

**Minera IRL Limited**



**ANNUAL INFORMATION FORM**

**For the 12 months ended 31 December 2016**

**31 March 2017**

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## **GENERAL**

In this Annual Information Form (“AIF”), any reference to “we”, “us”, “our”, as well as references to “the Company” or “Minera IRL” shall, unless the context clearly requires otherwise, be deemed to refer to Minera IRL Limited and all of its subsidiaries. For ease of reference, we have included an organization chart in the section of this AIF titled “*Intercorporate Relationships*”, below.

All references to currency in this AIF are expressed in United States (“US”) dollars unless otherwise noted. References to “C\$” are to Canadian dollars and to “£” are to British pound sterling.

## **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION**

Certain information contained in this AIF or in documents that have been incorporated into this AIF by reference constitutes “forward-looking” statements within the meaning of applicable Canadian securities legislation. Forward-looking statements are projections of events, revenues, income, future economic performance or management’s plans and objectives for future operations. In some cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations (including grammatical variations) of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements in this AIF include those regarding the future price of commodities (including gold), targets for mineral production, the estimation of mineral resources and reserves, cash operating costs and certain significant expenses, the anticipation of success in the conduct of exploration activities, the timing and scope of future commencement of mining or production, anticipated grades and recovery rates, asset retirement obligation estimates, the ability to secure financing and the amount needed, title disputes or claims and potential acquisitions of or increases in property interests.

Forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These risks, uncertainties or other factors include, but are not limited to, the inherent speculative nature and hazards associated with exploration and development activities, uncertainties related to fluctuation in prices, uncertainties related to actual capital costs, operating costs and expenditures, production schedules and economic returns, risks that the Company’s title to its properties could be challenged, risks related to environmental or other regulation, risks related to legal proceedings, risks related to increased competition, the uncertainties related to surface rights in the countries in which the Company’s material mineral projects are located, uncertainties inherent in the measurement of mineral resources and reserves, assumptions regarding the need for financing and the availability of such financing, government policy and regulation and other risks that may cause the Company’s actual results, levels of activity, performance or achievements to be materially different from those implied or expressed in any forward-looking statements.

Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. All forward-looking statements made in this AIF are qualified by this cautionary statement.

## **1 CORPORATE STRUCTURE**

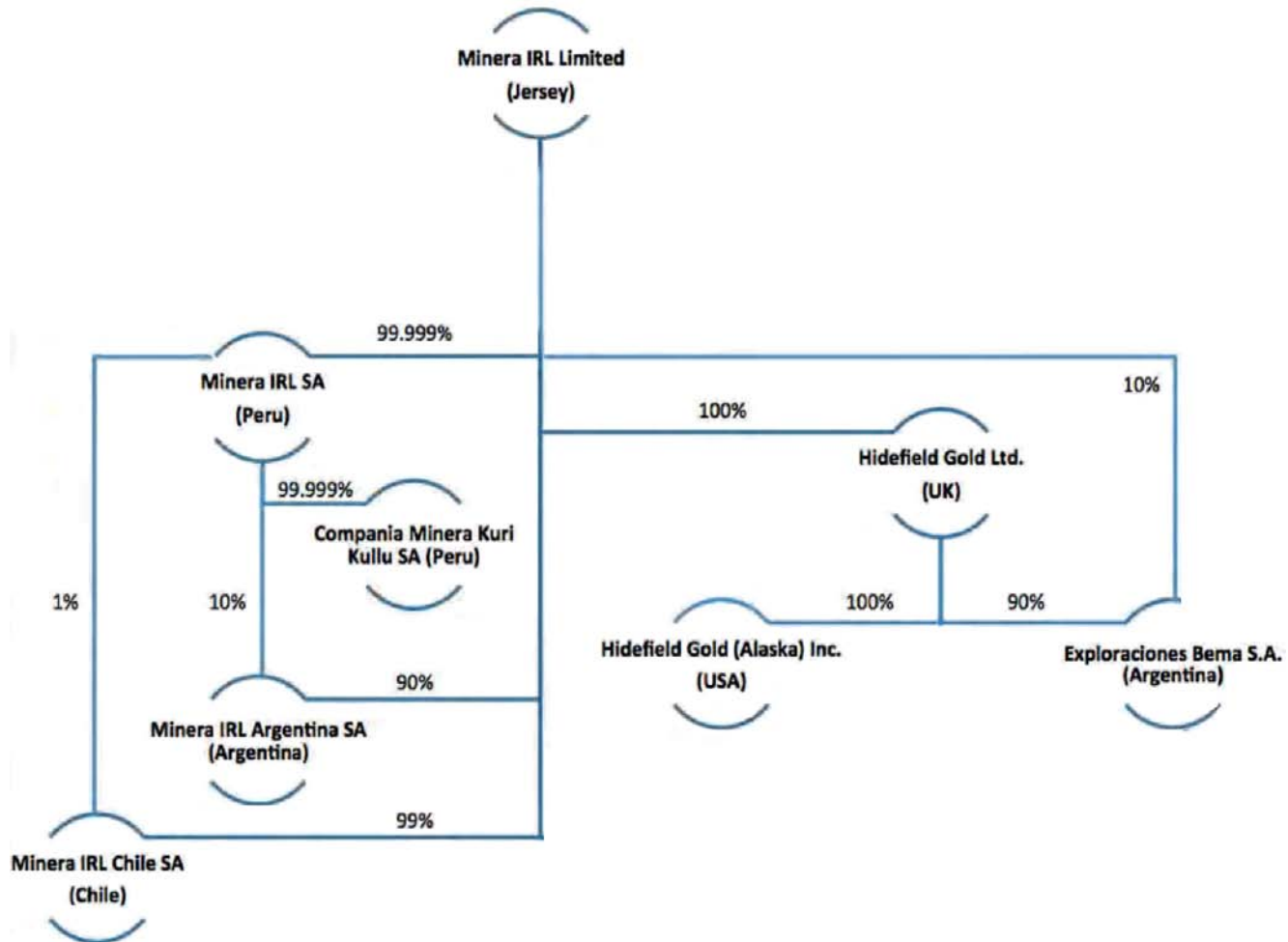
### **Name, Address and Incorporation**

Minera IRL Limited was incorporated in the Cayman Islands on 27 August 2003 as “Goldmin Holdings”. On 25 October 2006, the Company changed its jurisdiction of domicile from the Cayman Islands to Jersey and changed its name to “Minera IRL Limited”. The Company’s registered office is located at Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW. The Company’s corporate head office is located at Av Santa Cruz 830, Piso 4, Miraflores, Lima 18, Peru.

### **Intercorporate Relationships**

The following diagram shows the Company and its subsidiaries, including the jurisdiction of incorporation or organization and the Company’s respective percentage ownership of each subsidiary.

# Minera IRL Limited Corporate Structure



## 2 GENERAL DEVELOPMENT OF THE BUSINESS

Minera IRL is engaged in the business of mining, extracting, and exploring for precious metals in Latin America. Its assets consist of its shares in its seven subsidiaries. Two of these subsidiaries are incorporated under Peruvian law: Minera IRL S.A and Compañía Minera Kuri Kullu S.A. (herein, the “**Peruvian Subsidiaries**”). The other five subsidiaries are incorporated in Argentina (Minera IRL Argentina S.A. and Exploraciones Bema S.A.), the United Kingdom (Hidefield Gold Limited), the State of Alaska, USA (Hidefield Gold (Alaska) Inc.), and Chile Minera IRL Chile S.A. The Company frequently refers to this group in its continuous disclosure documents as the “Group”.

Minera IRL, the Jersey-incorporated parent company and reporting issuer, owns 99.99% of the issued and outstanding share capital of Minera IRL S.A. Because the Peruvian General Corporations Law requires that all Peruvian corporations have at least two shareholders, the Company cannot own 100% of its Peruvian subsidiaries. Currently, Cecilia Gonzales, a Peruvian lawyer who acts on behalf of the Company, holds the balance of 0.01% of the issued and outstanding share capital of Minera IRL S.A. and Compañía Minera Kuri Kullu S.A.

Among the Group, the only assets are owned by the Peruvian Subsidiaries - Minera IRL S.A. owns the Corihuarmi Gold Mine, which is the Group’s currently producing gold mine, while Compañía Minera Kuri Kullu S.A., the subsidiary of Minera IRL S.A. owns the Group’s flagship exploration and development asset, the Ollachea Gold Project.

The Corihuarmi Gold Mine is a fully-permitted operating gold mine consisting of six mining concessions comprising the operating mine and two greenfield concessions of insignificant current value. These claims are registered with the government of Peru in the Public Registry pursuant to the General Mining Law in the name of Minera IRL S.A. In Peru, rights to minerals are granted, held, exploited and conveyed exclusively pursuant to the General Mining Law and a mineral concession registered in the Public Registry is the property of the person in whose name it is registered. These titles can be confirmed by access to both an official mining ledger and a computerized system maintained by the Mining and Metallurgic Geology Institute that shows titles as well as the status of payment of validity fees and penalties, if any. Surface rights are obtained separately from the owner, and the holder of a mining right cannot commence mining activities until it has reached an agreement with the owner of the surface rights.

Minera IRL S.A. has entered into two agreements with the holders of the surface rights at its Corihuarmi Mine – one with the Community of Huantan dated September 11, 2015 for a term expiring on the third anniversary, the other with the Community of Atcas, dated September 7, 2015 for a term expiring on the third anniversary.

The Ollachea Gold Project is comprised of 14 mining concessions – eleven of these are exploration concessions, the balance are development. These claims are registered with the government of Peru in the Public Registry pursuant to the General Mining Law in the name of Compañía Minera Kuri Kullu S.A. Compañía Minera Kuri Kullu S.A. holds comprehensive surface rights pursuant to a written agreement with the local community signed in November, 2007, which was extended in June, 2012 for a term of 30 years in exchange for the continuation of certain community programs and an agreement to grant to the community of Ollachea a five percent (5%) equity stake in Compañía Minera Kuri Kullu S.A. upon the commencement of commercial production.

In 2009, Minera IRL mounted a take-over bid, via a Scheme of Arrangement, of AIM listed Hidefield Gold Plc (“Hidefield”) that was completed in December 2009. The principal asset was a large tenement holding in Santa

Cruz Province, Argentina, which included the Don Nicolás Project. The Company has since sold its interest in the Don Nicolás Project.

A summary of the key developments for Minera IRL over the last three-years is as follows:

### **2014 Developments**

On 28 January 2014, the Company issued 44,126,780 ordinary shares in its capital to Rio Tinto at a deemed price of C\$0.179 to settle the first instalment of the final Ollachea payment (\$7.31 million) and interest due (\$0.128 million). As a result, Rio Tinto became the Company's largest shareholder, owning approximately 19% of the issued capital.

On 10 February 2014, Mr. Graeme Ross resigned as a director of the Company and Mr. Daryl Hodges was appointed as a non-executive Director. Mr. Brad Boland, the Company's Chief Financial Officer, was appointed Company Secretary and Ms. Trish Kent, Vice President Corporate Affairs, retired.

On 4 June 2014, the Company announced the results of a post-DFS mine optimization study for the Ollachea Gold Project to update certain cost estimates that resulted in minor improvements to the already robust overall economics for an underground mining operation. As a result of the studies, the after-tax NPV, at a 7% discount rate and base case gold price of \$1,300 per ounce, increased to \$181 million (from 155 million), the IRR increased to 28.2% (from 22.1%), and the pay-back period decreased to 3.1 years (from 3.7 years).

In June of 2014, the Company received a commitment from Macquarie Bank for a senior project loan facility in the amount of \$100 million. Following the consolidation of the existing \$30 million Macquarie finance facility, this would have provided an additional \$70 million in new funds for the construction of the Ollachea Gold Mine. However, with the initial capital cost to build the Ollachea Mine estimated at \$164.7 million, the Company decided not to execute the commitment letter until it could identify a source for the balance of the funding required to build the mine. The Company extended maturity of the existing \$30 million Macquarie finance facility to 30 June 2015, paid an upfront fee of \$1,500,000 and issued to Macquarie Bank 26,000,000 options with an exercise price of \$0.176. 18,786,525 options previously issued to Macquarie Bank were cancelled upon the issuance of the new options.

At the end of June 2014, the Peruvian Ministry of Mines and Energy issued a permit for the construction of the Ollachea Gold Mine. This was the final major government approval required to commence construction.

In July 2014, the Company entered into an agreement with CIMINAS to sell the Company's remaining shareholding in Minera IRL Patagonia – the owner of the Don Nicolás Project - for total net cash consideration of approximately \$11.5 million. CIMINAS paid the purchase price in installments - \$9.8 million (85%) upon closing while payment of the balance, in two installments of 7.5% each, was conditioned on the satisfaction of certain customary representation and warranties pertaining to the Don Nicolás Project.

### **2015 Developments**

In January of 2015, the Company's subsidiary, Minera IRL S.A., entered into an agreement with Scotiabank Peru S.A. whereby Scotiabank Peru agreed to post a bond to guarantee the orderly closure of the Corihuarmi mine in accordance with Peruvian law (the "Scotiabank Agreement"). As a condition to posting this bond, Scotiabank Peru required that Minera IRL S.A. transfer to a Scotiabank Peru account all of the proceeds from the sale of gold from the mine.

On 21 January 2015, Mr. Napoleon Valdez resigned from the Company's Board of Directors.

In March of 2015, Mr. Courtney Chamberlain – the Company’s Executive Chairman and CEO - took a leave of absence for personal reasons. The Board appointed Mr. Daryl Hodges to the role of Executive Chairman on 6 March 2015 with immediate effect. Mr. Chamberlain passed away on 20 April 2015.

In May of 2015, the Company appointed Dr. Diego Benavides to the office of interim CEO and appointed Mr. Robin Fryer to the Board of Directors.

On 8 June 2015, the Company announced that it had arranged a \$70 million secured finance facility (the “Bridge Loan”) structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. (“COFIDE”) and syndicated through Goldman Sachs Bank USA. The Company expected that the Bridge Loan would be the first component of a project debt facility of up to \$240 million to build the Company’s Ollachea gold project.

In July of 2015, the Company appointed Mr. A. Eric Olson, FAusIMM, as Chief Operating Officer.

In August of 2015, the President of the Ollachea Community informed the Company that the Community was suspending its support of project development activities at Ollachea until certain Community’s concerns were resolved. The Company announced that until these Community concerns were resolved it could not advance the project, and commencement of a 5,000 metre exploration drill program and final negotiation of the EPCM contract were on hold.

In August of 2015, the Company’s Board of Directors accused Dr. Benavides - the Company’s interim CEO and the General Manager of both of its Peruvian subsidiaries – of misconduct. At the time, the Company’s Board of Directors consisted of Daryl Hodges, Robin Fryer and Douglas Jones. Among other things, the Board alleged that Dr. Benavides had misdirected funds to the Scotiabank Peru S.A. account opened in connection with the Scotiabank Agreement and withheld vital financial information needed by the Company in order to complete its consolidated financial statements. The Board removed Dr. Benavides from his position as interim CEO of the Company and called a meeting of the shareholders of Minera IRL S.A. (one of the Company’s two Peruvian subsidiaries) for the purpose of removing Dr. Benavides for cause. At the time, there were two shareholders of Minera IRL S.A. - the Company (as to 99.99%) and Mr. Felipe Benavides (as to 0.01%), because Peruvian law required a second shareholder. Upon learning of the proposed shareholder meeting, Mr. Felipe Benavides, who is the son of Dr. Benavides, applied to a local court of competent jurisdiction and received an ex parte order preventing the shareholders of Minera IRL S.A. from summarily dismissing Dr. Benavides from his position as General Manager of Minera IRL S.A. In light of this court order, the Company abandoned the shareholders’ meeting of Minera IRL S.A.

At the Company’s annual general meeting in late August of 2015, Mr. Robin Fryer was elected and Mr. Douglas Jones was re-elected to the board of directors, but Mr. Hodges (the incumbent Chairman) was not re-elected. After the annual general meeting, the new Board appointed Mr. Jaime Pinto as a third director. Mr. Pinto was appointed Chairman of the Board on 3 September 2015.

On 7 September 2015, the Company announced the occupation of key installations at the Corihuarmi mine had forced the suspension of its operations at Corihuarmi.

On or about 8 September 2015, Dr. Benavides filed a legal action against senior officers of the Company in Peru, accusing them of defamation.

On 9 September 2015, the Company announced that the occupation at the Corihuarmi mine had been lifted and operations had resumed.



On or about 21 September 2015, after the Peruvian Court in the action filed by Felipe Benavides had issued an order enjoining the Company from dismissing Diego Benavides from the two Peruvian subsidiaries, the Company abandoned its effort to remove him from those positions at a shareholder meeting, announced a temporary compromise of control within the two subsidiaries and requested a precautionary suspension from trading on AIM. On the same date the Company publicly announced that it had started the process of dismissing Dr. Diego Benavides from his role as President and General Manager of the Company's two Peruvian operating subsidiaries and it initiated legal action against Dr. Benavides.

On 29 September 2015, the Company announced that it could not finalize its financial statements for the six months ended 30 June 2015 due to the temporary compromise of control within its two Peruvian operating subsidiaries.

On 1 October 2015, Mr. Brad Boland, the Company's CFO and Corporate Secretary, resigned.

On 9 October 2015, the Company announced that a group of shareholders had requested an extraordinary general meeting and, on 23 October 2015, it called an extraordinary general meeting for 26 November 2015, in Toronto.

On 16 October 2015, the British Columbia Securities Commission issued an order cease-trading the securities of the Company. On 28 October 2015, the Ontario Securities Commission issued an order cease-trading the securities of the Company and the Company applied to the Toronto Stock Exchange to delist its Ordinary Shares.

On 26 November 2015, the Company adjourned the extraordinary general meeting of its shareholders until December. At the meeting, the shareholders removed Mr. Pinto from, and elected Mr. Julian Bavin and Mr. Jorge Ramos to, the Board. However, on 23 December 2015, Mr. Ramos resigned.

## **2016 Developments**

In February of 2016, the Company reached an agreement in principle with Dr. Benavides. The agreement contemplated several steps which would result in (i) the Company consolidating control over its two Peruvian operating subsidiaries and (ii) the dismissal of the Peruvian lawsuits filed by Dr. Benavides and the Company against each other and the Company's Board. Among other things, the parties agreed that the Company would commission a forensic audit of the allegations made against Dr. Benavides. The Company retained Baker Tilly (Perú) to conduct the audit. On June 1, 2016, Baker Tilly (Peru) concluded that there was no credible evidence that Diego Benavides or any other member of the management team in Peru had acted improperly.

On 18 March 2016, BDO LLP resigned as the Company's public company auditor and the Company was delisted from the AIM market. In addition, the Board appointed Mr. Francis O'Kelly as a director of the company and Mr. Eric Olson resigned from the position of Chief Operating Officer.

On 29 April 2016, and as agreed by the parties in February, Felipe Benavides transferred his .01% interest in the Company's two Peruvian operating subsidiaries to Ms. Cecilia Gonzalez, a lawyer with an office in Lima, Peru, thus consolidating the Company's control of its Peruvian subsidiaries.

On 23 May 2016, the Board appointed Mr. Gerardo Perez as a director of the Company.

On 14 June 2016, the Board appointed Mr. George Bee as a director of the Company and, on 15 June 2016, Messrs. Douglas Jones and Robin Fryer resigned from the Board.

On 21 June 2016, the Board appointed Mr. Derrick Weyrauch as a director of the Company.

On 12 September 2016, Mr. George Bee resigned from, and Mr. Robert Schafer was appointed to, the Board.

On 30 November 2016, the Company announced the results of the Annual General Meeting of Shareholders. Prior to the AGM, each of Mr. Julian Bavin, Mr. Derrick Weyrauch and Mr. Robert Schafer withdrew their consent to stand for election/re-election leaving only Mr. O’Kelly and Mr. Perez to stand for election. At the meeting, the resolution to elect Mr. O’Kelly was not passed and he ceased to be a director. Mr. Perez was elected and became the sole director of the Company.

Effective 5 December 2016, Mr. Diego Benavides was appointed as a Director and the Chief Executive Officer, Mr. Michael Iannacone was appointed as a Director, Mr. Gerardo Perez was appointed Chairman of the Board and Mr. Carlos Ruiz de Castilla was appointed as Chief Financial Officer.

### **Events Subsequent to 2016 Year End**

On 4 January 2017, the Company announced the Peruvian securities regulatory commission lifted the suspension of trading of the Company’s shares on the Peruvian stock market. The shares of the Company began trading on the Bolsa de Valores de Lima (“BVL”) on the same date.

On 20 January 2017, the Company announced that the Ontario Securities Commission and the British Columbia Securities Commission had revoked their cease trade orders.

On 3 February 2017, the Company’s ordinary shares began trading on the Canadian Securities Exchange (“CSE”).

On 13 February 2017, the Company announced the final results of its 2016 Minapampa East zone drill program at its Ollachea gold project. The drill hole results have been used to outline an exploration target of 370,000 to 550,000 ounces of gold contained within 3.1 to 4.6 million tonnes, grading 2.9 to 4.3 g/t gold. The potential tonnages and grades are conceptual in nature and are based on drill results that define the approximate length, thickness, depth and grade of mineralization in the Minapampa East mineralized zone. The drill program was supervised by Andrew Fowler, PhD, MAusIMMCP(Geo). Dr. Fowler is a full-time employee of Mining Plus Peru SAC and is an independent Qualified Person (“QP”) as defined by the N.I. 43-101. Dr. Fowler reviewed and approved the technical content of this announcement.

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

## **3 DESCRIPTION OF BUSINESS**

The Company is engaged in the business of exploring and mining for gold in Peru. It has one mine in production, the Corihuarmi Gold Mine, which is located in the high Andes and has produced 273,672 ounces between March 2008 and the end of December 2016.

The Company’s flagship exploration and development asset is the Ollachea Project in Peru. An optimization of the 2012 Definitive Feasibility Study was completed in June 2014. All permits necessary to commence construction of the mine have been granted. In June 2015, the Company secured a \$70 million finance facility structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. (COFIDE) and syndicated through Goldman Sachs Bank USA. The Bridge Loan was expected to be the first step towards a senior debt facility of up to \$240,000,000 described in a letter of mandate signed by COFIDE and the Company to build Minera IRL’s Ollachea Gold Project. 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.

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

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

At 31 December 2016, the Company had 398 employees.

## **4 PROJECTS**

### **4.1 Corihuarmi**

The following summary is derived from the technical report entitled "Corihuarmi Gold Project, Technical Report" (the "Corihuarmi Report") dated 6 April 2010, that can be accessed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **Project Description, Logistics, Infrastructure and Climate**

The Corihuarmi Gold Mine is located in the high Andes of central Peru, approximately 160km southeast of the capital city of Lima (-75.57° longitude and -12.57° latitude). Access to the project is via a 330km sealed main highway east from Lima, over the Andean divide to Yauli, then southeast to the city of Huancayo, the regional capital of Junin Department. From Huancayo, access is gained via the Andean plateau by travelling southwest on formed gravel roads for a further 115km through the villages of Chupuro and Vista Alegre to the mine.

The Corihuarmi Project lies at elevations between 4,500m and 5,050m above sea level, straddling the main Andean divide. Despite the elevation, the topography is relatively subdued, comprising a series of hills and ranges that rise approximately 500m above an undulating alpine plateau.

The Corihuarmi Project experiences a high mountain dry tundra climatic regime. Precipitation is markedly seasonal and total annual precipitation averages 730mm. The vegetation is solely comprised of alpine tussock grassland across the plateau, with the adjacent hills and ridges essentially barren of vegetation, particularly in areas of argillic alteration. Agricultural activities are confined to extensive livestock grazing, principally sheep, cattle and camelids (alpaca and llama).

The Corihuarmi Mine camp accommodates approximately 140 employees. Camp facilities are divided into two accommodation areas. One is located east of the plant facilities while the other next to the Mine office. The main camp structures include offices, warehouse, messing facilities, recreational facilities and other miscellaneous buildings. Power is provided by a 44km power line, constructed by Minera IRL as part of the mine's development, from the national grid. Water is abundantly available from a large lake. The principal mining related infrastructures comprise the waste dump, haul roads, mining contractor workshop and associated support structures such as fuel farm and explosives storage facility.

## History and Tenure

Minera IRL S.A. acquired the project from Minera Andina de Exploraciones (“Minandex”) in 2002. Between 2003 and 2005, the Company completed a programme, primarily concentrating on the Susan and Diana zones, comprising geological mapping, extensive horizontal and vertical chip-channel sampling, and three phases of diamond core drilling (53 holes; 3,552m), metallurgical testwork, geotechnical studies, internal and independent resource estimates and an internal pre-feasibility study. A bankable feasibility study was completed by Kappes Cassiday and Associates in April 2006. The project obtained approval of all required permits including EIA in 2007. Mining and production commenced in 2008.

The Corihuarmi property consists of 19 concessions totalling 13,718ha (as of 31 December 2014). These consist of six mining concessions totalling approximately 3,418.65ha and 13 exploration concessions or petitorios (application stage for mining concession), totalling 10,299.35ha.

The mining and exploration concessions that comprise the Corihuarmi Project are held 100% by Minera IRL and are in good standing. No litigation or legal issues related to the project are pending. In October 2005, the Company fulfilled the terms of an option agreement with Minandex to acquire 100% interest in the Tupe 2, 3 and 4 mining concessions. The terms of the agreement called for Minera IRL to make a series of quarterly cash payments (totalling \$903,309) over a three-year period, which Minera IRL completed in 2007. Minandex retained a sliding scale net smelter royalty based on the price of gold as follows:

- Gold price less than \$300/oz, a sales royalty of 1.5%;
- Gold price from \$300/oz to \$350/oz, a sales royalty rate of 2.0%; or
- Gold price over \$350/oz, a sales royalty rate of 3.0%.

The Corihuarmi Gold Mine is subject to the permitting and environmental laws of Peru. This includes an approved mine closure plan.

Minera IRL has in place a mining exploitation contract with the local community of Atcas for a surface area of 3,000 hectares. The agreement attracts an annual payment of \$70,000 and expires in 2018. There is also a surface rights agreement in place with the community of Huantan for a total area of 1,463 hectares. The agreement attracts an annual payment of \$70,000 and expires in 2018.

