



## **Management's Discussion and Analysis For the Three and Nine Month Period Ended 30 September 2019**

*The following Management's Discussion and Analysis ("MD&A"), prepared as of 14 November 2019, should be read together with the consolidated financial statements of Minera IRL Limited (the "Company") for the three and nine month periods ended 30 September 2019 and related notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information about Minera IRL, including the Company's most recently filed Annual Information Form and the risks and uncertainties discussed therein, may be found at the Company's website at [www.minera-irl.com](http://www.minera-irl.com) and within the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

*All figures are expressed in United States dollars ("\$\$") unless otherwise noted. References to "C\$" are to Canadian dollars and to "£" are to British pound sterling.*

# HIGHLIGHTS

## **Financial**

- Gold sales of 6,415 ounces (Q3 2018: 5,987 ounces) at an average realized gold price of \$1,455 per ounce (Q3 2018: \$1,191 per ounce).
- Revenue of \$9.3 million, (Q3 2018: \$7.1 million)
- Gross profit of \$2.7 million (Q3 2018: \$1.2 million).
- Loss before tax of \$1.0 million (Q3 2018: 1.8 million).
- After tax loss of \$1.0 million (Q3 2018: \$1.8 million).
- Cash balance of \$2.4 million at 30 September 2019 (31 December 2018: \$2.3 million).
- Debt of \$87.8 million at 30 September 2019, up from \$83.0 million at 31 December 2018 (including amounts due to Rio Tinto).

## **Operational Performance**

- **Corihuarmi, Peru**
  - Gold production from the Corihuarmi Gold Mine of 6,460 ounces (Q3 2018: 5,987 ounces).
  - Ore mined and stacked of 1,128,532 tonnes (Q3 2018: 1,131,878 tonnes).
  - Waste of 647,919 tonnes (Q3 2018: 718,043 tonnes).
  - Site operating cost per tonne of ore mined of \$4.15 (Q3 2018: \$3.49)
  - Total cash costs were \$898 per ounce produced (Q3 2018: \$802).
  - Total all-in sustaining costs (AISC) were \$1,100 per ounce produced (Q3 2018: \$1,005)
- **Ollachea, Peru**
  - The Company is engaged in ongoing discussions with potential investors in a continuing effort to refinance the COFIDE Bridge Loan and advance the Ollachea project.
  - The Company continues with its Community programs and maintains an excellent relationship with the Ollachea Community

## ***Background and Business of the Company***

Minera IRL Limited (“Minera IRL” or the “Company”) is a Jersey registered company which, together with its subsidiaries, engages in exploration, development and mining of precious metals. The Company was privately funded from inception in 2002 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, the Bolsa de Valores Lima (“BVL”), in December 2007. In April 2010, the shares of the Company were listed on the Toronto Stock Exchange (“TSX”).

When the Company did not timely file its financial statements for the three and nine month periods ended 30 June 2015, trading in the Company’s shares was suspended on AIM, BVL and TSX. In October 2015, both the Ontario Securities Commission and the British Columbia Securities Commission issued Cease Trade Orders for the Company’s failure to timely file its periodic disclosure documents and the Company applied for a voluntary delisting from TSX. In March 2016, the Company delisted from AIM. The Cease Trade Orders were revoked on 20 January 2017 and on 3 February 2017 the Company’s ordinary shares began trading on the Canadian Securities Exchange (“CSE”). Trading on BVL resumed on 4 January 2017.

In Peru, the Company operates the Corihuarmi Gold Mine and has been advancing its flagship project, the Ollachea Gold Project (the “Ollachea Project”), towards production. At Ollachea, the Company has completed a post-definitive feasibility study optimization and received an Environmental and Social Impact Assessment (“ESIA”) and construction permit from the Peruvian authorities.

The Company is currently working to refinance its Ollachea Project. In June 2015, the Company arranged 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”). The Bridge Loan was part of a senior project credit finance facility of up to \$240,000,000 (the “Senior Project Debt Facility”), described in a Mandate Letter signed by COFIDE. The balance of the Senior Project Debt Facility (in excess of the Bridge Loan) was to finance construction of the Ollachea Project. However, in March 2017 COFIDE terminated the Mandate Letter without providing any reason for their decision and the COFIDE Bridge Loan matured in June 2017. Since then, the Company has been engaged in an effort to reverse COFIDE’s decision to terminate the Mandate Letter while taking steps to prevent COFIDE from taking action to collect the Bridge Loan or execute on its security while, at the same time, it has been attempting to identify an alternative source of financing that would replace both the Bridge Loan and the Mandate Letter.

