net loss of $32,729,000 from discontinued operations, $30,714,000 of which was the loss on remeasuring of the carrying value of the Don Nicolás joint venture as a result of its reclassification to asset held for sale. Additionally, a dilution gain on part disposal of the Don Nicolás joint venture of $560,000 was more than offset by a charge of $2,575,000 on the share of the Company's loss from the investment in the Don Nicolás joint venture.

The Company recorded finance expenses of $1,575,000 and $3,329,000 during the respective three and six months periods ended 30 June 2015, compared with $986,000 and $2,984,000, during the same respective periods in 2014. The increase in finance expense in 2015 was due to increased debt outstanding, with the drawing down of the COFIDE Bridge Loan in June 2015, and the amortization of deferred expenses related to the extension of the Company's Finance Facility provided by Macquarie Bank from 30 June 2014 to 30 June 2015.

During June 2014, the Company announced that it had negotiated a one-year extension to the Macquarie Bank Finance Facility. In addition to the existing terms, which remained unchanged, there was an upfront fee of $1,500,000 payable and the Company issued 26,000,000 options. The existing 18,786,525 options held by Macquarie Bank were cancelled upon the issuance of the new options. The 26,000,000 options expire on 30 June 2016 and have an exercise price of $0.176. The grant date fair value of the options, estimated using the Black-Scholes option pricing model, was $1,629,000, and was based on the following assumptions: common share price of $0.176; expected dividend yield of 0%; expected volatility of 60%; risk-free interest rate of 0.5%; and, an expected life of two years from the date of issue. The cost of the one-year extension, including both the estimated value of the options of $1,629,000 and the upfront fee of $1,500,000, was deferred and was expensed over the one-year extension. During the six months ended 30 June 2015, $1,584,000 of the deferred amount was charged to finance expense.

During the first quarter of 2014, the Company issued 44,126,780 ordinary shares of Minera IRL to Rio Tinto as partial settlement of the outstanding amount due on the acquisition of the Ollachea Gold Project. The Company agreed that if Rio Tinto did not sell any of the shares during the one-year period from the 11 January 2014 issue date Rio Tinto would be paid an incentive bonus equal to 10% of the initial value of the shares. The Company made a provision of $744,000 against this expected liability during the first half of 2014.

Additional details on the payment due to Rio Tinto are provided below in the section entitled, "Liquidity and Capital Resources - Ollachea Property Payment Due to Rio Tinto".

In March 2014, the Company sold the Chapi-Chapi project for proceeds of $1,125,000 and recognized a gain on the disposal of the property of $879,000.

During the six months ended 30 June 2015, the Company recorded income tax expense of $193,000, versus income tax expense of $275,000 during the same period in 2014. The income tax expense is largely the result of the income tax exposure on the Company's Corihuarmi operation in Peru. In 2015, the Peruvian corporate income tax rate dropped from 30% to 28%, as part of a scheduled decrease that will reduce the corporate tax rate to 26% by 2019. The decrease in the income tax provision in the first quarter of 2015, versus the comparative period in 2014, was the result of the drop in the corporate tax rate along with reduced profit from operations.

Cash Flow

Cash generated by operating activities during the three and six months ended 30 June 2015 was $766,000 and $1,593,000, respectively, compared with cash used of $670,000 and $917,000 during the same periods in 2014. The increase in cash from operating activities, before the Rio Tinto payment, despite reduced gold sales revenue was the result of lower cash operating expenses, changes in non-cash working capital and lower taxes paid.

Investing activities during the three and six months ended 30 June 2015 used $1,357,000, and $3,897,000, respectively, compared with $2,407,000 and $3,324,000 used during the comparative periods in 2014. During the first half of 2015, the Company incurred deferred exploration and development expenditures of $1,997,000, down from $4,292,000 during the first half of 2014. The expenditures during the first half of both 2014 and 2015 largely related to Ollachea. There was also $532,000 spent on property, plant and equipment during the first half of 2015, which largely related to the heap leach pad extension at Corihuarmi.

The increase in restricted cash during the six months ended 30 June 2015 related to cash left on deposit with a Peruvian bank as collateral for environmental performance guarantees provided by the bank, on the Company's behalf, to the government of Peru in regards to reclamation obligations the Company has at its Corihuarmi gold mine and at the Ollachea Gold Project.

Additional details on the environmental performance guarantees are provided below under the section entitled, "Commitments and Contingent Liabilities".