## Geological Setting and Mineralization

The Corihuarmi Project is situated within the Andean Cordillera, which lies between the Peru-Chile oceanic trench (Pacific) to the west and the Brazilian Craton to the east. The Andes Range formed as a result of the convergence between the oceanic Nazca Plate (of the Pacific Basin) and the South American continent. The denser lower portion of the Nazca Plate was subducted beneath the South American continent along the Peru-Chile Trench, resulting in crustal melting and magmatic (volcanic) activity, while the lighter marine sediments of the upper Nazca Plate were obducted onto the continental landmass, resulting in collision and compression.

The Corihuarmi property is located at the northern extremity of the Southern Peru Epithermal Au-Ag Belt, associated with middle to upper Tertiary volcanics and intrusives of the Western Cordillera. These are separated from deformed Mesozoic sediments of the Altiplano immediately east of the project area by a major northwest trending thrust.

The geological understanding of the Corihuarmi Project is essentially confined to the central group of tenements, referred to as the Main Block, which host all known resources and reserves, and the majority of significant prospects.

The general structural orientation within the Corihuarmi area is consistent with the northwest Andean trend, mimicked by fold axes within Mesozoic sediments to the east, the major thrust separating these sediments from the younger volcanics, and the general orientation of the alteration system and associated caldera structure within the volcanics themselves. A series of east-west and northeast trending tensional structures appear to provide the focus for breccia development, alteration and mineralization within the vicinity of dacite domes. These high angle faults are variously characterised by either normal vertical or dextral horizontal displacements.

Mineralization identified to date within the Corihuarmi Project is typically comprised of a high sulphidation epithermal precious metal system that formed at relatively shallow depth. However, there is also evidence from drill core at deeper levels to support potential gold-copper (+-molybdenum) porphyry mineralization beneath this part of the hydrothermal system.

Gold and silver mineralization is essentially confined to erosional remnant zones of layered silicification and brecciation that dominantly lie along the northeast margin of the volcanic complex. Horizontal metallogenic zonation provides evidence that this siliceous layer was once continuous, effectively capping the hydrothermal system.

The most significant concentration of precious metal mineralization is associated with the topographically elevated Susan and Diana deposits, which have been mined since the beginning of 2008. In 2014, the Company started mining Cerro Cayhua, a nearby low-grade gold zone averaging ~0.30 g/t Au located approximately 500m to the northwest of Diana.

Drilling before 2008 defined a zone of higher relative grade (>1g/t Au) near the top of the Diana deposit and immediately below a barren siliceous cap at the Susan deposit. These zones ranged from 5m to 50m in thickness and their attitude is consistent with the sub-horizontal morphology of the exposures. The tenor of mineralization diminishes rapidly below these higher grade zones, the exception being isolated intersections of higher grade that are interpreted to represent a series of northwest and northeast trending faults that acted as feeder structures for multiple hydrothermal mineralizing events.

Figure 1 are photos of the Susan and Diana ore bodies; the former figure shows these outcrops before mining started in January 2008 and the second photo illustrates the open pits 9 years into the original 4.5 year mine life.

*Figure 1 Corihuarmi Project – Susan (right) and Diana (left) Zones (pre-mining)*



*Corihuarmi Project – Susan (right) and Diana (left) Zones in March 2017*



The mineralized material is almost exclusively comprised of amorphous vuggy silica with the dacite protore generally being modified beyond textural or mineralogical recognition. Subordinate interstitial alunite increases in abundance towards the base of the mineralized zones, while zones of annealed breccias and quartz veining attest to multiple episodes of hydrothermal activity. The massive siliceous material grades laterally downwards into a zone of intense silica-alunite alteration.

A series of other siliceous exposures have been recognized elsewhere within the main block tenements. These include the prospective Ely, Cayhua, Laura, Coyllor and Cerro Rojo areas. Cayhua and Laura are the only areas to date that have been subjected to resource drilling and incorporated into the LOM plan.

### **Drilling**

All diamond drilling completed at Corihuarmi has been conducted by only two contractors, MDH SAC (2003-2011) and INGETROL (2014). The majority of diamond core holes were drilled HQ diameter (63.5mm diameter). To the end of 2014, Minera IRL has drilled 215 diamond core holes for a total of 17,766.90m.

Based upon inspection of various core trays available on site and review of the available reports, the Company's consultants have determined that diamond core drilling has been carried out to expected industry standards.

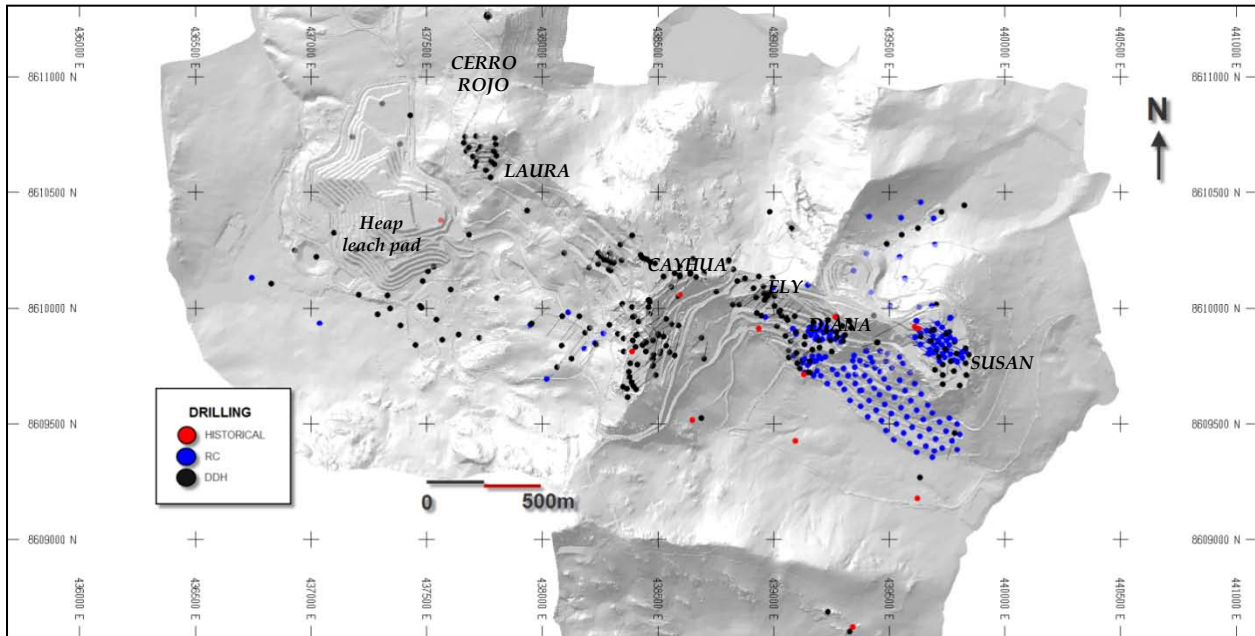
The Company has also conducted reverse circulation (RC) drilling. Only one RC drilling contractor has been used at Corihuarmi, AK Drilling. To the end of 2014, Minera IRL has drilled 164 RC holes for a total of 8,490m.

Blasthole drilling is used for blasting and also for grade control sampling, as standard industry practice. The holes are all vertical to approximately 5m depth and are rotary air blast samples which effectively result in wall contamination.

Drillhole collars were surveyed by Minera IRL surveyors using total station. Survey accuracy is reported as +/-0.5m, in line with acceptable industry standards. No downhole surveys have been undertaken. The deviation is however expected to be limited as the holes are generally less than 100m.



Figure 2 Corihuarmi Project –Drill hole plan map



### Sampling & Assaying

HQ (63.5mm diameter) and NQ (47.6mm diameter) diamond core was sampled at lengths on average of 2m. Samples were numbered and collected in individual plastic bags with sample tags inserted inside.

RC samples were collected at 5m intervals and quartered in riffle splitters. Sub-samples weighed approximately 1kg and were collected in cloth-lined sample bags. The samples for the scree RC drilling were collected on 1m and 2m intervals.

Diamond core was logged in detail for geological, structural and geotechnical information, including rock quality designation (“RQD”) and core recovery. Whole core was routinely photographed. Reviews by Coffey Mining Pty Ltd (“Coffey”) of selected geological logs against actual core showed no significant discrepancies or inconsistencies. Diamond core and RC chip logging have been conventional and appropriate.

### Sample Preparation, Analysis and Security

Reference material is retained and stored in Lima, including half-core and photographs generated by diamond drilling, duplicate pulps and residues of all submitted samples. All pulps are stored in Lima at the Minera IRL storage base.

The CIMM laboratory (now CERTIMIN), in Lima was responsible for the preparation and analysis of the resource holes. Samples were digitally weighed, dried to a maximum of 120°C (for wet samples), crushed to 70% < 2mm (10 mesh), riffle split to 250g, and pulverised to 85% < 75µm (200 mesh). 50g pulps were submitted for chemical analysis. Chemical analysis consisted of fire assay (FA) with atomic absorption spectrometry (AAS) finish, using 50g sub-samples. Those samples that analysed  $\geq 5$  g/t Au were analysed using gravimetric methods.



The mine operates a modern laboratory where approximately 100 fire assays per day are carried out for grade control purposes.

### Mineral Resource and Mineral Reserve Estimates

The resource and reserve drilling for the feasibility study was all HQ diamond core. Subsequent drilling has been a combination of diamond and reverse circulation drilling.

The grade estimates for the Diana and Susan deposits were classified by Coffey as a combination of Measured and Indicated Mineral Resources in accordance with the criteria laid out in the Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”) guidelines. No material was classified as Inferred.

The feasibility study upon which the Corihuarmi Gold Mine was predicated (before mining commenced in 2008) had a Proven and Probable Reserve (as defined in NI 43-101) totalling 4 million tonnes grading 1.1g/t Au containing 144,000 ounces.

Using a 0.3g/t Au cut-off at the Susan deposit and a 0.25g/t Au cut-off at the Diana deposit, a total of 5.3Mt averaging 0.6g/t Au for 103 koz Au were reported from the combined deposits, remaining in-situ as of 31 December 2009, as estimated by independent consultants.

Cut off (g/t)	Deposit	Mineral Reserves								
		Proven			Probable			Total		
		Tonnes	Grade	In-situ Au	Tonnes	Grade	In-situ Au	Tonnes	Grade	In-situ Au
		Mt	g/t Au	koz	Mt	g/t Au	koz	Mt	g/t Au	koz
0.30	Diana	0.7	0.54	11.9	-	-	-	0.7	0.54	11.9
0.25	Susan	4.4	0.67	93.9	-	-	-	4.4	0.67	93.9
	Total	5.1	0.65	105.9	-	-	-	5.1	0.65	105.9

A total Inferred Mineral Resource for the scree mineralization was estimated by Coffey at 3.765Mt at 0.45 g/t Au containing 54,600 ounces with no lower grade cut-off applied (as at 28 February 2010). Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. However, heap leach treatment of this material successfully commenced during 2011.

Since the 31 December 2009 Reserve Summary was prepared, the Diana and Susan deposits have been largely depleted although mining operations continue to exploit extensions of the mineralized zones associated with these deposits. In 2014, drilling programs better defined the shape and grade of the Cayhua and Laura zones.

Currently, management estimates that mining operations will cease at Corihuarmi in mid 2019 without the delineation of additional ore-grade mineralization. However, an ongoing drilling campaign is expected to result in further extensions to mine life.

The Company has also acquired a strategic lease, Tambo Nuevo, which hosts an eastward extension to the Susan pit. This lease (ex-Geologix, ex-Rae Wallace), under recent title to Sanborn Resources Ltd., expired and was immediately staked by Minera IRL in early 2015, once it’s availability had been published on the local

Peruvian INGEMMET web-page. This primary target is the eastern scree slope of the Susan deposit. Intensely altered siliceous material shed from Susan has formed a significant deposit of mineralized scree. The material is similar to scree mined on the southwestern flank of Susan.

**Figure 3** Current and future areas of mine production (panoramic photo looking north, May 2015).



**Figure 4** Susan and Diana pits showing mined scree slope in foreground, September 2014.



**Operations**

The environmental conditions at the Corihuarmi Gold Mine, located at up to 5,000m in elevation, is open grassland meadows and wetlands with surrounding peaks generally barren of vegetation. There is snow and rain in the summer months, October to April, and is generally dry the remainder of the year. The Company’s policy is to comply with World Bank Standard environmental practices. Figure 5 illustrates the pristine wetland in close proximity with the operation.

*Figure 5 Plant and heap leach, January 2010, showing wetlands in the foreground*



Corihuarmi was initially permitted to mine and treat up to 4,500 tonnes per day. The mine was been re-permitted to allow the mining and treatment of 9,000 tonnes per day. In 2016, the Company mined and stacked ore at an average rate of approximately 8,300 tonnes per day.

The operation comprises a conventional open pit benching mine and treatment by a single stage crush, heap leach operation.

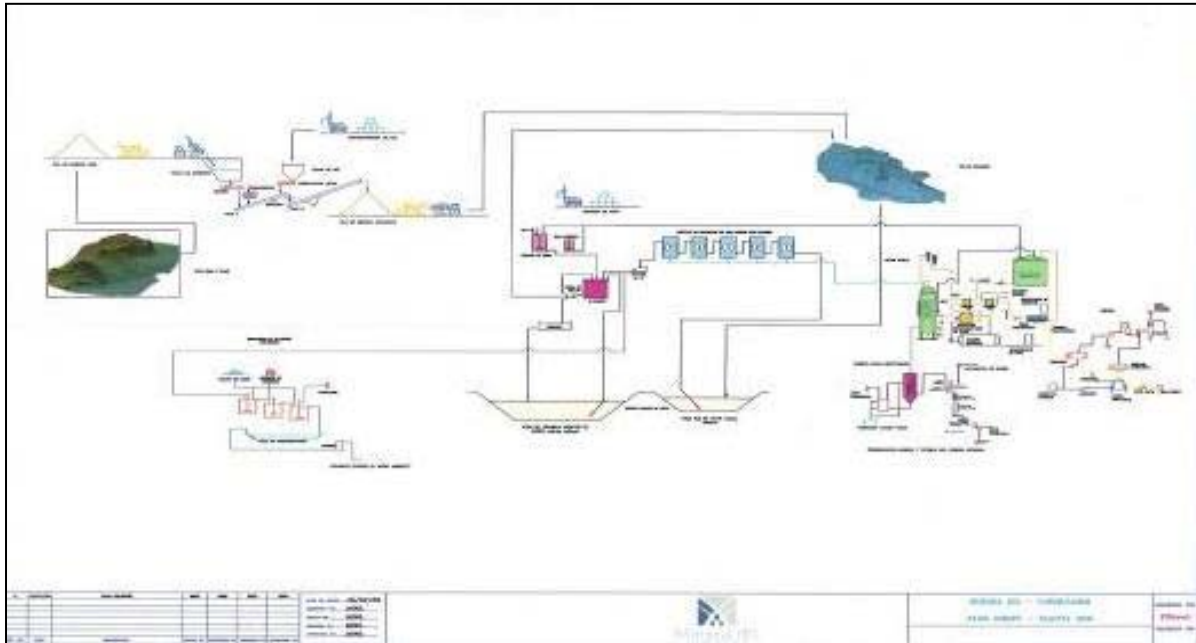
The geotechnical evaluation was completed by Vector in 2005. The evaluation was based on existing geological data, field structural and geotechnical mapping and drill hole core logging. In summary, the evaluation resulted in the recommendation of 70° batters and 8.5m berms for every 20m in vertical wall height.

The Diana, Susan and Cayhua pits require blasting prior to loading. For grade control purposes a representative sample of the drill cuttings produced from blast holes is used for grade determination (blast hole sampling).

The Corihuarmi Project process is a heap leach operation utilizing a multiple-lift, single-use leach pad. Prior to placing the ore onto the leach pad the ore is primary crushed. Processing of ore began on the Corihuarmi heap leach project in January 2008 when irrigation of the heaps was started.

A current flow sheet for the Corihuarmi heap leach project is illustrated in Figure 6 below.

**Figure 6 Corihuarmi Project – Current Flowsheet for Heap Leach Processing**



Ore from the mine is transported by trucks to the run of mine (“ROM”) pad. The ore is then either dumped directly into the coarse ore bin (“COB”) or can be placed on the ROM pad and fed into the COB by front end loader.

Ore is crushed in open circuit to minus 100mm through a primary jaw crusher. As the ore travels along the conveyor it is weighed and lime is added. From this conveyor the ore is discharged onto a stacking conveyor and is stockpiled. The crushed material is reclaimed using a front end loader and trucks and transported to the heap leach pad where it is stacked on 8m high lifts and levelled.

Heap leaching with dilute cyanide solution is carried out in a single stage system. Pregnant leach solution is delivered to activated carbon contactors to remove the gold after which the solution is pumped back to the heap leach pad. The activated carbon in the contactors is stripped from the carbon in the elution plant and the gold is electrowon onto cathodes. The cathodes are then direct smelted to recover the gold into doré bars ready for shipment to the refinery.

## Production, Cost history and Life-of-Mine Plan

A summary of historical production and key operating costs from Corihuarmi since mining commenced in January 2008 are presented in the following table:

**Table 2 Corihuarmi - Historical Production and Key Operating Statistics**

Parameter	2008 Year	2009 Year	2010 Year	2011 Year	2012 Year	2013 Year	2014 Year	2015 Year	2016 Year
Ore mined and stacked (kt)	1,076	1,217	1,456	2,001	2,064	2,376	2,660	2,966	3,040
Ore grade (g/t)	1.99	1.13	0.87	0.68	0.50	0.45	0.32	0.33	0.32
Gold Production (oz)	51,691	33,012	32,533	33,255	27,321	25,223	23,321	23,917	23,399
Realized Price (\$/oz)	869	988	1,232	1,570	1,673	1,412	1,260	1,143	1,245
Site Cash Operating Cost (\$/oz)	161	341	383	410	581	677	705	793	806

Management's current estimate of the remaining mine life at Corihuarmi is summarized in Table 3.

Table 3 Corihuarmi Project- Life of Mine Plan Summary						
Year	Tonnes Ore	Grade Au (g/t)	Ounces	Tonnes waste	Waste:Ore Ratio	Rec Au Ounces
2017	2.8Mt	0.308	27.8koz	1.8kt	0.64	22.2koz
2018	3.2Mt	0.253	26.0koz	1.2kt	0.38	20.0koz
2019	1.8Mt	0.221	12.6koz	0.7kt	0.38	9.7koz
Total	7.8Mt	0.266	66.4koz	3.7kt	0.48	52.0koz

Corihuarmi has been in production for eight years and produced 273,672 ounces of gold. The production is more than double the feasibility study projection of 112,000 ounces over a four-year mine life.

During 2014, the Company completed 2,816 metres of exploration drilling in 45 drill holes at the Corihuarmi mine. The exploration program defined additional material at the Laura and Cayhua zones. As a result of the exploration activities and evaluation, the Corihuarmi life of mine has been extended until the first half of 2017.

No exploration activity was carried out during 2015.

Between December 2016 and March 2017, the Company completed 7,291 metres of exploration drilling in 86 drill holes at the Corihuarmi mine. The exploration program defined additional material at the Cayhua, Tambo Nuevo and Laura zones. As a result of the exploration activities and evaluation, the Corihuarmi life of mine has been extended until 2019. In 2017 the Company is forecasting gold production of 22,000 ounces.

## Production Taxes and Royalties

In the second half of 2011, the royalty payable to the Government of Peru was amended from a sliding scale of 1% to 3% on sales to royalties based on operating profits. A mining royalty and a special mining tax ("SMT") is payable by the Corihuarmi Project on a quarterly basis, which is structured using a marginal tax rate scale applied to operational profit at different percentages depending on different levels of operating margin (operating margin = operating income to mining operating revenue).



For the mining royalty, marginal rates range from 1% for operating profit margins between 0% and 10% to 12% for operating profit margins greater than 80% with a minimum royalty of 1% of sales payable regardless of profitability.

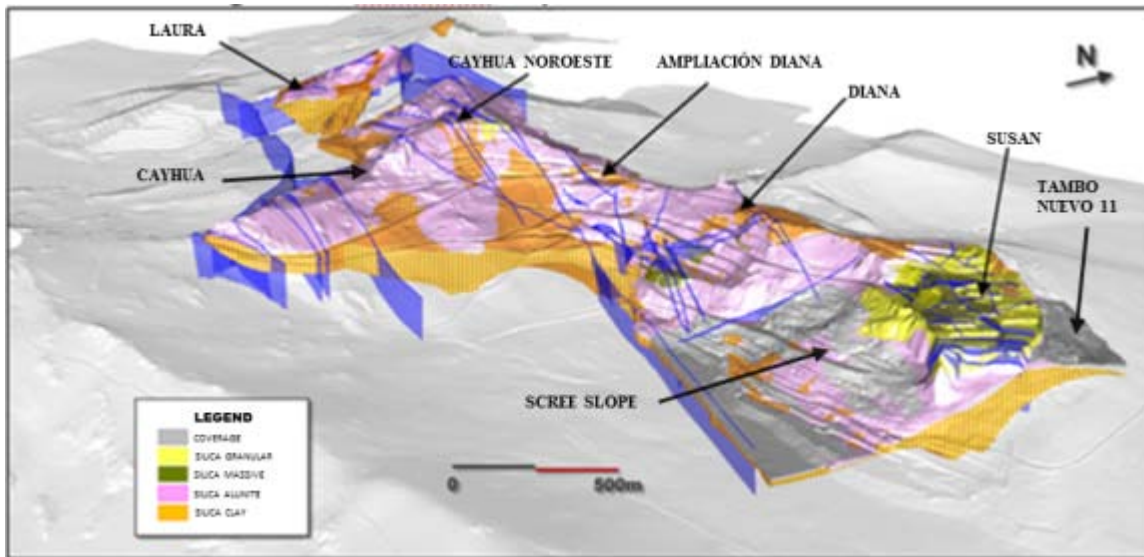
For the SMT, marginal rates range from 2% for operating profit margins between 0% and 10% to 8.4% for operating profit margins above 85%. In 2014, the Corihuarmi Project was also subject to the Peru corporate income tax. The corporate income tax rate dropped from 30% in 2014 to 28% in 2015 and is scheduled to drop to 26% by 2019.

## Exploration

Bedrock sampling, particularly chip channel sampling in conjunction with diamond core (“DC”) and RC drilling have been the dominant exploration tools of Minera IRL for defining mineral resources at the Diana, Susan and Cayhua zones. In addition, they have utilized geological mapping, and geochemistry sampling, along with CSAMT geophysical surveys.

Besides the current areas of mining at Susan, Scree Slope and Cayhua, the property also includes several near-mine exploration targets that have been defined by a combination of soil geochemistry and exploration drilling. These include Laura, Tambo Nuevo and Cayhua Nor-West (Figure 7).

*Figure 7 Corihuarmi Project - Main Block Alteration*



Exploration surveys and interpretations completed to date within the Corihuarmi Project have largely been planned, executed and supervised by Minera IRL personnel, supplemented by consultants and contractors for more specialized or technical roles.

## 4.2 Ollachea

The following summary is derived from the technical report entitled “Ollachea Gold Project, Peru, NI 43-101 Technical Report on Feasibility Study” dated 29 November 2012, which can be accessed on the Company’s

website or its SEDAR profile at [www.sedar.com](http://www.sedar.com). Additional information in this section is derived from an optimization study on the Ollachea DFS that was completed in the second quarter of 2014 (refer Press Release dated 4 June 2014).

**Location, Accessibility, Climate and Physiography**

The Ollachea Property is located in the Puno Region of southern Peru. Minera Kuri Kullu S.A. (“MKK”), a wholly-owned subsidiary of Minera IRL S.A., owns the Property and retained AMEC Peru S.A. (“AMEC”) and Coffey (“Coffey Mining”) to conduct a Definitive Feasibility Study on the viability of mining the orogenic gold deposit from underground and processing ore in a 1.1 million t/a facility on the property to produce gold doré. Process plant design and project estimating were carried out by AMEC in Brisbane, Australia.

*Figure 8 OllacheaProject Location*



Road access to the Ollachea Project from Juliaca city is by the new Interoceanic Highway, which runs 200m east of the proposed plant site for the Project. The Project is located at between 2,500m and 3,500m elevation on the eastern flank of the Cordillera Oriental of the Peruvian Andes. The Interoceanic Highway is a two-lane asphalt-paved road connecting the Brazilian highway system with the south of Peru and the Port of Matarani at the City of Ilo on the Pacific Coast of Peru. A series of unpaved roads connect the Town of Ollachea to the Minapampa area and the Oscco Cachi valley and are used to support exploration drilling on the Project. The Project can be reached by driving approximately four hours north from the Andean airport at Juliaca, or five

hours southwest from the Amazonian airport at Puerto Maldonado. Both airports have daily commercial flights one to two hours from Jorge Chavez International Airport in the District of Callao, immediately north of the National Capital City of Lima.

The Project is located immediately adjacent to the Town of Ollachea, which can provide basic commercial and labour support for exploration and development activities.

The Project has a temperate sub-alpine climate with a pronounced rainy winter season and dry summer season. The rainy season extends from December to April, the dry season from June to September and the remaining months of October, November and May are transition months. Based on historic data average precipitation in the study area ranges from 20.9mm (June) to 228.7mm (January) with an average of 1,235.4 mm. The maximum average monthly temperatures range from 12.8 °C to 14.6 °C from November to January. The minimum average monthly temperatures range from 10.6 °C to 12.3 °C between June and August.

## **History**

The earliest evidence of mining on the Ollachea Project is attributed to Spanish colonial activity during the 18th century. Informal mining activity has been pursued in the area since at least the 1970's and probably considerably earlier.

Between 1998 and 1999, Peruvian Gold Ltd., a publicly-traded Canadian exploration company, drilled five relatively shallow diamond drill holes on the Project and encountered low-grade gold mineralization but did not do any further work. In May 2003, Rio Tinto re-discovered the area while following-up on a regional stream sediment sampling program. Between 2003 and 2004, Rio Tinto carried out surface sampling, encountering encouraging surface sample gold assays but in 2006 elected to farm out the project.

Minera IRL started negotiations with Rio Tinto in 2006, which were followed by the negotiation of an Agreement of Use of Surface Lands and another related to Artisanal Mining Exploitation with the Community of Ollachea, signed in November 2007, after which exploration works started over the property.

