



MINERA IRL LIMITED

Interim Consolidated Financial Statements For the First Quarter ended 31 March 2017

*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.*

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management. The Group's independent auditor has not performed a review of these financial statements.

Minera IRL Limited

Quarterly Consolidated Statement of Comprehensive Income and Results

(Unaudited - Expressed in thousands of United States Dollars)

	Notas	Three Months Ended	
		March 31, 2017 US\$000	March 31, 2016 US\$000
Revenue		\$ 7,818	\$ 6,744
Cost of sales		(5,651)	(5,362)
Gross profit		2,167	1,382
Administrative expenses		(1,211)	(1,186)
Exploration costs		(8)	(22)
Operating profit		948	174
Gain on sale of property, plant and equipment		454	-
Finance expense	3	(3,151)	(2,853)
Loss before tax		(1,749)	(2,679)
Income tax expense		-	-
Loss and comprehensive loss for the period to the equity shareholders of the parent		(1,749)	(2,679)
Total comprehensive loss		\$ (1,749)	\$ (2,679)
Loss per share (US cents)			
Basic and diluted - continuing operations	5	(0.8)	(1.2)

Minera IRL Limited

Consolidated Statement of Financial Position

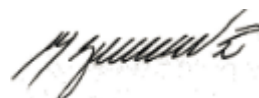
(Unaudited - Expressed in thousands of United States Dollars)

	Notes	March 31, 2017 US\$000	December 31, 2016 US\$000
Assets			
Property, plant and equipment	6	7,564	7,602
Intangible assets	7	139,205	138,256
Other receivables and prepayments	8	7,412	7,235
Total non-current assets		154,181	153,093
Inventory	9	2,719	2,729
Other receivables and prepayments	8	3,589	1,887
Current tax recoverable		1,060	894
Cash and cash equivalents	10	1,580	6,857
Total current assets		8,948	12,367
Total assets		\$ 163,129	\$ 165,460
Equity			
Share capital	11	\$ 159,012	\$ 159,012
Share option reserve	11	663	663
Accumulated losses		(88,188)	(86,439)
Total equity attributable to equity shareholders of the parent		71,487	73,236
Liabilities			
Provisions	14	6,850	6,738
Royalty buyback liabilities	13	8,288	7,906
Total non-current liabilities		15,138	14,644
Interest bearing loan	12	70,302	69,187
Trade and other payables	15	6,202	8,393
Total current liabilities		76,504	77,580
Total liabilities		91,642	92,224
Total equity and liabilities		\$ 163,129	\$ 165,460

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 15 May 2017.



Gerardo Pérez
Chairman
Lima, Peru
15 May 2017



Carlos Ruiz de Castilla
Chief Financial Officer
Lima, Peru
15 May 2017

Minera IRL Limited

Consolidated Statement of Changes in Equity

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	Share capital		Reserves		Total equity
		Number of Shares	Amount	Share option	Accumulated losses	
Balance at 1 January 2016		231,135,028	\$ 159,012	\$ 959	\$ (76,322)	\$ 83,649
Loss for the period		-	-	-	(2,679)	(2,679)
Total comprehensive loss		-	-	-	(2,679)	(2,679)
Balance at 31 March 2016		231,135,028	159,012	959	(79,001)	80,970
Loss for the period		-	-	-	(7,734)	(7,734)
Total comprehensive loss		-	-	-	(7,734)	(7,734)
Expiry/lapse of share options		-	-	(296)	296	-
Balance at 31 December 2016		231,135,028	159,012	663	(86,439)	73,236
Loss for the period	5	-	-	-	(1,749)	(1,749)
Total comprehensive loss		-	-	-	(1,749)	(1,749)
Balance at 31 March 2017		231,135,028	159,012	\$ 663	\$ (88,188)	\$ 71,487