On 6 June 2017 the Company announced it had obtained an order from the Superior Court of Justice of Lima as a precautionary measure to protect its assets and investments in the Ollachea Project; and its intention to initiate an arbitration process.

On 20 June 2017 the Company announced it had filed a request for an arbitration against COFIDE with the Arbitration Centre of the Lima Chamber of Commerce. The intention to commence the Arbitration had been previously announced by the press release on 6 June 2017.

On 4 October 2017 the Company announced the Superior Council of Arbitration of the Chamber of Commerce of Lima rejected the arguments submitted by COFIDE in opposition to beginning the Arbitration requested in June, 2017. The Council admitted the Company’s claims despite COFIDE’s objections, and decided that the Arbitration should continue.

On 24 September 2018 the Company released an update on the arbitration process against COFIDE. From February to August of this year, three documents have been submitted to the Court of Arbitration:

- 1.- The Company's Complaints submitted in February
- 2.- COFIDE's jurisdictional objections, Answer and Counterclaim submitted in May, and
3. - The Company's Reply to COFIDE's Counterclaim, submitted in August.

On 16 September 2019 the Group announced that the Court of Arbitration had issued its Final Arbitration Award. The Award provides that COFIDE must pay aggregate amount of \$34.2 million for damages. The Court of Arbitration declared that it did not have jurisdiction to require repayment of the Bridge Loan because the Bridge Loan facility expressly provides that it is subject to the jurisdiction of the courts of New York.

On 30 October 2019 the Group announced that the Court of Arbitration had rejected COFIDE's request to modify the Final Arbitration Award issued in September 2019. COFIDE has the right to apply for annulment of the Final Award based on due process and formality grounds.

The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Company's subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Company is not able to secure financing it will not have the funds available to develop the Ollachea Project and may be required to delay, scale back or eliminate various programs related to the Project. If the Company cannot refinance the Bridge Loan, it could lose the Ollachea Project. The assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

The Company is currently evaluating its options and seeking alternative source of financing its Ollachea Project.

## ***Operational, Project Development and Exploration Review***

### **Corihuarmi Gold Mine, Peru**

The Company's 100% owned Corihuarmi gold mine is located approximately 160 kilometres southeast of Lima, Peru, in the Central Andes at an altitude of almost 5,000 metres. The Company acquired the Corihuarmi leases in 2002 and the mine was brought into production in March 2008. Below is a summary of the key operating statistics for Corihuarmi for the three and nine month periods ended 30 September 2019 and 2018:

<b>Operating Parameters</b>	<b>Three Month Period Ended 30 September</b>		<b>Nine Month Period Ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Waste (tonnes)	<b>647,919</b>	718,043	<b>1,960,423</b>	1,514,005
Ore mined & stacked on heaps (tonnes)	<b>1,128,532</b>	1,131,878	<b>3,165,663</b>	3,011,114
Ore grade, mined and stacked (g/t gold)	<b>0.44</b>	0.36	<b>0.25</b>	0.23
Gold produced (ounces)	<b>6,460</b>	5,987	<b>17,204</b>	16,633
Gold sold (ounces)	<b>6,415</b>	5,987	<b>17,068</b>	16,840
Realized gold price (\$ per ounce sold)	<b>1,455</b>	1,191	<b>1,353</b>	1,264
Total cash costs (\$ per ounce produced) <sup>1</sup>	<b>898</b>	802	<b>913</b>	904
Total all-in sustaining costs (\$ per ounce produced) <sup>1</sup>	<b>1,100</b>	1,005	<b>1,098</b>	1,110

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

Ore mined and stacked during the third quarter of 2019 was 1,128,532 tonnes, no material change compared to the 1,131,878 tonnes mined and stacked during the third quarter of 2018. During the nine month period ended 30 September 2019 ore mined and stacked was 3,165,663 tonnes, a 5% increase compared to the 3,011,114 tonnes mined and stacked during the same period of the prior year.