In 2007, the Community of Ollachea and MKK worked to formalize mining at Minapampa under the national Act of Formalization and Promotion of the Little and Artisanal Mining industry and its regulations (Tong, 2010b). MKK granted the Community of Ollachea right to exploit near surface mineralization at a part of the Minapampa area for five years in exchange for surface rights to carry out exploration activities on a portion of the property (Tong, 2010b). On 30 May 2012, this surface rights agreement was extended for a period of 30 years. Small-scale artisanal mining continues on the Project. Beginning with field activities in early 2008, MKK carried out bedrock sampling, geochemical sampling, geological mapping, geophysical ground magnetic studies, topographical survey and structural geology based on aster image interpretation (Telluris, 2009). By the end of September 2009, 71 diamond drill holes totalling 26,026m had been drilled, and a Mineral Resource estimate and Preliminary "Scoping Study" Assessment was carried out for the Project by Coffey Mining (Coffey, 2010).

MKK continued diamond drilling and, in mid-2010, contracted AMEC to assist with a Prefeasibility Study over the Minapampa Zone. By November 2010, an additional 60 drill holes for a total of 131 drill holes totalling 51,062m had been drilled on the project area and the Mineral Resource estimate for the Minapampa Zone, based on 107 diamond drill holes totalling some 40,400m, was updated (Coffey, 2011a).

Between October 2010 and May 2011, MKK completed 26 more core drill holes totalling 11,143m on the project. At this stage, a Prefeasibility Study Mineral Resource estimate for the Minapampa Zone, based on 120 drill holes totalling 46,404m, was completed. The results of the Ollachea Prefeasibility Study were announced in a Minera IRL Press release dated 18 July 2011.



An extended period of exploration drilling from May 2011 was followed by another infill drill campaign by MKK on the Minapampa Zones to the end of March 2012, which added another 49 core drill holes totalling 17,904m. By this time, 206 drill holes totalling 80,109m had been completed on the Ollachea Project. The database provided to Coffey Mining for the Feasibility Study resource update included information taken from this drill hole database. Subsequent to the provision of the resource data to Coffey Mining, 2 additional drill holes were completed for a project total of 208 diamond drill holes totalling 81,073m in length.

The Ollachea DFS includes an updated Mineral Resource estimate for the Minapampa Zones (effective date 6 July 2012) based on the Minapampa Mineral Resource database to the end of April 2012 (151 drill holes for 59,509m). The results of the Ollachea Resource Upgrade used for the Feasibility Study were announced in a press release dated 18 July 2012.

On 29 August 2011, the Company announced that it had committed to the construction of a 1.2km exploration tunnel into the hanging wall of the Minapampa ore body at the Company's Ollachea Gold Project. In addition to providing access for underground exploration drilling, the tunnel was designed to later serve as a production tunnel, which is expected to facilitate rapid mine infrastructure development when project 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 approximately \$1.1 million 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 as applied in the Ollachea DFS were conservative. Specifically, the tunnel exhibited significantly better ground conditions, a much higher advance rate and minimal water infiltration. These technical considerations were incorporated into the 2014 DFS optimization study and had positive implications for the project economics.

The Company commenced an underground diamond drilling campaign in January 2013 to better define the shape and grade of the eastern extension to the Minapampa zone. The initial program consisted of four (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 eastern limits of the Minapampa mineral resources upon which the Ollachea DFS is based. These drilling results thereby confirm a significant extension to the strike length of the mineralized trend, which still remains open-ended towards the east as well as in depth. In addition, the average gold 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. Additional underground drilling on the eastern extension of the Minapampa Zone is planned in 2015.

### **Exploration and Mining Concession Tenure**

The Ollachea Project (end-2014), consists of 16 concessions covering an area of 11,098.98ha (Table 4). The concessions are map-staked and defined and registered spatially by the location of their vertices.

The Ollachea Property is in good standing, valid and in full force and effect, therefore giving MKK the right to explore and exploit the minerals existing in the titled area.

The mineralization included in the Mineral Resource and Mineral Reserves discussed in this report occur within the Oyaechea 3 concession. The proposed plant site location will be located on the Oyaechea 2

concession. The portal location for the exploration access adit, which will also serves as the main mine portal, is located on the Oyaechea 2 concession. The Tailings Storage Facility is located approximately 2.5km north of the mine portal and within the Oyaechea 9 concession.

A gap measuring approximately 3,000m long by 130m wide exists between the Oyaechea 2 and Oyaechea 3 concessions (Figure 9). This concession is not held by MKK. The exploration drive and other mine infrastructure discussed in this report have been located to avoid this gap.

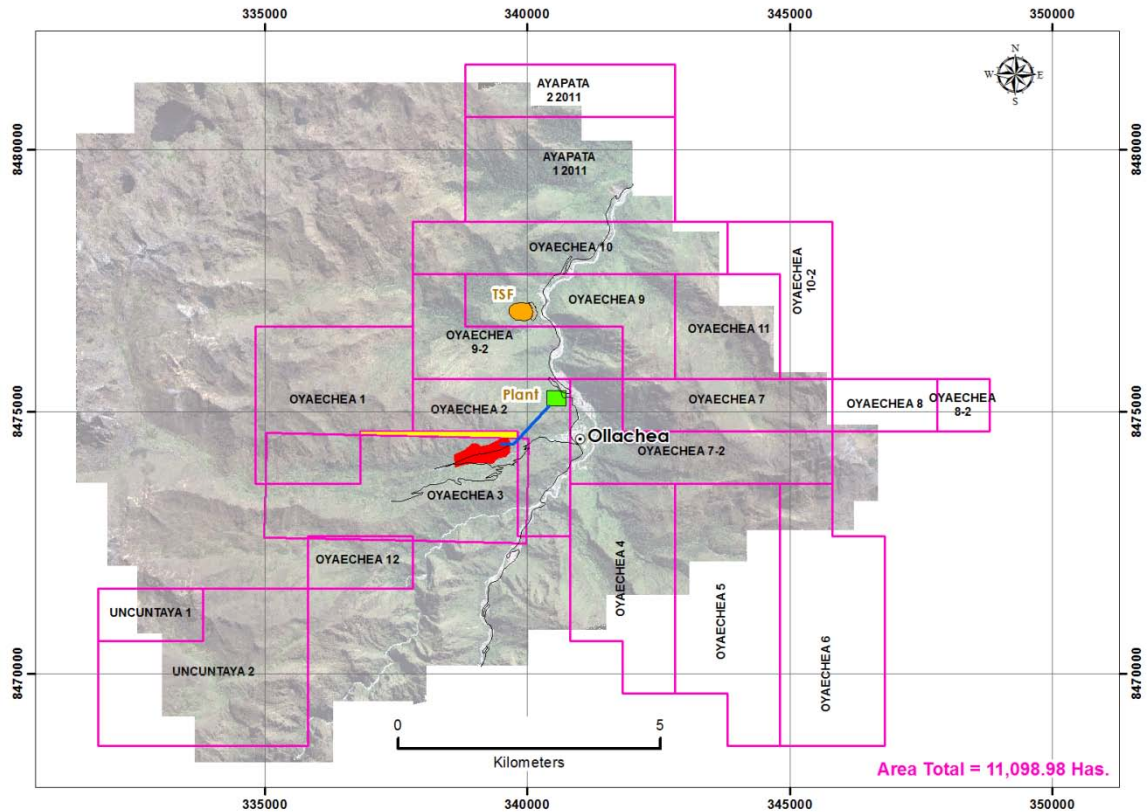
MKK signed a 30-year surface rights agreement in June 2012 with the Community of Ollachea allowing MKK to use the property covering the area of interest of the Project. The agreement allows the Community of Ollachea to carry out artisanal mining activities on the property until MKK commences production.

MKK currently holds all permits to allow for the continuation of exploration activities as well as the development of underground infrastructure for the future Ollachea Gold Mine.

*Table 4 Ollachea Concessions*

<b>Concession Name</b>	<b>Concession Number</b>	<b>Concession Holder</b>	<b>Area (ha)</b>	<b>Application Date</b>
OYAECHEA 1	10215003	Compañía Minera Kuri Kullu SA	800	23/06/2003
OYAECHEA 2	10215103	Compañía Minera Kuri Kullu SA	500	23/06/2003
OYAECHEA 3	10218103	Compañía Minera Kuri Kullu SA	998.98	24/06/2003
OYAECHEA 4	10215203	Compañía Minera Kuri Kullu SA	700	23/06/2003
OYAECHEA 5	10215303	Compañía Minera Kuri Kullu SA	900	23/06/2003
OYAECHEA 6	10215403	Compañía Minera Kuri Kullu SA	900	23/06/2003
OYAECHEA 7	10389907	Compañía Minera Kuri Kullu SA	1000	17/07/2007
OYAECHEA 8	10389807	Compañía Minera Kuri Kullu SA	300	17/07/2007
OYAECHEA 9	10139909	Compañía Minera Kuri Kullu SA	1000	17/07/2007
OYAECHEA 10	10140009	Compañía Minera Kuri Kullu SA	1000	17/07/2007
OYAECHEA 11	10140109	Compañía Minera Kuri Kullu SA	400	14/05/2009
OYAECHEA 12	10167809	Compañía Minera Kuri Kullu SA	200	14/05/2009
AYAPATA 1	010165811	Compañía Minera Kuri Kullu SA	800	09/02/2011
AYAPATA 2	010165911	Compañía Minera Kuri Kullu SA	400	09/02/2011
UNCUNTAYA 1	010340514	Minera IRL S.A.	200	29/09/2014
UNCUNTAYA 2	010342214	Minera IRL S.A.	1000	29/09/2014

*Figure 9 Ollachea Exploration Concession Map*



Note: The red polygon is the surface projection of Indicated Mineral Resources in the Minapampa Zone. The green polygon is footprint of the mineral processing plant proposed in the Ollachea DFS. The yellow polygon between the Oyeachea 2 and Oyeachea 3 concessions is a wedge-shaped gap in the MKK tenure holdings, and is owned by third-parties. The exploration access drive is marked as a blue line and roads are marked as thin black lines. The proposed tailings storage facility (“TSF”) is marked as an orange area in the Oyeachea 9 concession.

The Oyeachea 1 to Oyeachea 6 concessions were originally registered by Rio Tinto Mining and Exploration Limited Sucursal del Peru (“**Rio Tinto**”) during its exploration activities at Ollachea beginning in 2006. On 1 September 2006, Minera IRL signed an agreement with Rio Tinto to acquire the original Ollachea concessions. On 23 February 2007, the agreement was ratified and the Rio Tinto concessions were transferred to MKK (Tong, 2012).

### Agreements

In September 2006, the Company was granted an option to acquire the property rights and a 100% interest in the Oyeachea 1 to Oyeachea 6 concessions from Rio Tinto for an initial payment of \$250,000, progressive payments totaling \$6,000,000 over four years, together with two additional payments in the event that Rio Tinto’s clawback right under the agreement was not exercised. The option was conditional on the Company successfully negotiating a surface rights agreement with the local community within 120 days.

On 23 February 2007, Rio Tinto entered an agreement with MKK that assigned in favour of MKK the tenements comprising the Ollachea Project, which included certain provisions for clawback rights, purchase of a portion of the net smelter return on the project, and payments tied to the delivery of a positive Feasibility Study.

Rio Tinto's clawback right entitled Rio Tinto a one-time right to acquire up to a 60% participating interest in the Ollachea property or a 60% equity interest in MKK. Rio Tinto's clawback right lapsed in 2009.

On 15 December 2009, Rio Tinto was notified by MKK that MKK was to make the first additional payment reducing the Rio Tinto royalty from 3% to a 1% net smelter return ("NSR") in exchange for payment of approximately \$3.8 million. This payment was made in mid-2010.

In the fourth quarter of 2012, Minera IRL completed the Ollachea DFS and, in the third quarter of 2013, it was agreed that Minera IRL would pay a final amount of \$21.5 million to Rio Tinto based upon the results of the November 2012 Feasibility Study for the Ollachea Gold Project. The payment was originally scheduled to be made in three separate installments over a two year period and up to 80% of the payment could be settled in ordinary shares of Minera IRL Limited at the Company's election. The amount outstanding would accrue interest at a rate of 7% per annum.

On 28 January 2014, the Company issued 44,126,780 ordinary shares of Minera IRL to Rio Tinto in settlement of the First Installment (\$7.3 million) plus accrued interest for a total payment of \$7.4 million. Additionally, it was agreed that if Rio Tinto did not sell any ordinary shares that it received as consideration for the First Installment for a period of one year, Rio Tinto would be entitled to a cash share hold incentive payment totaling \$744,000.

The Final installment of \$14.2 million, 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, \$12.0 million of the \$14.2 million, along with the \$744,000 share hold incentive payment was paid from proceeds from the COFIDE Bridge Loan. A promissory note for the balance of \$2.2 million due was issued by the Company to Rio Tinto. . The Company has repaid \$700,000 of the principal plus interests. The balance as at 31 December 2016 is \$1,490,000 of principal and \$61,000 of interest.

MKK negotiated a surface rights agreement with the Community of Ollachea incorporating 8 concessions covering an area of 5,998.9848ha, including the important Oyaechea 2 and 3 concessions, which was signed on 25 November 2007. The agreement was to be in force for a maximum of five years, and will automatically revert to a development contract at the time a development decision is made. MKK made payments for surface rights access totaling \$213,333 over the five-year period following the signing of the agreement. In addition, MKK agreed to make contributions to sustainability projects and commit to social responsibility programs for the community totaling \$416,666 and a contribution for technical support to artisan miners of \$300,000 over the life of the agreement. As a part of the agreement, upon the commencement of commercial production, MKK will transfer a participation of 5% of the share capital of MKK to the Community of Ollachea, giving them a participating interest in the project. Additionally, in June 2012, MKK signed an extension to the surface agreement for a period of 30 years with the Community of Ollachea allowing MKK to use the property covering the area of interest of the Project.

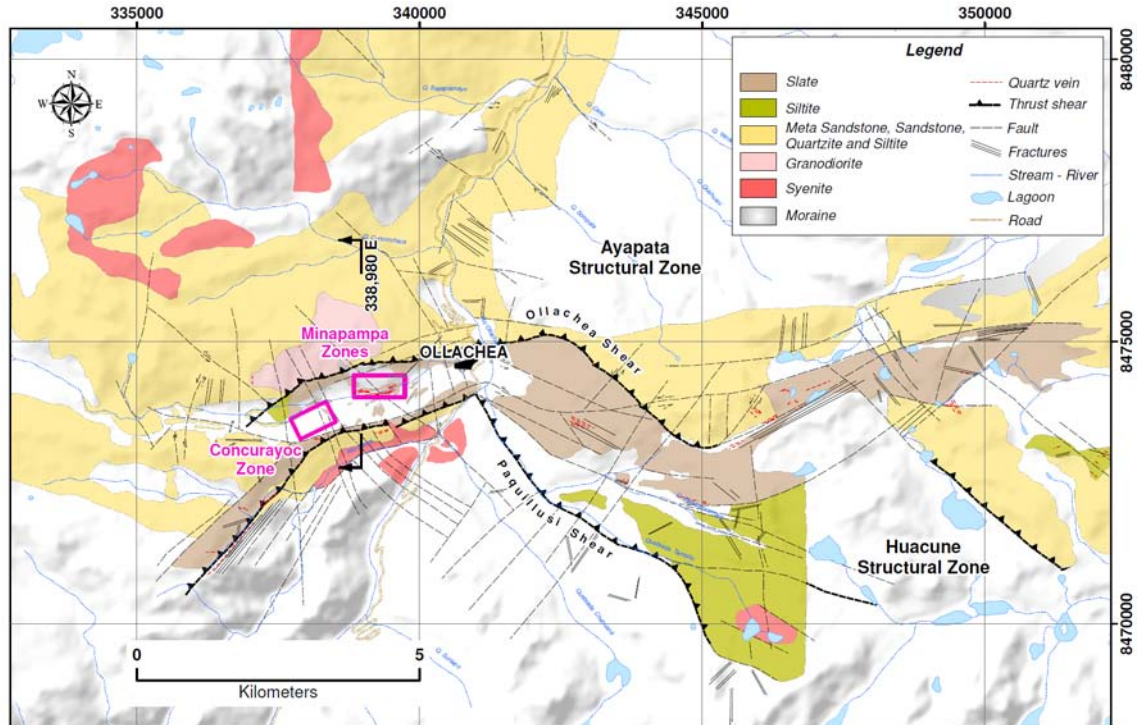
### **Geological Setting and Mineralization**

The regional setting of the Ollachea Project is characterized by a significant change in the strike of the Andean range, whereby the stratigraphy is locally aligned approximately east-west, as opposed to the dominant

northwest Andean trend. This deflection is postulated to have resulted from significant compression and thrusting to accommodate a prominent portion of the adjacent Brazilian Shield located to the east.

On a regional scale, high-grade gold deposits occur almost exclusively in slates/phyllites (usually carbonaceous), and rarely in more arenaceous sediments but only when they lie adjacent to mineralized phyllites. This suggests that there may be a regional control on pre D1 syngenetic gold in sulphides that has been upgraded in areas of strong overprinting D1 deformation. Figure 10 shows the regional setting with respect to the Ollachea Project.

**Figure 10 Regional Geology of the Ollachea Project**



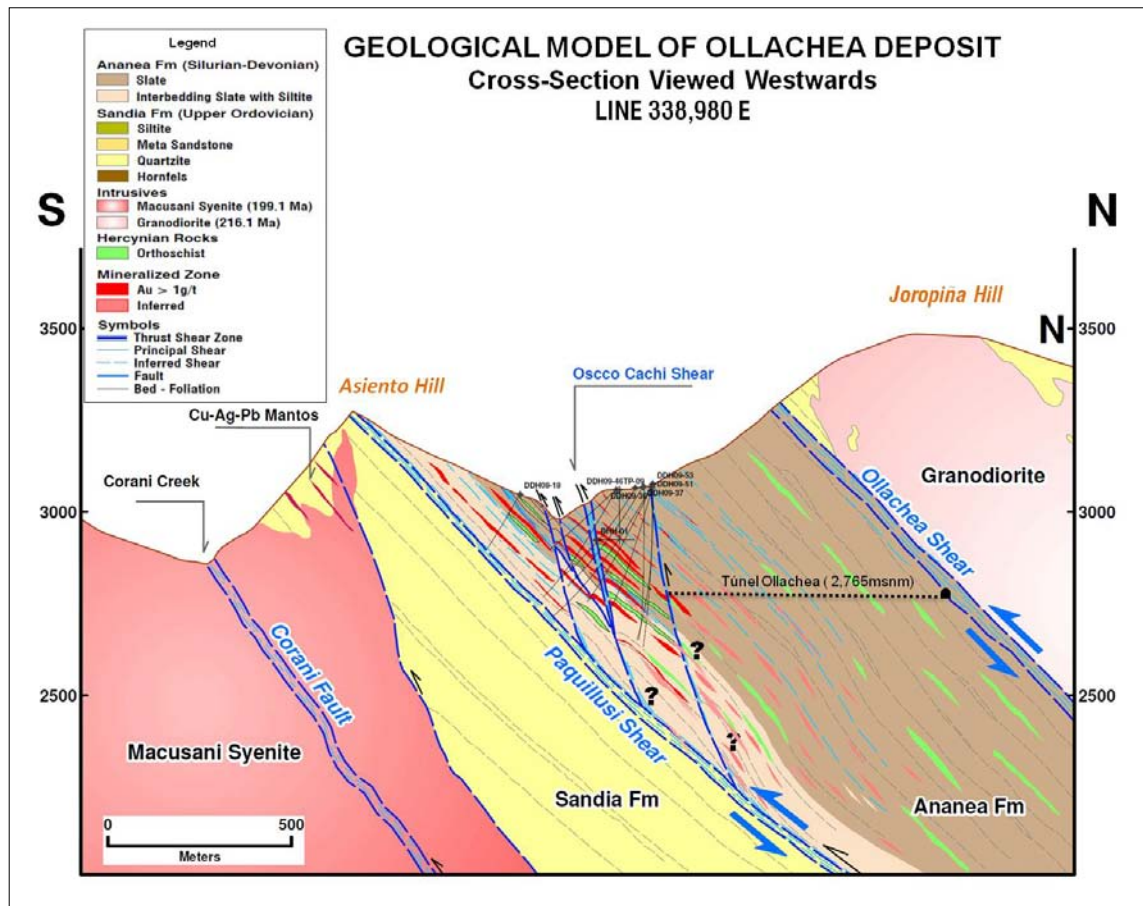
(after Ing. Valdivieso, Y., MKK, 2008. Regional Map of the Ollachea Project. 1:50,000 scale)

The geology of the Ollachea Project is dominated by weakly to moderately metamorphosed sandstones, metasandstones, quartzites and siltstones of the Upper Ordovician Sandia Formation and horizons of variably interbedded slates and siltstones of the Siluro-Devonian Ananea Formation. Andesitic volcanic rocks crop out south of the sedimentary units and both the sedimentary and volcanic rocks are intruded by nepheline syenite to the south and granodiorite to the north. Intra-formational contacts and a strong penetrative cleavage in the sedimentary package of rocks are oriented approximately east-west and are parallel to two regional-scale thrust faults that bound the phyllitic slates which play host to the gold mineralization at Ollachea.

The gold mineralization at Ollachea is broadly strata-bound within northeast to east-west-trending, north-dipping carbonaceous phyllites (Figure 11).



Figure 11 Schematic Cross Section of the Ollachea Deposit



Delineated gold mineralization, based on the structural understanding obtained from an upgraded geological interpretation completed during 2013 (based on the re-logging of 61kms of diamond drill core), occurs within six discrete east-striking, north-dipping structures below Minapampa and on the north side of the Oscoco Cachi River. Three of the six economically mineralized structures are considered to be principal in nature.

Open-ended gold mineralization has been traced continuously for up to 900m along strike within the Minapampa zone and then subsequently, during 2013, extended eastwards by drilling from underground into the contiguous Minapampa East Zone. Widths of the economically mineralized principal structures are variable between 5m to 35m. Gold mineralization has also been encountered to the west of the Minapampa Zone in a zone on the south side of the Oscoco Cachi River that is referred to as Concurayoc, located some 400m west of Minapampa. The known mineralized zone is approximately 2,400m long, up to 200m thick and has been traced in places to over 400m below surface and remains open along strike as well as at depth.

An extensive shear zone hosts the gold mineralized horizons. The shear zone is characterized by a well-developed slaty cleavage, with discrete continuous packages (or horizons), hosting quartz-sulphide gold veinlets and micro-veinlets, broadly concordant with the slaty cleavage. Quartz-sulphide veinlets and micro-veinlets vary from a few millimetres to centimetres wide, rarely (towards the west), up to a maximum of 40cm (veins), but do not always contain gold mineralization. The gold mineralization is hosted in association with the quartz-sulphide veinlets and micro-veinlets. The veinlets can be strongly boundinaged, resulting in the development of packages of irregularly mineralized veinlets and micro-veinlets hosted within discrete mineralized horizons, incumbent to the sheared slate package.

Gold mineralization is associated with a sulphide assemblage consisting predominantly of pyrrhotite with minor pyrite, arsenopyrite and traces of chalcopyrite. Coarsely crystalline arsenopyrite and free gold are frequently observed in close association with one another within the central Minapampa and Minapampa East zones. The occurrence of coarse pyrite without other sulphides can be a counter-indicator of gold mineralization.

The Ollachea deposit has been classified as a shear-zone hosted orogenic gold deposit. Such deposits are known for their large size and continuation to depth, and are a major source of the world's gold production. Important examples include Muruntau in Uzbekistan (currently world's largest open pit gold mine), Skukhoi Log in Russia (widely considered the world's largest undeveloped gold deposit), Ballarat and Bendigo in Australia (the first economically significant gold discoveries on the continent).

At Ollachea it is believed that local syngenetic gold enrichment plays a role in the location and gold tenor associated with the gold deposit. This variety of gold deposit can also go by the name of slate-belt hosted gold deposit and can be both very large and very rich. Important examples include the Haile, Ridgeway, and Barite Hill mines of the Carolina Slate Belt in the United States.

### **Drilling and Exploration Techniques**

Since Minera IRL commenced drilling in October 2008, it has completed approximately 82,275m of drilling in 211 holes over a strike length of approximately 2.4km, 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.

The principal methods used for exploration drilling at Ollachea have been diamond core drilling (DC) by MDH SAC (drilling company), using standard wireline diamond drilling of HQ diameter then reducing to NQ as ground conditions dictate. Core recovery was very good (greater than 99%); except in large fracture zones where recovered core is noticeably fractured, but these zones are not expected to have a material impact on the accuracy and reliability of the results.

All surveying, plotting and mineral resource modelling, utilizes the UTM grid in the WGS 84 coordinate system (Zone 19S).

Drill hole collars were surveyed by MKK surveyors using total station instruments. Survey accuracy is reported as +/-0.5m.

Down-hole surveys have been undertaken by the contract drilling company utilizing both a Reflex single shot and a multi-shot survey tool, with readings taken on average at 20m downhole depth.

Assay samples for the mineral resource database have been taken at 0.3m to 5m lengths within the known mineralized zones (samples of 2m to 5m lengths have been taken in the surrounding non-mineralized areas) and have an average length of 1.33m (the median length is 1m).

Exploration drill holes used in the mineral resource estimate were generally drilled to the south at between 40 degrees to 90 degrees dip. At different depths below the surface, holes were targeted to perpendicularly intersect the main trend of mineralization. Given the access from surface to deeper sections of mineralization, several of the deeper intersections are oblique to mineralization. The deeper sections of Ollachea will need to be targeted from underground or via >1km surface directional drilling.

Drill holes typically intersect mineralization orthogonally, and the mineralized intercepts are typically 60% to 100% of the true mineralized thickness.

In 2012, eight geotechnical drill holes were drilled to depths of 30m to 40m and nine test pits were excavated in the proposed plant site and lower portal waste dump areas. Additionally, six test pits were excavated around the proposed paste plant and upper portal area.

