Management’s Discussion and Analysis
For the Year Ended 31 December 2013

*The following Management’s Discussion and Analysis (“MD&A”), prepared as of 31 March 2014, should be read together with the audited consolidated financial statements (the “Financial Statements”) and related notes thereto of Minera IRL Limited (**“Minera IRL”**, the **“Group”** or the “**Company**”) for the fiscal year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). Additional information about Minera IRL, including the Company’s most recently filed Annual Information Form and the risks and uncertainties discussed therein, may be found at the Company’s website at www.minera-irl.com and within the Company’s SEDAR profile at www.sedar.com. All figures are in United States (“US”) dollars unless otherwise noted. References to “C$” are to Canadian dollars and to “£” are to British pound sterling.*

Background and Business of the Company

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

In Peru, the Company operates the Corihuarmi Gold Mine. The Company’s flagship project is the Ollachea Gold Project and has completed a definitive feasibility study (“DFS”) and received the Environmental and Social Impact Assessment (“ESIA”) for the project from the Peruvian authorities. The Company is currently working towards obtaining a construction permit and arranging project financing for the Ollachea Gold Project. The Company also has a number of other gold exploration prospects in Peru.

In Argentina, the Company has a 51% equity stake in Minera IRL Patagonia S.A. (“Minera IRL Patagonia”). Minera IRL Patagonia has completed a DFS, received approval of its Environmental Impact Assessment (“EIA”), arranged project financing and has been granted a development permit for its Don Nicolás Gold Project in Patagonia. Construction of the Don Nicolás Gold Project commenced in the first quarter of 2014 with the first gold pour expected in the first quarter of 2015. In addition, the Company, through its interest in Minera IRL Patagonia, continues to prospect a large land package under exploration licences.

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine, Peru

The Company's 100% owned Corihuarmi Gold Mine ("Corihuarmi") is located approximately 160 kilometres ("km") southeast of Lima, Peru, in the Central Andes at an altitude of almost 5,000 metres ("m"). The Company acquired the Corihuarmi leases in 2002, and it was brought into production in March 2008. There is no hedging in place and all the gold is sold at spot prices.

Below is a summary of the key operating statistics for Corihuarmi for the three and twelve months ended 31 December 2013 and 2012:

Operating Parameters	Three Month Period Ended 31 December		Year Ended 31 December	
	2013	2012	2013	2012
Waste (tonnes)	76,034	110,483	286,588	513,486
Ore mined & stacked on heaps (tonnes)	633,495	483,374	2,375,630	2,064,382
Ore grade, mined and stacked (g/t)	0.39	0.41	0.45	0.50
Gold produced (ounces)	6,446	6,225	25,223	27,321
Gold sold (ounces)	6,184	6,538	25,220	27,462
Realized gold price ($ per ounce)	1,266	1,720	1,412	1,673
Site operating cash costs ($ per ounce)[1]	684	678	677	581
Total cash costs ($ per ounce)[1]	951	965	904	810

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

<u>Three months ended 31 December 2013</u>

Gold production during the fourth quarter of 2013 was 6,446 ounces, compared to 6,225 ounces produced in the same period of the prior year, an increase of 4%. Gold production increased despite a lower average grade largely due to more tonnes stacked on the heaps relative to the comparable period in 2012.

Site operating cash costs were $684 per ounce of gold produced, compared to $678 per ounce of gold produced in the same period of the prior year, an increase of 1%. The increase in per ounce costs is primarily due to more tonnes stacked on the heaps at a lower grade.

<u>Year ended 31 December 2013</u>

As forecasted, gold production during the year ended 31 December 2013 decreased to 25,223 ounces, versus the 27,321 ounces produced in 2012, a drop of 8%. The decrease in production was due to the average grade of ore mined and stacked on the heaps, which was 10% lower in 2013 when compared with 2012 and increased gold remaining on the heaps at the end of 2013, compared with 2012, despite an increase in tonnes mined and stacked.

Site operating cash costs of $677 per ounce of gold produced were 17% higher in 2013, compared to site operating cash costs of $581 per ounce of gold produced in 2012. The increase in unit costs is primarily due to reduced production largely due to lower grade and increased mining and processing costs due to general inflationary pressures.

Ollachea Project, Peru - Development

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

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

In November 2012, the Company published a National Instrument 43-101 compliant technical report summarizing the results of a Definitive Feasibility Study ("Ollachea DFS") for a robust underground mining operation on the Minapampa Zone on the Ollachea Project that was prepared by AMEC, a leading global mining consultancy firm. The Ollachea DFS was based upon an Indicated Resource of 10.6 million tonnes grading 4.0g/t gold containing approximately 1.4 million ounces. This mine design and production scheduling has resulted in a Probable Mineral Reserve of 9.3 million tonnes grading 3.4g/t gold containing approximately 1.0 million ounces.

The Ollachea DFS has scheduled production of more than 920,000 ounces over an initial nine-year mine life at an average site cash operating cost of $499 per ounce of gold produced. The capital cost projected in the Ollachea DFS to construct the mine is $177.5 million. The after-tax net present value, using a base case gold price of $1,300 per ounce and a 7% discount rate, is $155 million, with an after-tax internal rate of return of 22%. The payback period is projected to be less than four years.

A summary of key performance and economic indicators from the Ollachea DFS on a 100% equity basis are presented in the table below:

Parameters	Units	Key performance Indicator	
Mine life	Years	9	
Tonnes	Mt	9.3	
Grade	g/t Au	3.40	
Contained ounces	Moz	1.01	
Metallurgical extraction	%	91.0	
Ounces produced	Moz	0.92	
Pre-production capital cost	$M	177.5	
Life-of-Mine cash operating cost	$/t	49.2	
Life-of-Mine cash operating cost	$/oz	499	
		Base Case Gold Price	**Upside Gold Price**
Gold price assumption	$/oz	1,300	1,600
Pre-tax			
Project cash flow	$M	489	749
NPV at 5% real	$M	309	497

Parameters	Units	Key performance Indicator	
NPV at 7% real	$M	256	422
NPV at 10% real	$M	192	331
IRR (real)	%	29.2	40.2
Payback	Years	3.2	2.5
Post-tax			
Project cash flow	$M	325	486
NPV at 5% real	$M	194	310
NPV at 7% real	$M	155	258
NPV at 10% real	$M	108	194
IRR (real)	%	22.1	30.2
Payback	Years	3.7	3.0

Note:
1. $M represents millions of US dollars.
2. NPVs based on mid-period discounting.
3. NPVs as at commencement of construction.
4. Pre-tax is before Special Mining Tax, Workers' Participation of 8% and Income Tax of 30%.
5. Payback starts from commencement of production.
6. 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 Second Additional Payment of $21.5 million due to Rio Tinto in accordance with Mining Claim Transfer Agreement dated 23 February 2007 and as amended.

Since Minera IRL commenced drilling in 2008, it has completed approximately 82,275m of drilling in 211 holes over a strike length of approximately 2km, resulting in the delineation of significant gold mineral resources at Ollachea, which are summarized in the table below as at July 2012 and are inclusive of Mineral Reserves. All defined zones of mineralization remain open-ended both along strike and down-dip at Ollachea.

Indicated Mineral Resource applying a 2.0g/t gold cut-off

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	10.6	4.0	1.4

Inferred Mineral Resource applying a 2.0g/t gold cut-off

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	3.3	3.3	0.3
Concurayoc	10.4	2.8	0.9
Total	**13.7**	**2.9**	**1.2**

In addition to the 1.4 million ounces of Indicated Resources utilized in the Ollachea DFS for the determination of 1.0 million ounces of Probable Reserves, the Company has delineated substantial Inferred Resources at Ollachea. The potential addition of these resources to the mine plan represents an opportunity to extend the life of mine beyond what is envisaged in the Ollachea DFS and subsequently enhance the economics of the project.

In December 2012, as part of the permitting process, the Company submitted an Environmental and Social Impact Assessment ("ESIA") report on the Ollachea Project to the Peruvian Ministry of Mines and Energy ("MEM"), the government agency responsible for ESIA approval. The ESIA report 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. 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.

In May 2013, the Ollachea ESIA received final approval from the Community of Ollachea; and in September 2013, the MEM approved the ESIA. With the approval of the ESIA, the Company is now advancing its application for a Construction Permit for the Ollachea Gold Mine. The Company expects to receive the Construction Permit in the second quarter of 2014.

In parallel with the Construction Permit activities, the Company continues to advance project financing negotiations. Management expects to have a Project Loan Facility, subject to certain conditions, in place during the second quarter of 2014. These negotiations include the consolidation of the Company's existing Macquarie Bank debt facility into the new Project Loan Facility. Based upon the indicative term sheet received from Macquarie Bank, the Project Loan Facility is expected to be for a total amount of up to $120 million. After the consolidation of the existing $30 million project finance facility, this equates to up to $90 million of new funds for the construction of the mine.

The Ollachea DFS estimates an initial capital cost of $178 million. Accordingly, the Company will require additional funds beyond what is expected to be available from the Project Loan Facility. In addition, it is expected that funds from the Project Loan Facility will only be available once the remaining financing is secured. Sources of additional financing may include, but are not limited to, the sale of a production royalty, the sale of a royalty stream, subordinated debt instruments, the sale of an interest in the project or equity financing.

As a result of the updated timeline with respect to the receipt of the Construction Permit for Ollachea, and subject to obtaining sufficient financing, mine construction is scheduled to start in the second half of 2014. Accordingly, commissioning of the Ollachea Gold Mine is forecasted by the end of 2015.