Minera IRL Limited

Consolidated Statement of Cash Flows

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	Three Months Ended	
		March 31, 2017 US\$000	March 31, 2016 US\$000
OPERATING ACTIVITIES			
Loss before tax		\$ (1,749)	\$ (2,679)
Finance expense	3	3,151	2,853
Gain on sale of property, plant and equipment		(454)	-
Depreciation	6	875	974
Changes in non-cash working capital items:			
Decrease in inventory	9	10	60
Increase in other receivables and prepayments		(1,483)	(1,893)
Decrease in trade and other payables		(2,131)	(27)
Payment of mine closure costs	14	(19)	(17)
Cash generated by operations		(1,800)	(729)
Corporation tax paid		(166)	(31)
Net cash provided by operating activities		(1,966)	(760)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(472)	(265)
Proceeds on disposal of property, plant and equipment		2	-
Deferred exploration and development expenditures	7	(1,318)	(518)
Decrease (Increase) in restricted cash		-	(1,436)
Net cash provided used in investing activities		(1,788)	(2,219)
FINANCING ACTIVITIES			
Finance expense paid		(1,523)	(1,403)
Net cash used in financing activities		(1,523)	(1,403)
Change in cash		(5,277)	(4,382)
Cash at beginning of period		6,857	15,580
Cash at end of period		\$ 1,580	\$ 11,198

Minera IRL Limited

Notes to Interim Consolidated Financial Statements
Three Months Ended 31 March 2017 and 2016
(Unaudited – Expressed in United States Dollars)

Note 1 – Basis of Preparation and Going Concern

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

At 31 March 2017, the Group had a working capital deficit of \$67,556,000 (defined as current assets less current liabilities). On 3 June 2015, the Group entered into a \$70,000,000 secured finance facility (the "Bridge Loan") structured by the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE") and syndicated through Goldman Sachs Bank USA ("Goldman Sachs"). The Bridge Loan was expected to be the first step towards a senior debt facility of up to \$240,000,000 described in a letter of mandate signed by COFIDE and the Group to develop Minera IRL's Ollachea Gold Project (the "Ollachea Project"). The Group was restricted in its use of the proceeds from the Bridge Loan to the advancement of the Ollachea Project.

The Group has not reached an agreement with COFIDE for a senior debt facility and in March 2017, COFIDE terminated the letter of mandate to exclusively structure the senior debt to a maximum of US\$240 million for the development of the Ollachea Project. The Group is currently evaluating its options for the repayment of the Bridge Loan which is due on 5 June 2017.

The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and guarantees from the Group's subsidiary Minera IRL S.A., together with a pledge of the shares of the Group's subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Group is not able to secure an alternative source of funds to satisfy the Bridge Loan on 5 June 2017, it may have to relinquish its ownership of the subsidiary, Campaña Minera Kuri Kullu S.A. and therefore the Ollachea Project. All net assets associated with the Ollachea Project would be fully impaired as a result.

The Directors consider that an alternative source of funding will be secured to be able to repay the Bridge Loan and obtain the necessary investment to develop the Ollachea Project. There can be no guarantee that alternative funding will be obtained within the required timescale.

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

The financial information contained in these interim consolidated financial statements does not constitute statutory accounts as defined by the Companies (Jersey) Law 1991. No statutory accounts for the period have been delivered to the Jersey Registrar of Companies.

These interim consolidated financial statements have been prepared by management and reported in thousands of United States dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and have been prepared following the same accounting policies and method of computation as the annual Financial Statements for the year ended 31 December 2016. The disclosures provided below are incremental to those included with the annual Financial Statements. Certain information and disclosures normally included in the notes to the annual Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2016 prepared in accordance with IFRS as issued by the IASB.

Minera IRL Limited

Notes to Interim Consolidated Financial Statements
Three Months Ended 31 March 2017 and 2016
(Unaudited – Expressed in United States Dollars)

Note 2 – Segment Reporting

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

The following table sets out the income and expenditure of the Group according to these reporting segments:

	Peru US\$000	Jersey US\$000	Total US\$000
For the Three Months Ended 31 March 2017			
Revenue	7,818	-	7,818
Administration expenses	(984)	(227)	(1,211)
Operating profit (loss)	1,175	(227)	948
Loss	(1,233)	(516)	(1,749)
For the Three Months Ended 31 March 2016			
Revenue	6,744	-	6,744
Administration Expenses	(920)	(266)	(1,186)
Operating profit (loss)	693	(519)	174
Loss	(1,299)	(1,380)	(2,679)
	Peru US\$000	Jersey US\$000	Total US\$000
As at 31 March 2017			
Non-current assets	154,181	-	154,181
Current	8,948	-	8,948
Total assets	163,129	-	163,129
As at 31 December 2016			
Non-current assets	143,742	9,351	153,093
Current	12,347	20	12,367
Total assets	156,089	9,371	165,460

Note 3 – Finance Expense

The following table details the finance expenses incurred during the three months ended 31 March 2017 and 2016.

	31 March 2017 US\$000	31 March 2016 US\$000
Macquarie Bank royalty buyback provision	227	201
COFIDE bridge loan effective interest	2,336	2,064
Other bridge loan finance costs	270	249
Sherpa royalty buyback provision	155	146
Other	163	193
	3,151	2,853

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Notes to Interim Consolidated Financial Statements

Three Months Ended 31 March 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Note 4 – Remuneration of Key Management Personnel

31 March 2017	Salary & Fees US\$000	Other Benefits US\$000	Total US\$000
Directors:			
G Perez ¹	24	-	24
M Iannacone ²	6	-	6
D Benavides ³	65	9	74
Directors total	95	9	104
Non-Directors ⁴	78	-	78
TOTAL	173	9	182

Notes:

1. Mr. Perez was appointed to the Board of Directors on 23 May 2016. Remuneration includes \$18,000 consulting fees and \$6,000 director fees.
2. Mr. Iannacone was appointed to the Board of Directors on 2 December 2016. Remuneration includes \$6,000 director fees.
3. Mr. Benavides was appointed to the Board of Directors on 2 December 2016. Remuneration includes \$59,000 salary, \$6,000 director fees and allowance \$9,000.
4. Non-Directors include the Chief Financial Officer and the Corihuarmi Mine Manager.

31 March 2016	Salary & Fees US\$000	Other Benefits US\$000	Total US\$000
Directors:			
R Fryer ¹	27	-	27
D Jones ²	6	-	6
J Bavin ³	27	-	27
F O'Kelly ⁴	21	-	21
Directors total	81	-	81
Non-Directors ⁵	150	9	159
TOTAL	231	9	240

Notes:

1. Mr. Fryer was appointed to the Board of Directors on 5 May 2015. Remuneration includes \$21,000 consulting fees and \$6,000 director fees.
2. Mr. Jones was appointed to the Board of Directors on 23 August 2003. Mr. Jones resigned on 15 June 2016. Remuneration included \$6,000 director fees.
3. Mr. Bavin was appointed to the Board of Directors on 16 December 2015. Remuneration includes \$21,000 consulting fees and \$6,000 director fees.
4. Mr. O'Kelly was appointed to the Board of Directors on 28 March 2016. Remuneration includes \$21,000 consulting fees.
5. Non-Directors include the President of the Peruvian subsidiaries, the Chief Operating Officer and the Corihuarmi Mine Manager.

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Notes to Interim Consolidated Financial Statements

Three Months Ended 31 March 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Note 5 – Loss per Share

The calculation of the loss per share is based on the loss attributable to ordinary shareholders for the three months ended 31 March 2017 of \$1,749,000 (2016: loss of \$2,679,000) and the weighted average number of ordinary shares in issue during the three month period ended 31 March 2017 of 231,135,028 (2016: 231,135,028).

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

	2017 Loss US\$000	Number of shares US\$000	2017 Earnings per share (cents)	2016 Loss US\$000	2016 Number of shares US\$000	2016 Earnings per share (cents)
Basic loss	(1,749)	231,135	(0.8)	(2,679)	231,135	(1.2)
Dilutive effects-options	-	-	-	-	-	-
Diluted loss	(1,749)	231,135	(0.8)	(2,679)	231,135	(1.2)

As at 31 March 2017 and 2016, all options were excluded from the calculation of diluted loss per share because they were non-dilutive.