### **Sample Preparation, Analysis and Security**

The present procedure requires that half-core samples of 1.0m length be taken in mineralized zones recognized during the logging process. Core outside the 1.0m sampling intervals but transitional to the visually identified mineralized zones, is half-core sampled on a 2.0m sample length. Core interpreted to represent zones sterile of gold mineralization are quarter-sawn and sampled at 5.0m lengths. If any assayed intercepts with greater than 0.5 g/t Au are encountered in the 5.0m sampling intervals, these intervals are re-sampled taking half-core samples at 1.0m lengths, thus leaving quarter-core remaining.

Drill core is split using a diamond core saw. Samples are numbered and collected in individual plastic bags with sample tags inserted inside as well as being stapled to the outside of the bag. Remaining core from mineralized intervals is currently stored at temperatures that are maintained at below -5°C in refrigerated containers, to preserve their metallurgical integrity, at MKK's Juliaca core storage facility.

The sampling is of industry standard and is considered adequate for use in the mineral resource estimate.

MKK has used the independent Certimin Peru laboratories (previously known as CIMM) as its primary laboratory for preparation and assaying of drill core samples from Ollachea since the MKK 2008 drill campaign. Certimin Peru has the System of Quality Management ISO 9001:2008 certification "System Management Quality" and is accredited with NTP-ISO/IEC 17025:2006 certification "General Requirements for the Competence of Testing and Calibration Laboratories", for the preparation and assay of geochemical and metallurgical samples.

The Certimin sample preparation laboratory in Juliaca prepared the drill core samples for the Ollachea Project. Chemical analysis is conducted at the Certimin Lima laboratory and consists of fire assay (FA) with atomic absorption spectrometry (AAS) finish on the 50g pulp aliquot. A 32-element suite was also analysed by ion-coupled plasma optical emission spectroscopy (ICP-OES) until the end of 2009 but was discontinued once sufficient analyses had been obtained from the initial nominal 100m grid pattern.

Coffey Mining considers that the sample preparation and security are adequate and appropriate for use in Mineral Resource estimation.

QA/QC programs have been in place since the beginning of exploration work. All of the MKK samples in the Mineral Resource database have been submitted with standard reference materials to control assay accuracy, and depending on the program, has included field duplicate samples, coarse crush duplicates, pulp duplicates to control sampling, sub-sampling and analytical precision. Not all programs have included preparation duplicates.

A check assaying program has also been used to demonstrate the reproducibility of the assaying carried out in the primary laboratory, and to help establish assaying accuracy.

Early in the 2008 MKK drilling program it was noted that the pyrrhotite present in the ore was reactive. Given the anticipated gold associations with the mineral as well as the potential influence oxidation could have on metallurgical test results, it was decided the core should be stored in freezers. Refrigerated sea containers were purchased and core stored at sub-zero temperatures.



Metallurgical sampling and compositing took place in each of 2009, 2010 and 2011 from representative diamond drill core that had been frozen to keep the samples from oxidizing. Samples were packed for shipment to the metallurgical laboratory in a non-oxidizing environment.

A total of 707 samples have been taken from Minapampa for bulk density determinations. A total of 201 of these determinations correspond to mineralized horizons and 506 to sterile rock from the hanging-wall and footwall components of the mineralized package.

Coffey Mining has reviewed the entire sample chain of custody at Ollachea, from the drilling of the samples to the receiving of final analytical results, and is of the opinion that the systems in place are of industry standard, and are adequate and appropriate for use in Mineral Resource estimation.

### Data Verification

Verification of sampling and assay procedures have been carried out by Barry Smee and Coffey Mining on several occasions.

A field duplicate is collected after every 30 samples by MKK. Initially in the project, the field duplicates compared ½ core with ¼ core. Coffey Mining has compared the results of the ½ core versus ¼ core, ½ core versus ½ core and ¼ core versus ¼ core using the QC Assure software package. After examining the field duplicates, there does not appear to be much difference in the relative sample precision.

Coffey Mining compared the preparation duplicate data (289 samples) using the QC Assure software. The results of these data show that the preparation duplicate has over 86% precision at 20% Rank HARD and 74% precision at 10% Rank HARD. Coffey Mining considers this is a good result for this style of gold mineralization.

A total of 80 umpire pulp samples were sent to ALS Chemex laboratories in Santiago, Chile from the 2010 drilling campaign. The pulps were analysed using the same method as used by Certimin and showed high precision levels.

Table 5 lists screen fire assay results for samples in six grade ranges.

**Table 5 Ollachea Screen Fire Assay Results**

Original Assay Au Grade (g/t)	Samples	Average Screen Fire Assay Au (g/t)	Fine Fraction Assay Au Grade AAS (0) (g/t)	Original Assay Au Grade AAS (1) (g/t)	Difference (AAS (1) -SFA)
> 10 g/t Au	3	21.8	13.71	18.32	81%
5 - 10 g/t Au	21	6.75	5.56	6.58	97%
2 - 5 g/t Au	57	3.15	2.73	3.2	100%
1 - 2 g/t Au	55	1.48	1.33	1.43	96%
0.5 - 1.0 g/t Au	42	0.81	0.75	0.74	91%
< 0.5 g/t Au	43	0.47	0.41	0.32	69%

### Metallurgical Testing

As part of the Ollachea DFS, metallurgical test work was conducted on samples from the Ollachea deposit to investigate the ore's metallurgical response and to generate process design data. The Ollachea DFS testwork program was conducted between March and September 2012 at ALS Ammtec Limited (Ammtec).

The analysis<sup>1</sup> indicated a benefit in net revenue for all twelve composites, ranging from \$3/t to \$50/t. The reduced cyanide consumption identified by the variability testing increased the benefit attributed to the alternate flowsheet compared to the initial evaluation tests.

### Mill Plan and Mill Feed

An extensive testwork program was conducted at ALS Ammtec (Perth) on Ollachea samples for the Definitive Feasibility Study. The results obtained from this program are considered sufficient for DFS level testwork with adequate data generated to understand the ore's metallurgical characteristics, be able to derive parameters required for design and to support the operating and capital estimates and financial analysis.

Testwork has indicated that the metallurgical response of the Ollachea ore zones will be characterized by:

- A significant component of gravity recoverable gold (GRG);
- Partial preg-robbing given the presence of carbonaceous material; and
- Moderate double refractory component, with some gold locked in silicates and sulphides (minor arsenopyrite and dominant pyrrhotite).

In 2014, the Company retained Mining Plus Pty Ltd ("Mining Plus") to optimize the mine plan. The results of the optimization study do not differ materially from the results presented in the 2012 Ollachea DFS prepared by AMEC dated 29 November 2012. However, there were several areas that have benefited from this optimization process.

The updated LOM production schedule has resulted in an optimized ramp-up of initial production with average annual gold production increasing to 100,000 ounces over the first two years of production (from 70,500 ounces in the Ollachea DFS). The average annual production is approximately 100,000 ounces per year over the nine years of mine life, almost identical to the Ollachea DFS, which is summarized in the table below:

### Ollachea Annual Gold Production Summary Comparison

Year	2014 Update Au (k oz)	2012 DFS Au (k oz)	Change Au (k oz)
Year 1	97	63	34
Year 2	106	78	28
Year 3	101	112	(11)
Year 4	102	119	(17)
Year 5	106	118	(12)
Year 6	105	126	(21)
Year 7	101	117	(16)
Year 8	105	94	11
Year 9	79	76	3
Year 10	28	18	10
Total	930	921	9

The process plant will treat Ollachea ore (high-grade), as well as low-grade development ore from these zones. Due to the variable mine production rate, stockpiling of material during months of peak mine production is required, as well as the reclamation of stockpiled material during months of low mine production.

<sup>1</sup> Using \$1,250/oz gold price and \$3.6/kg sodium cyanide cost

Yearly mining tonnage, head grade and residue grade for the various sources of mill feed utilized in the DFS optimization study is presented in Table 6.

**Table 6 Summary of Yearly Extractions from Ollachea DFS Optimization Study**

Year		0	1	2	3	4	5	6	7	8	9	10	Total
Mine Production													
High Grade Ore Tonnage	kt	49	870	998	966	984	876	964	1,002	1,102	1,002	347	9,158
Au grade	g/t	3.81	3.37	3.45	3.50	3.46	3.96	3.63	3.42	3.28	2.79	2.82	3.40
Contained Au	koz	6	94	111	109	110	112	113	110	116	90	31	1,001
Low Grade Ore Tonnage													
Low Grade Ore Tonnage	kt	8	143	56	51	45	55	34	37	0	-	-	429
Au grade	g/t	1.47	1.52	1.72	1.32	1.34	1.37	1.70	1.32	1.33	-	-	1.48
Contained Au	koz	0	7	3	2	2	2	2	2	0	-	-	20
Plant Production													
Ore Processed Tonnage	kt	-	1,021	1,103	1,017	1,029	931	998	1,039	1,102	1,002	347	9,588
Au grade	g/t	-	3.20	3.28	3.39	3.37	3.81	3.57	3.34	3.28	2.79	2.82	3.31
Contained Au	koz	-	105	116	111	111	114	114	112	116	90	31	1,021
Au Recovery	%	-	92.1%	91.3%	90.9%	91.6%	92.5%	91.4%	90.5%	91.1%	87.9%	89.6%	91.1%
Gold Production	koz	-	97	106	101	102	106	105	101	106	79	28	930

## Mineral Resource Estimates

As part of the optimization study for the Ollachea DFS, a refined geological interpretation and an updated mineral resource estimate for the Minapampa Zone of the Ollachea deposit was developed. There has been no additional resource drilling at Minapampa since the 2012 DFS. The refined geological model and accompanying enhanced structural model allows for a more robust definition to the limits of the economically mineralized horizons. The updated mineral resource estimate, carried out by consultants GHD Group Pty Ltd (“GHD”) is based upon a significantly smaller panel size, more constrained search ellipsoids and a 2.0 grams of gold per tonne (“g/t Au”) cut-off utilizing Ordinary Kriging (“OK”) for grade estimation, all consistent with the mineral resource estimate prepared by Coffey Mining for the Ollachea DFS, as shown in the table below:

***Minapampa Resource Estimates Comparison***

Version	Indicated Mineral Resource			Inferred Mineral Resource		
	Tonnes x m	Au, gm/t	Au, oz x m	Tonnes x m	Au, gm/t	Au, oz x m
2014	10.1	4.0	1.3	1.7	4.0	0.2
2012	10.6	4.0	1.4	3.3	3.3	0.3

There remains considerable upside at Ollachea that, with more work, could lead to an expanded mineral resource and potentially increase mine life. The nearby Concurayoc Zone, to the west of Minapampa, contains an inferred resource of 0.9 million ounces (10.4 million tonnes grading 2.8g/t Au) and, additionally, positive results were obtained from the 2013 underground exploration drilling along the eastern strike extent of Minapampa. Finally, the Ollachea mineralized zone remains open ended and undrilled along strike and at depth.

The Ollachea interpretation was restricted to the high-grade, relatively continuous zones (ZONE 1 to 7). A low-grade envelope (Zone 99) was also modelled around the main mineralized zones to account for mining dilution. Background mineralization (Zone 0) was also modelled.

Interpretation and digitizing of all constraining boundaries was undertaken on cross sections orthogonal to the drill line orientation. The generated wireframes were all snapped to the available drill core data.

The resultant digitized boundaries have been used to construct wireframe defining the three-dimensional geometry of each interpreted feature. The interpretation and wireframe models were developed using the commercially available Datamine (Studio 3) mining software package.

The Ollachea database contains 707 bulk density measurements. Table 7 summarises bulk density determinations by Zone.

**Table 7 Summary Statistics of Density Determinations by Zone**

Zone	Count	Min	Max	Mean	Median	Std. Dev.	Variance	CV
0	376	2.626	3.12	<b>2.818</b>	2.82	0.059	0.003	0.021
99	298	2.595	2.988	<b>2.794</b>	2.805	0.069	0.005	0.025
Total 0,99	674	2.595	3.12	<b>2.808</b>	2.815	0.065	0.004	0.023
1	10	2.71	2.887	<b>2.823</b>	2.832	0.052	0.003	0.018
2	31	2.605	2.92	<b>2.814</b>	2.821	0.081	0.007	0.029
3	22	2.719	3.11	<b>2.836</b>	2.821	0.079	0.006	0.028
4	2	2.663	2.831	<b>2.747</b>	2.663	0.118	0.014	0.043
5	28	2.747	2.96	<b>2.858</b>	2.87	0.052	0.003	0.018
6	5	2.662	2.856	<b>2.761</b>	2.733	0.085	0.007	0.031
7	5	2.656	2.868	<b>2.745</b>	2.679	0.102	0.01	0.037
Total 1-7	103	2.605	3.11	<b>2.824</b>	2.834	0.077	0.006	0.027

High-grade capping (cutting) was determined for each zone. The composite data for each of the mineralized zones generally had a positively skewed grade distribution characterised by differences between mean and median grades, and moderate to high coefficients of variation (CV, standard deviation/mean).

The summary statistics for the 2m composite data, calculated for uncut and cut values for each element, are presented in Table 8.

**Table 8 Cut and Un-cut Composite Statistics**

ZONE	Element	Uncut				Cut				% Change in	
		Number Data	Mean	Std. Dev.	CV	Upper Cut	Mean	Std. Dev.	CV	Number Data Cut	Mean
1		178	3.12	3.92	1.26	20	3.00	2.87	0.96	1	-4.1
2		633	5.06	9.03	1.78	40	4.80	6.24	1.30	3	-5.3
3		304	3.87	5.57	1.44	22	3.62	3.78	1.04	4	-6.5
4		63	3.10	3.43	1.11	18	3.00	2.91	0.97	1	-3.0
5	Au(g/t)	410	3.26	4.92	1.51	25	3.12	3.66	1.17	3	-4.3
6		142	3.52	7.48	2.13	20	2.85	3.92	1.38	6	-19.0
7		57	2.67	2.49	0.93	NC	2.67	2.49	0.93	0	0.0
99		12156	0.20	0.72	3.66	0.9	0.16	0.21	1.34	321	-19.8
0		16521	0.08	0.85	11.19	0.9	0.05	0.11	2.29	136	-35.6

A three-dimensional block model was generated to enable grade estimation and mine planning and mine design. A parent block size of 10mE x 5mN x 4mRL was selected with sub-blocking to a 2mE x 1mN x 2mRL cell size to improve volume representation of the interpreted wireframe models.

A detailed validation of the OK estimate was completed for each zone and included both an interactive 3D and statistical review.

An Inferred Mineral Resource confidence category was assigned for blocks:

- λ Having an estimated Au grade
- λ Within the mineralized zones

The Indicated Mineral Resource confidence category was assigned to blocks:

- λ Located in a portion of the deposit with a density of drilling of approximately 40m x 40 m or better, and an estimated grade greater than 2g/t Au.
- λ With a slope of regression for the Au OK estimate is greater than 0.2 and 0.4 for the mining dilution zones.
- λ Where the distance to the nearest sample used in the Au OK block estimate is within 0.3 (30%) of the first pass search ellipse radius.

Mineral Resources are reported above a cut-off grade of 2.0g/t Au and within three-dimensional geological wireframes constructed to constrain the gold mineralization in the Mineral Resource estimate to zones defined by mineralized diamond drill core intersections. Mineral Resources above a 2.0g/t Au cut-off grade have reasonable prospects for economic extraction, based on mineralization continuity, shape and distribution and as demonstrated in the Ollachea DFS.

Mineral Resources for the Ollachea property (Minapampa) above a 2.0g/t Au cut off consist of 10.6 Mt of Indicated Mineral Resources with an average grade of 4.0g/t Au and 3.3 Mt of Inferred Mineral Resources with an average grade of 3.3g/t Au. Mineral Resources were estimated by Doug Corley, MAIG, of Coffey Mining Perth, a Qualified Person under National Instrument 43-101, and have an effective date of April 2014 (Table 9).

**Table 9 Mineral Resources for the Ollachea Project**

<b>Mineral Resources above a 2.0 g/t Au Cut-off Grade</b>	<b>Tonnage</b>	<b>Au Grade</b>	<b>Contained Au</b>
	<b>(Mt)</b>	<b>(g/t)</b>	<b>(Moz)</b>
<b>Minapampa</b>			
Indicated	10.1	4.0	1.3
Inferred	1.7	3.3	0.3

Notes:

Mineral Resources are inclusive of Mineral Reserves.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Mineral Resources are reported above a cut-off grade of 2.0 g/t Au and within three-dimensional geological wireframes constructed to constrain the gold mineralization in the Mineral Resource estimate to zones defined by mineralized diamond drill core intersections. Tonnages are metric tonnes and ounces of contained gold are troy ounces. Mineral Resources above a 2.0 g/t Au cut-off grade have reasonable prospects for economic extraction, based on mineralization continuity, shape and distribution and as demonstrated in this study. Mineral Resources are estimated by Doug Corley, MAIG, R.P. Geo, QP, of Coffey Mining and have an effective date of April 2014.

## Mineral Reserve Estimate

Table 10 shows the current Mineral Reserve estimate for the Project, based on a cut-off grade of 2.1g/t Au. The Mineral Reserves are included within the declared Indicated Mineral Resource and is declared inclusive of mining dilution. The low-grade development ore is sourced from development drives that traverse through Indicated Mineral Resources but has been diluted below the Project cut-off grade of 2.1g/t Au. As the mining cost for this material will have already been expensed, it is economic to treat through the plant. A mill cut-off grade of 1.0g/t Au has been applied to this material.

**Table 10 Mineral Reserve Estimate (June 2014)**

Classification	Tonnes (Mt)	Au Grade (g/t)	Contained Gold (koz)
Ore (+ 2.1 g/t Au)	9.2	3.4	1,001
Low Grade Development Ore (+1 g/t to 2 g/t Au)	0.4	1.5	28
<b>Probable Mineral Reserves</b>	<b>9.5</b>	<b>3.3</b>	<b>1,021</b>

Notes:  
 Probable Mineral Reserves are included within Indicated Minerals Resources and are declared inclusive of mining dilution with an effective date of June 2014.  
 Tonnages are metric tonnes and ounces of contained gold are troy ounces.  
 Probable Mineral Reserves are declared based on a base case gold price of \$1,300/oz, a project COG of 2.10g/t Au, LOM project operating costs of \$49.32/t ore and a mill recovery of 91.04%.  
 Low Grade Development Ore is sourced from development drives that traverse through Indicated Mineral Resources but has been diluted below the project COG of 2.0g/t Au. As the mining cost for this material will have already been expensed, it is economic to treat through the plant. A mill cut-off grade of 1.0g/t Au has been applied to this material.  
 Mineral Reserves were estimated under the supervision of Neil Schunke, AusIMM, of Mining Plus Canada Pty Ltd, who is recognized as a Qualified Person for the purposes of National Instrument 43-101.

The Mineral Reserve estimate has been determined and reported in accordance with the CIM Definition Standards (2010).

A summary of the main parameters used in estimating the Mineral Reserve are shown in Table 11.

**Table 11 Main Parameters used for the Mineral Reserve Estimate (June 2014)**

Description	Units	Value
<b>Gold Price</b>	<b>\$/oz</b>	<b>1,300</b>
Mine Design Au Cut-off Grade	g/t	2.1
Mill Au Cut-off Grade	g/t	1.0
Mining Method		LHOS
Minimum Mining Width (excluding dilution)	m	2.0
Annual Production Rate	Mt /a	1.1
Mining Operating Cost	\$/ t ore	23.5
Milling Operating Cost	\$/ t ore	21.5
G&A Operating Cost	\$/ t ore	4.3
Mining Dilution - Development.	%	5
Mining Dilution - Stopes.	%	17.5
Mining Recovery (within mine design shape)	%	100
Mill Recovery	%	91
Project Capital Cost	\$M	164.7
Sustaining Capital Cost	\$M	51.1
Closure Cost	\$M	4.2
Royalties	%	3.3
Special Mining Tax (SMT) or Especial de Minería (IEM)	%	3.1
Workers Profit Share	%	7.3
Corporate Income Tax	%	25.1



## Mining Methods

The mining method selected for the Ollachea DFS and maintained in the Ollachea optimization study is long hole open stoping (“LHOS”) with paste backfill, which may also be referred to as bench stoping with paste backfill. Extraction occurs along the orebody strike direction on a retreat basis.

Stopes will be accessed longitudinally (along strike) on each level by, one, two or three strike ore drives dependent on lode thickness. The direction of mining for the deposit will be from the bottom up. As each mining level is completed, the next level will start using the backfilled stope void as the mining platform. The general direction of mining for the deposit will be from the bottom up. As a mining level is completed, the next level will start using the backfilled stope void as the mining platform.

The main access to the mineralization will be via a 1.2km-long exploration access incline (1.5%) which has its portal in a valley on the north-eastern side of Cerro Joropiña and the Oscco Cachi River valley. The drive has been excavated and will also be used for exploration drilling. This portal (lower) will be the main mine access portal and is located above the process plant area at 2765mRL.

An incline drive and a decline drive will be excavated at a grade of one in seven from the main exploration incline, located at approximately 2782mRL, to access the eastern part of the mine. The decline drive will extend to 2550mRL to service the deepest planned mining level at 2565mRL. The incline drive will extend to a mining level at 2865mRL.

The main exploration incline will be extended as an incline drive at a grade of one in seven and will be developed to meet a decline drive that will be developed simultaneously from a second (upper) portal at 3060mRL. These drives when connected will provide a second means of egress, access to all the mineralization in the western part of the mine, and early establishment of the primary ventilation system.

The mine is split into two main production areas, east and west, with the western part of the mine providing approximately two-thirds of the life of mine production tonnage. All mining is completed using a bottom up mining direction.

To maximise mine extraction, the eastern part of the mine will be split into multiple mining panels consisting of four levels that can be mined simultaneously. The lowest level of each of these mining panels requires an artificial sill pillar to be created using high strength paste backfill to allow the mineralization located directly below to be completely extracted. The western part of the mine has also been split to minimise the impact from the life of mine production tail. A sill pillar level has been located on 2940mRL.

Due to the non-visual nature of the ore body, grade control diamond drilling is planned on a minimum of a 15m by 15m grid. In the eastern part of the mine, this will be completed from dedicated hanging wall drives that will provide coverage for four production levels. The western part of the mine will be grade control drilled on each level from the main hanging wall access drive. Mineralized zones will be re-interpreted from the grade control program; ore drives will then be driven primarily on survey control and backed by face and wall channel sampling. An onsite laboratory is planned and has been designed to provide a 24-hour turnaround of samples.

Production from the eastern part of the mine will start on 2790mRL and 2805mRL for the western part of the mine. The primary ventilation system will be fully established prior to the start of stope production.

Stope size will be controlled by the nature of the lodes (dip and width variability) and interpreted geotechnical conditions. Stope sublevel spacing will be 15m vertically floor to floor. Planned stope strike length is based on geotechnical interpretation and varies between 13m and 23m dependent on lode width. To control the stability of

the longitudinal stopes and minimise dilution, the length of open voids can be altered based on local ground conditions.

Production drilling will be medium diameter (76mm or 89mm) down holes with some requirement for up-holes when mining below an artificial sill pillar. Up-holes will also be used where lodes pinch out and there is no requirement for development above. Stope blast initiation (void) will be via the use of drop raise slots as the distance from the floor of the top cut to the back of the bottom cut will be approximately 10m vertically or 14m on dip.

To minimise dilution, maintain stability and maximise open stope strike length, cable bolts will be installed in the hanging wall of the stopes. A dedicated cable-bolter (drill and install) is planned to complete this activity. Development ground support installation will be completed by development jumbos.

Stopes will be backfilled using paste derived from mine tailings to maximise the resource extraction, provide long term mine stability and reduce the surface area required for waste and tailings disposal. Small quantities of waste rock will be used as a capping for tramming purposes on all paste filled stopes.

The primary ventilation system consists of the exploration incline, other incline and decline drives, four surface raises (two return air raises and two fresh air raises), and an internal return air system and connecting drive that services the eastern part of the mine. Primary fans will be located on the two surface return air raises.

AMEC developed a hydrogeological numerical model to understand the behavior of the groundwater system in the Ollachea project area. It is estimated that the water flow rate from the underground mine will be up to 80m<sup>3</sup>/h during the exploration tunnel excavation, and will reach a flow rate of approximately 120m<sup>3</sup>/h during the production period. Due to the nature of the planned mine development, mine dewatering will be predominately gravity assisted. The water volumes estimated are not considered sufficiently large to present mine dewatering conditions.

Ground support recommendations for the capital and ore drive development are based on the Q index. The analysis indicates that 2.4m long rock bolts installed on a systematic pattern with nominal spacing of 1.3m to 1.7m, depending on the type of surface support, will provide safe ground conditions. In capital development, fibre reinforced shotcrete (FRS) is recommended as surface support at a nominal thickness of 50mm.

The location of the main mine accesses are in the orebody's hanging wall. This was selected primarily based on the location of the planned exploration incline, which is currently being developed, and because there is no discernible difference in the rockmass between hanging wall and footwall.

All production levels have been designed with no grade (flat), including level access crosscut development. This is required due to the complexity of the orebody, the strike extent of the orebody, small inter-level spacing and bottom-up mining direction. Drain holes for water will be drilled as required to remove water to lower, mined-out levels. Water from mining areas located above the main access incline will gravity drain. Water from mining areas located below the main access incline will gravity drain before being pumped to the main access level.

All vertical development will be excavated by raise boring machines and each level of development is separated vertically by 15m floor-to-floor. The top level drive is a drill drive for the bottom stope and becomes an extraction drive for the stope above. The stopes are drilled using down-holes except for stopes located at the top of a lode. These will use up holes to eliminate the requirement for specific drill drive development or because of extraction sequence practicalities.

Due to the variable lode width and geotechnical recommendation, three main stope configurations are required to employ longitudinal extraction. Stopes will be accessed longitudinally (along strike) on each level by, one, two or three strike ore drives dependent on lode thickness. Orebody lode thickness varies orthogonally between 2.0m (minimum mining width) to 48.0m. In general, one ore drive is planned when lode thickness is less than 18.6 m. Two ore drives are planned when lode thickness is between 18.6m and 33.6m, and three ore drives are planned when lode thickness is greater than 33.6m. Ore drive spacing is based on a 15m square grid.