During 2013, total expenditures on the Ollachea Gold Project were $14.9 million, of which $13.9 million was capitalized. Investments at Ollachea during 2013 were focussed on developing and maintaining the exploration tunnel, an underground exploration drill program, archaeological clearance activities, permitting work and community development.

Ollachea Project, Peru - Exploration

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 2km, resulting in the delineation of significant gold mineral resources and reserves at Ollachea. There is significant exploration upside at Ollachea, as all zones of known mineralization remain open-ended both along strike and down-dip.

On 29 August 2011, the Company announced that it had committed to the construction of a 1.2km exploration tunnel into the hanging wall of the Minapampa orebody at the Ollachea Gold Project. In addition to providing access for underground exploration drilling, the tunnel has been designed to later serve as a production tunnel, which is expected to facilitate rapid mine development when project permitting is complete and 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 under budget. The speed and reduced cost associated with the completion of the tunnel, as well as the practical experience gained, indicates that certain technical considerations utilized in the DFS are conservative. Specifically, the tunnel exhibits significantly better ground conditions, a much higher advance rate and minimal water infiltration, which are likely to have positive implications for the project economics outlined in the DFS.

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

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

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

Don Nicolás Project, Argentina - Development

As announced on 19 August 2013, Minera IRL entered into a financing agreement that will ultimately reduce its equity interest in Minera IRL Patagonia S.A. (“Minera IRL Patagonia”) to 51%. Minera IRL Patagonia owns the Don Nicolás Project and an extensive exploration tenement package totalling some 2,600km^2 in the Patagonia region of Argentina. The project is located within a large geological complex known as the Deseado Massif. This geological formation is host to several existing gold and silver mines plus a large number of recently discovered low sulphidation, epithermal gold deposits that are the subject of development or advanced exploration activities by a number of mining and exploration companies.

Minera IRL Patagonia’s flagship project, Don Nicolás, consists of approximately 34 km^2 of mineral rights. Project logistics are excellent, with close proximity to a major highway, and an adequate supply of ground water has been defined.

In February 2012, Minera IRL Patagonia published a National Instrument 43-101 compliant technical report summarizing the results of a Definitive Feasibility Study for the Don Nicolás Project that was prepared by Tetra Tech and Coffey International, two leading international mining consultancies (“Don Nicolás DFS”). The results of the study demonstrated an economically robust project based on the open pit mining of open-ended high-grade epithermal gold deposits in the La Paloma and Martinetas vein fields. The mine design and production scheduling in the DFS has resulted in Proven and Probable Mineral Reserve of 1.2 million tonnes grading 5.1g/t gold containing approximately 197,000 ounces.

During the initial 3.6-year mine life, gross average annual gold and silver production is estimated at approximately 52,400 ounces (26,700 ounces net) and 56,000 ounces (28,600 ounces net), respectively, and average cash operating costs are estimated at $528 per ounce, after silver metal credits. The after-tax internal rate of return using base case gold and silver prices of $1,250 and $25 per ounce, respectively, is approximately 23%. The payback period in the base case is projected to be less than two years.

A summary of key performance and economic indicators from the Don Nicolás DFS on a 100% equity basis are presented in the table below:

Parameter	**Units**	**Key Performance Indicator**			
Mine life	Years	3.6			
Tonnes	Mt	1.2			
Grade – gold	g/t	5.1			
Grade - silver	g/t	10			
Gold metallurgical extraction	%	92.1%			
Silver metallurgical extraction	%	47.4%			
Gold produced	koz	181.0			
Silver produced	koz	190.2			
Pre-production capital cost	$M	55.5			
Sustaining capital cost	$M	7.3			
Life-of-Mine site cash operating cost	$/t	82.5			
Life-of-Mine total cash operating cost (after silver credit) excluding royalties	$/oz	528			
Gold price	$/oz	**Base Case $1,250**		**Upside $1,500**	
		Pre Tax	**Post Tax**	**Pre Tax**	**Post Tax**
Project cash flow	$M	58.7	36.1	101.6	62.2
NPV at 5% real	$M	44.7	25.1	82.2	48.0
NPV at 7% real	$M	39.9	21.6	75.6	43.7
NPV at 8% real	$M	37.6	19.8	72.4	41.4
IRR (real)	%	34.6%	22.8%	56.3%	38.1%
Payback period	Years	1.8	2.0	1.5	1.7

Note:
1. $ represents US dollars
2. Costs are in fourth 4Q 2011$
3. Silver price of $25/oz assumed
4. NPV as at commencement of construction
5. Initial Capital Cost excludes IGV (general sales tax), which is recovered once in production
6. Pre-tax is before other taxes (5% export duty and 0.6% debit & 0.6% credit tax) and Corporate Income Tax of 35%
7. After-tax includes tax deductions for prior expenditures and a deduction for allowable prior tax losses

In addition to the Measured and Indicated Resources utilized in the Don Nicolás DFS for the determination of Proven and Probable Reserves, the Company has delineated additional Measured, Indicated, and Inferred Resources at Don Nicolás. The potential addition of these resources to the mine plan, which are all estimated to be within a practicable trucking distance to the proposed Don Nicolás central ore processing facilities, represents an opportunity to extend the life of mine beyond what is envisaged in the Don Nicolás DFS and subsequently enhance the economics of the project. Mineral Resources for the Don Nicolás Project as at November 2012 are summarized in the table below:

			Measured + Indicated Resource					Inferred Resource				
District	**Deposit**	**Lower Au Cutoff (g/t)**	**Tonnes (kT)**	**Au (g/t)**	**Au (kOz)**	**Ag (g/t)**	**Ag (kOz)**	**Tonnes (kT)**	**Au (g/t)**	**Au (kOz)**	**Ag (g/t)**	**Ag (kOz)**
La Paloma	Sulfuro[1]	0.3	1,192.3	4.5	171.9	16.1	617.3	535.0	1.2	20.6	5.4	92.5
		1.6	498.4	9.2	147.2	28.1	450.2	47.3	7.0	10.7	18.7	28.4
	Ramal Sulfuro[3]	0.3						134.8	1.9	8.3		
		1.6						58.5	2.7	5.1		
	Rocio[3]	0.3						89.2	4.1	11.9		
		1.6						89.2	4.1	11.9		
	Arco Iris[1]	0.3	36.8	1.7	2.1	2.2	2.6	262.4	2.3	19.4	2.1	17.5
		1.6	18.0	2.4	1.4	2.8	1.6	164.0	3.0	15.7	2.5	13.2
Martinetas	Cerro Oro, Coyote, Lucia[2]	0.3	7,002.0	1.2	270.6	3.6	812.9	2,416.8	1.1	83.4	3.8	293.1
		1.6	1,090.8	3.7	131.0	5.8	201.4	308.7	3.6	35.7	6.3	62.6
	Armadillo[1]	0.3	271.7	2.2	19.2	3.8	33.1	186.9	1.4	8.3	3.3	19.7
		1.6	111.8	4.6	16.4	5.9	21.0	45.7	4.1	6.1	5.7	8.4
	Choique[1]	0.3	84.3	1.6	4.4	17.7	48.0	389.2	1.0	11.9	6.6	82.6
		1.6	40.5	2.9	3.8	17.9	23.2	85.0	2.8	7.7	9.3	25.5
	Calafate[1]	0.3	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
		1.6	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
TOTAL	***All Resource***	***0.3***	***8,591.1***	***1.7***	***468.6***	***5.5***	***1,515.3***	***4,017.8***	***1.3***	***164.5***	***3.9***	***505.3***
	Above 1.6g/t Cut-off	***1.6***	***1,763.5***	***5.3***	***300.2***	***12.3***	***698.9***	***713.4***	***4.2***	***96.0***	***6.8***	***155.2***

[1] Ordinary Kriged Estimate

[2] Multiple Indicator Kriged Estimate -with a Change of Support to an SMU block (5mE x 2mN x 2.5mRL)

[3] Rocio and Ramal were not estimated by Coffey Mining. This Inferred Resource (gold only) is as previously reported by Hidefield Gold plc ("Hidefield") in 2009 as estimated by Runge. Ramal was estimated by Runge but not included in the Hidefield estimate.

Prominent opportunities at Don Nicolás include:

- Subsequent to the completion of the Don Nicolás DFS, a 12,000m reverse circulation drilling program was completed, which resulted in the addition of 87,000 ounces in the Measured and Indicated category and 20,000 ounces to the Inferred category of the resource base. The inclusion of these resources into a development scenario at Don Nicolás has the potential to significantly extend the life of mine as envisaged in the DFS and thus enhance the project's economics.

- The low grade resource at Martinetas in the Indicated category totals 6.1 million tonnes grading 0.7g/t gold and 3.3g/t silver for a total of 143,000 ounces of gold and 648,000 ounces of silver. Preliminary metallurgical testing confirms that this material is amenable to heap leaching techniques. Test work is on-going and the Company expects to complete a feasibility study on heap leaching this material during 2014. The addition of a heap leach facility to the Don Nicolás Project has the potential to increase annual gold production, extend mine life, and enhance the project's overall economics.

- Potential exists for a future underground mine at La Paloma where a resource already exists in open-ended high-grade shoots that extends below the Sulfuro open pit that is described in the Don Nicolás DFS.

In May 2012, as part of the permitting process, the Company submitted an Environmental Impact Assessment ("EIA") report for the Don Nicolás Project to the Santa Cruz provincial authorities. In October 2012, after a comprehensive review period, the government approved the EIA and granted a Development Permit for the Don Nicolás Project.