During the three and six months ended 30 June 2015, financing activities provided $22,219,000, and $21,668,000, respectively. The cash provided was the result of the net proceeds on the COFIDE Bridge Loan of $65,476,000, partially offset by the repayment of the $30,000,000 Macquarie Finance Facility and the payment of finance expense. Additional details on the bridge loan are provided below under "Liquidity and Capital Resources" in the section entitled, "COFIDE Bridge Loan". During the six months ended 30 June 2014 financing activities provided $3,619,000, related to net proceeds of $4,909,000 received by the Company from the fourth tranche of the Macquarie Finance Facility, partially offset by $1,228,000 in finance expenses.

Selected Annual Information

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

Financial Data	2014	2013	2012
Revenue ($'000)	29,866	35,706	45,988
(Loss) profit after-tax ($'000)	(43,363)	(33,834)	3,333
(Loss) earnings per share			
Basic (cents)	(19.2)	(19.5)	2.3
Diluted (cents)	(19.2)	(19.5)	2.3
Total assets ($'000)	154,349	190,482	204,097
Total liabilities ($'000)	56,049	58,454	55,097

Revenue in 2014 was down 16% when compared to 2013 due to a 6% decline in the number of ounces sold, combined with an 11% decline in the average realized price of gold sold. Revenue in 2013 was down 22% when compared to 2012 due to an 8% decline in number of ounces sold and a 16% decline in the average realized price of gold sold in the year. During 2014, the Company recorded a loss of $32,119,000 on the disposal of Minera IRL Patagonia. During 2013, the Company recorded a $13,700,000 impairment charge against the mining assets at its Corihuarmi mine along with a loss of $12,517,000 on the deconsolidation of Minera IRL Patagonia. The Company expended significant resources on the development of the Ollachea project and the Don Nicolás project (in 2012 and first half of 2013), which were largely capitalized.

Outlook

During 2014, the Company completed 2,816m of exploration drilling in 45 drill holes at the Corihuarmi mine. The exploration program defined additional material at the Laura and Cayhua zones and extended the Corihuarmi life of mine until early 2017. In 2015, the Company is forecasting gold production of 23,917 ounces. The Company is forecasting site operating cash costs of $658 per ounce of gold produced in 2015, compared with $705 per ounce in 2014. Production is expected to come mainly from the Cayhua zone, along with continued production from Susan, Diana, the Diana extension, plus nearby Scree Slope material.

The 2015 Corihuarmi capital budget is $3.8 million, including $3.5 million for a heap leach pad and waste dump expansion that commenced in the second quarter of 2015. This expansion is to accommodate all of the material that is scheduled to be mined and stacked from late-2015 until early 2017 when mining operations are currently scheduled to cease.

An international consulting engineering firm was retained by the board to review the closure costs of the Corihuarmi mine. Its findings have been reflected in the June 2015 interim financial statements.

During the second quarter of 2015, the Company secured a $70 million Bridge Loan with COFIDE, a Peruvian state-owned development and promotion bank. The Bridge Loan is expected to be the first component of a senior debt facility of up to $240 million to be led by COFIDE to develop the Company's Ollachea Gold Project. Additional detail on the COFIDE financing is provided above under the section entitled, "Ollachea Project, Peru – Development".

The net proceeds from the Bridge Loan have been applied towards the repayment of the $30 million Macquarie Bank Finance Facility and the payment of $12 million of the $14.2 million outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract, along with the $744,000 Share Hold Incentive Payment and accrued interest. The remaining $2.2 million outstanding has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. The Company has the option of settling the $2.2 million promissory note with the issuance of Minera IRL ordinary shares or with cash.

The net proceeds from the Bridge Loan, after the payment of existing debt and financing fees, totalled $22.1 million, and will be used to advance many of the initial aspects of project development needed to commence major site construction on the Ollachea Gold Project once the Senior Debt Facility is in place. This includes commencing the detailed engineering and design, recommencement of underground drilling at the Minapampa East zone, maintaining social and environmental programs and for general working capital purposes.