Minera IRL Limited

Notes to Interim Consolidated Financial Statements

Three Months Ended 31 March 2017 and 2016

(Unaudited – Expressed in United States Dollars)

Note 6 – Property, Plant and Equipment

	Mining Assets & Deferred Development Costs US\$000	Land & Buildings US\$000	Motor Vehicles US\$000	Computers & Other Equipment US\$000	Total US\$000
Cost					
Balance – 1 January 2016	54,920	396	2,626	2,990	60,932
Additions	3,457	31	53	134	3,675
Disposal	-	-	(75)	-	(75)
Reclassifications	-	-	(35)	(41)	(76)
Balance – 31 December 2016	58,377	427	2,569	3,083	64,456
Balance – 1 January 2017	58,377	427	2,569	3,083	64,456
Additions	385	-	81	6	472
Reclassifications	369	-	-	-	369
Disposal	-	-	(1,885)	-	(1,885)
Balance – 31 March 2017	59,131	427	765	3,089	63,412
Accumulated Depreciation					
Balance – 1 January 2016	48,356	344	2,432	2,701	53,833
Disposal	-	-	(65)	-	(65)
Reclassifications	-	-	(35)	(41)	(76)
Depreciation for the year	2,920	3	110	129	3,162
Balance – 31 December 2016	51,276	347	2,442	2,789	56,854
Balance – 1 January 2017	51,276	347	2,442	2,789	56,854
Disposal	-	-	(1,881)	-	(1,881)
Depreciation for the year	834	1	14	26	875
Balance – 31 March 2017	52,110	348	575	2,815	55,848
Carrying Amounts					
Balance - 1 January 2016	6,564	52	194	289	7,099
Balance – 31 December 2016	7,101	80	127	294	7,602
Balance – 31 March 2017	7,021	79	190	274	7,564

Minera IRL Limited

Notes to Interim Consolidated Financial Statements
Three Months Ended 31 March 2017 and 2016
(Unaudited – Expressed in United States Dollars)

Note 7 – Intangible Assets

Carrying values of the deferred exploration	Ollachea US\$000	Other Peru US\$000	Total US\$000
Balance – 1 January 2016	132,432	727	133,159
Additions	4,273	948	5,221
Reclassifications	-	(124)	(124)
Balance – 31 December 2016	136,705	1,551	138,256
Additions	680	638	1,318
Reclassifications	-	(369)	(369)
Balance - 31 March 2017	137,385	1,820	139,205

The Ollachea property will require significant project financing in order to bring it into production and convert it into mining assets. However, the carrying values of the deferred exploration and development costs for the Ollachea property and the Group's other exploration properties in Peru at 31 December 2016 have been assessed for indications of impairment and the results of these assessments have been sufficiently encouraging to justify the retention of the deferred exploration and development assets on the consolidated statements of financial position.

Note 8 – Other Receivables and Prepayments

	31 March 2017 US\$000	31 December 2016 US\$000
Non-current assets		
Other receivables	7,412	7,235
	7,412	7,235
Current assets		
Other receivables	3,288	1,693
Prepayments and deferred expenses	301	194
	3,589	1,887

Included in other receivables and prepayments is an amount of \$8,324,000 (2016: \$8,584,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the \$8,324,000 sales tax recoverable, \$7,412,000 (2016: \$7,235,000) relates to purchases for the Ollachea Project, which is not expected to be recovered in the next accounting period and has therefore been included in non-current assets.

Note 9 - Inventory

	31 March 2017 US\$000	31 December 2016 US\$000
Gold in process	1,491	1,384
Mining materials	1,228	1,345
	2,719	2,729

Minera IRL Limited

Notes to Interim Consolidated Financial Statements
Three Months Ended 31 March 2017 and 2016
(Unaudited – Expressed in United States Dollars)

Note 10 – Cash and cash equivalents

	31 March 2017 US\$000	31 December 2016 US\$000
Bank balances	1,580	6,857

Note 11 – Capital and Reserves

As at 31 March 2017 and 31 December 2016, Minera IRL Limited's share capital is made up of no par shares. There is no upper limit on the value of shares to be issued.