In July 2012, Minera IRL announced that it had signed a Social License Agreement for a period of 10 years with the communities of Jaramillo and Fitz Roy relating to the development of the Don Nicolás Gold Project. Jaramillo and Fitzroy are about 82km and 93km to the northeast of the project site, respectively, and both have populations of approximately 200 people. The agreement was as a necessary and important milestone in the advancement of the Don Nicolás Gold Project towards production.

In August 2013, the Company announced that it entered into a definitive agreement (the "Agreement") with Compañía Inversora en Minas ("CIMINAS") for 100% of the financing required to develop the Don Nicolás Gold Project. CIMINAS, an investment fund established by a consortium of Argentine companies, has agreed to provide financing for up to a total of $80 million, consisting of a combination of equity and debt, for the development of the Don Nicolás Gold Project. As a result of this transaction, Minera IRL's equity ownership interest in Minera IRL Patagonia will ultimately be reduced from 100% to 51%. Additional details on this transaction are provided in the next section entitled "Transaction with CIMINAS – Don Nicolás Gold Project".

With project permitting and mine construction capital secured, Minera IRL Patagonia entered into agreements with a consortium of engineering firms to carry out the Engineering, Procurement, Construction & Management ("EPCM") of the Don Nicolás Project. In addition, the mine development team was assembled and the detailed engineering and procurement process was started. Minera IRL Patagonia mobilized equipment to site in early 2014 to commence construction of mine infrastructure and processing facilities. Gold production from Don Nicolás is expected in the first quarter of 2015.

Once into production, Minera IRL Patagonia plans to recommence its aggressive exploration and drill-out program with the objective of expanding the current mineral reserve base to extend the mine life and enhance the economics of the project.

Transaction with CIMINAS – Don Nicolás Gold Project

On August 16, 2013, the Company entered into a definitive agreement with Compañía Inversora en Minas ("CIMINAS"), whereby CIMINAS would make a $45,000,000 investment in Minera IRL Patagonia S.A. ("Minera IRL Patagonia") to become up to a 45% equity owner of Minera IRL Patagonia. The equity investment, in addition to a $35,000,000 credit facility CIMINAS has made available to Minera IRL Patagonia, is expected to provide the financing required to develop Minera IRL Patagonia's Don Nicolás Gold Project in Santa Cruz Project, Argentina.

In addition, Minera IRL entered into an agreement with Argenwolf S.A. ("Argenwolf"), a business corporation organized and existing under the laws of the Argentine Republic, to provide Argenwolf a 4% equity stake in Minera IRL Patagonia as compensation for arranging the investment by CIMINAS.

As part of the agreement, CIMINAS also subscribed for 9,146,341 ordinary shares of Minera IRL Limited in exchange for $3,000,000, in equivalent Argentine Pesos, being invested in Minera IRL Patagonia. The 9,146,341 ordinary shares were issued on 10 October 2013.

In the joint arrangement with CIMINAS, the Company will retain at least a 51% interest in Minera IRL Patagonia, down from 100%. Although the Company will retain more than half of the voting shares in Minera IRL Patagonia and will remain as the manager, control will be exercised through an agreement with its other shareholders, which requires unanimous consent on decisions concerning relevant activities, resulting in joint control. Consequently, upon entering into the agreement with CIMINAS, the Company's interest in Minera IRL Patagonia was considered a joint venture and has subsequently been accounted for using the equity method. Additionally, on the transition to joint control, Minera IRL Patagonia was deconsolidated and the Company's remaining interest was determined to have a fair value of $40,001,000 and a loss on the deconsolidation of Minera IRL Patagonia of $12,517,000 was recorded on the consolidated statement of loss and comprehensive loss during the year.

Transaction costs of $3,254,000 were recorded, which includes an amount of $2,323,000 that is the estimated fair value of the 4% equity stake in Minera IRL Patagonia provided to Argenwolf as compensation for arranging the investment by CIMINAS.

The $45,000,000 equity investment consists of 4 components ("Tranches") that are made up of preferred and common equity and are described as follows:

1. <u>Tranche I (Minera IRL Limited Ordinary Shares) – $3,000,000</u>
   CIMINAS subscribed for 9,146,341 ordinary shares of Minera IRL Limited and as consideration CIMINAS contributed $3,000,000 to Minera IRL Patagonia toward the development of Don Nicolás. The ordinary shares were issued on 10 October 2013 pursuant to a prospectus supplement to the Company's base shelf prospectus dated July 12, 2012.

2. <u>Tranche II – $7,300,000</u>
   Tranche II provides CIMINAS with a 7.8% equity interest in Minera IRL Patagonia in exchange for an investment of $7,300,000 and has no preferred rights. As at 31 December 2013, $1,900,000 had been advance under Tranche II. A dilution loss of $574,000 was recorded on the $1,900,000 investment. The remaining $5,400,000 was advanced during the first quarter of 2014.

3. <u>Tranche III (Accelerated Payback) – $15,000,000</u>
   Tranche III provides CIMINAS with a 16.1% equity interest in Minera IRL Patagonia in exchange for an investment of $15,000,000. These shares will have preference on dividend payments (doubled to 32.2% of expected cash flows) until the accumulated dividend paid under Tranche III totals $15,000,000. At which point, the preferred equity held by CIMINAS will be converted to common shares representing a 16.1% interest in Minera IRL Patagonia. In additional to receiving double dividends, Tranche III will receive 60% of the dividends payable to Minera IRL Limited to further accelerate the pay back of Tranche III, until the accumulated amount paid under Tranche III totals $15,000,000.

4. <u>Tranche IV (Secured) – $19,700,000</u>
   Tranche IV provides CIMINAS with an option to acquire a 21.1% equity interest in Minera IRL Patagonia in exchange for an investment of $19,700,000. This preferred interest has an annual secured return of 12.5% during the initial option period. At the end of years three, four and five of production, CIMINAS will have the option to request repayment of $6,566,667 (one third of the amount of Tranche IV) or convert these preferred shares into

common shares that represent approximately 7% of Minera IRL Patagonia. At each of these option dates, CIMINAS can convert all of the outstanding preferred shares of Tranche IV into common shares. As guarantee for this Tranche, the Company has pledged in favour of CIMINAS its 51% stake in Minera IRL Patagonia.

Additionally, a Reserve account to guarantee each payment will be set up. The Reserve account will be funded from Minera IRL Patagonia's free cash flow exceeding the dividend distribution capacity. In addition, once the accumulated dividends under Tranche III reach $15,000,000, the Reserve account will receive 80% of Minera IRL Limited's dividend from Minera IRL Patagonia until the total amount in the Reserve account reaches $6,566,667. At which point, Minera IRL Limited will receive 100% of the dividends corresponding to its 51% stake in Minera IRL Patagonia.

CIMINAS and Minera IRL Patagonia also entered into an agreement whereby CIMINAS will provide a bridge debt facility of up to $35,000,000 ("Credit Facility") while Minera IRL Patagonia looks to arrange an Argentina sourced debt facility. In the event that Minera IRL Patagonia is unable to obtain a replacement facility, the Credit Facility will be converted to longer-term project financing under the terms of the existing agreement.

The initial term of the Credit Facility is for 12 months from the first disbursement of the funds and accrues interest at a rate of 360-day LIBOR plus 8.0%. Interest is payable at maturity. If alternative debt financing is not secured there is an option to extend the facility for an additional 24 months at an interest rate of 180-day LIBOR plus 8.5%, with a 0.5% step up per quarter (the last quarter of the loan being 180-day LIBOR plus 12.0%). During this extended period, interest is payable semi-annually and repayment of the loan will be in three equal annual instalments, the first being at the beginning of the extended period.

A commitment fee of 2.0% per annum is payable on non-disbursed funds from the closing of the Agreement. The commitment period is for 18 months from the closing of the Agreement. The Credit Facility is senior debt and will have a first-degree mining mortgage on Minera IRL Patagonia's mining rights and properties.

With project permitting and mine construction capital secured, a mine development team was assembled and the detailed engineering and procurement process commenced during the second half of 2013. The Company has mobilized equipment to site during the first quarter of 2014 and construction activities have commenced. Gold production from Don Nicolás is expected in early 2015.

Don Nicolás Project, Argentina - Exploration

Minera IRL Patagonia's Don Nicolás project area consists of about 34km^2 of mineral rights that are part of a much larger prospective exploration land package that covers an area of approximately 2,600km^2 on the Deseado Massif in Santa Cruz Province. Covering a surface area of approximately 60,000km^2, the Deseado Massif is predominantly underlain by volcanic rocks of Jurassic age and is host to many epithermal gold and silver deposits, such as Don Nicolás.

Notable examples of precious metals mines on the Deseado Massif include Anglogold Ashanti's majority owned and operated multi-million ounce Cerro Vanguardia Mine, the Hothschild-McEwen Mining jointly owned Huevos Verdes Mine, and Pan American Silver's Manantial Espejo Mine. Two of the largest development projects on the Deseado Massif are Goldcorp's multi-million ounce Cerro Negro Project and Yamana Gold's Cerro Moro Project.

There are two vein field districts that make up the Don Nicolás Project, La Paloma and Martinetas, which are comprised of nine vein systems. At La Paloma, resources have been defined at the Sulfuro, Arco Iris, Ramal Sulfuro and Rocio Veins. Martinetas consists of five vein swarms contained in the Coyote, Cerro Oro, Armadillo, Lucia and Calafate deposits.

In addition to these areas of defined mineral resources, Minera IRL Patagonia has identified many other prospective areas of gold and silver mineralization within a reasonable trucking distance to the proposed Don Nicolás central ore processing facilities that warrant follow-up exploration activities. High priority prospects, which were recently discovered, include Cecilia, Paula Andrea, and Goleta, are summarized below. During the year, these three prospect areas were the focus of detailed surface exploration and interpretation programs, including trenching across a number of the veins, to generate exploration drill targets. No drilling was conducted during 2013 and none is currently planned in 2014.