The Company has signed a letter of mandate with COFIDE to structure a Senior Debt Facility for up to $240 million, under which the Bridge Loan is expected to be refinanced. The Senior Debt Facility is expected to be in place by the end of 2016; however, the availability of the Senior Debt Facility is not guaranteed and its terms, including the facility's size, are still to be negotiated. If the Company is not able to secure the Senior Debt Facility it will not have the funds available to develop the Ollachea Gold Project and will be required to delay, scale back or eliminate various programs related to the Project. Additionally, an equity offering is expected to be required to supplement the Senior Debt Facility in funding the development of the Ollachea Gold Project and for corporate and working capital purposes.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its mineral properties, acquire additional exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. In the management of capital, the Company includes its cash and cash equivalent balances, interest bearing loans and components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is not currently subject to externally imposed capital requirements.

Liquidity and Capital Resources

As at 30 June 2015, the Company had cash of $23,173,000, compared with $3,809,000 as at 31 December 2014. The increase was the result of the net proceeds on the COFIDE Bridge Loan.

The Group has provided cash to a Peruvian bank as collateral against performance guarantees the bank has 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. The performance guarantees are provided in the form of letters of guarantee from a major Peruvian bank and are renewed on an annual basis.

As at 30 June 2015, the Company had working capital of $19,841,000, compared to a working capital deficit of $26,919,000 as at 31 December 2014. Working capital being defined as current assets less current liabilities. The working capital position is a result of the COFIDE Bridge Loan, which has a two year term and was used to repay the $30,000,000 Macquarie Bank Finance Facility, being classified as a long-term liability.

COFIDE Bridge Loan

In June 2015, the Company announced that it had secured a $70 million finance facility (the "Bridge Loan") from the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE"), which was syndicated through Goldman Sachs Bank USA ("Goldman Sachs"). The Bridge Loan is expected to be the first component of a senior debt facility ("Senior Debt Facility") of up to $240 million to be structured by COFIDE to develop the Company'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 tenor of the loan is for 24 months, at an interest rate of LIBOR plus 6.17%. The Bridge Loan terms included financing fees of 2.25% ($1.9 million) paid to COFIDE along with an upfront fee of $300,000 to Goldman Sachs. In addition, the Company paid certain fees to the structuring agent, Inversiones y Asesoría SHERPA S.C.R.L. ("Sherpa"), including a 3% fee ($2.1 million) paid in cash; a 0.9% net smelter return royalty on the Ollachea Gold Project; and the issuance of 11,556,751 options, each of which are exercisable to purchase one ordinary share of the Company 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 of the TSX, AIM and BVL stock markets).

Assuming an expiry date of three years from the closing of the Bridge Loan, the fair value of the options, estimated using the Black-Scholes option pricing model, was $434,000, and was based on the following assumptions: common share price of C$0.11; expected dividend yield of 0%; expected volatility of 88.1%; risk-free interest rate of 0.5%; and, an expected life of three years.

Until the Ollachea Gold Project achieves commercial production, the Company has the option to buy back any royalty granted to Sherpa ("Sherpa Royalty Buyback") at a price of $6,184,000 for every 1% royalty purchased ($5,565,000 for the 0.9% royalty granted). Prior to 2 June 2016, the Company has the option to buy back any Sherpa royalty at a price of $5,622,000 for every 1% royalty purchased ($5,060,000 for the 0.9% royalty granted). In addition, the Company has the right of first refusal on the sale of any royalty granted to Sherpa.

During the second quarter of 2015, $659,000 of effective interest was charged to finance expense.

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 MKK, which holds the Ollachea Gold Project.

The net proceeds from the Bridge Loan have been applied towards the repayment of the $30 million Macquarie Bank Finance Facility and the payment of $12.0 million of the $14.2 million outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract. The remaining $2.2 million outstanding has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. The Company has the option of settling the $2.2 million promissory note with the issuance of Minera IRL ordinary shares or with cash.

The net proceeds from the Bridge Loan, after the payment of existing debt and financing fees and expenses, will be used to advance many of the initial aspects of project development needed to position the Company to commence major site construction on the Ollachea Gold Project once the Senior Debt Facility is in place. This includes commencing the detailed engineering and design, recommencement of underground drilling at the Minapampa East zone, and maintaining social and environmental programs, along with general corporate purposes.

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

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

Ollachea Property Payment Due to Rio Tinto

On 11 July 2013, the Company and Rio Tinto agreed to an amount of $21,500,000 as the amount due by the Company to Rio Tinto in connection with the final payment under the Mining Rights Transfer Contract for the Ollachea property. The payment was originally scheduled to be made in three separate instalments; however, the payment terms were subsequently amended to two instalments.