Issued share capital	Ordinary Shares
Shares in issue 1 January 2016	231,135,028
Shares in issue 31 December 2016	231,135,028
Shares in issue 31 March 2017	231,135,028

Share Options

Minera IRL Limited has a share option scheme for the benefit of directors, employees and certain consultants of the Group. The purpose of the scheme is to provide incentives to those people whose efforts and skills are most important to the success of the Group, and to ensure that the interests of the management of the Group are fully aligned with the interests of shareholders. The terms of the scheme allow the directors to decide at the date of grant when the option becomes exercisable. Options granted before 17 November 2009 allow for the exercise of half of the options after one year from the date of grant and half after two years. Options granted on or after 17 November 2009 allow immediate exercise. The options lapse on the fifth anniversary of the date of grant and have no performance conditions.

	31 March 2017		31 December 2016	
	Number of Options	Weighted Average Exercise Price (£)	Number of Options	Weighted Average Exercise Price (£)
Outstanding – beginning of period	2,000,000	0.51	4,570,000	0.51
Expired	-	-	(2,570,000)	(0.52)
Outstanding, end of period	2,000,000	0.51	2,000,000	0.51
Exercisable, end of period	2,000,000	0.51	2,000,000	0.51

The average remaining contractual life of the outstanding options as at 31 March 2017 was 0.7 years (2016: 1.0 years).

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

Minera IRL Limited

Notes to Interim Consolidated Financial Statements
Three Months Ended 31 March 2017 and 2016
(Unaudited – Expressed in United States Dollars)

The following table details the incentive stock options outstanding as at 31 March 2017:

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

Other Share Options

	31 March 2017		31 December 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	11,556,751	0.18	37,556,751	0.17
Expired	-	-	(26,000,000)	0.18
Outstanding – end of period	11,556,751	0.18	11,556,751	0.16
Exercisable – end of period	-	-	-	-

As part of the fees paid in connection to the Bridge Loan to the structuring agent Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”), Minera IRL Limited is required to grant 11,556,751 options (subject to receipt of all regulatory approvals of the TSX, AIM and BVL stock markets). Each option will be exercisable to purchase one ordinary share of the Group at a price of C\$0.20 (\$0.16) per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Project. The options have not been granted yet.

Share Option Reserve

The share option reserve includes a credit based on the fair value of share options issued and remaining in issue at 31 March 2017.

Capital Maintenance

The directors manage the capital resources of the Group to ensure that there are sufficient funds available to continue in business. The Group monitors capital on the basis of the gearing ratio.

	31 March 2017 US\$000	31 December 2016 US\$000
Total interest bearing debt	70,302	69,187
Total equity	71,487	73,236
Debt-to-equity ratio	98.3%	94.5%

Minera IRL Limited

Notes to Interim Consolidated Financial Statements
Three Months Ended 31 March 2017 and 2016
(Unaudited – Expressed in United States Dollars)

Note 12 –Interest Bearing Loans

	31 March 2017 US\$000	31 December 2016 US\$000
Non-Current liabilities		
Bank loan	-	-
Current liabilities		
Promissory note	1,516	1,551
Bank Loan	68,786	67,636
	70,302	69,187

COFIDE Bridge Loan

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

The length of the loan is for 24 months, at an interest rate of LIBOR plus 6.17%. The Bridge Loan terms included financing fees of 2.25% (\$1,575,000) paid to COFIDE along with an upfront fee of \$300,000 to Goldman Sachs. In addition, the Group paid certain fees to the structuring agent, Sherpa, including a 3% fee (\$2,100,000) paid in cash as well as a 0.9% net smelter return royalty on the Ollachea Project. Sherpa is also entitled to 11,556,751 share options, each of which is exercisable to purchase one ordinary share of Minera IRL Limited at a price of C\$0.20 per share at any time on or prior to the date that is 360 days after the commencement of commercial production from the Ollachea Project (subject to the receipt of all regulatory approvals). See note 11, "Capital and Reserves" for more details on the share options.

The 0.9% net smelter return royalty granted to Sherpa is subject to a buyback at the Group's option. Details on the royalty buy back are provided in note 13, "Royalty Buyback Liabilities".