The Cecilia Vein has been traced on surface for a strike length of over two km, has never been drilled, and is located approximately 20km south of the proposed site of the Don Nicolás central ore processing facilities. To date, systematic diamond saw sampling has encountered significant gold mineralization of up to 19.3g/t gold over at least 1.5km of the principal vein structure, which remains open along strike. Additionally, several other mineralized vein structures have also been discovered in close proximity to the Cecilia Vein.

The undrilled Paula Andrea vein system is located less than 4km southeast of the Sulfuro Vein (Measured and Indicated Resource of 498,361 tonnes grading 9.2g/t gold containing 147,214 ounces), a significant contributor of high-grade ore to the Don Nicolás Project. Diamond saw channel sampling of quartz vein outcrops along three mineralized trends at Paula Andrea has returned a number of high-grade gold assay results up to 54.4g/t gold.

The Goleta Prospect is located approximately 6km north of the proposed Don Nicolás central ore processing facilities. Minera IRL Patagonia recently sourced historical exploration results carried out by Yamana Gold Inc. in 1997. These results included 49 shallow reverse circulation drill holes for a total of 1,326m, with the best hole intersecting 6 m grading 27.7g/t gold. Recent surface sampling carried out by Minera IRL Patagonia has defined scattered anomalous gold values up to 24.9g/t gold over a 600m by 400m area.

Exploration Projects

Patagonia Regional Exploration

In addition to the Don Nicolás Project, Minera IRL Patagonia is advancing a number of exploration projects in Argentina's Patagonia region, including Escondido, Michelle and Chispas. Minera IRL Patagonia's prospective exploration land package covers an area of approximately 2,600km^2 on the Deseado Massif in Santa Cruz Province. Since acquiring this land package in 2009, Minera IRL Patagonia has carried out extensive airborne and ground geophysical surveys and conducted several smaller drilling programs, which are summarized below.

The Escondido Project is contiguous to the Las Calandrias discovery first announced by Mariana Resources Limited in late 2009. Following surface mapping and geophysical exploration programs, Minera IRL Patagonia completed more than 11,541m of drilling in 92 holes in three drilling campaigns between the third quarter of 2010 and the second quarter of 2011. These drilling programs demonstrated that a significant portion of the Las Calandrias deposit and its mineralization extends onto Minera IRL Patagonia's license and has a drill-indicated strike of at least 700m and remains open-ended towards the east, southeast, and northwest. The mineralization identified to date at Escondido primarily exhibits low grade, bulk tonnage potential with select areas of high grade mineralization. No new exploration work was conducted during 2013 and none is planned for 2014.

At the Michelle Project, which covers an area of approximately 143km^2, exploration has identified approximately 22km of cumulative vein strike length located immediately adjacent to AngloGold Ashanti Limited's majority owned and operated multimillion-ounce Cerro Vanguardia Gold-Silver Mine. Many of the veins, which can be traced at surface from Cerro Vanguardia into Minera IRL Patagonia's property, are Au-Ag bearing with classic low sulphidation epithermal textures that indicate significant depth potential. Since late 2011, Minera IRL Patagonia has completed 7,787m of drilling over 50 holes, which produced encouraging results. No new exploration work was conducted during 2013 and none is planned for 2014.

At Chispas, exploration has identified approximately 12km of cumulative outcropping epithermal veins within the vein field. The most advanced prospect at Chispas is Pan de Azucar and, in 2010, the Company drilled 27 holes for a total of 3,976m. This program probed a 950m strike length with staggered holes which targeted the vein structure between 30m and 160m below surface and produced encouraging results. No new exploration work was conducted during 2013 and none is planned for 2014.

Bethania Prospect

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

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

There was no exploration activity at Bethania during 2013 and none is planned for 2014.

Huaquirca Joint Venture

Minera IRL entered into a Letter Agreement in June 2010 with Alturas Minerals Corp. ("Alturas") providing the opportunity for the latter to earn up to an 80% interest in the Company's 61km^2 Chapi-Chapi project, located in the department of Apurimac in southeastern Peru. The Chapi-Chapi property block is immediately adjacent to Alturas' 53km^2 Utupara property, both of which lie within the Huaquirca copper-gold district. Together, the two projects now comprise a larger joint venture area designated the Huaquirca Joint Venture ("Huaquirca JV").

The Chapi-Chapi property hosts a large copper-gold-silver-molybdenum skarn system (the +3km long "Chapi Chapi Corridor") within Cretaceous limestone and cut by dioritic and monzonitic stock-work. In addition, the property hosts a large gold-in-soil geochemical anomaly located within fractured Cretaceous sandstones. The limestone in the Huaquirca District is part of the same unit that hosts large skarn deposits in the Apurimac-Cusco porphyry-skarn belt, such as the Tintaya and Las Bambas copper-gold skarn projects of Glencore Xstrata. The quartzite unit also hosts a significant copper oxide resource at the nearby Antilla project of Panoro Minerals, situated some 15km to the west.

In January 2011, the earn-in requirements for this agreement were amended and again in October 2013. Under the terms of the revised earn-in agreement signed in October 2013, Minera IRL waived Alturas' previous earn-in requirements in consideration for a payment of $1 million to Minera IRL on or before 31 December 2013.

Under the agreement, once Alturas had satisfied its payment to Minera IRL and the joint venture was incorporated, both parties would contribute pro-rata according to their percentage interests, subject to the usual dilution. If IRL were to dilute below a 20% interest it could convert that part of its interest to a 2% NSR and a 10% interest in the joint venture properties. If IRL were to further dilute its interest to below 10%, it would be entitled to an additional 1% NSR (for a total 3% NSR in consideration of its 20% interest). The NSR would have been subject to a total buyout for $5 million at Alturas' option.

Alturas made an initial payment of $50,000, but did not make the remaining payment prior to 31 December 2013, following which the Company provided the required noticed to Alturas that it is terminating its option in the Chapi-Chapi property. Subsequent to the 31 December 2013, the Company sold the Chapi Chapi project for proceeds of $1,125,000.

Frontera Joint Venture

The Frontera project is a 35/65 joint venture with Teck Resources Limited ("Teck"), which is managed by Teck. The property consists of a 12km^2 package of tenements located in Region I of northern Chile, on the northwestern border with Peru and close to the eastern border with Bolivia.

No exploration activity was conducted on this property during 2013 and none is currently planned for 2014.

Quilavira Project

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

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

No exploration activity was conducted on this property during 2013. Exploration activities will be planned following the negotiation and signing of a surface rights agreement with the local community.

Summary of Quarterly Results

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

	Q1 Mar. '12	Q2 Jun. '12	Q3 Sep. '12	Q4 Dec. '12	Q1 Mar. '13	Q2 Jun. '13	Q3 Sep. '13	Q4 Dec. '13
Total revenue	11,073	11,111	12,549	11,255	9,241	10,073	8,530	7,862
Profit (loss) after-tax	1,696	115	1,710	(188)	(1,106)	(250)	(13,888)	(18,590)
Total comprehensive income (loss)	1,692	(982)	2,108	207	(1,126)	(250)	(14,119)	(18,590)
Net earnings (loss) per share								
Basic (US cents)	1.3	0.1	1.1	(0.1)	(0.7)	(0.1)	(8.0)	(10.2)
Diluted (US cents)	1.3	0.1	1.1	(0.1)	(0.7)	(0.1)	(8.0)	(10.2)

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

Over the last eight quarters, as forecasted, the Company's Corihuarmi gold mine has experienced diminishing grades from production, leading to correspondingly lower gold production resulting in higher operating costs on a per ounce basis. The impact of the diminishing grades has been partially offset by an increase in tonnes mined and stacked on the heaps. The effects of lower gold production on financial results have been substantially offset by an increasing realized gold price over the past two years. However, during the second quarter of 2013, the gold price decreased significantly with the average London PM Fix declining to $1,415 per ounce from $1,632 per ounce in the first quarter of 2013. The gold price continued to decline with an average London PM Fix of $1,326 per ounce during the third quarter of 2013 and an average London PM Fix of $1,275 per ounce during the fourth quarter of 2013.

During the three months ended 31 December 2013, the Company recorded an impairment charge of $13.7 million against its mining assets at the Corihuami operation. Additional details are provided below under the section entitled, "Results of Operations".

During the three months ended 30 September 2013, the Company recorded a loss of $12.5 million on the deconsolidation of Minera IRL Patagonia as a result of the transaction with CIMINAS. During the third quarter of 2013, CIMINAS agreed to provide financing for up to $80 million, to be made up of a combination of equity and debt, for the development of the Don Nicolás Gold Project in Santa Cruz Province, Argentina. As a result of this transaction, the Company's ownership in the Don Nicolás Gold Project will be reduced to 51% from 100% (as the CIMINAS investment is made), resulting in joint control. Additional details on this transaction are provided in the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

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

Overview of Financial Results

Data	Three Month Period		Twelve Month Period	
	2013	2012	2013	2012
Corihuarmi				
Waste (tonnes)	76,034	110,483	286,588	513,486
Ore mined & stacked on heaps (tonnes)	633,495	483,374	2,375,630	2,064,382
Ore grade, mined and stacked (g/t gold)	0.39	0.41	0.45	0.50
Gold produced (ounces)	6,446	6,225	25,223	27,321
Gold sold (ounces)	6,184	6,538	25,220	27,462
Realized gold price ($ per ounce)	1,266	1,720	1,412	1,673
Site operating cash costs ($ per ounce) [1]	684	678	677	581
Total cash costs ($ per ounce) [1]	951	965	904	810
Financial				
Revenue ($'000)	7,862	11,255	35,706	45,988
Gross profit ($'000)	612	3,651	7,402	18,856
(Loss) profit before tax ($'000)	(18,729)	611	(31,551)	8,490
(Loss) profit after-tax ($'000)	(18,590)	(188)	(33,834)	3,333
Comprehensive (loss) income ($'000)	(18,590)	207	(34,085)	3,025
(Loss) earnings per share				
Basic (cents)	(10.2)	(0.1)	(19.5)	2.3
Diluted (cents)	(10.2)	(0.1)	(19.5)	2.3

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

Results of Operations

The Company recorded an after-tax loss of $18,590,000 during the fourth quarter of 2013, compared with an after-tax loss of $188,000 in the same period in the prior year. During the year ended 31 December 2013, the Company reported an after-tax loss of $33,834,000, compared with earnings of $3,333,000 during the year ended 31 December 2012.