On 28 January 2014, the Company issued 44,126,780 ordinary shares of Minera IRL to Rio Tinto in settlement of the first instalment ($7,310,000) plus accrued interest ($128,000) for a total payment of $7,438,000.

Additionally, it was agreed that if Rio Tinto did not sell any ordinary shares that it received as consideration for the first instalment for a period of one year, Rio Tinto would be entitled to a cash Share Hold Incentive Payment. The Share Hold Incentive Payment, which was subject to certain qualifying exceptions, was equal to 10% of the market value of any ordinary shares provided as part of the payment of the first instalment. The Company made a provision of $744,000 against this liability during 2014.

The final instalment of $14,190,000, representing the remaining 66% of the total amount payable, was not due until July 2016, with interest accruing at 7% per annum and payable annually in July.

In June 2015, $12,000,000 of the $14,190,000 property payment, along with the $744,000 Share Hold Incentive Payment and $197,000 in accrued interest was paid from proceeds from the COFIDE Bridge Loan. Accrued interest of $746,000 on the Rio Tinto property payment was forgiven. A promissory note for the balance of $2,190,000 due under the Mining Rights Transfer Contract for the Ollachea property was issued by the Company to Rio Tinto. Additional details on the COFIDE Bridge Loan and the settlement of the amounts due to Rio Tinto are provided above under the section entitled, "COFIDE Bridge Loan".

As at 30 June 2015, the Company had the following undiscounted future contractual obligations outstanding:

$'000	Total	Less than 1 year	Year 2	Year 3	Year 4	Year 5	After Year 5
Debt repayments	79,100	4,550	74,550	-	-	-	-
Promissory note	2,276	2,276	-	-	-	-	-
Asset retirement obligation +	4,902	197	3,062	687	767	56	133
Note: + This cost relates to the Corihuarmi mine rehabilitation costs and Ollachea exploration tunnel rehabilitation cost.							

On 28 January 2014, the Company issued 44,126,780 ordinary shares to Rio Tinto in settlement of the First Instalment Ollachea property payment. Additional details are provided above under the section entitled, "Ollachea Property Payment Due to Rio Tinto". On 31 January 2014, the Company issued 1,917,600 ordinary shares at a price of C$0.179 per share to settle certain accounts payable of the Company in the aggregate amount of C$343,250. On 11 August 2014, the Company issued 2,266,423 ordinary shares at a price of C$0.16 per share to settle accounts payable of the Company related to the Corihuarmi exploration program in the aggregate amount of $328,000. All of these offerings in 2014 were completed under the base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012.

Macquarie Bank Finance Facility

In August 2013, the Macquarie Bank Finance Facility (the "Finance Facility") was amended to increase the amount available by $10,000,000, in two separate $5,000,000 tranches ("Tranche 3" and "Tranche 4"), increasing the total amount available under the Finance Facility to $30,000,000. The Finance Facility interest rate remained LIBOR plus 5.0%; however, as a condition of drawing down on each additional $5,000,000 tranche, a 0.5% gross revenue royalty on gold production from the Company's Ollachea gold project for the life of mine would be granted to Macquarie Bank (the "Macquarie Royalty"). Once granted, the Company would have the right to buyback and cancel each tranche of the Macquarie Royalty by paying a buyback fee (the "Macquarie Buyback Fee"). The Macquarie Buyback Fee would be calculated as the amount required to generate an internal rate of return ("IRR") to Macquarie Bank of 25% for each tranche, but shall not be less than $2,500,000 for each 0.5% gross revenue royalty. The IRR would be calculated using the actual drawdown and actual repayment of each tranche, the upfront fee paid (1.5% of each tranche), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty.

In November 2013, Tranche 3, totalling $5,000,000, was drawn by the Company and at the end of March 2014, the Company drew down on the remaining $5,000,000 under the Finance Facility, bringing the total outstanding to $30,000,000. The corresponding 0.5% gross revenue royalties were registered against the Ollachea property in favour of Macquarie Bank at each draw down.

In June 2014, it was announced that the Finance Facility, that was due to mature on 30 June 2014, had been extended by one year to 30 June 2015. In addition to the existing terms, which remained unchanged, there was an upfront fee of $1,500,000, which was paid during the third quarter of 2014, and the Company issued 26,000,000 options. The existing 18,786,525 options held by Macquarie Bank were cancelled upon the issuance of the new options. The 26,000,000 options expire on 30 June 2016 and have an exercise price of $0.176.