The total cost of the Bridge Loan, including the estimated value of the share options and the Sherpa Royalty Buyback, was deferred and is being expensed over the two-year life of the loan on an effective interest basis.

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

The net proceeds from the Bridge Loan were applied towards the repayment of the \$30,000,000 Macquarie Bank debt facility and the payment of \$12,000,000 of the \$14,190,000 outstanding to Rio Tinto under the Ollachea Mining Rights Transfer Contract. The remaining \$2,190,000 outstanding to Rio Tinto has been converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. The promissory note was recorded as an interest bearing loan on the statement of financial position under current liabilities. The Group had negotiated the option of settling the \$2,190,000 promissory note with cash or the issuance of Minera IRL Limited ordinary shares, subject to shareholder approval. However, the resolution to approve the issuance of ordinary shares in settlement of the promissory note at the annual general meeting, held on 27 August 2015, was not approved by shareholders. The Group has repaid \$700,000 of the principal plus interest during 2016. The balance as at 31 March 2017 is \$1,490,000 of principal and \$26,000 of interest.

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Notes to Interim Consolidated Financial Statements
Three Months Ended 31 March 2017 and 2016
(Unaudited – Expressed in United States Dollars)

The Group has not reached an agreement with COFIDE for a senior debt facility and in March 2017, COFIDE terminated the letter of mandate to exclusively structure the senior debt to a maximum of US\$240 million for the development of the Ollachea Project. The Group is currently evaluating its options for the repayment of the Bridge Loan which is due on 5 June 2017.

The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights, guarantees from the Company's subsidiary Minera IRL S.A., and a pledge of the shares of the Company's subsidiary, Campania Minera Kuri Kullu S.A., which holds the Ollachea Project. Should the Group be unable to find an alternative source of funding to satisfy the repayment due on 5 June 2017, the Group may have to relinquish control of the subsidiary, Campania Minera Kuri Kullu S.A., and therefore the Ollachea Project.

Note 13 –Royalty Buyback Liabilities

The Group has granted royalties on the Ollachea Project to Sherpa under the COFIDE Bridge Loan and to Macquarie Bank under the Finance Facility that can be bought out at the Group's option. The Group intends to exercise those options and is expensing the present value of the estimated cash flows relating to the royalty buyback over the life of the associated respective loans.

A reconciliation of the royalty buyback provision is as follows:

	Sherpa Royalty US\$000	Macquarie Royalty US\$000	Total US\$000
Balance 1 January 2016	4,239	2,939	7,178
Finance expense recorded	305	423	728
Balance 31 December 2016	4,544	3,362	7,906
Finance expense recorded	155	227	382
Balance 31 March 2017	4,699	3,589	8,288

Sherpa Royalty Buyback Liability

In June 2015, the Group secured a \$70,000,000 Bridge Loan from COFIDE. The financial structuring costs related to the Bridge Loan paid to Sherpa, as discussed on Note 12, included a 0.9% net smelter return royalty on gold production from the Group's Ollachea Project. The Group would have the right to buyback and cancel this royalty by paying a buy-back fee of \$5,566,000. The Group has the intention to pay the buyback fee before starting production and estimates to make the payment on 30 June 2018, subject to the availability of capital. As at 31 March 2017 the Group has made a provision of \$4,699,000 which will be increased up to the aforementioned \$5,566,000. The increases of the provision are accounted for as finance expenses as shown in Note 3. Upon payment of the buyback fee, Sherpa will cease to have any royalty rights on revenues from the Ollachea Project.

Macquarie Royalty Buyback Liability

In August 2013, the Macquarie Finance Facility was amended to increase the amount available by \$10,000,000. As a condition of drawing down these funds the Group awarded a 1% royalty on gross revenue minus refining costs on gold production from the Group's Ollachea Project. The Group would have the right to buyback and cancel this royalty by paying a buyback fee of \$5,000,000. The Group has the intention to pay the buyback fee before starting production and estimates to make the payment on 30 June 2018, subject to the availability of capital. As at 31 March 2017 the Group has made a provision of \$3,589,000 which will be increased up to the aforementioned \$5,000,000. The increases of the provision are accounted for as finance expenses as shown in Note 3. Upon payment of the buyback fee, Macquarie bank will cease to have any royalty rights on revenues from the Ollachea Project.