During the fourth quarter of 2013, following an assessment of the carrying value of Company's assets, a $13,700,000 non-cash impairment charge was recorded against Corihuarmi's mining assets. The impairment charges were largely the result of a reduction in the estimate of future gold prices over the remaining life of the mine (to the end of 2015).

During 2013, the Company recorded a loss of $12,517,000 on the deconsolidation of Minera IRL Patagonia following the transaction with CIMINAS. As a result of this transaction, the Company's ownership in Minera IRL Patagonia will be ultimately reduced to 51% from 100% and has resulted in joint control. Additional details on this transaction are provided above in the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project."

After adjusting for the impairment of $13,700,000 at Corihuarmi and the loss on the deconsolidation of Minera IRL Patagonia of $12,517,000, the Company recorded after-tax losses of $4,890,000 and $7,617,000 for the three months and year ended 31 December 2013, respectively. This compares with an after-tax loss of $188,000 and after-tax income of $3,333,000 for the three months and year ended 31 December 2012, respectively. The decline, for both the fourth quarter and year, was due to decreased revenue resulting from a lower gold price and decreased gold production, increased cost of sales, losses related to the Don Nicolás joint venture and increased finance expenses. This was partially offset by lower share based payments expense and lower income tax expense.

During the fourth quarter of 2013, sales revenue decreased by 30%, compared to the same period in 2012. The decrease was due to a 26% decrease in the average realized gold price for the period and a 5% decrease in the number of ounces sold. During the quarter, the Company realized an average gold price of $1,266 per ounce, compared with an average London PM Fix of $1,275 per ounce. During the fourth quarter of 2012, the Company realized a gold price of $1,720 per ounce, compared with an average London PM Fix of $1,722 per ounce.

During the year ended 31 December 2013, sales revenue decreased by 22% over 2012. The decrease is attributed to a 16% decrease in the average realized gold price for the period and an 8% decrease in the number of ounces sold. During 2013, the Company realized an average gold price of $1,412 per ounce, compared with an average London PM Fix of $1,410 per ounce. During 2012, the Company realized a gold price of $1,673 per ounce, compared with an average London PM Fix of $1,669 per ounce.

Cost of sales during the fourth quarter of 2013 of $7,250,000 was 5% lower than the $7,604,000 recorded in the fourth quarter of 2012. However, cost of sales during the year ended 31 December 2013 increased by 4% to $28,304,000, compared with $27,132,000 in 2012. For the year, higher site operating, community and environmental costs and higher depreciation charges were partially offset by lower selling expense, lower royalty and production taxes and a lower workers' profit participation provision. The increase in the site operating costs was the result of an increase in the tonnes of ore mined and stacked to the heaps. Depreciation expense increased as Corihuarmi approaches the end of its current mine life. The lower selling expense, royalty and production taxes and workers' profit participation provision was the result of the mine's reduced profitability as fewer ounces, produced at a higher cost, were sold at a lower average gold price. A period-over-period comparison for the cost of sales is provided in the table below.

Breakdown of Cost of Sales

	Three Months Ended 31 December			Year Ended 31 December		
	2013 ($'000s)	**2012 ($'000s)**	**Change (%)**	**2013 ($'000s)**	**2012 ($'000s)**	**Change (%)**
Site operating costs	4,412	4,226	4%	17,086	15,870	8%
Inventory adjustment	62	(52)	219%	301	(423)	171%
Community and environmental costs	1,279	1,069	20%	3,513	3,253	8%
Depreciation and amortization	1,369	1,296	6%	5,496	4,876	13%
Selling expense	58	68	(15%)	233	257	(9%)
Royalties and taxes	313	720	(57%)	1,573	2,224	(29%)
Workers' profit participation provision	(243)	277	(188%)	102	1,075	(91%)
Total	7,250	7,604	(5%)	28,304	27,132	4%

Administration expenses decreased by 24% during the fourth quarter of 2013 to $2,184,000, compared with $2,887,000 in the fourth quarter of 2012. During the year ended 31 December 2013, administrative expenses decreased by 11%, to $8,173,000 from $9,191,000 over 2012. A period-over-period comparison for administration expenses is provided in the table below. Administrative expenses include foreign exchange expense that is impacted by the movement of local currencies in relation to the US dollar. During the three and twelve months ended 31 December 2013, the Company recorded foreign exchange losses of $142,000 and $802,000, respectively, compared with $355,000 and $432,000 in the same periods in 2012. With the exception of foreign exchange losses and depreciation, which also increased year-over-year, administrative expenses were lower in 2013, versus 2012. The reduced administration costs are largely the result of cost cutting initiatives undertaken in 2013.

Breakdown of Administration Expenses

	Three Months Ended 31 December			Year Ended 31 December		
	2013 ($'000s)	**2012 ($'000s)**	**Change (%)**	**2013 ($'000s)**	**2012 ($'000s)**	**Change (%)**
Depreciation	34	55	(38%)	150	148	1%
Director fees	18	45	(60%)	82	179	(54%)
Foreign exchange	142	355	(60%)	802	432	86%
Investor relations	87	132	(34%)	316	443	(29%)
Nomad and exchange fees	21	50	(58%)	245	395	(38%)
Office rent and administration	200	287	(30%)	742	885	(16%)
Professional and consulting fees	552	651	(15%)	1,829	1,985	(8%)
Salaries and wages	989	866	(14%)	3,410	3,496	(2%)
Telecommunication	68	116	(41%)	249	385	(35%)
Travel	60	154	(61%)	265	582	(54%)
Workers' profit participation	(31)	9	(444%)	13	115	(89%)
Other	44	167	(74%)	70	146	(52%)
Total	2,184	2,887	(24%)	8,173	9,191	(11%)

During the fourth quarter of 2013, the Company recorded share based payments expense of $229,000 (fourth quarter of 2012: $nil). During the year ended 31 December 2013, the Company recorded share based payments expense of $262,000 (2012: $585,000).

On November 15, 2013, the Company granted 3,550,000 incentive stock options at an exercise price of £0.15 (25% above the prevailing market price on the date of grant, as per Company policy) for a period of 5 years. The options vested immediately upon grant and were fair valued with a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 55%; risk-free interest rate of 0.48%; and, an expected average life of 3.5 years.

On 17 May 2013, the Company granted 425,000 incentive stock options at an exercise price of £0.25 (25% above the prevailing market price on the date of grant) for a period of 5 years. The options vested immediately upon grant and were fair valued with a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 46%; risk-free interest rate of 0.48%; and, an expected average life of 3.5 years.

During the second quarter of 2012, the Company granted 3,685,000 incentive stock options at an average exercise price £0.80. The options vested immediately upon being granted, and they were fair valued with a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; average expected volatility of 30%; average risk-free interest rate of 0.75%; and, an expected average life of 3.5 years.

The Company recorded finance expense of $1,346,000 and $2,202,000 during the three months and year ended 31 December 2013, respectively, compared with $260,000 and $551,000 during the same periods in 2012. The increase in finance expense during the fourth quarter and full year in 2013 was due to increased debt outstanding at a higher interest rate. In August 2013, the Macquarie Bank credit facility was amended to increase the amount available by $10,000,000, in two separate $5,000,000 tranches ("Tranche 3" and "Tranche 4"), increasing the total amount available under the Facility to $30,000,000. In November 2013, $5,000,000 under Tranche 3 was drawn down, bringing the total outstanding to $25,000,000 at the end of 2013. Subsequent to 31 December 2013, the Company drew down on the remaining $5,000,000 under the Facility, bringing the total outstanding to $30,000,000. The total amount outstanding on the Facility is due on 30 June 2014.

During the three and twelve months ended 31 December 2013, the Company also accrued interest expense due to Rio Tinto totalling $376,000 and $624,000, respectively. The accrued interest relates to the payment due to Rio Tinto in connection with the Ollachea Gold Project. Additional details on the payments due to Rio Tinto are below under Liquidity and Capital Resources in the section entitled, "Ollachea Property Payment Due to Rio Tinto".

In October 2013, the Company signed an agreement transferring mining rights over 802 hectares of its Huaquirca project to arms' length third party for a period of ten years. Consideration for this transfer was a total of $750,000, which was recorded as income on the statement of loss and comprehensive loss, plus a 2% net smelter royalty.

During the fourth quarter of 2013, the Company recorded a reduction in the income tax expense of $139,000, versus an increase to income tax expense of $799,000 in the fourth quarter of 2012. During the year ended 31 December 2013, income tax expense of $2,283,000 was recorded, compared with $5,157,000 during 2012. Income tax expense is largely the result of the income tax exposure on the Company's Corihuarmi operation in Peru, which has a corporate income tax rate of 30%. The decrease during the current year compared with 2012 was largely due to the reduced profit from operations, which was partially offset by reassessments received in Peru from the audit of prior years' tax returns.