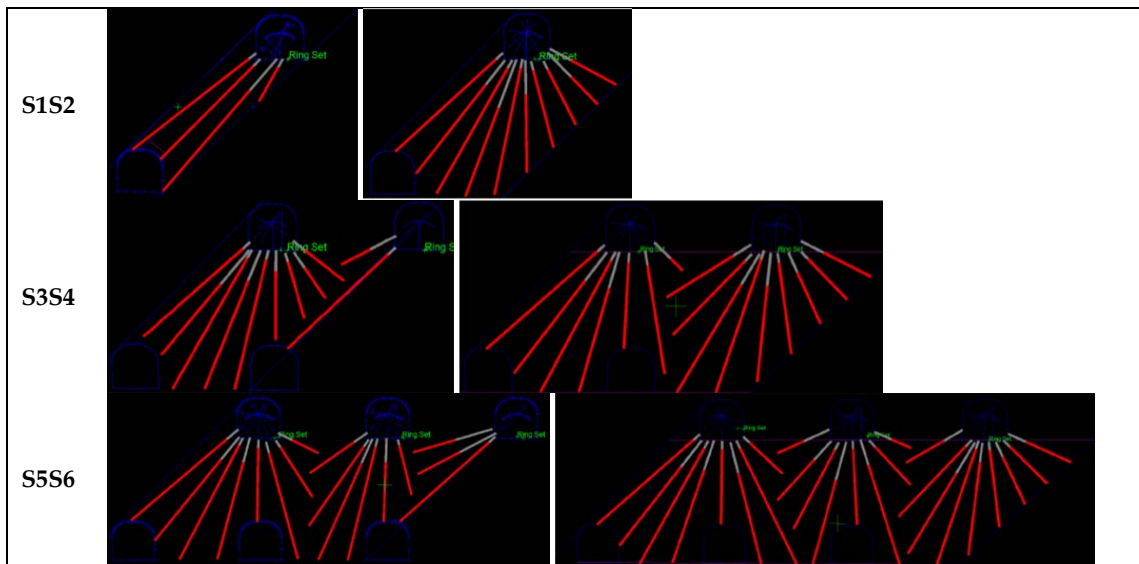
All stope slot raises will be drilled and blasted using a drop raise technique. This requires holes to be drilled in a similar pattern to a development drive drill pattern. A stope slot drive is required on the lower level to provide void for opening the stope slot. This is developed post-filling, with length varying with stope width.

Stope drill and blast parameters are:

- Recommended drill hole size is 76mm for narrower stopes and 89mm for wider stopes.
- Drill factor for narrower stopes is approximately 10 tonnes per drill metre, including slot raise metres; for wider stopes it is approximately 13 tonnes per drill metre, including slot raise metres.
- To assist in the control of dilution and minimize the number of stope blasts, Ammonium Nitrate Emulsion (ANE) type explosives and electronic detonators are recommended for all stopes, with ANE loaded using a specific charging vehicle.
- The average overall stope powder factor, inclusive of the slots and slot raises, for all stope configurations is approximately 0.44kg/t.

Schematics of typical drill patterns for various stope configurations are shown in Figure 12.

*Figure 12 Schematic of Stope Production Ring Drill Layout*



The LHOS mining method and extraction sequence adopted for the Project is reliant on the use of paste fill. Process plant total tailings will be used to produce the paste fill. Approximately 42% of the process plant tailings will be used as paste fill. Waste rock will be used as a floor cap to paste-filled stopes, for loading and tramming requirements.

The overall backfill volume requirement, split between low strength and high strength paste fill, is 84% and 16%, respectively.

The strategy adopted for the Ollachea DFS is for all ore and waste material to be loaded using 14 t-capacity load-haul-dumps (LHDs) and transported to dumping areas located outside the two mine portals or internally as waste rock capping for paste filled stopes by dedicated 26.4 t-capacity on-highway tipper trucks.

The planned primary ventilation system consists of:

- Two surface intake shafts.
- Two surface return air shafts that will have a single primary fan with a duty of 350m<sup>3</sup>/s.
- Two intake ramps and connected internal ramps.
- An internal return air way system connected to the surface return airway system.

The expected peak flow at full production will be 700m<sup>3</sup>/s at a prevailing air density of 0.8kg/m<sup>3</sup> (equivalent of 470m<sup>3</sup>/s at 1.2kg/m<sup>3</sup>).

Ventilation milestone analysis was used to determine the staged primary ventilation requirements for the Project. Maximum ventilation demand for each milestone was estimated by analysing the mine development and production schedule to determine the number of active stopes and development headings in each month. Each milestone was modelled using a mine ventilation simulation software package named VentSim Visual™.

The mine has three general layouts for secondary ventilation circuits during planned operations:

- A long-range configuration for development designed to establish or extend the primary ventilation circuit.
- The levels of the eastern part of the mine where the secondary fan is located in the fresh air decline and ducting is run into the level with branches to each heading or stoping area.
- The levels of the western part of the mine where secondary fans are located in walls in drives that connect directly to the two primary surface fresh air raises. Ducting is run from these fans branching off where required into drives and stoping areas.

Access to the mine will be via two portals. The two portals will be connected via a single primary incline/decline. This will form the main egress system. The lower portal is located close to the processing plant and administration buildings and will be the main access to and from the planned underground mine. The upper portal will be used to provide access to the paste plant and shotcrete batch plant located at Minapampa.

The eastern part of the mine will be serviced by dedicated escape raises located off the main incline and decline. The majority of the western part of the mine will also be serviced by dedicated escape raises. These are located on each level at the extremities of each of the stope access crosscuts (two per level). These will join as the mine is developed to form two independent escape routes down the footwall of the western part of the mine.

In addition, self-contained refuge chambers of suitable size will be used and placed in locations where a second means of egress has not been established or where a second means of egress is available but not supplied with fresh (safe) air. This will help ensure no person working underground will be at risk from rock fall entrapment or fire.

The mine development strategy expected to be employed is as follows:

- Contract to complete the exploration incline is extended for approximately ten months. The strategy assumes development is continuous and the necessary permits are granted in a timely manner.
- Expedite the development of the primary mine accesses, grade control diamond drilling platforms and primary ventilation system to minimize the production ramp up period and provide a second means of egress.
- Production will start on 2775mRL in the eastern part of the mine based on the location of diamond drilling platforms. In the western part of the mine, production will start on 2805mRL to establish the bottom-up mining method and maximize ore extraction from the area.

The average lateral development is approximately 800 metre per month, which is equivalent to requiring four jumbo crews per shift for a period of four and half years.

The vast majority of mine development is scheduled to be completed by the end of year 5 of operation with production scheduled to extend until early 2026 in the Ollachea DFS optimization study. Mine development is completed early due to the requirement to split the western part of the mine into two producing areas towards the end of the mine life. This requirement reduces the impact of the life of mine production tail.

The Ollachea Mine is expected to require a standard, medium scale, underground mobile production fleet of jumbos, LHDs, trucks and drills. The primary, direct and indirect equipment used as a part of the basis to design the underground mine is shown in Table 12.

**Table 12 Primary, Direct and Indirect Underground Mobile Equipment**

<b>Generic Description</b>	<b>Type or Size</b>
<b>Primary</b>	
Development jumbo	Twin boom electro-hydraulic
Underground loaders	14 t for development and production (tele-remote)
Underground trucks	25 t (6x4) on-highway tipper trucks (ore and waste)
Underground trucks	34 t (8x4) on-highway tipper trucks (tailings)
Production drill rig	Top hammer (76mm and 89mm)
Cablebolt rig	Dedicated cablebolt rig (drill (64mm) and install)
<b>Direct</b>	
Scissor Lift	4wd UG specification
Charge-up vehicle	4wd dedicated UG charge up vehicle (dev. and production)
Shotcrete sprayer	4wd UG specification
Shotcrete transmixer (carrier)	4wd UG specification
<b>Indirect</b>	
Grader	6wd UG specification
Maintenance/fuel truck	4wd UG specification
Backfill services loader/IT	4wd UG specification
Flat bed truck (materials)	2wd UG specification
Light vehicles	4wd UG specification

All mobile and fixed plant equipment will be purchased, operated and maintained by MKK.

Project sustaining capital for equipment replacement has been estimated based on industry standards and original equipment manufacturers (“OEM”) recommendations.

The mine is planned to be owner operated. Specialist contractors would be used for specialized activities such as raise boring.

The mine is planned to operate 24 hours per day, 365 days per year and mine operators will work a 14 days on, 7 days off roster. Shifts will be of 12 hours duration.

MKK will install, operate and maintain all underground infrastructure and services.

The majority of the Ollachea mine will utilize a gravity-fed dewatering system, while dewatering of the eastern part of the mine, located below the primary incline access, will be undertaken by a combination of submersible and progressing cavity pumps.

### Recovery Methods

The Ollachea mineral processing plant will include circuits for crushing, grinding and classification, batch gravity concentration of cyclone underflow for gravity recoverable gold and continuous gravity concentration of cyclone overflow. Continuous gravity concentrates will be leached in a dedicated CIL circuit. Tailings will recombine with concentrate and be processed in a separate CIL circuit. Gold recovery from CIL solutions will be by carbon elution, electrowinning and refining to produce doré on site. Tailings will be treated by the Air/SO<sub>2</sub> process for cyanide detoxification, followed by iron precipitation by zinc sulphate addition, then thickened and filtered to produce a filter cake for disposal at a dry-stack tailings storage facility (“TSF”) or for use as a paste backfill. The plant will further incorporate water treatment, carbon regeneration, reagent preparation, oxygen generation and supply, compressed air and water services.

The design parameters of the processing plant are:

- Plant throughput: 1.1Mt/y, or 137.5t/h
- Plant availability: 91.3% or 8,000 hours per year
- ROM feed size: F100 600mm, F80 270mm
- Final product grind: P80 of 106 µm
- Design head grade: 3.65g/t Au
- Head grade (LOM Average): 3.37g/t Au
- Residue grade (LOM Average): 0.30g/t Au
- Overall recovery (LOM Average): 91.1%
- HMPG CIL residence time: 24h
- CIL residence time: 36h
- Final tailing cyanide destruction: SO<sub>2</sub>/Air/Cu<sup>2+</sup> Catalyst + ZnSO<sub>4</sub>

A single stage ball mill (5.3 x 7.3m, drive 3.45MW), operating in closed circuit with a cyclone cluster (10 duty/2 standby x 250mm), will be utilized to grind the ore from a feed F80 of 10 mm (F100 of 15mm) to a P80 of 106µm. The mill will be run at a fixed speed.

The HMPG CIL circuit will comprise six tanks, with a total leach capacity of 480m<sup>3</sup>, equating to a total residence time of 24 hours at a nominal mass pull to concentrate of 7tph solids. The HMPG CIL circuit will be fed from the HMPG pre-aeration tank overflow

The CIL circuit will comprise seven tanks, with a total leach capacity of 9,450m<sup>3</sup>, equating to a total residence time of 36 hours at 137.5tph solids. The CIL circuit will be fed from the CIL pre-aeration tank overflow.

The HMPG CIL and CIL circuits will share the elution and regeneration facilities.

The desorption circuit will be shared by the HMPG CIL and CIL circuits. It will consist of separate acid wash and elution columns. A cold acid wash will be utilized. Following acid wash, gold will be eluted from the carbon, utilizing a split Anglo American Research Laboratory (“AARL”) elution process. The desorption circuit will be designed to operate for a single cycle per 24 hour period. An average carbon loading (gold + silver) of approximately 2,000g/t will be achieved, based upon the completed test work program. This corresponds to a required carbon movement of 6 tonnes per day.

CIL tailings will gravitate directly to the cyanide detoxification tank where sodium metabisulfite, air, copper sulphate and milk of lime will be added to complex the residual cyanide or oxidise it to cyanates.

The paste backfill plant will be serviced by a 1,000t filtered tails stockpile. Tails will be reclaimed from the filtered tails stockpile, by front end loader, to a reclaim hopper.

The doré bars produced at Ollachea will be transported by a security vehicle to Puerto Maldonado. From Puerto Maldonado, the shipment will be air freighted to Lima airport for transfer to the refining company. The refining company takes responsibility at this point and transfers the doré to the selected refinery's location via international air freight.

## **Infrastructure**

Road access for continued exploration activities, mine development and operation, plant access and project infrastructure including construction and operations camp sites and tailings storage facility is from the Interoceanic Highway. Access to the Ollachea Project is relatively straightforward, although road construction to provide access to the mine, plant, camp and TSF will be required.

The proposed Ollachea Project process plant site is immediately to the west of the Interoceanic Highway. A road of approximately 1.3km long was built to the exploration access portal in late 2011. This road will also be used to build and access the plant site.

According to the optimized Ollachea DFS's mine waste schedule, the Ollachea project will require permanent disposal of 2.7Mt of waste rock.

The TSF has been designed to store 5.85Mt of tailings corresponding to 11 years of mine operations, as taken from the optimized Ollachea DFS mine plan. Tailings management for the project will include both surface storage, as filtered tailings, and underground paste backfill. Surface tailings storage will account for approximately 60% of the LOM tailings, while paste backfill will account for the remaining LOM tailings stream. Considering LOM tailings production of 9.59Mt, the TSF requires storage for 5.70Mt of filtered tailings. The Cuncurchaca site has been selected as the preferred site for the TSF.

Water management for the mine, plant and TSF sites and water treatment facilities are considered in the mineral processing plant design through the use of a Goldsim model. The results of this model have demonstrated that the Ollachea project water balance is a positive water balance with excess water requiring discharge into the environment. The total water usage required is estimated to be 84m<sup>3</sup>/h. The total water

inflow into the project area is estimated to be approximately 388m<sup>3</sup>/h, exceeding the Project requirement significantly. The estimated excess water of 304 m<sup>3</sup>/h, most of which is groundwater seepage, is likely to require treatment before being discharged into the environment. The total water outflow from the project is estimated to be 391 m<sup>3</sup>/h.

A permanent operations camp facility has been designed and will be located south of the Challuno area, in the vicinity of the lower portal and within 500m of the Interoceanic Highway. The camp will have catering and accommodation capacity for approximately 275 persons.

The Project will connect to the 138kV transmission lines from San Gaban to Azangaro that passes over the Ollachea project. The San Gaban II hydroelectric generating station is located on the Ollachea River approximately 10km from the Project. A 138kV supply line will be installed from the main transmission to the plant site, and will have a length of approximately 1.2km. This line will feed a substation that will distribute power to the plant site, the underground mine, the camp site and other auxiliary buildings.

Diesel fuel will be required for underground and surface mobile equipment and onsite emergency power generation equipment. A fuel storage facility will be located at the plant site and fuel trucks will be used to distribute fuel underground.

Water for underground mine operations will be re-circulated from sumps within the mine where possible. Mine drainage will be diverted to a water treatment plant at the plant site where it will be combined and treated with water discharged from the mineral processing facility. Plant make-up water and all other water supply for the plant and other surface infrastructure can be supplied from the water treatment plan and drawn from the Oscco Cachi and Ollachea Rivers as required.

## **Environmental**

A physical, biological and socio-economic baseline has been established on the basis of ongoing social, environmental and archaeological baseline surveys carried out by MKK since 2007.

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 is 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.

In May 2013, the Ollachea ESIA received final approval from the Community of Ollachea; subsequently, in September 2013, the MEM approved the ESIA. The approval of a mining project’s ESIA is a major milestone on the path towards production and is the key permit required to build a mine in Peru.

The study area is located in the Ollachea river sub-watershed located in the Inambari river watershed, which pertain to the Atlantic Ocean basin. Results of water quality monitoring in the study area indicate that water quality generally meets the national water quality standards. Air quality meets Peruvian environmental regulations for lead, arsenic, PM10, PM2.5, SO<sub>2</sub>, CO, NO<sub>2</sub>, H<sub>2</sub>S and O<sub>3</sub> concentrations. Baseline noise levels registered in the industrial areas of the study area were below the daytime and night time national environmental noise standards. Noise levels recorded in the town of Ollachea were above daytime and night time standards, mainly due to Interoceanic Highway traffic.

Current land use in the study area consists of natural grassland, artificial or plantation of woodlands and unused or unproductive lands. The land use potential has been identified as land suitable for forest production, grazing, permanent farming and protection land.



Vegetation in the study area consists of subtropical montane rainforest, subtropical lower montane rainforest and subtropical lower montane humid rainforest.

A total of 72 plant species were identified in the study area, grouped in 34 families of vascular and non-vascular plants. The only species of flora identified is considered 'vulnerable' according to the list of Peruvian protected species is the *Escallonia resinosa*.

Eleven species of birds pertaining to ten families have been identified in the study area, one categorized as 'endangered', the *Vultur gryphus*. Additionally, five species of wild animals have been observed in the study area. Of those five species, two are protected species, the *Tremarctos ornatus* is endangered and the *Puma concolor* is near threatened.

The water bodies observed contained eleven species of macrozoobenthos, 54 species of phytoplankton and 16 species of zooplankton. A low density of the *Oncorhynchus mykiss* trout was also observed.

A reconnaissance of archaeological sites has been carried out on the Project area. A few archaeological sites have been identified in the Challuno process plant site and Cuncurchaca TSF. These sites have now been cleared of archaeological remains.

The socioeconomic study area consists of the Ollachea district that comprises the Ollachea settlement, located near the Project area.

The population of the study area amounts to 4,919 inhabitants, with a decreasing population trend from 2005 to 2007. More than half of the population consists of men, while the median age of the population is 25 years old. The majority of the population is Quechua speakers (83.96%) and the dominant religion is Catholicism.

Current liabilities for the project are limited to the re-vegetation of drill platforms that are currently in use and closure of artisanal mine workings and the reclamation of the exploration tunnel completed in 2013. Previously used drill platforms have been formally closed and reclaimed.

The artisanal mine workings are restricted to an area measuring approximately 500m x 100m on the north flank of the Oscco Cachi River.

As part of the current surface rights agreement with the Community of Ollachea, MKK is monitoring the artisanal miners and taking actions to mitigate further environmental liability associated with the small-scale mining activities. This monitoring includes regular water quality determinations both up- and down-stream of the mine to monitor for possible contamination related to mining activities.

A formal closure plan has been developed as part of the feasibility work plan for the Project.

The extent of closure plans for Ollachea is restricted to the mine portal and mineral processing plant areas and are quite limited considering the mine is an underground mine and the TSF will be progressively closed as it is developed. A budget of \$4.2 million for closure activities has been estimated as part of the capital cost estimate for the Project.

MKK currently holds permits allowing them to carry out exploration activities on the property.

For construction and operation of the mine, plant and other surface infrastructure MKK will require, in addition to the approved ESIA, a mine closure plan, an approved mine plan, a beneficiation concession, permits for water use, process and drainage water discharge, use of explosives and powder magazines, chemical reagents, hydrocarbons (e.g., diesel), and construction permits for the facilities. Of these items, the Construction Permit, which for the Ollachea Gold Mine is the most critical, was received in June 2014.

MKK has conducted continuous community awareness workshops and communications and worked closely with the Community of Ollachea since it entered into agreement to acquire the property from Rio Tinto in 2006. The Company's cooperation in formalizing illegal mining on the property and its surface rights agreement with the Community of Ollachea are part of a plan to incorporate to the maximum possible the community in the advancement and future operation of the Project.

**Capital and Operating Costs**

The optimized Ollachea DFS capital cost estimate consists of estimates of direct and indirect capital costs for the underground mine and paste backfill system, the mineral process plant, auxiliary buildings and surface infrastructure, including electrical power supply, camp site and TSF.

Capital costs for the underground mine, including the portion of the paste fill system installed underground, were estimated by Coffey Mining and Mining Plus. Capital cost estimates for the remaining items, including all surface infrastructure, TSF and process plant, were estimated by AMEC and were unchanged from the Ollachea DFS. Estimates have been combined for the purpose of developing an integrated project capital cost estimate. The accuracy of this estimate is within -10/+15%.

The total estimated cost of the overall project as detailed in this document is \$220.0 million. The estimate base date is Q3 2012. This total has been compiled as shown in Table 13.

**Table 13 Capital Cost Estimate Summary**

<b>INITIAL CAPEX</b>	<b>\$(M)</b>
Mine	43.7
Site Development	3.9
Process Plant	58.4
Ancillary Buildings	3.9
Tailings System	5.7
Other Indirect & Owner's Costs	31.4
IGV (recoverable sales tax)	12.0
Contingency	17.6
<b>Total Capital Cost Estimate</b>	<b>176.7</b>
<b>SUSTAINING CAPITAL</b>	
Mining Sustaining	47.9
Waste Dump Closure	2.0
TSF Closure	2.2
Process Plant Sustaining	3.2
<b>Total Sustaining Capital Estimate (Life of Mine)</b>	<b>55.3</b>
<b>Less Recovered IGV</b>	<b>(12.0)</b>
<b>PROJECT TOTAL</b>	<b>220.0</b>

The estimate was developed in Q3 2012 price levels, in United States dollars. Foreign currencies are expressed in American dollars, based on foreign exchange rates provided by MKK as nominated in Table 14.

**Table 14 Foreign Exchange Rates**

Currency	Rate
\$/EUR	0.760
\$/CAD	0.990
\$/CHF	0.950
\$/AUD	0.970
\$/GBP	0.620

The value of 12% for contingency was calculated from a thorough risk and opportunity analysis. This contingency factor has been applied to the mining, process plant and infrastructure capital estimates.

The operating cost estimate includes operating costs of the underground mine, the minerals processing plant, the TSF and general & administrative (“G&A”) costs for the integrated operation.

Operating costs for the underground mine, including the portion of the paste fill system installed underground, were estimated by Coffey Mining and Mining Plus. Operating cost estimates for the remaining items, including all surface infrastructure, TSF and process plant, were estimated by AMEC.

Mine operating costs average \$23.5/t ore processed (including backfill). Plant operating costs total \$21.5/t ore processed (include tailings disposal), and G&A costs average \$4.3/t ore processed. Total site operating costs are \$49.3/t ore or \$509/oz produced.

Total cash costs, which includes total site operating costs plus royalties and profit sharing, utilizing a LOM fixed gold price of \$1,300/oz, are estimated to be \$587/oz sold.

Sustaining total cash costs, which includes total cash costs, closure costs and sustaining capital, are \$646/oz sold.

Total project cash costs, which include sustaining total cash costs and initial project capital, are \$823/oz sold.

### **Economic Analysis**

A financial evaluation of the Project was undertaken using the discounted cash flow analysis approach utilizing the cash flow produced as part of the optimization study for the Ollachea DFS. Cash flows were projected for the life of mine (LOM), which includes construction, operation and closure phases. The cash inflows were based on projected revenues for the LOM. The projected cash outflows, such as capital costs, operating costs and taxes, were subtracted from the cash inflows to estimate the net cash flows (NCF). A financial model was constructed on a monthly basis to estimate the NCF over the LOM. The NCF were summarized on an annual basis. The cash inflows and outflows are assumed to be in constant third quarter 2012 US dollar basis.

The Project was evaluated on a project stand-alone, 100% equity-financed basis. The financial results, including net present value (NPV) and internal rate of return (IRR) do not take past expenditures into account; these were considered to be sunk costs. The analysis was done on a forward-looking basis under the assumption that production would commence in April 2016, with the exception of the sunk costs to date, which were taken into account for tax calculations as an allowable deduction. Any other expenditure after 31 December 2013 not related to the Project construction has not been included.

The inputs and assumptions that form the basis of the financial model include metal prices, mining schedule, mining inventory, processing throughputs, and realization, operating, and capital costs, royalties and taxation parameters. Some of the primary inputs are as follows:

- The base case gold price used in the financial evaluation was \$1,300/oz.
- Mineral Reserves for the Project total 9.2Mt of Probable Mineral Reserves at an average grade of 3.4g/t Au containing 1.0Moz of gold.
- Stope ore production is currently expected to commence in first half of 2018.
- Commissioning of the process plant is currently expected to commence in the second half of 2018.
- The life of mine is estimated to be approximately 9.75 years.
- The average LOM metallurgical gold recovery is 91.1%.
- The total capital costs estimated over the LOM from commencement of construction is \$220.0 million.
- The total operating costs estimated over the LOM are \$472.8 million.

The model also includes Peru government royalty and special mining tax, a 1% third party royalty, financial transaction tax, working capital, income tax, value-added tax and workers' profit participation, which amount to an additional \$173.6 million. The Peruvian taxation system IGV (sales tax) was assumed to be incurred on the initial project capital cost and to be recovered once in production. Once in production, IGV was excluded from the operating assumptions. Since the Project involves export of goods, IGV is assumed to be immediately recoverable, consistent with Peruvian established practice.

Neither inflation nor costs associated with project financing have been considered in the Model. Project costs are still based upon Q3 2012 capital cost estimates. However, the Company believes that potential cost reductions for equipment and services driven by the depressed mining development industry is likely to offset potential cost increases.

A summary of the annual cash flows from the optimized DFS study is presented in Table 15.