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Note 14 – Provisions

The Group has a provision of \$6,850,000 (2016: \$6,738,000) against the present value of the cost of restoring the Corihuarmi mine site and Ollachea exploration tunnel site. This provision is an estimate of the cost of reversing the alterations to the environment that had been made to date. The timing and cost of this rehabilitation is uncertain and depends upon the duration of the mine life and the quantity of ore that will be extracted from the mine. At 31 March 2017, management estimates that the remaining mine life at Corihuarmi is approximately 28 months. The directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 2 years' time, based on the time to develop the mine prior to commencement of commercial production, and on the assumption that commercial production does not proceed.

	Environmental Provisions US\$000
Balance - 1 January 2016	5,329
Accretion expense	456
Additional provision	1,024
Paid during the year	(71)
Balance - 31 December 2016	6,738
Accretion	131
Paid during the period	(19)
Balance - 31 March 2017	6,850

Note 15 – Trade and other payables

	31 March 2017 US\$000	31 December 2016 US\$000
Non-current		
Other payables	-	-
Current		
Trade payables	4,503	5,950
Other payables	1,699	2,443
	6,202	8,393

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Note 16 – Financial Instruments and Financial Risk Management

Financial instruments

The Group's principal financial assets comprise of available cash and cash equivalents, and other receivables. The Group's financial assets are classified as loans and receivables and initially recognised at fair value. After initial measurement, such financial assets are measured at amortised cost using the effective interest method, less provision for impairment.

The Group's financial liabilities include trade and other payables, interest bearing loans and other long term liabilities. All financial liabilities are recognised initially at fair value and, in the case of interest bearing loans, net of directly attributable transaction costs. Trade and other payables and interest bearing loans are subsequently measured at amortised cost using the effective interest method.

Risk management

The Group is exposed to certain financial risks due to its business activities. The potential adverse effects of these risks are constantly assessed by the management of the Group with a view to minimising them, and the directors consider whether it is appropriate to make use of financial instruments for this purpose. The following are major financial risks which the Group is exposed to:

Exchange rate risk

The functional currency of the significant entities within the Group is deemed to be the US dollar because the revenues from the sale of minerals are denominated in US dollars and the costs of the Group are likewise predominantly in US dollars. However, some transactions are denominated in currencies other than US dollars. These transactions comprise operating costs and capital expenditure in the local currencies of the countries in which the Group operates.

The balances of cash and cash equivalents held in various currencies were:

	31 March 2017 US\$000	31 December 2016 US\$000
Peruvian nuevos soles	895	294
United States dollars	685	6,563
	1,580	6,857

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

	31 March 2017 US\$000	31 December 2016 US\$000
Pounds sterling	(80)	(127)
Canadian dollars	(90)	(171)
Peruvian nuevos soles	6,822	2,353
United States dollars	(84,653)	(77,406)
	(78,001)	(75,351)

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

	31 March 2017 US\$000	31 December 2016 US\$000
10% weakening of the US dollar	665	205
20% weakening of the US dollar	1,330	411
10% strengthening of the US dollar	(665)	(205)
20% strengthening of the US dollar	(1,330)	(411)

Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents as well as an adequate amount of committed credit facilities. Management of the Group safeguards its cash resources and makes regular forecasts of the requirements to use those resources. If necessary, management adapts its plans to suit the resources available.