Cash Flow

Cash from operating activities was $1,967,000 in the fourth quarter of 2013, compared with $1,677,000 used in the fourth quarter of 2012. The increased cash flow was the result of changes in non-cash working capital and lower corporation taxes paid, partially offset by lower operating profit and increased interest expense during the current quarter.

During the twelve months ended 31 December 2013, the Company's operating activities provided $120,000, compared with $3,310,000 in the comparative period in 2012. The decrease in cash flow from operations is the result of lower operating profit and higher finance expense, partially offset by lower corporation taxes paid and changes in non-cash working capital.

Investing activities during the three months ended 31 December 2013 used $4,641,000, compared with $13,061,000 in the fourth quarter of 2012. During the year ended 31

December 2013, the Company used $21,638,000, compared with $51,731,000 in 2012. Expenditures largely related to deferred exploration and development expenditures at the Company's Ollachea and Don Nicolás Gold Projects and property, plant and equipment at Corihuarmi. In addition, investing activities included a decrease in cash of $415,000 on the deconsolidation of Minera IRL Patagonia following the transaction with CIMINAS.

Financing activities during the year ended 31 December 2013 provided $18,661,000. On 7 February 2013, the Company completed an offering of 21,775,000 ordinary common shares at C$0.71 per share for gross proceeds of $15,504,000. Total cash costs related to equity raisings during 2013 were $1,653,000.

In November 2013, Tranche 3 of the Macquarie Bank Finance Facility, totalling $5,000,000, was drawn down by the Company and the corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank. Net proceeds received by the Company, after fees and transaction costs were $4,810,000.

On 10 October 2013, the Company completed an offering of 9,146,341 ordinary common shares at $0.328 per share for gross proceeds of $3,000,000 with CIMINAS being the sole participant. Additional details on the February 2013 equity financing are provided below under the section entitled, "Liquidity and Capital Resources". For more information on the October 2013 offering, see the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

During the year ended 31 December 2012, the Company issued 29,260,000 ordinary shares at a price of C$1.13 per share for gross proceeds of $33,363,000. Total cash costs in connection with this placement were $2,153,000. In addition, during the year ended 31 December 2012, a total of 3,060,000 options at £0.45 were exercised for proceeds of $2,201,000.

Selected Annual Information

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

Financial Data	2013	2012	2011
Revenue ($'000)	35,706	45,988	53,002
(loss) profit after-tax ($'000)	(33,834)	3,333	9,759
(loss) earnings per share			
Basic (cents)	(19.5)	2.3	8.2
Diluted (cents)	(19.5)	2.3	8.0
Total assets ($'000)	190,482	204,097	136,110
Total liabilities ($'000)	58,454	55,097	24,131

Revenue in 2013 was down 22% when compared to 2012 due to an 8% decline in number of ounces sold combined with a 16% decline in the average realized price of gold sold in the year. During 2013, the Company also recorded a $13,700,000 impairment charge against the mining assets at its Corihuarmi mine along with a loss of $12,517,000 on the deconsolidation of Minera IRL Patagonia. The Company continued to expend the majority of its resources on the development of the Ollachea and Don Nicolás projects. The majority of the expenditures were on exploration and development, which again mainly related to the Ollachea and Don Nicolás projects, were capitalized.

Outlook

In 2014, gold production at Corihuarmi is forecasted at 21,000 ounces, an upward revision from the Company's prior outlook of 20,000 ounces. In 2015, the Company has scheduled gold production of 15,000 ounces from Corihuarmi. The lower gold production planned for 2014 and 2015, relative to 2013, is primarily attributable to the lower budgeted grade for material that is scheduled to be stacked on the heap due to depletion of the Susan and Diane pits and the transition to the Cayhua Pit, which has recently been added to the Corihuarmi mine plan. In 2014, the Company expects site operating cash costs of $885 per ounce of gold produced.

The 2014 Corihuarmi capital budget is $1.9 million, including $1.5 million for a heap leach pad expansion that is to commence in the second quarter of 2014. This expansion is to accommodate all of the material that is scheduled to be mined and stacked until late-2015 (from mid-2015) when mining operations are expected to cease. The extension of the scheduled mine life from mid-2015 to late-2015 is the result of the addition of 1.6 million tonnes of material from the Cayhua Pit along with an increase of approximately 500,000 tonnes of additional Scree Slope material.

During 2013, the tonnes mined and stacked to heaps increased significantly and it is expected to increase further in 2014. Accordingly, the increase in the mining rate has shortened the expected mine life. Originally, it was expected that the addition of Cayhua would extend the mine life to mid-2016; however, with the increased mining rate, mining is expected to cease late-2015.

There are also other areas of interest that will be subject to exploration activities in 2014 that may result in further extensions to the life of the Corihuarmi Gold Mine. In pursuit of this objective, the Company will be initiating a 26-hole, 1,600-metre exploratory drill program on the Ely and Cayhua Ridge prospect at Corihuarmi. The drill program is to be completed during the second quarter of 2014 at an expected cost between $250,000 and $300,000, which the Company expects to capitalize.

At the Don Nicolás joint venture in Santa Cruz Province, Argentina, a development team has been assembled and the detailed engineering and procurement process has commenced. Site mobilization has occurred and construction of the infrastructure, mining and processing facilities began in the first quarter of 2014. The funding required to construct the Don Nicolás Gold Mine is being provided by the joint venture partners, CIMINAS, as announced on 19 August 2013, who agreed to provide up to $80 million in financing for the construction of Don Nicolás as consideration for their earn-in to the project. Accordingly, Minera IRL does not expect to have any significant direct costs associated with the joint venture in 2014.

Commissioning of the Don Nicolás mine and processing plant is expected in late 2014 (from the fourth quarter of 2014) and first production is expected in the first quarter of 2015 (from late 2014). Minera IRL's share of 2015's gold production from Don Nicolás is expected to be approximately 25,000 ounces.

There is also a feasibility study underway for a heap leach plant to operate in parallel to the milling operation to treat a significant resource of lower grade mineralization that is in addition to the existing reserve base. This represents a significant opportunity to potentially increase annual gold production, extend the mine life and enhance the project's overall economics. This report is expected to be completed during 2014 (from late 2013).

At the Company's flagship Ollachea Gold Project in Peru, the Company continues to focus its efforts on obtaining the Construction Permit. The Construction Permit is the final significant permit that the Company requires to build the mine. The Company continues to work closely with the government and expects to receive the Construction Permit in the second quarter of 2014 (from the first quarter of 2014).

As a result of the updated timeline to receive the Construction Permit for the Ollachea Gold Mine and subject to obtaining sufficient financing, the Company has extended the schedule for the start of mine construction to the second half of 2014 from the first quarter of 2014. Accordingly, commissioning at the Ollachea Gold Mine is now forecasted to commence near the end of the fourth quarter of 2015 (from mid-2015).

In parallel with permitting activities, the Company continues to advance financing negotiations for the Ollachea Project and expects to conclude negotiations during the second quarter of 2014 (from the first quarter of 2014). These negotiations continue to include, amongst other considerations, the consolidation of the Company's existing Macquarie Bank Finance Facility into a larger senior Project Loan Facility for Ollachea. Based upon discussions with Macquarie Bank, the Project Loan Facility is expected to be up to $120 million. After the consolidation of the existing $30 million Macquarie Bank Finance Facility, this would equate to up to $90 million of new funds for the construction of the mine.

In the Ollachea DFS, the capital cost to construct the mine was estimated at $178 million. Accordingly, the Company will require additional financing beyond what is expected from the Project Loan Facility, to fully fund the construction of the Ollachea Gold Mine. A condition precedent to the Company drawing down on any funds provided under a Project Loan Facility will be that all of the sources of funds necessary to complete the construction of the mine will need to be secured. The Company is in active discussions with third parties for the additional financing required to fund the construction of the Ollachea Gold Mine.

As a result of the updated permitting and financing timelines into the second quarter of 2014, the Company has reduced expenditures at the project during the first half of 2014. Accordingly, the development budget for Ollachea for the first half of 2014 is $3.6 million and is limited to spending associated with permitting, community and government relations, administration, and maintaining the Ollachea Tunnel on care-and-maintenance status. The Company expects to capitalize the majority of these development costs during 2014.

In addition to the capital expenditures listed above, the Company has budgeted $0.6 million for exploration at Ollachea for the first half of 2014. The Company expects that these exploration expenditures will be capitalized.

Based on a budgeted gold price of $1,300 per ounce, the Company estimates that it has sufficient cash on hand and expected cash flow from operations to meet it requirements to the end of the third quarter of 2014. As a result, the Company will need to secure additional financing prior to the end of the third quarter of 2014.

Further, should the Company be unable to consolidate its existing $30 million Macquarie Bank Finance Facility into a larger Project Loan Facility, it will need to repay, refinance or extend the terms of the Macquarie Bank Finance Facility. The Company currently does not have the financial capability to repay this loan, but is in negotiations with Macquarie Bank to extend the terms of the Macquarie Bank Finance Facility should the Project Loan Facility negotiations not be completed during the second quarter of 2014.

The Company continues to undertake initiatives to reduce expenditures to conserve cash while it seeks additional external financing. The priority use of funds continues to be targeted towards arranging project financing and obtaining the Construction Permit for the Ollachea Gold Project.

Capital Management

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

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

The Company is not currently subject to externally imposed capital requirements. In the second half of 2013, the Company undertook significant initiatives to reduce its discretionary spending to conserve cash.