In June 2015, the $30,000,000 due under the Finance Facility, along with $300,000 in accrued interest, was paid from proceeds from the COFIDE Bridge Loan. Additional details on the COFIDE Bridge Loan and the settlement of the amounts due to Macquarie Bank are provided above under the section entitled, "COFIDE Bridge Loan".

The consolidated financial statements have been prepared on a going concern basis. The Company's future plans and expectations are based on the assumption that the Company will be able to continue in operation for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to generate sufficient cash from operations or obtain adequate financing in the future or, if available, that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Commitments and Contingent Liabilities

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

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

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

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

The Company has provided performance guarantees to the Peruvian Ministry of Energy and Mines relating to the future reclamation and rehabilitation of the Company's Corihuarmi mine site and Ollachea exploration tunnel site. The performance guarantees are provided in the form of letters of guarantee from a major Peruvian bank and are renewed on an annual basis.

The Group has provided cash to a Peruvian bank as collateral against performance guarantees the bank has 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. The performance guarantees are provided in the form of letters of guarantee from a major Peruvian bank and are renewed on an annual basis.

As part of the bridge loan financing entered into with COFIDE, the Company signed a letter of mandate in regards to a larger senior debt facility for up to $240,000,000. Additional details on the Bridge Loan can be found above under "COFIDE Bridge Loan" in the section entitled "Liquidity and Capital Resources". The mandate letter provides for a payment of $1,440,000 from the Company to COFIDE in the event that the Company does not proceed with the Senior Debt Facility once COFIDE has achieved the approval of all the banks to be participants in the facility.

Financial Instruments

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

The Company's financial liabilities include trade and other payables, interest bearing loans and other long term liabilities. They are all classified as financial liabilities and measured at amortised cost.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents as well as an adequate amount of committed credit facilities. Management of the 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.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk in so far as it deposits cash with its banks. However, the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax by the government of Peru.

Currency risk

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

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Debt obligations are exposed to interest rate variations. The Company has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 6.17% over LIBOR. A change in LIBOR of +/- 1% would not have a material effect on the financial results of the Group. It is the policy of the Group to settle trade payables within agreed terms so that no interest is incurred on those liabilities.

Commodity price risk
Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The commodity price for gold is impacted by world economic events that dictate the levels of supply and demand. The ability of the Company to mine, develop and explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals, specifically gold. The Company monitors commodity prices to determine appropriate actions to be undertaken. The Company has not entered into any agreements or purchased any instruments to hedge possible commodity price risk. The Company is also exposed to the risk that the cost of mining, development or construction activities for its planned activities might increase and cause some elements to be uneconomic.

Off-Balance Sheet Arrangements
The Company has no off-balance sheet arrangements.

Transactions with Related Parties
The Company's portion of transactions between the Company and its jointly controlled entities are eliminated on consolidation.

During the six months ended 30 June 2015, the Company had no transactions with related parties with the exception of key management as disclosed in notes 6 and 22 of the condensed interim consolidated financial statements for the six months ended 30 June 2015.

Significant Accounting Policies and Critical Accounting Estimates
The Company follows the accounting policies described in the audited consolidated financial statements for the year ended 31 December 2014 that was filed on SEDAR on 23 June 2015.

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

Critical Accounting Estimates
The preparation of consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that

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

Intangible Assets

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or impaired, where appropriate. The Company's accounting policy is to capitalize exploration costs, which is consistent with IFRS, and the policy is consistent with other resource companies which are similar to Minera IRL. An alternative policy would be to expense these costs until a feasible mineral resource has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down is charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Impairment

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

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

Asset Retirement Provisions

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

Depreciation Rate

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

Share Based Payments
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Management's Responsibility for Financial Statements

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying condensed interim consolidated financial statements.

Outstanding Share Data

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

As at the date of this report, the Company also had 30,570,000 options issued and outstanding, of which 4,570,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's Share Option Plans, and the balance were issued in connection with a finance facility. Additionally, 11,556,750 options were to be issued as part of the fees payable to Sherpa in regards to the COFIDE Bridge Loan financing. The options, which will have an exercise price of C$0.20, are subject to regulatory approval. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. of options outstanding
Share Option Plan Issued Options				
3 April 2012	3 April 2012	3 April 2017	£0.8063	2,535,000
15 November 2013	15 November 2013	15 November 2018	£0.1500	2,035,000
Other Issued Options				
30 June 2014 (1)	30 June 2014	30 June 2016	$0.176	26,000,000
Total				**30,570,000**

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

Changes in Accounting Policies including Initial Adoption

Other than what is disclosed in note 1 of the Company's audited annual financial statements for the year ended 31 December 2014, the Company has not and does not expect to adopt any new accounting policies during the year ended 31 December 2015. The Company also did not adopt any new accounting policies during the most recently completed financial year.