**Table 15 Annual Cash Flows**

<b>Cash Flows</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Total LOM</b>
<b>Inflows</b>														
Net Revenue	\$M	-	-	125.3	137.5	130.6	132.3	136.7	135.5	130.8	137.1	102.1	36.4	1,204.2
<b>Outflows – Operating</b>														
Operating Costs	\$M	-	-	(45.2)	(60.1)	(56.3)	(54.8)	(48.2)	(50.1)	(48.3)	(47.9)	(43.3)	(18.7)	(472.8)
Royalties	\$M	-	-	(2.9)	(2.8)	(2.7)	(2.6)	(3.1)	(2.9)	(2.8)	(3.0)	(2.0)	(0.7)	(25.7)
Special Mining Tax	\$M	-	-	(1.7)	(1.3)	(1.2)	(1.3)	(1.7)	(1.5)	(1.4)	(1.6)	(0.8)	(0.1)	(12.5)
Workers' Profit														
Participation	\$M	-	-	-	(3.6)	(3.3)	(3.2)	(3.4)	(4.0)	(3.7)	(3.5)	(3.9)	(2.2)	(30.6)
Income & Other Tax	\$M	-	-	(11.4)	(9.1)	(8.5)	(11.9)	(14.6)	(13.3)	(12.6)	(14.3)	(8.1)	(1.0)	(104.7)
<b>Total Outflows -</b>														
<b>Operating</b>	<b>\$M</b>			<b>(61.2)</b>	<b>(76.8)</b>	<b>(72.0)</b>	<b>(73.8)</b>	<b>(70.9)</b>	<b>(71.8)</b>	<b>(68.8)</b>	<b>(70.3)</b>	<b>(58.1)</b>	<b>(22.6)</b>	<b>(646.4)</b>
<b>Cash Flow from</b>														
<b>Operations</b>	<b>\$M</b>			<b>64.1</b>	<b>60.6</b>	<b>58.6</b>	<b>58.4</b>	<b>65.8</b>	<b>63.7</b>	<b>61.9</b>	<b>66.8</b>	<b>44.0</b>	<b>13.8</b>	<b>557.8</b>
<b>Outflows - Investing</b>														
Initial Capital Costs	\$M	(40.2)	(124.6)	-	-	-	-	-	-	-	-	-	-	(164.7)
Initial Capital Costs –														
IGV	\$M	(4.8)	(7.8)	19.1	-	-	-	-	-	-	-	-	-	6.5
Sustaining Capital Costs	\$M	-	-	(14.9)	(5.3)	(5.9)	(4.7)	(8.5)	(9.2)	(1.4)	(0.8)	(0.4)	(0.0)	(51.0)
Closure Costs	\$M	-	-	-	-	-	-	-	-	-	-	-	(3.1)	(3.1)
Movement in Working														
Capital	\$M	-	-	(0.5)	(0.1)	0.1	(0.0)	(0.2)	0.1	0.2	(0.2)	0.5	0.2	-
Total Outflows –														
Investing	\$M	(44.9)	(132.4)	3.7	(5.4)	(5.8)	(4.7)	(8.7)	(9.1)	(1.2)	(1.0)	0.1	(3.0)	(212.4)
<b>Net Cash Flow</b>	<b>\$M</b>	<b>(44.9)</b>	<b>(132.4)</b>	<b>67.8</b>	<b>55.2</b>	<b>52.8</b>	<b>53.7</b>	<b>57.2</b>	<b>54.6</b>	<b>60.8</b>	<b>65.8</b>	<b>444.1</b>	<b>10.8</b>	<b>345.4</b>

Note:

Costs are estimated in 3Q 2012 US dollars.

Net Revenue is gross revenue less realization costs (transport and refinery charges).

Net Cash Flow results exclude the effects of the 1% gross revenue royalty held by Macquarie Bank, which the Company intends to exercise its option to buy-back the royalty for \$5 million and the 0.9% NSR granted to Sherpa SCRL as part of the COFIDE financing.

The Project was evaluated on a project stand-alone, 100% equity-financed basis. The base case gold price used in the financial analysis was \$1,300/oz, which is a gold price assumption being utilized by many other industry participants. The NPV, IRR and payback period are presented in Table 16. The Project financial returns at a base case of NPV of 7% demonstrate that the Project is financially robust under the assumptions set out in the Ollachea DFS optimization study.

**Table 16 Summary of Ollachea Financial Results**

Parameter	Unit	Base Gold Price	Upside Gold Price
		\$1,300/oz	\$1,600/oz
Net Cash Flow before tax	\$ M	492	755.9
NPV @ 5% real (before tax)	\$ M	326	521
NPV @ 7% real (before tax)	\$ M	277	451
NPV @ 10% real (before tax)	\$ M	217	364
IRR (before tax)	%	37.1	52.5
Payback (before tax)	Years	2.37	1.7
Net Cash Flow (after tax)	\$ M	344	507
NPV @ 5% real (after tax)	\$ M	218	338
NPV @ 7% real (after tax)	\$ M	1811	288
NPV @ 10% real (after tax)	\$ M	135	227
IRR (after tax)	%	28.2	38.8
Payback (after tax)	Years	3.0	2.3

Note:

1. NPVs are at the commencement of construction.
2. NPVs are based on mid-period discounting.
3. Before tax is before Special Mining Tax, Workers' Participation Profit of 8% and Income Taxes of 30%.
4. Payback starts from the commencement of production.
5. The financial results are on 100% Project basis and exclude the agreement with the community for a 5% participation in MKK on commencement of production and the final instalment of the final Ollachea payment amount payable by MKK and due to Rio Tinto in accordance with Mining Claim Transfer Agreement dated 23 February 2007.
6. All results exclude the effects of the 1% gross revenue royalty held by Macquarie Bank, which the Company has the option to repurchase for \$5 million, and the 0.9% NSR granted to Sherpa SCRL as part of the COFIDE financing.

A summary of the analysis of the LOM average unit cost of production on a per ounce basis is provided in Table 17.

**Table 17 LOM average Unit of Production**

<b>Parameter</b>	<b>Unit</b>	<b>Cost</b>
Mining	\$/oz	243
Processing	\$/oz	222
G&A	\$/oz	44
<b>Total Site Cash Operating Costs</b>	<b>\$/oz</b>	<b>509</b>
Realization Costs and Royalties	\$/oz	78
Sustaining and Closure Costs	\$/oz	59
<b>Sustaining Total Cash Costs</b>	<b>\$/oz</b>	<b>646</b>

Note:

Costs are estimated in 3Q 2012 US dollars.

Per ounce based on payable gold.

Royalties exclude the 1% gross revenue royalty payable to Macquarie Bank and a 0.9% NSR granted as part of the COFIDE financing.

## Royalties, Rights and Encumbrances

There are currently three non-government royalties that apply to the Ollachea Project:

- 1) A 1% net smelter royalty (NSR) for the life of mine payable to an undisclosed third party.
- 2) A 1% gross revenue royalty for the life of mine that is payable to Macquarie Bank. Further details on this royalty, including buy back provisions, are provided in “Section 15 – Material Contracts – Feasibility Finance Facility Agreement”.
- 3) A 0.9% NSR for the life of mine payable as part of the COFIDE financing. Further details on this royalty, including buy back provisions, are provided in “Section 15 – Material Contracts – COFIDE Bridge Loan”.

With respect to royalties payable to the Government of Peru, in the second half of 2011, the royalty payable was amended from a sliding scale of 1% to 3% on sales to royalties based on operating profits. For the mining royalty marginal rates range from 1% for operating profit margins between 0% and 10% to 12% for operating profit margins greater than 80% with a minimum royalty of 1% of sales payable regardless of profitability.

A mining royalty and a special mining tax (“SMT”) will also be payable to the Government of Peru on a quarterly basis. The SMT is structured using a marginal tax rate scale applied to operational profit at different percentages depending on different levels of operating margin (operating margin = operating income to mining operating revenue). For the SMT, marginal rates range from 2% for operating profit margins between 0% and 10% to 8.4% for operating profit margins above 85%.

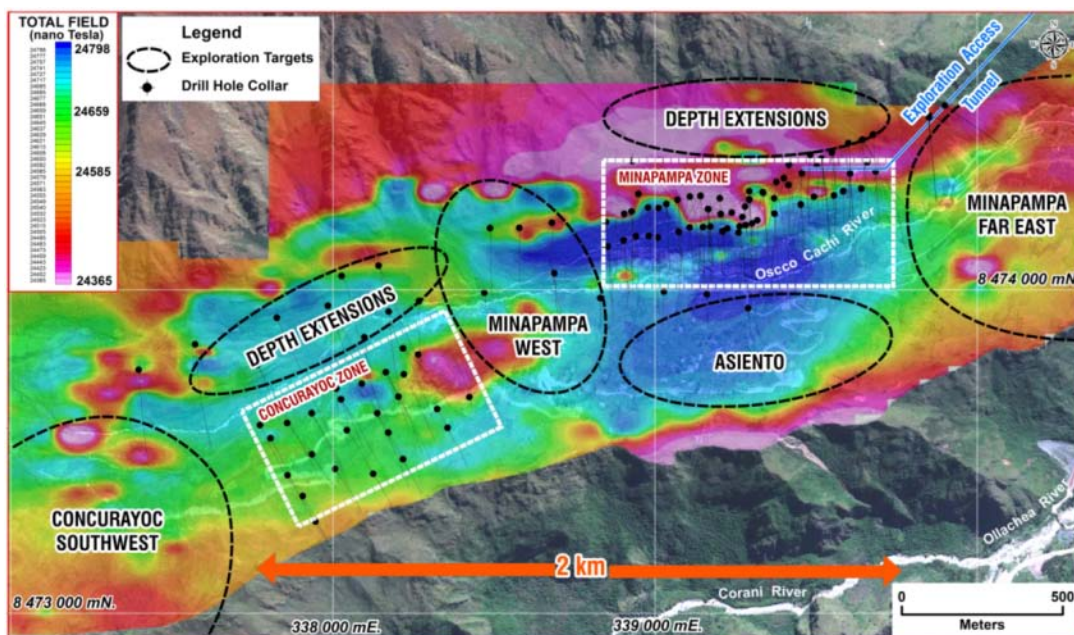
In the Ollachea Project feasibility study the project was also expected to be subject to the Peru corporate income tax at a rate of 30%. In 2015, the corporate tax rate in Peru was reduced to 28% and is scheduled to be reduced to 26% by 2019.

## Exploration Potential

There is considerable upside at Ollachea that, with additional work, will lead to an expanded mineral reserve base and potentially increase mine life.

There have been several highly prospective exploration targets identified to date (see Figure 13 below), including extension, step-out and conceptual targets that justify further follow-up. All mineralization discovered to date at Ollachea remains open-ended along strike as well as down-dip.

**Figure 13** Ollachea exploration targets including extension, step-out and conceptual targets located nearby the Minapampa and Concurayoc Zones



Discoveries such as the Concurayoc Zone, displaced by some 400m from the main Minapampa Zone, confirm the exploration potential of the Ollachea Project.

In September 2011, the Company released the maiden Inferred Mineral Resource at the Concurayoc Zone, approximately 400 metres west of the Minapampa Zone, based on infill drilling completed during the second quarter of 2011.

**Table 18** Concurayoc Inferred Mineral Resource (applying a 2.0g/t gold cut-off)

Mineral Resources above a 2.0 g/t Au Cut-off Grade	Tonnage (Mt)	Au Grade (g/t)	Contained Au (Moz)
<b>Concurayoc</b>			
Inferred	10.4	2.8	0.9

Note:

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.



This mineral resource estimate was carried out by consultancy Coffey Mining. The estimate at the Concurayoc Zone, which covers a strike length of 700m, was based upon 45 diamond drill holes on approximately an 80m grid for a total of 16,943m of drilling.

The dip and spatial orientation of the mineralized zones at Concurayoc are broadly similar to the mineralized zones hosted within the Minapampa Zone. Within the six horizons identified at Concurayoc, mineral resource modelling confirms the presence of three principal mineralized horizons. Examples of higher grade intersections include drill hole DDH10-130 which intersected 33m grading 4.57g/t Au including 12m grading 8.66g/t Au, DDH10-135 with 7m at 4.03g/t Au plus 4m at 8.68g/t Au, DDH11-168 with 9m grading 3.38g/t Au plus 4m at 22.0g/t Au and DDH11-171 with 7 metres at 17.6g/t Au. The effective true width of mineralized intersections ranges from 67% to 98% of the width reported. The average true width of mineralized intersections is around 92%. The true width is dependent upon the variation of the angle of incidence between the trace of exploration drill-hole(s) and the dip of the targeted mineralized horizon(s).

Given the overlying surface topography, the deeper, down-dip potential of Ollachea (as well as the eastern extension of Minapampa), is best drilled from the underground exploration drive and future underground mine infrastructure. Highly encouraging drilling results were obtained from a 2013 underground exploration drilling campaign along the eastern strike extent of Minapampa. The Company plans to better define this eastern extension of Minapampa zone in 2015 with an underground resource extension drilling program.

### **2016 Exploration Program – Minapampa Far East**

During the third quarter of 2016 the Company carried out an exploration program of 5,421 meters on 23 drill holes at the Minapampa Far East. The drill hole results have been used to outline an exploration target in the Minapampa Far East mineralized zone of 370,000 to 550,000 ounces of gold contained within 3.1 to 4.6 million tonnes, grading 2.9 to 4.3 g/t gold, (this tonnes/grade range is reported within the framework of the N.I. 43-101 Restricted Disclosure Section 2.3(2)). The potential tonnages and grades are conceptual in nature and are based on drill results that define the approximate length, thickness, depth and grade of mineralization in the Minapampa Far East mineralized zone. The exploration results from the 2016 together with this interpretation will be used as the basis for estimating a maiden Mineral Resource estimate on the zone.

Minera IRL geologists undertook detailed two dimensional geological interpretations on cross section and in plan upon receipt of the final assay results. Mineralized zones were delimited on a nominal grade threshold of 1 g/t gold.

Figure 14 displays a plan view of the project area, while figure 16 displays a longitudinal projection of the interpreted 202 mineralized zone 202, which is the dominant mineralized structure in the Minapampa Far East zone.

Figure 14 Plan view showing Minapampa Far East drill hole traces and interpreted zone

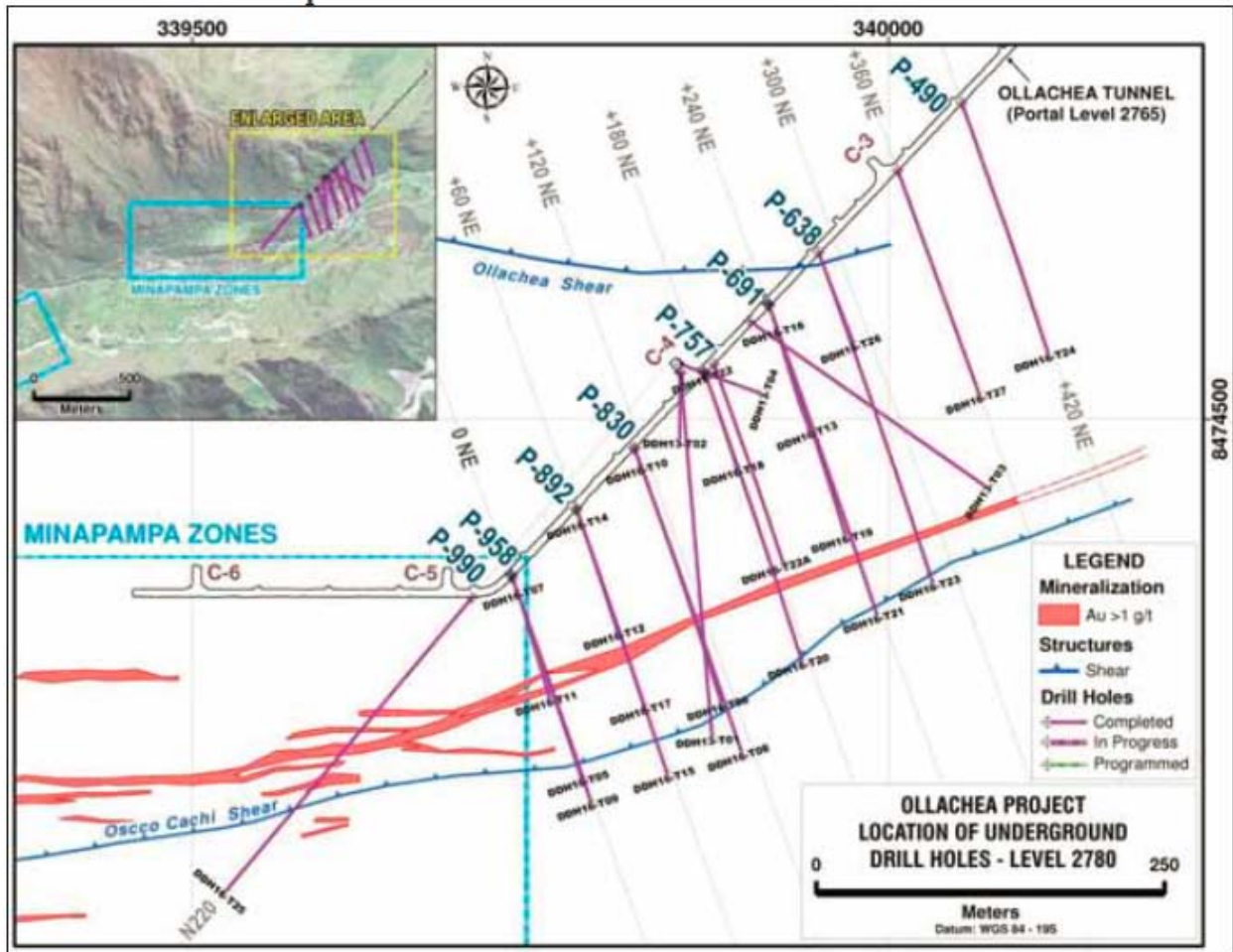
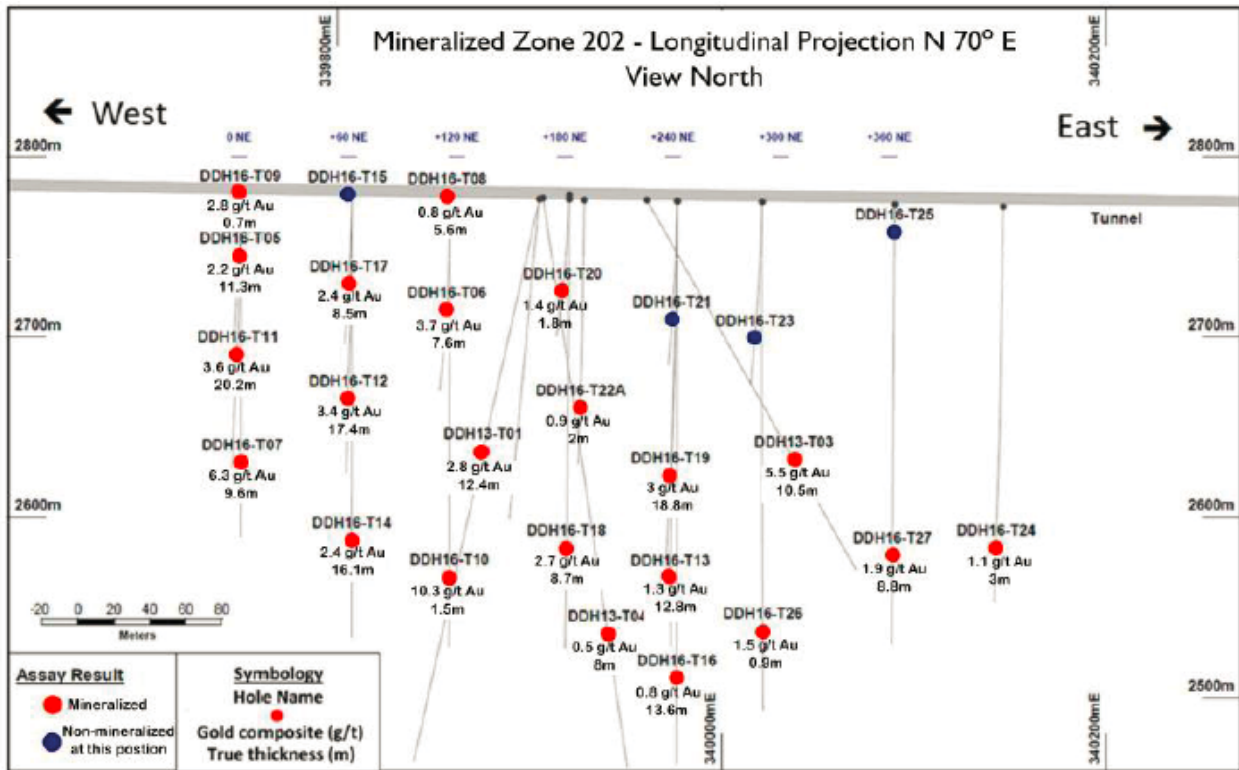


Figure 15 Longitudinal Projection of mineralized Zone 202 showing composite gold grade (g/t) and true thickness (m)



The drill hole results have been used to outline an exploration target in the Minapampa Far East mineralized zone of 370,000 to 550,000 ounces of gold contained within 3.1 to 4.6 million tonnes, grading 2.9 to 4.3 g/t gold, (this tonnes/grade range is reported within the framework of the N.I. 43-101 Restricted Disclosure Section 2.3(2)). The potential tonnages and grades are conceptual in nature and are based on drill results that define the approximate length, thickness, depth and grade of mineralization in the Minapampa Far East mineralized zone. The exploration results from the 2016 together with this interpretation will be used as the basis for estimating a maiden Mineral Resource estimate on the zone.

The Minapampa Far East drill program was under the supervision of Andrew Fowler, PhD, MAusIMMCP(Geo). Dr. Fowler is a full-time employee of Mining Plus Peru SAC and is an independent Qualified Person ("QP") as defined by the N.I. 43-101.

### **4.3 Don Nicolás**

Minera IRL Patagonia S.A. (“Minera IRL Patagonia”), a formerly wholly owned subsidiary of the Company, owns the Don Nicolás Project and an extensive exploration tenement package totalling some 2,600km<sup>2</sup> in the Patagonia region of Argentina. The project is located within a large geological complex known as the Deseado Massif.

On 19 August 2013, Minera IRL announced that it had entered into a definitive financing agreement to fund the construction of the Don Nicolás Mine that would ultimately reduce its equity interest in Minera IRL Patagonia to 51%.

On 30 July 2014, the Company announced that it had entered into a Sale and Purchase Agreement pursuant to which one of the Minera IRL Patagonia joint venture partners, Compañía Inversora en Minas (“CIMINAS”), would acquire the Company’s remaining shareholdings for total consideration of \$11,451,000.

Following the completion of sale of its remaining interest in Minera IRL Patagonia, the Company no longer has any business interests in Argentina.

For additional information on the Don Nicolás Project and the transactions with CIMINAS, please consult the Company’s 2014 MD&A.

### **4.4 Other Projects**

#### **Bethania – Peru**

The Bethania Project comprises three exploration licenses held for some years by Minera IRL plus an additional 0.14km<sup>2</sup> lease under option from Minera Monterrico Peru SAC to acquire 100% ownership for a total holding of 33km<sup>2</sup> 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

## Quilavira - Peru

Minera IRL announced in late February 2010 that the Company had signed an option to purchase the Quilavira Gold Exploration Project from Ingenieria y Tecnologia Minero-Metalurgica SA (“ITMM”). ITMM acquired the property from Newcrest Mining Limited (“Newcrest”) in a competitive tendering process.

Quilavira is located in Southern Peru, 50km from the border zone with Chile in the Tacna Region. The project area covers a total of 5,100Ha divided over 6 contiguous claim blocks (Table 19).

*Table 19 Quilavira Concessions*

Concession Name	Concession Number	Concession Holder	Area (ha)	Application Date
QUILAVIRA 1	010409106	Ingeniería y Tecnología Minero Metalúrgica S.A.	900	29/09/2006
QUILAVIRA 2	010409206	Ingeniería y Tecnología Minero Metalúrgica S.A.	800	29/09/2006
QUILAVIRA 3	010409306	Ingeniería y Tecnología Minero Metalúrgica S.A.	900	29/09/2006
QUILAVIRA 4	010520306	Ingeniería y Tecnología Minero Metalúrgica S.A.	900	12/12/2006
QUILAVIRA 5	010520406	Ingeniería y Tecnología Minero Metalúrgica S.A.	800	12/12/2006
QUILAVIRA 6	010520506	Ingeniería y Tecnología Minero Metalúrgica S.A.	800	12/12/2006

Quilavira represents an early-stage grassroots exploration play in an emerging epithermal precious metal district. Known epithermal deposits in the area include Salla, Banos de Indio, Huilacollo and Choreveco.

Previous exploration consists of limited prospect scale mapping and surface sampling by Newcrest in 2006. A total 56 rock-chip samples were collected with values up to 25 g/t Au and 170 g/t Ag. The project has no geophysical data and has never been drill tested.

Geology at Quilavira comprises a mostly Tertiary volcanic sequence of intermediate to felsic composition rocks belonging to the Barroso, Huaylillas and Tarata Formations. The volcanic rocks host potentially economic low-sulphidation epithermal gold-silver veins. Basement to the volcanic succession is Cretaceous in age consisting of sandstone intruded by coarse-grained granodiorite.

Mineralized veins appear hosted in mostly crystal and lithic rich andesitic to dacitic volcanoclastic units and rhyolitic volcanic breccia. These units are apparently stratified, dipping 20-40° northwest. It is unclear if younger coherent andesite facies in the area are also mineralized.

A broadly east-west zone of hydrothermal alteration and veining has been identified in the centre of the property within a ~1.5km by ~0.5km area. The alteration and veining is mostly confined to the volcanoclastic units. Vein proximal alteration is characterised by intensely silicified wall rock, enveloped by moderate pervasive quartz-illite<smectite alteration and bleaching. Illite was confirmed by Newcrest

through spectral analysis conducted on 37 samples. The tabular geometry of the alteration zone suggests a strong lithological control and lateral fluid-flow.

Epithermal veins strike northeast and northwest with moderate dips (50-60°). They show evidence of multiple fluid pulses consisting of early grey silica-sulphide material cut by massive to drusy quartz. Vein thicknesses are on average approximately 10cm. Mapping records two main fault orientations, northwest and east-west with dips ~70°.

Mineralized veins carrying grades >1 g/t Au and 100 g/t Ag are restricted to the northwest corner of the main hydrothermal alteration zone as outlined by Newcrest. There appears to be a vertical metal zonation with the highest precious metal grades located at lower elevation levels < 3,500mRL. Above this RL, pathfinder elements such as arsenic and antimony are highly anomalous (up to 2,130 ppm As and 473 ppm Sb) while gold ranges from 0.10 to 0.60 ppm Au.

The narrow stockwork-like vein geometry, massive silica textures and geochemical signature suggest that the relative surface position of Quilavira is above the boiling zone. The principle target is exposed as well as concealed low-sulphidation epithermal bonanza gold-silver veins. Disseminated (Round Mountain style) or flow-dome-diatreme variants on this style of mineralization should also be considered given the strongly altered nature of volcanoclastic units on the property.

Quilavira represents a well preserved fertile epithermal vein system with the potential of hosting a high-grade economic precious metal ore deposit. The prospect requires further mapping and geochemical sampling to establish a structural framework, helping identify fertile structures and favourable positions along them for hosting possible ore shoots. This would be greatly assisted by a high-resolution (preferably helicopter borne), aeromagnetic plus radiometric survey and gradient array I.P. resistivity survey.

### **Frontera Joint Venture – Chile**

The Frontera project is a 35/65 joint venture with Teck Cominco which is managed by the latter. The property consists of a 1,200Ha package of tenements located in region I of northern Chile, on the north-western border with Peru and close to the eastern border with Bolivia.