Liquidity and Capital Resources

As at 31 December 2013, the Company had cash of $3,389,000, compared with $6,246,000 as at 31 December 2012.

As at 31 December 2013, the Company had a working capital deficit of $29,648,000, compared to a working capital deficit of $5,270,000 as at 31 December 2012. The increase in the working capital deficit is largely the result of the reclassification of the Macquarie Bank Finance Facility that is due 30 June 2014 from long-term to current. During 2013, Tranche 3 ($5,000,000) of the amended Macquarie Bank Finance Facility was drawn down, increasing the amount outstanding to Macquarie Bank.

Ollachea Property Payment Due to Rio Tinto

On July 11, 2013, the Company and Rio Tinto agreed to an amount of $21,500,000 as the amount due by the Company to Rio Tinto in connection with the second and final additional payment under the Mining Rights Transfer Contract for the Ollachea property. At 31 December 2012, the Company had accrued $21,000,000 as an estimate of the amount due to Rio Tinto. At 31 December 2013, the amount due was included in the current and non-current portions of trade and other payables. The payment was originally to be made in three separate instalments. The first instalment, representing 34% of the amount due, $7,310,000, was originally payable within 90 days of agreeing to the amount due (October 2013); the second instalment, representing 33% of the amount due, $7,095,000, was payable within twelve months of agreeing to the amount due (July 2014); and, the third and final instalment, representing 33% of the amount due, $7,095,000, was payable within 24 months of agreeing to the amount due (July 2015). The second and third instalments were to accrue interest at an annual rate of 7% and were secured against the Ollachea mining tenements. Under the Ollachea Mining Rights Transfer Contract, up to 80% of the payments could be settled in ordinary shares of Minera IRL Limited at the Company's election.

On 13 September 2013, the Company announced that it had agreed to revised payment terms with Rio Tinto. Under the revised agreement, the principal amount owing to Rio Tinto of $21,500,000 would be repaid in two instalments. The first instalment, representing 34% of the total amount due ($7,310,000), and originally due 11 October 2013, would be payable by 11 January 2014 (the "First Instalment"). The second and third instalments were combined into one final instalment, representing the remaining 66% of the total amount ($14,190,000) and would now be due in July 2016 (the "Final Instalment"). The Company retained the right, at the Company's election, to pay up to 80% of the principal amount in ordinary shares of Minera IRL Limited. The Company also has the right to settle up to 100% of the amounts outstanding to Rio Tinto in cash, at any time.

Both instalments were to accrue interest at a rate of 7% per annum to be paid in cash. The interest payment on the First Instalment was due on 11 January 2014 and interest payments on the Final Instalment are due on the first day of July in 2014, 2015 and 2016. At 31 December 2013, interest expense related to the instalments totalling $624,000 was expensed.

Under the revised payment terms it was agreed that for purposes of calculating the number of shares to be issued, the share price used would be the lower of C$0.242, representing the 5-day volume-weighted-average price ("VWAP") on the TSX on the date of signing the revised agreement, or the TSX's 5-day VWAP on the day on which an instalment is paid. The exchange rate between the United States and Canadian dollars would be based on the average prevailing exchange rate during the 5-day VWAP period as posted by the Bank of Canada.

Additionally, it was agreed that if Rio Tinto does not sell any ordinary shares that it receives as consideration for the First Instalment for a period of one year, Rio Tinto shall be entitled to a cash Share Hold Incentive Payment. The Share Hold Incentive Payment, which is subject to certain qualifying exceptions, will be equal to 10% of the market value of any ordinary shares provided as part of the payment of the First Instalment.

On 23 December 2013, the Company announced a second revision to the payment terms. The Company had agreed with Rio Tinto that up to 100% of the First Instalment ($7,310,000) plus the accrued interest on the First Instalment ($128,000) could be paid in shares. The price per share, for purposes of calculating the number of shares to be issued, on both the first and final instalments, was to be the lower of C$0.179 (down from C$0.242), representing the 5-day volume-weighted-average price ("VWAP") on the TSX on the date of signing the most recently revised agreement, or the TSX's 5-day VWAP on the day on which an instalment is paid.

Subsequent to 31 December 2013, the Company issued 44,126,780 ordinary shares of Minera IRL to Rio Tinto in settlement of the First Instalment plus accrued interest.

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

As at 31 December 2013, the Company had the following undiscounted future contractual obligations outstanding:

$'000	Total	Less than 1 year	Year 2	Year 3	Year 4	Year 5	After Year 5
Debt repayments	28,250	25,750	2,500	-	-	-	-
Property payments-Rio Tinto	24,607	8,431	993	15,183	-	-	-
Asset retirement obligation +	5,006	631	477	2,933	311	473	181

Note:
+ This cost relates to the Corihuarmi mine rehabilitation costs and Ollachea exploration tunnel rehabilitation cost.

On February 7, 2013, the Company completed an offering of 21,775,000 ordinary common shares at C$0.71 per share for gross proceeds of $15,504,000. The offering was completed under a base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012. This base shelf prospectus allows the Company to make offerings of ordinary shares, debt securities, warrants to purchase ordinary shares, warrants to purchase debt securities, and securities convertible into or exchangeable for ordinary shares (collectively, the "Securities") or any combination thereof up to an aggregate initial offering price of C$80,000,000 during the 25-month period that the final short form base shelf prospectus, including any amendments thereto, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying shelf prospectus supplement and, subject to applicable regulations, may include "at-the-market" transactions, private placements, public offerings or strategic investments. Unless otherwise specified in a shelf prospectus supplement, the net proceeds from the sale of the Securities will be used for general corporate purposes including capital expenditures and working capital.

On 10 October 2013, the Company issued 9,146,341 ordinary shares at a price of $0.328 to CIMINAS for gross proceeds of $3,000,000, which was contributed to Minera IRL Patagonia. The issuance of the 9,146,341 ordinary shares was part of the financing of the development of the Don Nicolás Gold Project that is described above under the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project".

In addition, the Company completed an equity offering on 5 March 2012. The Company issued 29,260,000 ordinary shares at a price of C$1.13 per share for gross proceeds of approximately C$33,063,800.

Subsequent to 31 December 2013, in January 2014, the Company issued 44,126,780 ordinary shares to Rio Tinto in settlement of the First Instalment Ollachea property payment. Additional details are provided above under the section entitled, "Ollachea Property Payment Due to Rio Tinto".

In addition, on 31 January 2014, the Company issued 1,917,600 ordinary shares at a price of C$0.179 per share to settle certain accounts payable of the Company in the aggregate amount of C$343,250. The offering was completed under the base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012.

Macquarie Bank Finance Facility

On 2 November 2012, the Macquarie Bank Finance Facility (the "Facility") dated 7 July 2010 was amended to make available the $10,000,000 Tranche 2 and extend the Facility Repayment Date from 31 December 2012 to 30 June 2014. The Facility was subject to customary condition precedents including the amendment of existing options on issue to Macquarie Bank of 6,944,444 at $1.08 per share and 1,633,987 at $1.53 per share with expiry dates of 28 June 2013 to 6,944,444 at $1.08 per share and 1,633,987at $1.08 per share plus the issue of 680,828 additional options at $1.08 all with expiry dates of 31 December 2014. The Facility interest rate was increased to LIBOR plus 5.0% (up from LIBOR plus 3.5%). In December 2012, Tranche 2 was drawdown in two separate $5,000,000 draws. In consideration 4,672,897 options at $1.07 per share and 4,854,369 options at $1.03 per share all with expiry dates of 31 December 2014 were issued to Macquarie Bank.

In August 2013, the Facility was amended to increase the amount available by $10,000,000, in two separate $5,000,000 tranches ("Tranche 3" and "Tranche 4"), increasing the total amount available under the Facility to $30,000,000. The Facility interest rate remains LIBOR plus 5.0%; however, as a condition of drawing down on each additional $5,000,000 tranche a 0.5% gross revenue royalty on gold production from the Company's Ollachea gold project for the life of mine will be granted to Macquarie Bank (the "Macquarie Royalty"). Once granted, the Company would have the right to buyback and cancel each tranche of the Macquarie Royalty by paying a buyback fee (the "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. The IRR would be calculated using the actual drawdown and actual repayment of each tranche, the upfront fee paid (1.5% of each tranche, payable on drawdown), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty.

A condition precedent to Tranche 4 being made available was the government approval of the Environmental and Social Impact Assessment ("ESIA") required for the development of the Ollachea gold project. The ESIA was received by the Company in September 2013. The $10,000,000 available under Tranches 3 and 4 is subject to an undrawn line fee of 2% per annum.

In November 2013, Tranche 3, totalling $5,000,000, was drawn by the Company and the corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank. Total debt outstanding under the Facility following Tranche 3 being drawn was $25,000,000.

Subsequent to 31 December 2013, the Company drew down on the remaining $5,000,000 under the Facility, bringing the total outstanding to $30,000,000. The corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank.

The Company will require additional financing in order to repay the Macquarie Bank Finance Facility, and consequently, the Company is currently evaluating financing alternatives. Should the Company be unable to consolidate the existing Macquarie Facility into a larger Project Loan Facility, it will need to repay, refinance or extend the terms of the Macquarie Bank Finance Facility. The Company currently does not have the financial capability to repay this loan, but is in negotiations with Macquarie Bank to extend the terms of the Finance Facility should the Project Loan Facility negotiations not be completed during the second quarter of 2014.

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

Commitments and Contingent Liabilities

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

During 2013, the Company was issued tax reassessments by the Peruvian tax authorities for the years ended 31 December 2008, 2009 and 2011 related to the deductibility of depreciation claimed by the Company. An appeal filed by the Company with the tax authorities was unsuccessful and the Company subsequently filed an appeal with the Peruvian Tax Court. If the Company is unsuccessful in its appeal of the reassessment, taxes in the amount of approximately $1,784,000 would be payable.