Subsequent Events

On 28 September 2015 the Group terminated the option agreement with Minera Monterrico SAC related to the Bethania property. A charge of $3,034,000 was recorded as at 30 June 2015

Risks

The Company operates in the resource industry, which is highly speculative, and has certain inherent operating, development and exploration risks which could have a negative effect on the Company's operations.

Significant risk factors for the Company include operating, land title, environmental regulations and compliance, litigation, surface rights, health & safety, the ability to obtain additional financing, metal prices, mineral reserve and resource estimates, insurance coverage, infrastructure, key management and staff, legal climate considerations, changes in government policy, geopolitical climate, government, currency, economic, local community, geological, competition, and general business risk. For details of risk factors, please refer to the Company's Annual Information Form filed on SEDAR at www.sedar.com.

Designated Foreign Issuer

The Company was considered a "designated foreign issuer" as such term is defined by Canadian Securities Regulators in National Instrument 71-102 –*Continuous Disclosure and Other Exemptions Relating to Foreign Issuers,* and as such was subject to the foreign regulatory requirements of the AIM market of the London Stock Exchange until 22 March 2016.

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2014, is available on the Company's website at www.minera-irl.com or on SEDAR at www.sedar.com.

Cautionary Statement on Forward-Looking Information

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

Qualified Person

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

Non-IFRS Measures

"Site operating cash costs" and "total cash costs" are non-GAAP or non-IFRS measures that do not have a standardized meaning prescribed by GAAP or IFRS and may not be comparable to other similarly titled measures of other gold mining companies.

"Site operating cash costs" include costs such as mining, processing and administration, but are exclusive of royalties, workers' profit participation cost, depreciation, amortization, reclamation, capital, development, exploration and other non-site costs (transport and refining of metals, and community and environmental). These costs are then divided by ounces produced to arrive at "site cash operating cost per ounce".

"Total cash costs" includes "site operating cash costs" and reflects the cash operating costs allocated from in-process and doré inventory associated with ounces of gold produced in the period, plus applicable royalties, workers' profit participation cost, and other non-site costs (transport and refining of metals, and community and environmental). These costs are then divided by the ounces sold to arrive at "total cash cost per ounce sold".

Both of these measures may vary from one period to another due to operating efficiencies, waste-to-ore ratios, grade of ore processed and gold recovery rates in the period. "Total cash costs" is also influenced by the realized gold price in the period.

Management believes this information is useful to investors because this measure is considered to be a key indicator of a company's ability to generate operating earnings and cash flow from its mining operations. This data is furnished to provide additional information and is a non-GAAP and non-IFRS measure that does not have any standardized meaning prescribed by GAAP or IFRS. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with IFRS, and is not necessarily indicative of operating costs presented under IFRS. The following table reconciles these non-GAAP measures to the consolidated financial statements.

	Three Month Period Ended 30 June		**Six Month Period Ended 30 June**	
	2015	**2014**	**2015**	**2014**
Cost of sales	$5,990	$6,065	$11,237	$11,579
Less:				
Depreciation	925	684	1,635	1,305
Total cash costs	$5,065	$5,381	$9,602	$10,274
Ounces of gold sold	*6,205*	*5,887*	*11,658*	*11,772*
Total cash costs per ounce sold	**$816/oz.**	**$914/oz.**	**$824/oz.**	**$873/oz.**
Total cash costs	$5,065	$5,381	$9,602	$10,274
Less:				
Workers' profit participation	-	31	-	41
Royalties and Special Mining Tax	263	346	562	608
Community and environmental costs	439	730	818	1,160
Other costs – Provisions, transport & refinery, inventory adjustment	223	(89)	(168)	(200)
Adjusted site cash operating costs	$4,140	$4,363	$8,390	$8,665
Ounces of gold produced	*6,285*	*5,863*	*12,171*	*11,697*
Site cash operating costs per ounce	**$659/oz.**	**$744/oz.**	**$689/oz.**	**$741/oz.**