The Pucamarca high sulphidation Au deposit (~1.2 million oz Au resource), owned by Peruvian miner Minsur, is located in Peru only a few metres northwest of the Frontera property boundary. There is some evidence to show that the Pucamarca deposit and Frontera prospect might be part of one large alteration complex.

Limited work conducted by joint venture partner Teck Cominco in 2006 confirms this complex extends over an area of some 8km x 6km, similar to that observed around many large HS deposits in Peru and Chile. At the regional scale, the property is located at a major structural intersection. Principal structures include the north-west trending Inca Puquio fault system (believed to control mineralization at several large Cu porphyries in southern Peru), and the north-north-west trending West Fisher fault system (known to control mineralization over hundreds of kilometres in northern and central Chile).

Known gold mineralization is mostly restricted to high-sulphidation vuggy silica alteration and locally to silica-alunite zones. Drilling conducted by then joint venture partner Hochschild (“MHC”) in 2005, indicates that the gold mineralization on the Frontera property is mainly found within hydrothermal

breccias characterized by abundant iron oxide cement and to a lesser degree to oxides disseminated in silica and silica alunite alteration.

Another style of mineralization, which consists of small zones of copper enrichment characterized by chalcocite coating pyrite, is recognized on the Frontera property. This mineralization has additionally been recognized in MHC 2005 drill hole intersections. The best sampled drilling interval assayed 0.25% Cu over 18m. Very strong Mo, up to 565ppm is reported from a surface area extending eastwards from Frontera's Cerro Vuggy (Vuggy Mountain). Combined with the presence of Chalcocite mineralization, this suggests a possible blind Cu-Mo porphyry target could underlie the advanced argillic alteration lithocap observed at surface. In 2006, Teck Cominco drilled 3 holes in this area to test this hypothesis but only intersected argillic to propylitic alteration below advanced argillic alteration. An area extending close to 2km to the east of the main Mo anomaly remains untested.

## **5 RISK FACTORS**

Exploration, development and mining of precious metals involve numerous inherent risks as a result of the nature of the business, global economic trends as well as local social, political, environmental and economic conditions in the various geographical areas of operation. As such, the Company is subject to several financial and operational risks that could have a significant impact on its profitability and levels of operating cash flows.

Below is a summary of the principal risks and related uncertainties facing the Company. Such risk factors could have a material adverse effect on the Company's business, financial condition and results of operations or the trading price of the Ordinary Shares.

### **Additional Requirements for Capital**

The Company requires further funding of approximately \$240 million in order to complete development of a mine at Ollachea and continue its operation of the Corihuarmi Gold Mine. The Company had anticipated that COFIDE might provide those funds but COFIDE has recently indicated that it will not do so.

Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There are no assurances that additional financing will be available on terms acceptable to the Company, or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its tenements, incur financial penalties and reduce or terminate its operations.

### **Emerging Market Risks**

Due to the risks inherent in mineral production and the desire to organize and structure its affairs in a tax efficient manner, the Company holds each of its material properties in a separate corporate entity (through local subsidiary companies in Peru as well as other holding companies in various jurisdictions). The risks of this corporate structure are typical for companies with material assets and property interests held indirectly through foreign subsidiaries and located in foreign jurisdictions. The Company's business and operations in emerging markets are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction such as differences in language, law, business cultures and practices, banking systems and internal control over financial reporting.

The Company has implemented a system of corporate governance, internal controls over financial reporting and disclosure controls and procedures that apply at all levels of the Company and its subsidiaries. These systems are overseen by the Company's board of directors, and implemented by the Company's senior management. The relevant features of these systems are set out below.

#### *Control over Peruvian Subsidiaries*

The Company's principal assets are located in Peru and are owned by two companies incorporated in Peru. The Company controls these Peruvian subsidiaries by virtue of corporate oversight, common directors (two out of three of the directors of each subsidiary are also members of the Company's Board of Directors) and by its ownership of 99.99% of the shares issued by such entities. The Company's Board of Directors, acting as the majority shareholder of these Peruvian companies, has the:

- (i) power to appoint and dismiss, at any time, the directors of each Peruvian Subsidiary,
- (ii) power to instruct the directors of each Peruvian subsidiary to instruct the Peruvian subsidiaries' officers to pursue business activities in accordance with the Company's wishes, and
- (iii) legal right, as a shareholder, to hold the directors and the officers of each of the Peruvian subsidiaries to account for any failure to comply with their fiduciary obligations.

The Company can enforce its rights by way of various shareholder remedies available to it under local laws. Any shareholder owning 20% or more of the shares of one of the Peruvian subsidiaries can requisition a shareholder meeting, and the Company owns 99.99% of the shares of each subsidiary. However, because the law in Peru requires that a company incorporated in Peru must have at least two shareholders, the Company owns less than 100% of the shares of these Peruvian subsidiaries and any effort to enforce its rights as a shareholder will be subject to local law and practice, including the requirement that shareholders can only act without a meeting and without prior notice if they do so by way of a unanimous resolution or consent. There is therefore some risk of delay if the Company attempts to enforce its rights by shareholder action and the other shareholder does not join in the enforcement effort.

During calendar year 2015, and as is discussed in the section of this AIF titled *2015 Developments*, above, the Company's Board attempted to remove the General Manager of its Peruvian subsidiaries through shareholder action. The minority shareholder in each of the two Peruvian subsidiaries opposed the shareholder action. Although the Company owned the overwhelming majority of the shares of the two subsidiaries, the minority's opposition forced the Company to comply with the formalities and give advance notice of its intent to hold an extraordinary meeting of shareholders. Upon receipt of that notice of meeting, the minority shareholder filed a legal action in Peru, asking for an injunction that would prevent the Company from summarily removing its General Manager. When the injunction was granted, the Company abandoned its request for an extraordinary meeting, though it continued to pursue the litigation in Peru, both defending the minority shareholder action and prosecuting its own lawsuit. Although these lawsuits were subsequently settled, the minority shareholder action highlights one of the risks arising from the Peruvian legal requirement for a minority shareholder in what, in Canada, would otherwise have been a wholly-owned subsidiary.

The Company restructured its own Board of Directors as well as those of the two Peruvian subsidiaries – two of the three directors of each subsidiary are also directors of the Company. Because the Board of Directors of each subsidiary has the authority to appoint, direct and dismiss the officers, this has increased the Company's level of engagement with its operating subsidiaries in Peru. The Company believes that



the assignment of the minority shareholding interest in the two Peruvian subsidiaries to a lawyer retained by the Company, coupled with the fact that the majority of the Boards of Directors of the two Peruvian subsidiaries are also directors of the Company, provides the Company with effective control of the two Peruvian subsidiaries.

#### *Board and Management Expertise*

All of the Company's current directors have been appointed or elected since the events of mid-2015 that lead to the Canadian cease trade orders and the delisting of the Company's common shares from AIM and TSX. All of the Company's current directors and senior officers have at least five years of experience in senior leadership positions and all of them have extensive experience conducting business in emerging market jurisdictions. In addition, the board of directors, through its corporate governance practices, regularly receives management and technical updates and progress reports in connection with the foreign subsidiaries, and in so doing, maintains effective oversight of their business and operations. Further, the Company's directors and senior officers visit the Company's operations in foreign jurisdictions on a regular basis in order to ensure effective control and management of the Company's foreign operations. During these visits they come into contact with local employees, government officials and business persons while enhancing their own knowledge of local culture and business practices. The Board makes a practice of conducting Board meetings in Peru, which gives the directors ample opportunity to tour the Company's local operations and interact with its local employees and service providers. In addition, the Company's Chief Financial Officer visits the Company's operations on a quarterly basis, or more frequently if circumstances require.

#### *Internal Controls*

The Company maintains internal control over financial reporting with respect to its operations in Peru by taking various measures. Most of the Company's directors and officers are proficient in Spanish (the local language in Peru), and have work experience in Peru, which facilitates better understanding and oversight of the Company's operations in the foreign jurisdictions in the context of internal controls over financial reporting.

Differences in banking systems and controls between Canada and emerging jurisdictions like Peru are addressed by having stringent controls over cash in all locations; especially over access to cash, cash disbursements, appropriate authorization levels, performing and reviewing bank reconciliations in the applicable jurisdiction on at least a monthly basis and the segregation of duties. Each Peruvian operating subsidiary has only three persons authorized to access bank accounts, and each of the three may only obtain access as a joint signatory with one of the other two.

The difference in cultures and practices between Canada and Peru is addressed by employing competent staff in Canada and Peru who are familiar with the local laws, business culture and standard practices, have local language proficiency, are experienced in working in Peru and in dealing with the respective government authorities; and have experience and knowledge of the local banking systems and treasury requirements. Furthermore, the opening and closing of bank accounts in the name of either Peruvian subsidiary is controlled, overseen and approved by the Company's Chief Financial Officer, who resides in Canada but is proficient in Spanish. The Company's Chief Financial Officer constantly monitors the accounting and treasury functions at the two Peruvian subsidiaries; he has direct access to their accounting systems and spends two or three weeks out of every calendar quarter supervising these accounting functions "on the ground" in Peru.

The Company ensures the flow of funds functions as intended by:

- appointing common directors of the Company and the Peruvian subsidiaries;
- involving the Company's Chief Financial Officer, located in Vancouver, in hiring key finance personnel in Peru; and
- closely monitoring the finance departments of each of the Peruvian subsidiaries, and by regular personal visits by the Chief Financial Officer and other key executives to Peru.

### *Communication*

The Company maintains open communication with each of its Peruvian subsidiaries through common directors and communication between officers who are fluent in Spanish. In addition, all of the senior management in Peru are fluent in both Spanish and English. The primary language used in management and Board meetings is English and material documents relating to the Company that are provided to the Board are in English. The Company does not currently have a formal communication plan or policy in place and has not to date experienced any communication-related issues.

### *Governance*

In addition to the remedial avenues open to the Company described above, the Company has always maintained policies and procedures designed to improve governance and it has recently adopted additional governance policies and procedures. These new policies and procedures are the result of collaboration with Ernst & Young. The Company retained Ernst & Young in August 2015 to review its corporate governance policies and procedures and to recommend improvements. Ernst & Young made a number of recommendations, which the Company adopted in August of 2016 with an effective date of September 1, 2016. These include the adoption of the following new or revised policies: Code of Conduct and Ethics, Conflict of Interest Policy, Anti-Corruption Policy, Gifts and Hospitality Guide, Expense Account Guide, Procurement of Goods and Services/Warehousing Guide, Charitable Donations Guide, Employee Recruiting Guide, Community Relationships Guide and an Anti-Money Laundering and Terrorism Financing Guide.

### *Records*

All of the minute books and corporate records and documents of the Peruvian subsidiaries are filed at the relevant entity's headquarters, and with the relevant governmental or regulatory body in Peru, where both entities' headquarters are located. The custodians of such documents report directly to the Company's head office and senior management team to ensure continued oversight.

### **Operating Risk**

The operations of the Company may be disrupted by a number of events that are beyond the control of the Company. These include but are not limited to: the availability of transportation capacity, geological, geotechnical and seismic factors, industrial and mechanical accidents, equipment and environmental hazards, power supply failure, unscheduled shut downs or other processing problems.

As is common with all mining operations, there is uncertainty and therefore risk associated with the Company's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Company's control. If any such risks actually occur, the Company's business, financial condition and/or results of operations could be materially and adversely affected. In such a case, an investor may lose all or part of their investment.

There can be no guarantee that the Company will be able to effectively manage the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to effectively manage the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Land Title**

Title insurance generally is not available, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions from time to time may be severely constrained. In addition, unless the Company conducts surveys of the claims in which it holds direct or indirect interests, the precise area and location of such claims may be in doubt. Accordingly, such mineral properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

### **Environmental Regulations**

The Company's operations are subject to environmental regulation in the jurisdictions in which the Company operates. Such regulation covers a wide array of matters, including, without limitation, waste disposal, protection of the environment, worker safety, mine development, land and water use, and the protection of endangered and protected species. Existing and possible future environmental legislation, regulations and actions could cause the Company to incur additional expenses, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. By way of example, the Company is currently required to maintain a reclamation bond posted by Scotiabank Peru S.A. for an amount of approximately \$4,600,000, which is required by the Peruvian government as a means of ensuring the orderly closure, in due time, of the Company's mine at Corihuarmi.

Although precautions to minimise risk will be taken, operations are subject to hazards which may result in environmental pollution and consequent liability which could have a material adverse impact on the business, operations and financial performance of the Company. Damages occurring as a result of such risks may give rise to claims against the Company which may not be covered, in whole or part, by any insurance carried. In addition, the occurrence of any of these incidents could result in the Company's current or future operational target dates being delayed or interrupted and increased capital expenditure.

### **Litigation**

The Board of Directors is not aware of any material legal proceedings which have been threatened or are pending against the Company, other than a claim for wrongful dismissal and alleged damage to personal reputation filed against one of the Company's subsidiaries in Peru by a former executive and a former employee

Legal proceedings may, however, arise from time to time in the course of the Company's business. Furthermore, litigation may be brought against third parties resulting in an adverse effect on the Company. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. The Board of Directors cannot preclude that such litigation may be brought against the Company in the future or that litigation against a third party will not have adverse effects on the Company.

### **Lack of Surface Rights**

In Peru, the country in which the Company's material mineral projects are located, surface rights do not accompany exploration and mining rights. The mining laws in Peru provide for the resolution of conflicts

arising between surface rights holders and mining rights holders, but the time within and cost with which such resolutions are reached is not assured. The failure of the Company to successfully negotiate and preserve surface rights access and purchase could cause substantial delays in the development of a project

### **Health and Safety**

The Company's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines and penalties being assessed against the Company.

### **Metal Price Risk**

The mining industry is highly dependent on commodity prices that are often strongly correlated to global economic conditions and the interplay of supply and demand. Minera IRL is principally a producer of gold with silver as a by-product and thus the economic results of its operations may be affected by movements in the price for these two precious metals.

Gold and silver prices have historically fluctuated widely and are affected by numerous external factors beyond the Company's control. As examples, the market price of gold may change for a variety of reasons, including: the strength of the United States Dollar, in which the gold price trades internationally, relative to other currencies; financial market expectations regarding the rate of inflation; monetary policies announced, changed or implemented by central banks; changes in the demand for gold, including the demand from gold exchange traded funds, as an investment or as a result of leasing arrangements; changes in the physical demand for gold used in jewellery; changes in the supply of gold from production, divestment, scrap and hedging; global or regional political or economic events, and speculative positions taken by investors or traders in gold.

The profitability or viability of the Company's mineral projects is directly related to the price of commodities and, in particular, the price of gold and silver. These fluctuations make this sector particularly volatile from an investment perspective. Declines in the market price of either or both gold and silver may lead to the write down of assets or mineral resources and reserves, negative earnings and profitability and, ultimately, to the loss of resources and reserves and the prospect of development of Company projects.

### **Mineral Reserves and Resources are Estimates Only**

There is no certainty that the measurement of mineral resources or mineral reserves on the Company's properties is accurate. Until a deposit is actually mined and processed, the quantity of mineral resources and reserves and grades are only estimates. In addition, the value of mineral resources and any mineral reserve will depend upon, among other things, metal prices and currency exchange rates. Any material change in quantity of mineral resource or reserve, or grade, may affect the economic viability of any future mines. Any material reductions in the estimates of mineral resources, or mineral reserves, or the Company's ability to extract any ore, could have a material adverse effect on the Company's future results of operation and financial condition.

### **Insurance Coverage**

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, and monetary losses and possible legal liability. The Company's insurance coverage is limited and, as a result, there may not be sufficient insurance for any particular loss, including political risks or environmental liabilities.

## **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

## **Interest Rate Risk**

The Company is exposed to interest rate risk on its variable rate debt. Monetary policy by central banks in the countries in which the Company operates have maintained interest rates relatively low to avoid a relapse of the credit crisis and incentivize economic growth. At 31 December 2016, the majority of the Company's long-term debt was carried at variable rates, hence there is potential for meaningful market risk arising from fluctuations in floating interest rates, particularly LIBOR.

## **Construction and Start-up of New Mines Risk**

The success of construction projects and the start-up of new mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), the successful completion and operation of ore passes, the ADR plants and conveyors to move ore, and other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that future construction and start-up plans implemented by the Company will be successful; that the Company will be able to obtain sufficient funds to finance construction and start-up activities; that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete its construction project; that the Company will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

The Company's development project has no operating history upon which to base estimates of future cash flow. The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. Thus, it is possible that actual costs may change significantly and economic returns may differ materially from the Company's estimates.

Currently, the Company has one project, the Ollachea Gold Project in Peru, that is ready for development, subject to securing project financing. Commercial viability of a new mine or development project is predicated on many factors. There is no certainty that the realization of mineral reserves and mineral resources projected by the feasibility study and technical assessment performed on the project may be realized, the necessary permits or financing can be obtained and future metal prices to ensure commercial viability will materialize. Consequently, there is a risk that start-up of new mine and development projects may be subject to write-down and/or closure as there is no certainty that they are commercially viable.

### **Key Management and Staff**

The success of the Company is currently largely dependent on the abilities of some of its directors and its senior management. The loss of the services of any of these persons may have a materially adverse effect on the Company's business and prospects. There is no assurance that the Company can retain the services of these persons. Failure to do so could have a materially adverse effect on the Company and its prospects.

While the Company has good relations with its employees, these relations may be impacted by changes that may be introduced by the relevant governmental authorities in whose jurisdictions the Company may carry on business from time to time. Adverse changes in such legislation may have a material adverse effect on the Company's business, results of operations and financial condition.

### **Legal Climate Considerations Risk**

The Peruvian jurisdiction, where the Company operates, may have a comparatively less developed legal system than those found in Europe and North America. This could lead to exposure to any of the following risks: lack of guidance on interpretation of the applicable rules and regulations, delays in redress or greater discretion on the part of governmental authorities. In certain jurisdictions, commitment of judicial systems, government representatives, agencies and native businessmen to abide the legal requirements and negotiated agreements may be subject to doubt, creating concern with respect to the Company's agreements for business and licences. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others, and the effectiveness and enforcement of such arrangements in these jurisdictions cannot be certain.

### **Changes in Government Policy Risk**

The Company is subject to the rules and regulations of various countries in which it does business, including Peru. Its exploration activities, development projects and any future mining operations are subject to laws and regulations governing, among other things, the acquisition and retention of title to mineral rights, mine development, health and worker safety, employment standards, fiscal matters, waste disposal, protection of the environment, protection of endangered and protected species and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or interpretation could have a material adverse impact on the Company's exploration activities, planned development projects or future mining operations. Moreover, where required, obtaining necessary permits to conduct exploration or mining operations can be a complex and time consuming process and the Company cannot be assured that all necessary permits will be obtainable on acceptable terms, in a timely manner or at all.

The Company continues to monitor developments and policies in all its jurisdictions and the impact thereof to its operations.

### **Foreign Operations and Political Risk**

The Company holds mining and exploration properties in Peru and Chile, exposing it to the socioeconomic conditions as well as the laws governing the mining industry in those countries. Inherent risks with conducting foreign operations include, but are not limited to, high rates of inflation; military repression, war or civil war, social and labour unrest, organized crime and hostage taking, which cannot be timely predicted and could have a material adverse effect on the Company's operations and profitability. The governments in those countries are currently generally supportive of the mining industry but changes in government laws and regulations including taxation, royalties, the repatriation of profits, restrictions on production, export controls, changes in taxation policies, environmental and ecological

compliance, expropriation of property and shifts in the political stability of the country could adversely affect the Company's exploration, development and production initiatives in these countries and could potentially lead to expropriation of mining rights.

### **Currency Risk**

The Company reports its financial results in US dollars and the gold and silver markets are predominantly denominated in US dollars, while costs will, for the most part, be incurred in local currencies. Accordingly, fluctuations in these exchange rates can significantly impact the results of operations. Furthermore, appreciation of the local currencies against the US dollar may have the effect of rendering the exports from Peru more expensive and less competitive, as well as having a negative impact on the financial statements of the Company. Fluctuations in the Pound Sterling or Canadian dollar with respect to financial reporting and/or local operating currencies could have an impact on the Pound Sterling or Canadian dollar denominated share price.

### **Economic Risks**

Emerging markets such as Peru are potentially subject to more volatility and greater risks than more mature markets. It should be noted that the emerging markets are frequently subject to rapid change; therefore, some of the information set out in this AIF may become out-dated. Investors should carefully consider all of the risks associated with investing in an emerging market.

### **Health, Safety and Environmental Risks**

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death and or material damage to the environment and Company assets. The impact of such accidents could affect the profitability of the operations, cause an interruption to operations, lead to a loss of licenses, affect the reputation of the Company and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of the Company as an employer. Minera IRL has rigorous procedures in place to manage health and safety protocols in order to reduce the risk of occurrence and the severity of any accident and is continually investing time and resources to enhance health and safety at all operations.

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety, and other matters. Permits from various governmental authorities are necessary in order to engage in mining operations in all jurisdictions in which the Company operates. Such permits relate to many aspects of mining operations, including maintenance of air, water and soil quality standards. In most jurisdictions, the requisite permits cannot be obtained prior to completion of an environmental impact statement and, in some cases, public consultation. Further, the Company may be required to submit for government approval a reclamation plan, to post financial assurance for the reclamation costs of the mine site, and to pay for the reclamation of the mine site upon the completion of mining activities. The Company mitigates this risk by performing certain reclamation activities concurrent with production.

Environmental liability may result from mining activities conducted by others prior to the Company's ownership of a property. To the extent the Company is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available for business activities and could have a material adverse effect on the Company. Should the Company be unable to fully fund the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which may have a material

adverse effect. The Company mitigates the likelihood and potential severity of these environmental risks it encounters in its day-to-day operations through the application of its high operating standards.

### **Local Communities**

To date, the Company has enjoyed strong relationships with the local communities located around their relevant mining assets. The Company's policy is to actively consider, sponsor (through community projects) and work with the local communities and expects to maintain these relationships. However, such relationships cannot be guaranteed, nor can the Company be certain of forming new positive relationships with local populations with which it has not yet negotiated. Such relationships are important and can affect the ability of the Company to secure, amongst other things, surface rights, access, infrastructural support and the necessary labour required to operate a mine.

### **Energy Risk**

The Company consumes energy in mining activities, primarily in the form of diesel fuel, electricity and natural gas. As many of the Company's mines are in remote locations and energy is generally a limited resource, the Company faces the risk that there may not be sufficient energy available to carry out mining activities efficiently or that certain sources of energy may not be available. The Company manages this risk by means of long-term electricity agreements with local power authorities and inventory control process on consumables including fuel. Mines have on-site generator sets to provide backup power generation to mitigate the anticipated and unanticipated interruptions from the energy providers. Furthermore, the Company's operations are continually improved to reduce input costs and maximize output.

### **Nature and Climatic Condition Risk**

The Company and the mining industry are facing continued geotechnical challenges, which could adversely impact the Company's production and profitability. No assurances can be given that unanticipated adverse geotechnical and hydrological conditions, such as landslides, droughts and pit wall failures, will not occur in the future or that such events will be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict and are often affected by risks and hazards outside of the Company's control, such as severe weather and considerable rainfall, which may lead to periodic floods, mudslides, wall instability and seismic activity, which may result in slippage of material.

Geotechnical failures could result in limited or restricted access to mine sites, suspension of operations, government investigations, increased monitoring costs, remediation costs, loss of ore and other impacts, which could cause one or more of the Company's projects to be less profitable than currently anticipated and could result in a material adverse effect on the Company's results of operations and financial position.

### **Geological Risks**

The delineation of geological conditions and the definition of mineral resources and ore reserves is a complex process requiring input from many areas of specialisation and a high degree of interpretation of results obtained from exploration programs. While the Company employs best industry practises to develop reliable estimates, there remains a risk that if and when mining commences geological conditions could vary from those projected. In such case, there is a risk that geological conditions could adversely affect ongoing operations and in extreme circumstances, result in the abandonment of a project.



## Credit Risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. For cash, cash equivalents and trade and other receivables, credit risk is represented by the carrying amount on the balance sheet. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of key counterparties.

## Competition

The Company competes with numerous other mining companies (many of which have greater financial resources, operational experience and technical capabilities than the Company) in connection with the acquisition of mineral properties as well as for the recruitment and retention of qualified employees.

## 6 DIVIDENDS

The Company does not have a dividend policy in place and has never declared or paid dividends on the Ordinary Shares. Any future dividend payment will be made at the discretion of the Company's Board of Directors and would depend on its assessment of earnings, capital requirements, the operating and financial condition of the Company and any other factor that the Company's Board of Directors deems appropriate in the circumstances.

## 7 DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorised to issue an unlimited number of Ordinary Shares, of which 231,135,028 were issued as at 30 March 2017. 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 31 March 2017, the Company also had 2,000,000 options issued for the benefit of directors, employees and consultants of the Company under the Company's Share Option Plans. Additionally, not included in the figure above are 11,556,751 options 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. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below.

Date of grant	Exercisable From	Exercisable To	Exercise price	Quantity granted	No. at 31 Mar 2017	No. at 31 December 2016
<b>Share Option Plans Issued Options</b>						
03 April 2012	03 April 2012	03 April 2017	£0.8063	3,485,000	1,100,000	1,100,000
15 November 2013	15 November 2013	15 November 2018	£0.1500	3,550,000	900,000	900,000
<b>Other Issued Options</b>						
30 June 2014 <sup>1</sup>	30 June 2014	30 June 2016	\$0.176	26,000,000	-	
<b>Total</b>					<b>2,000,000</b>	<b>2,000,000</b>

## 8 MARKET FOR SECURITIES

The Ordinary Shares of the Company are listed for trading on the Canadian Securities Exchange (“CSE”) and the Lima Stock Exchange (the Bolsa de Valores, or “BVL”) under the trading symbol “MIRL”.

Until September 2015, the Company’s ordinary shares were listed for trading on the Alternative Investment Market (“AIM”) of the London Stock Exchange and the Toronto Stock Exchange (the “TSX”) under the trading symbol “IRL”. When the Company failed to timely file its financial statements for the three and six month periods ended 30 June 2015, trading in the Company’s shares was suspended on AIM, BVL and TSX. In October 2015, both the Ontario Securities Commission and the British Columbia Securities Commission issued orders cease trading the Company’s securities and the Company applied for a voluntary delisting of its shares on TSX. In March, 2016, the Company’s ordinary shares were delisted from AIM. The cease trade orders of both the British Columbia Securities Commission and the Ontario Securities Commission were revoked on 19 January 2017, after the Company cured its filing deficiencies, and the suspension of the BVL listing was lifted on 4 January 2017. The Company’s ordinary shares were approved for listing on the CSE on 2 February 2017.