In June 2013, the Province of Santa Cruz in Argentina passed amendments to the Provincial Tax Code and Provincial Tax Law that imposed a new tax on mining reserves. The law came into effect on 5 July 2013. The tax will amount to 1% of the value of mine reserves reported in feasibility studies and financial statements inclusive of variations resulting from ongoing operations. Regulations require that the tax be calculated on "measured" reserves, and Minera IRL's legal counsel has interpreted this to mean "proven" reserves. The Province has disputed this interpretation but has not provided further clarification on the definition of "measured" reserves, and the effect of this new mining tax is not clear at this time. The Company continues to monitor the situation closely.

The Company has entered into a contract with Generacion Electrica San Gaban SA for the supply of power for the construction and operation of the Ollachea project. The contract includes certain minimum power usages. In the event that construction has not started at the end of March 2015 then the Company is exposed to a maximum penalty of up to approximately $500,000.

Financial Instruments

The Group's principal financial assets comprise of available-for-sale financial investments, cash and other receivables. With the exception of available-for-sale financial investments, which are recorded at fair value, all of the Group's financial assets are classified as loans and receivables and are measured at amortised cost. The Group's financial liabilities include trade and other payables, interest bearing loans and other long-term liabilities. They are all classified as financial liabilities and measured at amortised cost.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining sufficient cash balances to meet current working capital requirements and access to credit facilities with certain banking institutions. The Company is in the production and development stage and for the latter depends on obtaining regular funding in order to continue its programs. There is no guarantee that additional funding will be obtained. Accordingly, the Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an on-going basis. The Company tries to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company's cash is invested in business accounts with high-credit quality financial institutions in Jersey and are available on demand.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash with high-credit quality financial institutions, as determined by rating agencies, for which management believes the risk of loss to be minimal. In addition, the Company is exposed to sovereign risk in so far as it is owed recoverable sales tax by the governments of the Latin American countries in which it works. Management believes that the credit risk is minimal.

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

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests its cash in instruments with maturities of 180 days or less from the original date of investment, thereby reducing its exposure to interest rate fluctuations. Debt obligations are exposed to interest rate variations as well. The Company has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 5% over LIBOR and allows for interest periods of between 30 and 180 days. A change in LIBOR of +/-1% would not have a material effect on the financial results of the Group or the Company. In addition, at 31 December 2013, the Company had a liability to Rio Tinto related to the Ollachea gold property totalling $21,500,000 which is payable in two instalments: January 2014 ($7,310,000) and July 2016 ($14,190,000). The payments accrue interest at an annual rate of 7%.

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

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

Transactions with Related Parties
The Company's portion of transactions between the Company and its jointly controlled entities are eliminated on consolidation. At 31 December 2013, the Company had receivables from Minera IRL Patagonia totalling $188,000.

During the year ended 31 December 2013, the Company had no transactions with related parties other than as discussed above with Minera IRL Patagonia and with key management as disclosed in note 3 of the audited annual consolidated financial statements.

Significant Accounting Policies and Critical Accounting Estimates
The Company follows the accounting policies described in the audited consolidated financial statements for the year ended 31 December 2013 that was filed on SEDAR on 31 March 2014.

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

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

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

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

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

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

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

Valuation of Investment in Joint Venture on Deconsolidation

The Company's formerly 100% controlled subsidiary, Minera IRL Patagonia, was deconsolidated following the loss of control upon entering into a joint arrangement with CIMINAS on 16 August 2013. Additional details on the transaction are provided under the section entitled, "Transaction with CIMINAS – Don Nicolás Gold Project". Upon deconsolidation, the Company was required to fair value its remaining interest in the jointly controlled Minera IRL Patagonia. Management determined the estimated fair value of its remaining interest based on the consideration given by CIMINAS to acquire its portion of Minera IRL Patagonia in this arm's length transaction. The expected cash flow from Minera IRL Patagonia's net assets may be different from the cash flow assumptions made by the Company and CIMINAS upon entering in this joint arrangement. As a result, the actual value of the Company's remaining interest in Minera IRL Patagonia may be significantly different than the implied value based on the agreed terms, which could affect future financial results.

Estimation of recoverable gold contained on the leach pads

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

Income Taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Share Based Payments

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

Management's Responsibility for Financial Statements

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

Outstanding Share Data

The Company has an authorized share capital of an unlimited number of no par Ordinary Shares, of which 228,868,605 are issued as at the date of this report. Each share entitles the holder to one vote. All shares of the Company rank equally as to dividends, voting powers and participation in assets upon a dissolution or winding up of the Company.

As at date of this report, the Company also had 30,796,525 options issued and outstanding, of which 12,010,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's Share Option Plans and the balance were issued in connection with a finance facility. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below. Additional disclosure regarding the Company's share and option data can be found in note 18 of the annual audited consolidated financial statements for the year ended 31 December 2013.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. of options outstanding
Share Option Plan Issued Options				
17 November 2009	17 November 2009	17 November 2014	£0.9125	2,100,000
25 January 2010	25 January 2010	25 January 2015	£0.8875	50,000
2 July 2010	2 July 2010	2 July 2015	£0.7250	50,000
17 November 2010	17 November 2010	17 November 2015	£1.0800	2,510,000
3 April 2012	3 April 2012	3 April 2017	£0.8063	3,325,000
14 May 2012	14 May 2012	14 May 2017	£0.5875	200,000
17 May 2013	17 May 2013	17 May 2018	£0.2469	425,000
15 November 2013	15 November 2013	15 November 2017	£0.1500	3,350,000
Other Issued Options				
7 July 2010 (1)	7 July 2010	31 December 2014	$1.08	6,944,444
30 September 2010 (1)	30 September 2010	31 December 2014	$1.08	1,633,987
2 November 2012	2 November 2012	31 December 2014	$1.08	680,828
4 December 2012	4 December 2012	31 December 2014	$1.07	4,672,897
24 December 2012	24 December 2012	31 December 2014	$1.03	4,854,369
Total				**30,796,525**

1. In connection with an amendment to the Macquarie Finance Facility, the expiration date of these options was extended from 28 June 2013 to 31 December 2014. Additionally, the exercise price on the 1,633,987 options issued on 30 September 2010 was changed to $1.08 from $1.53.

Changes in Accounting Policies including Initial Adoption

Other than what is disclosed in note 1 of the Company's audited annual financial statements, the Company has not and does not expect to adopt any new accounting policies subsequent to the end of the most recently completed financial year. The Company also did not adopt any new accounting policies during the most recently completed financial year other than as disclosed in note 1 of the audited annual financial statements.

Subsequent Events

On 28 January 2014, the Company issued 44,126,780 ordinary shares of Minera IRL Limited to Rio Tinto in settlement of the First Instalment (principle of $7,310,000 plus accrued interest of $128,000) of the Ollachea property payment. The Final Instalment of $14,190,000, representing the remaining 66% of the total amount payable, is due July 2016 with interest accruing at 7% per annum and is payable annually in July. Additional details are provided above under the section entitled, "Ollachea Property Payment Due to Rio Tinto".

On 31 January 2014, the Company issued 1,917,600 ordinary shares at a price of C$0.179 per share to settle certain accounts payable of the Company in the aggregate amount of C$343,250. Additional details are provided above under the section entitled, "Liquidity and Capital Resources".

Subsequent to 31 December 2013, the Company drew down on the remaining $5,000,000 under the Macquarie Bank Finance Facility, bringing the total outstanding to $30,000,000. The corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank.

In March 2014, the Company sold its Chapi Chapi project in Peru for proceeds of $1,125,000.

Risks

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

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

Designated Foreign Issuer

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

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2013 is available on the Company's website at www.minera-irl.com or on SEDAR at www.sedar.com.

Cautionary Statement on Forward-Looking Information

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

Qualified Person

Pursuant to National Instrument 43-101, Courtney Chamberlain, Executive Chairman of the Company, BSc and MSc Metallurgical Engineering, a Fellow of the Australian Institute of Mining and Metallurgy (AUSIMM); and Donald McIver, VP Exploration of the Company, MSc Exploration and Economic Geology, a Fellow of the Australian Institute of Mining and Metallurgy (AUSIMM), are the Qualified Person ("QP") responsible for the technical disclosure in this MD&A.

Non-IFRS Measures

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

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

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

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

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

	Three Month Period Ended 31 December		**Year Ended 31 December**	
	2013	**2012**	**2013**	**2012**
Cost of sales	$7,250	$7,604	$28,304	$27,132
Less:				
Depreciation	1,369	1,296	5,496	4,876
Total cash costs	$5,881	$6,308	$22,808	$22,256
Ounces of gold sold	*6,184*	*6,538*	*25,220*	*27,462*
Total cash costs per ounce sold	**$951/oz.**	**$965/oz.**	**$904/oz.**	**$810/oz.**
Total cash costs	$5,881	$6,308	$22,808	$22,256
Less:				
Workers' profit participation	(243)	277	102	1,075
Royalties and Special Mining Tax	313	720	1,573	2,224
Community and environmental costs	1,279	1,069	3,513	3,253
Other costs – Provisions, transport & refinery, inventory adjustment	120	16	534	(166)
Adjusted site cash operating costs	$4,412	$4,226	$17,086	$15,870
Ounces of gold produced	*6,446*	*6,226*	*25,223*	*27,321*
Site cash operating costs per ounce	**$684/oz.**	**$678/oz.**	**$677/oz.**	**$581/oz.**