An analysis of the financial liabilities presented by maturity is detailed below. The contractual amounts disclosed in the maturity analysis are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. Moreover, as disclosed in Accounting Policies, paragraph (o) Borrowings and Borrowing costs, interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost on an effective interest basis. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

31 March 2017	Due in less than 3 months US\$000	Due between 3 months to 1 year US\$000	Due between 1 to 5 years US\$000	Total US\$000
Financial Liabilities				
Trade payables	4,503	-	-	4,503
Other payables	1,699	-	-	1,699
Interest bearing Promissory Note	1,516	-	-	1,516
Interest bearing loan	1,248	70,000	-	71,248
	8,966	70,000	-	78,966

31 December 2016	Due in less than 3 month US\$000	Due between 3 months to 1 year US\$000	Due between 1 to 5 years US\$000	Total US\$000
Financial Liabilities				
Trade payables	5,950	-	-	5,950
Other payables	2,443	-	-	2,443
Interest bearing Promissory Note	1,551	-	-	1,551
Interest bearing loan	1,129	71,129	-	72,258
	11,073	71,129	-	82,202

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Market price of minerals risk

The Group's business exposes it to the effects of changes in the market price of minerals, primarily gold. Severe changes in the market price of gold may affect the recoverability of the Group's investments in its mine, exploration assets and mining rights, and of the Group's intercompany receivables. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold including governmental reserves, and stability of exchange rates can all cause significant fluctuations in the market price of gold. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Credit risk

The Group is exposed to credit risk in so far as it deposits cash with its banks as detailed in note 10. However, the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in note 8, by the government of Peru.

Interest rate risk

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

Note 17 – Capital Commitments and Contingent Liabilities

The Group is subject to various laws and regulations governing its mining, development and exploration activities. These laws and regulations are continually changing and generally becoming more restrictive. The Group has made, and expects to make in the future, expenditures to comply with such laws and regulations. As a result of examinations conducted by the Ministry of Energy and Mines to the Corihuarmi mine the Group has been fined for failure to comply with environmental obligations. The Group has appealed the aforesaid resolutions. As at 31 March 2017 the Group estimates an amount of \$457,000 as contingencies related to liabilities for breach of environmental issues. No provision has been made as the Directors consider that the Group will be successful in its appeal.

During 2013, the Group was issued tax reassessments by the Peruvian tax authorities for the years ended 31 December 2008, 2009 and 2011 related to the deductibility of depreciation claimed by the Group. The appeal filed by the Group with the tax authorities was unsuccessful and the Group subsequently filed an appeal with the Peruvian Tax Court. If the Group is unsuccessful in its appeal of the reassessments, taxes in the amount of approximately \$1,407,000 would be payable. No provision has been made as the Directors consider that the Group will be successful in its appeal.

The Group entered into a contract with Empresa de Generación Eléctrica San Gabán S.A. for the supply of power for the construction and operation of the Ollachea Project. The supply of power contract included certain minimum power usages in the event that construction of the Ollachea Project had not commenced by June 2015. In March 2015, the Group amended the power contract deferring the requirement to make minimum power usage payments for twelve months, until June 2016. As compensation for deferring the minimum power usage requirements for twelve months, the Group agreed to pay fixed monthly compensation for a period of nine and a half years starting six months after the Ollachea Project commences production. The monthly compensation amount will vary depending on the start date of the construction of the Ollachea Project, but could be as high as \$11,000 per month for a total amount of \$934,000 over the nine and a half year period. The term of the agreement was extended 5 years to start the construction stage with no penalty or minimum monthly payments. If the Group chooses to terminate the power supply agreement prior to the commencement of production, there would be a penalty of approximately \$2,400,000. The contract was extended until March 2022.

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Claims for wrongful dismissal and alleged damage to personal reputation have been filed against one of the Group's subsidiaries in Peru by a former executive and a former employee. The Group has made an accrual of \$190,495 in respect of these claims as at 31 March 2017.

Note 18 – Related Parties

The Group's portion of transactions between the Group and its jointly controlled entities are eliminated on consolidation.

During the period ended 31 March 2017, the Group did not enter into transactions with related parties with the exception of key management as disclosed in note 4. As at 31 March 2017, the Group owed Mr. Michael Iannacone \$5,875 and Mr. Carlos Ruiz de Castilla \$12,000.

Note 19 – Subsequent events

On 3 April 2017 the 1,100,000 options granted on 3 April 2012 expired.

By order of the Board



Gerardo Perez
Chairman
Minera IRL Limited
15 May 2017