### Trading Price and Volume

The Company’s shares did not trade in any stock exchange during the year 2016. The Company did not issue ordinary shares or options during the financial year ended 31 December 2016.

## 9 ESCROWED SECURITIES

As at 31 March 2017, there are no securities of the Company subject to escrow.

## 10 DIRECTORS AND OFFICERS

The Company’s Articles of Association state that at every annual general meeting, one-third of the directors shall retire from office or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but if any director has at the start of the annual general meeting been in office for more than three years since their appointment or reappointment, they shall retire; and if there is only one director who is subject to retirement by rotation, he shall retire. However, as per the rules, regulations and policies of the TSX, directors are required to be elected annually.

The names and municipalities of residence, present positions with the Company and principal occupations during the past five years of the directors and executive officers of the Company as at 31 March 2017 are present in the below table.

Name and Residence	Note	Principal Occupation During the Last Five Years	Director Since & Last Appointed or Reappointed
<b>Non-Executive Directors</b>			
Gerardo Perez	(2)	Partner Barrios & Fuentes, Abogados	23 May 2016 & 30 November 2016

<b>Name and Residence</b>	<b>Note</b>	<b>Principal Occupation During the Last Five Years</b>	<b>Director Since &amp; Last Appointed or Reappointed</b>
Diego Benavides	(2)	President of the Company's Peruvian subsidiaries	30 November 2016 & 30 November 2016
Michael Iannacone	(2)	Chief Financial Officer Adventus Realty Services Inc.	30 November 2016 & 30 November 2016

(2) Member of the Audit Committee.

## **Directors' Information**

### **Mr. Gerardo Perez**

#### **Non-Executive Chairman**

Mr. Perez is a lawyer and a partner in the firm of Barrios Fuentes in Lima, Peru. His areas of expertise include Administrative Law, Regulation, Infrastructure and Concessions. Previously he was General Manager of the National Port Authority of Peru for six years where he was responsible for the planning, organization, direction, control and management of the institution in charge of the Peruvian Port System.

### **Dr. Diego Benavides**

#### **Executive director and Chief Executive Officer**

Dr. Benavides is one of the founders of Minera IRL, and has been with the Company since its incorporation 15 years ago. He is a lawyer by training with a Master's degree in corporate leadership and business administration and with extensive experience in the Latin American mining industry and community relations. Prior to this appointment Mr. Benavides held positions of Director and General Manager while incorporating several mining subsidiaries into Peru during the 1990's.

### **Michael Iannacone**

#### **Non-executive director**

Mr. Michael Iannacone has been the Chief Financial Officer of Adventus Realty Services Inc., a significant and well capitalized Canadian Real Estate Investment Trust, since March 2013. Prior to that he was CFO of various companies listed on the Toronto Stock Exchange, TSX Venture Exchange and the AIM market of the London Stock Exchange. Mr Iannacone has extensive experience advising companies in the industrial and resource sectors. Michael Iannacone is a former Director of the largest marine bunkering company in the Vancouver Harbour and is also currently a Director of a TSX Venture Exchange listed company.

## **Corporate Governance**

Minera IRL has well defined policies that govern the Company. Strict environmental guidelines are followed at all projects and the Corihuarmi Gold Mine has been constructed under stringent environmental controls to an international standard. The Company has a very strong community relations team and a track record of working closely with the local people in all project areas. In addition to local employment and training, programs cover other areas of social importance including health, education and Company sponsored projects are aimed at sustainable development.

The Board of Directors maintains an audit committee that further assists in the governance of the Company. At 31 March 2017 the audit committee was the only committee of the Board of Directors.

## **Audit Committee**

The Audit Committee is appointed by the Board of Directors of the Company to oversee the accounting and financial reporting process of the Company, management's reporting on internal controls, the system of internal accounting and financial controls and the audit procedures and audit plans. The Audit Committee also reviews and recommends to the Board of Directors for approval of the financial statements, the reports and certain other documents required by regulatory authorities.

## **Audit Committee Charter**

The Company's Audit Committee Charter (the "**Charter**") is attached as Appendix 1 hereto.

## **Composition of the Audit Committee**

As at the date hereof, the Audit Committee is composed of Messrs. Perez, Benavides and Iannacone all of whom are "financially literate" and, with the exception of Dr. Benavides, are "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110").

## **Relevant Education and Experience**

Mr. Perez has a Master's degree in finance and corporate law from Universidad ESAN in Lima, Peru. His education and prior position as General Manager of the National Port Authority provided him with experience in understanding, analysis and the evaluation of financial statements. In his current position as partner of a local law firm part of his practice is in regulatory and in Public Private Partnerships which requires regular reviews of financial statements.

Mr. Benavides is a lawyer with a Master's degree in corporate leadership and business administration. His education and prior position as Director and General Manager of several mining subsidiaries has provided him with experience in understanding, analysis and the evaluation of financial statements.

Mr. Iannacone has been a Chartered Accountant since 1980. He has served as CFO or finance director for various companies listed on the Toronto Stock Exchange, TSX Venture Exchange and AIM-London Stock Exchange over the years.

## **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on an exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), Section 3.2 of NI 52-110 (*Initial Public Offerings*), Section 3.4 of NI 52-110 (*Events Outside Control of Member*), Section 3.3(2) of NI 52-110 (*Controlled Companies*), Section 3.6 of NI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*), Section 3.8 (*Acquisition of Financial Literacy*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 thereof.

On 30 November 2016, Derrick Weyrauch, Julian Bavin and Robert Schafer withdrew their consent to nomination to the Board of Directors of the Company in the election held later that same day. A fourth director, Mr. Francis O'Kelly, was not elected at the meeting. Only one director was elected at that annual general meeting – Mr. Gerardo Perez. Mr. Perez is an "independent" director within the meaning of NI 52-110. The following week, Mr. Perez appointed Dr. Benavides and Mr. Iannacone to the Board

of Directors, for a total of three directors, but only Mr. Perez and Mr. Iannacone are “independent” within the meaning of that term in NI 52-110. Dr. Benavides, who is also the Company’s Chief Executive Officer, is not independent. The Company is therefore relying on the exemption to the audit committee composition contained in Section 3.5 of NI 52-110 (*Death, Disability or Resignation of Audit Committee Member*), due to the retirement of the four directors that were not elected or re-elected on 30 November 2016.

### **Audit Committee Oversight**

At no time since the commencement of Minera IRL’s most recently completed financial year has the Audit Committee made a recommendation to nominate or compensate an external auditor not adopted by the Board.

### **Pre-Approval Policies and Procedures**

The Audit Committee is authorized by the Board to review the performance of the Company’s external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems to be necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the committee’s consideration, and if thought fit, approval in writing.

### **External Auditor Service Fees**

The following table summarizes the aggregate fees billed by the Company’s external auditors (on a consolidated basis) during the two most recent completed financial years:

<b>Type of Work</b>	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>
Audit Fees	\$80,000	\$96,000

## **11 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS**

On 16 October 2016, the British Columbia Securities Commission (the “BCSC”) entered an order (the “BC CTO”) cease-trading the securities of the Company. On 28 October 2015, the Ontario Securities Commission (the “OSC”) entered an order (the “O CTO”) cease-trading the securities of the Company. The BC CTO and the O CTO were issued in response to the Company’s failure to file its interim financial statements for the six-month period ended June 30, 2015 and management’s discussion and analysis relating to such interim statements by the prescribed deadline.

The Company filed its interim financial statements for the six-month period ended 30 June, 2015 and management’s discussion and analysis relating to such interim statements, on 28 March 2016. The BCSC and the OSC revoked the BC CTO and the O CTO, respectively, on 17 January 2017.

When the BC CTO and the O CTO were entered, the Company's Board of Directors was comprised of Robin Fryer, Douglas Jones and Jaime Pinto. Eric Olson was the Company's Chief Operating Officer. Brad Boland, who had been the Company's Chief Financial Officer, had resigned on 1 October 2015 and the Company had dismissed Dr. Benavides from the position of Interim CEO on 24 August 2015, though he had continued in his role as General Manager of the Company's two Peruvian operating subsidiaries. None of the current directors or executive officers was a director or executive officer of the Company when the BC CTO and the O CTO were entered by the BCSC and OSC, respectively.

None of the Company's directors or executive officers, or shareholders holding a sufficient number of Minera IRL securities to materially affect control of the Company:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Minera IRL) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or the shareholder; or
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **12 LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

During the second half of 2015 the Company initiated legal action in Peru against Dr. Benavides, who was then the General Manager of the Company's Peruvian subsidiaries. During that same period, Dr. Benavides and others had initiated legal action against certain directors and officers of the Company. As announced on 5 February 2016 the Company and the General Manager reached a settlement agreement and all criminal complaints and lawsuits have since been dismissed.

The Company is not currently involved in any other legal proceedings nor was it involved in any other legal proceedings in the financial year ended 31 December 2015 and nor, to the knowledge of management, are there any legal proceedings currently contemplated which may materially affect the business and affairs of the Company.

During the financial year ended 31 December 2016, there were no penalties or sanctions imposed against the Company by, and no settlement agreements were entered into with, a court relating to securities legislation or a securities regulatory authority, nor were any penalties or sanctions imposed against the

Company by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **13 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed in this AIF, during the Company's current financial year and its three most recently completed financial years, no director, executive officer or person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the Ordinary Shares of the Company or any associate or affiliate of such persons or companies had any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the Company or its subsidiaries.

## **14 TRANSFER AGENTS AND REGISTRARS**

### **Principal Registrar**

Computershare Investor Services (Jersey) Limited  
c/o Computershare Investor Services plc  
The Pavilions  
Bridgewater Road  
Bristol  
United Kingdom BS13 8AE

### **Canada - Branch Registrar and Transfer Agent**

Computershare Investor Services Inc.  
University Avenue  
Toronto, Ontario M5J 2Y1  
Canada

### **Peru - Transfer Agent**

Registro Central de Valores y Liquidaciones (CAVALI)  
Avenida Santo Toribio 143, oficina 501,  
San Isidro, Lima 27  
Perú

## **15 MATERIAL CONTRACTS**

The Company has the following material contracts that were entered into by the Company within the most recently completed financial year or were entered into since 27 August 2003 (date of incorporation) and are still in effect:

### **Bridge Loan Finance Facility Agreement with COFIDE**

Pursuant to the Credit Agreement dated 3 June 2015 between Corporación Financiera de Desarrollo S.A. ("COFIDE"), and Minera IRL S.A., COFIDE provided the Company with a \$70,000,000 secured loan facility (the "Bridge Loan"). The Bridge Loan was syndicated through Goldman Sachs Bank USA. The

Bridge Loan was expected to be the first component of a senior debt facility of up to \$240 million (Senior Debt Facility”) for the development of the Company’s Ollachea Gold Project.

Proceeds of the Bridge Loan were used to retire the existing debt, including the \$30 million Macquarie Bank Feasibility Finance Facility and the final payment due to Rio Tinto under the Mineral Rights Assignment, and to funding further exploration and development of the Ollachea Gold Project and general working capital requirements.

The term of the Bridge Loan is 24 months, at an interest rate of LIBOR plus 6.17%. The Bridge Loan terms included financing fees of 2.25% paid to COFIDE along with an upfront fee of \$300,000 to Goldman Sachs Bank USA.

Upon the closing of the COFIDE Bridge Loan in June 2015 all security held by Rio Tinto and Macquarie Bank in regards to debt and payables outstanding was released. The Bridge Loan is secured by a mining mortgage, guarantees from the Company’s subsidiary Minera IRL S.A., and a pledge of the shares of the Company’s subsidiary Compañía Minera Kuri Kullu S.A., which holds the Ollachea Gold Project.

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

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

### **Inversiones y Asesoría SHERPA S.C.R.L. Advisory Agreement**

In April 2014, subsequently amended, the Company entered into an advisory agreement with Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”) to help secure financing for the Ollachea Gold Project. On the closing of the COFIDE Bridge Loan, certain fees were payable to Sherpa, including a 3% fee paid in cash; a 0.9% net smelter return royalty on the Ollachea Gold Project; and the issuance of 11.6 million 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 365 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).

The advisory agreement was terminated in January 2017.

### **Feasibility Finance Facility Agreement**

Pursuant to the feasibility finance facility agreement dated 7 July 2010 between Macquarie Bank Limited (“Macquarie”), Minera IRL, Minera IRL S.A., Compania Minera Kuri Kulla SA and Hidefield Argentina SA, Macquarie provided Minera IRL with a \$20,000,000 facility comprising two tranches of \$10 million (the “Facility”).



The purpose of the Facility was to refinance the existing outstanding facility of \$2.5 million with Macquarie, to assist with funding the working capital requirements in relation to the exploration and development of the Ollachea and Don Nicolás Projects and general working capital requirements. In consideration of providing the Facility, Macquarie was granted options whose aggregate exercise price into Ordinary Shares in the Company was equivalent to the amount of the Facility drawn down. The price of the options was set prior to each drawdown based on a set pricing mechanism. As such, Minera IRL granted Macquarie 9,259,259 options exercisable at \$1.08 per share on or before 31 December 2014, 4,672,897 options exercisable at \$1.07 per share on or before 31 December 2014 and 4,854,369 options exercisable at \$1.03 per share on or before 31 December 2014. Minera IRL provided security arrangements typical for such a facility.

In August 2013, the Macquarie Finance Facility was amended to increase the amount available by \$10,000,000, in two separate \$5,000,000 tranches, increasing the total amount available under the Facility to \$30,000,000. As a condition of drawing down on each additional \$5,000,000 tranche, a 0.5% gross revenue royalty on gold production from the Group's Ollachea Gold Project for the life of the mine was granted to Macquarie Bank. Once granted, the Group would have the right to buyback and cancel each tranche of the Macquarie Royalty by paying a buyback fee (the "Buyback Fee"). The 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.

In November 2013, the Group drew down the first \$5,000,000 tranche and on 31 March 2014, the Company drew down the second \$5,000,000 tranche. The corresponding 0.5% gross revenue royalties were registered against the Ollachea property in favour of Macquarie Bank at each draw down.

In June 2015, the Macquarie Finance Facility was repaid from proceeds from the COFIDE Bridge Loan. However, the Macquarie Royalties along with the Group's option to buy the royalties back remain in place.

### **Ollachea Surface Agreement**

MKK entered into a surface contract dated 25 November 2007 with Comunidad Campesina de Ollachea (the "Community of Ollachea"). In June 2012, MKK entered into an extension to the surface contract for a period of 30 years. As a condition to this contract, it was agreed that Community of Ollachea would earn a 5% equity interest in MKK upon the commencement of commercial gold production from the proposed Ollachea Gold Mine. See "Projects – Ollachea" and "General Development of the Business".

## **Supply of Power to the Ollachea Gold Project**

The Company 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 Company entered into an amended power contract deferring the requirement to make minimum power usage payments for twelve months, until June 2016. As compensation for deferring the minimum power usage requirements for twelve months, the Company agreed to pay fixed monthly compensation for a period of nine and a half years starting six months after Ollachea commences production. The monthly compensation amount will vary depending on the start date of the construction of Ollachea, but could be as high as \$11,000 per month for total payments of \$1,254,000 over the nine and a half year period. Minimum power usage beginning in June 2017 would amount to approximately \$16,000 per month for the first three months, increasing to \$78,000 per month thereafter. If the Company chooses to terminate the power supply agreement prior to the commencement of production there would be a penalty of approximately \$1,570,000. In December 2015 the contract was extended until June 2017.

## **Corihuarmi Surface Rights Agreements**

Minera IRL S.A. entered into a surface land concession agreement with Comunidad Campesina de Atcas regarding the Corihuarmi Project. See “Projects – Corihuarmi”.

Minera IRL S.A. entered into a surface land usufruct agreement with Comunidad Campesina de Huantan regarding the Corihuarmi Project. See “Projects – Corihuarmi”.

## **Corihuarmi Assignment Agreement**

On 21 October 2002, Minera IRL S.A. and Minera Andina de Exploraciones SAA entered into an assignment agreement regarding the Corihuarmi Project. See “Projects – Corihuarmi” and “General Development of the Business”.

## **16 INTERESTS OF EXPERTS**

The following persons or companies have been named as having prepared or certified a report described or included in a filing, or referred to in a filing made under National Instrument 51-102 – Continuous Disclosure Obligations during or relating to the most recently completed financial year and for the period subsequent to the end of the most recently completed financial year to the date of this AIF.

Beau Nicholls, BSc (Geo), MAIG, Geology Manager - Brazil; Doug Corley, BAppSc (Geo), BSc(Hons),MAIG, Associate Resource Geologist; Jean-Francois St Onge eng., B.Sc.A. (Mining), MAusIMM, Mining Engineer; Barry Cloutt, BAppSc (Eng Met), MAusIMM, Chief Metallurgist; and Alex Virisheff BSc (Hons) (Geo), MAusIMM, MGSA, Principal Consultant – Resources; of Coffey Mining Pty Ltd are the authors of the Corihuarmi Report dated 6 April 2010. To the Company’s knowledge, each of the aforementioned firms or persons does not have an interest, direct or indirect, in any securities or other property of the Company or of one of its associates or affiliates (an “Interest”).

Callum Grant, P.Eng., Hassan Ghaffari, P.Eng., André DeRuijter, Pr. Eng (RSA), P.Eng., and Steven Osterberg, P.Geo. (USA), of Wardrop (a Tetra Tech Company); Doug Corley, MAIG R.P. Geo. of Coffey

Mining Pty Ltd (Australia); Carlos Guzmán, Registered Member Chilean Mining Commission (Chile), of NCL Ingeniería y Construcción Ltda; Alistair Cadden, C.Eng. (UK), of Golder Associates Argentina SA; and Tony Sanford, Pr. Sci. Nat. (South Africa), of Ausenco Vector are the authors of the Don Nicolás Report dated 14 February 2012. To the Company's knowledge, each of the aforementioned firms or persons does not have an Interest.

Doug Corley, MAIG, John Hearne, FAusIMM, and Vadim Louchnikov, FAusIMM of Coffey Mining Pty Ltd; Tim Miller, MAusIMM; and Donald McIver, FAusIMM, of Minera IRL Limited; Brett Byler, P.E., and Jim McCord, P.Geo. of AMEC (Peru) SA; and Marius Phillips, MAusIMM (CP) and Gragame Binks P.E., of AMEC Australia Pty Ltd are authors of the Ollachea DFS Report dated 19 December 2012. Don McIver of Minera IRL Limited and Tim Miller each have an interest in securities of the Company of less than 1% of the ordinary shares on issue. To the Company's knowledge, each of the remaining aforementioned firms or persons does not have an Interest.

PKF Littlejohn LLP is the auditor who prepared the auditor's report for the Company's annual financial statements for the financial years ended 31 December 2015 and 2016.

## **17 AUDITORS**

BDO LLP of 55 Baker Place, London, United Kingdom W1U 7EU; have been the auditors for the Company from 30 October 2006 until 15 March 2016. PKF Littlejohn LLP of 1 Westferry Circus, London E14 4HD were appointed as auditors on 18 March 2016 and reappointed by the shareholders at the Company's Annual General Meeting held on 30 November 2016.

## **18 ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Additional information, including with respect to directors' and officers' remuneration, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in the Company's most recent management information circular, available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Additional information is provided in the Company's financial statements and management's discussion and analysis thereon for its most recently completed financial year.

### **Information Regarding Jersey Law**

The Company's registered office address is Ordnance House, 31 Pier Road, St Helier, Jersey and its public company registration number is 94923.

1. If you are in any doubt as to the content of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.
2. A copy of this document has been delivered to the registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and has not withdrawn, consent to its circulation.
3. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Ordinary Shares.

The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947 from any liability arising from the discharge of its functions under that law.

4. It must be distinctly understood that, in giving these consents, neither the registrar of companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the company or for the correctness of any statements made, or opinions expressed, with regard to it.
5. Minera IRL has taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. Minera IRL accepts responsibility accordingly.

It should be remembered that the price of Ordinary Shares and the income from them can go down as well as up.

## **APPENDIX 1 – AUDIT COMMITTEE CHARTER**

### **Overview and Purpose**

The Audit Committee (the “Committee”) is responsible to the Board of Directors (the “Board”). The Committee approves, monitors, evaluates, advises or makes recommendations to the Board, in accordance with these terms of reference, on matters affecting the external audit and the financial reporting and accounting control policies and practices of the Company.

The purpose of the Committee is to assist the Board in its oversight of:

1. the integrity of the Company’s financial statements and related information;
2. the Company’s compliance with applicable legal and regulatory requirements;
3. the independence, qualifications and appointment of the shareholders’ auditor;
4. the performance of the Company’s shareholders’ auditor; and
5. management responsibility for reporting on internal controls and risk management.

### **Membership and Attendance at Meetings**

1. The members of the Committee shall consist of the Chief Executive Officer plus a minimum of two independent and financially literate (as defined by securities legislation) Directors, appointed by the Board.
2. The Chair of the Committee shall be designated by the Board.
3. Attendance by invitation at all or a portion of Committee meetings is determined by the Committee Chair or its members and would normally include the Chief Financial Officer of the Company, the auditor, and such other corporate officers, advisors, or support staff as may be deemed appropriate.

### **Duties and Responsibilities of the Audit Committee**

1. Financial Accountability
  - a. To review, and recommend to the Board for approval, the annual audited financial statements.
  - b. To review, and recommend to the Board for approval, the following public disclosure documents:
    - i. the financial content of the annual report;
    - ii. the annual Management information circular and proxy materials;
    - iii. the annual information form; and
    - iv. Management discussion and analysis section of the annual report.
  - c. To review, and recommend to the Board for approval, all financial statements, reports of a financial nature, and the financial content of prospectuses or any other reports which require

- approval by the Board prior to submission thereof to the shareholders, any regulatory authority, or the public.
- d. To review any report of Management which accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves.
  - e. To review and assess, in conjunction with Management and the external auditor:
    - i. the appropriateness of accounting policies and financial reporting practices used by the Company;
    - ii. any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company;
    - iii. any new or pending developments in accounting and reporting standards that may affect or impact on the Company;
    - iv. identification of the Company's principal financial risks and uncertainties and the systems to manage such risks and uncertainties;
    - v. the integrity (including without limitation, the effectiveness) of the Company's disclosure controls and procedures, internal control and Management information systems; and
    - vi. the key estimates and judgments of Management that may be material to the financial reporting of the Company.
  - f. To assess periodically and be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.
  - g. To assess the performance and consider the annual appointment of external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
  - h. To recommend to the Board the compensation of external auditors.
  - i. To review the terms of the annual external audit engagement including, but not limited to, the following:
    - i. staffing;
    - ii. objectives and scope of the external audit work;
    - iii. materiality limits;
    - iv. audit reports required;
    - v. areas of audit risk;
    - vi. timetable; and
    - vii. the proposed fees.
  - j. To review with the external auditors the results of the annual audit examination including, but not limited to the following:

- i. any difficulties encountered, or restrictions imposed by Management, during the annual audit;
  - ii. any significant accounting or financial reporting issues;
  - iii. the auditor's evaluation of the Company's system of internal accounting controls, procedures and documentation;
  - iv. the post-audit or Management letter containing any findings or recommendations of the external auditor including Management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses; and
  - v. any other matters which the external auditors should bring to the attention of the Committee.
- k. To obtain reasonable assurance, by discussions with and reports from Management and the external auditors, that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented.
- l. When there is to be a change in auditor, review all issues related to the change, including the information to be included in the notice of change of auditor called for under applicable securities regulations and the rules of applicable exchanges, and the planned steps for an orderly transition.
- m. To review any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.
- n. To review the internal control and approval policies and practices concerning the expenses of the officers of the Company, including the use of the Company's assets.
- o. To review any claims of indemnification pursuant to the Bylaws of the Company.
- p. To review, and recommend to the Board for approval, the Management report to be included in the annual report to shareholders.
- q. To request such information and explanations in regard to the accounts of the Company as the Committee may consider necessary and appropriate to carry out its duties and responsibilities.
- r. To request that the Chief Executive Officer and Chief Financial Officer or persons who perform functions similar to them, report on issues which are the subject of any Certificates to be signed and filed in accordance with applicable securities regulations by the Chief Executive Officer and Chief Financial Officer or persons who perform functions similar to them; and to review such report.
- s. To establish procedures for:
  - i. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
  - ii. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
  - iii. the confidential, anonymous submission by employees of the Company of concerns regarding questionable practices or complaints raised through the whistle blower policy.

- t. To review and approve the Company's hiring policies regarding employees and former employees of the present and former external auditors of the Company.
2. Oversight of the Company's Risk Management

To ensure that Management discharges its responsibility to identify and mitigate financial risks faced by the Company. To review, monitor, report and, where appropriate, provide recommendations to the Board on the following:

    - a) the Company's processes for identifying, assessing and managing risk; and
    - b) the Company's major financial risk exposures and the steps the Company has taken to monitor and control such exposures.

### **General Responsibilities**

1. To consider any other matters which, in the opinion of the Committee or at the request of the Board, would assist the Directors to meet their responsibilities.
2. To review annually the terms of reference for the Committee and to recommend any required changes to the Board.
3. To provide reports and minutes of meetings to the Board.

### **Meetings**

4. Regular meetings of the Committee are held at least two times each year.
5. Meetings may be called by the Committee chair or by a majority of the Committee members, and usually in consultation with Management.
6. Meetings are chaired by the Committee Chair or, in the Chair's absence, by an independent member chosen by the Committee from among themselves.
7. A quorum for the transaction of business at any meeting of the Committee is a majority of members.
8. Meetings may be conducted with members present, or by telephone or other communications facilities which permit all persons participating in the meeting to hear or communicate with each other.
9. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee is as valid as one passed at a Committee meeting.

### **Authority of the Committee**

10. The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties;
11. to set and pay the compensation for any advisors employed by the committee; and,
12. to communicate directly with the internal (if any) and external auditors.