Gold sold during the third quarter of 2019 was 6,415 ounces, a 7% increase compared to the 5,987 ounces sold in the third quarter of 2018. During the nine month period ended 30 September 2019 gold sold was 17,068 ounces, a 1% increase compared to the 16,840 ounces sold during the same period of the prior year.

The average realized gold price during the third quarter of 2019 was \$1,455, a 22% increase compared to the \$1,191 gold price realized during the third quarter of 2018. During the nine month period ended 30 September 2019 the average realized gold price was \$1,353, a 7% increase from the average gold price of \$1,264 realized during the same period of the prior year.

Total cash costs of \$898 per ounce of gold produced during the third quarter of 2019 were 12% higher than total cash costs of \$802 during the third quarter of 2018. The increase was due to the combined effect of an increase of 21% in total cash costs offset by an increase of 8% in ounces of gold produced. During the nine month period ended 30 September 2019 total cash costs were \$913 per ounce produced which was 1% higher than total cash costs of \$904 during the same period of the prior year. The increase was due to the combined effect of an increase of a 5% increase in total cash costs and a 3% increase in ounces of gold produced.

Total all-in sustaining costs (“AISC”) of \$1,100 per ounce of gold produced during the third quarter of 2019 were 9% higher than AISC of \$1,005 during the third quarter of 2018. The increase was due to the combined effect of an increase of 18% in AISC costs and an increase of 8% in ounces of gold produced. During the nine month period ended 30 September 2019 AISC was \$1,098 per ounce produced which was 1% lower than the \$1,110 AISC per ounce produced during the same period of the prior year. The change was due to the combined effect of a 2% increase in AISC costs and an increase of 3% in ounces of gold produced.

## **Ollachea Project, Peru – Development**

Expenditures capitalized during the third quarter of 2019 were \$0.3 million (\$0.5 million during the third quarter of 2018). Expenditures capitalized during the nine month period ended 30 September 2019 were \$0.9 million (\$1.7 million during the same period of the previous year). These expenditures were related mainly to community development and environmental costs.

## **Ollachea Project, Peru – Exploration**

No exploration activities were carried out during 2018. No exploration activities are planned for 2019.

## **Exploration Projects**

### ***Frontera Joint Venture***

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

During the second quarter of 2019 the Company sold to Teck all its interests in this project for \$100,000, except its royalty rights.

### ***Quilavira Project***

The Company signed an option agreement in February 2010 to acquire the Quilavira Gold Project from Newcrest Mining Ltd. The 51km<sup>2</sup> 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 were expected to be transferred at nominal cost.

The main exploration target at Quilavira was 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.

In June 2018 the Company decided to discontinue paying mineral rights related to this project in order to focus on its Ollachea Project and save cash. In consequence the Company recorded a write off charge of \$173,000 during Q2 2018 related to this project.

## Summary of Quarterly Results

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

	Q4 Dec. '17	Q1 Mar. '18	Q2 Jun. '18	Q3 Sep. '18	Q4 Dec. '18	Q1 Mar. '19	Q2 Jun. '19	Q3 Sep. '19
Total revenue	7,255	6,932	7,216	7,133	7,658	6,429	7,338	9,331
Profit (loss) after-tax	6,046	(1,823)	(2,817)	(1,822)	482	(2,220)	(2,039)	(987)
Total comprehensive income (loss)	6,046	(1,823)	(2,817)	(1,822)	482	(2,220)	(2,039)	(987)
Net earnings (loss) per share (US cents)	2.6	(0.8)	(1.2)	(0.8)	0.2	(1.0)	(0.9)	(0.4)

The business of the Company is not generally subject to seasonal influences. The variation in revenue, net profit and loss are due to a number of factors, including the market price of gold, the tonnes of ore and the associated grade of these tonnes of ore extracted from the mine and therefore the cost of production, the level of expenses incurred and the impairment of exploration, development and mining assets.

## Overview of Financial Results

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

	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2019	2018	2019	2018
Revenue (\$'000)	9,331	7,133	23,098	21,281
Gold sold (ounces)	6,415	5,987	17,068	16,840
Realized gold price (\$ per ounce )	1,455	1,191	1,353	1,264
Gross profit (\$'000)	2,677	1,220	4,907	3,577
Loss after-tax (\$'000)	(987)	(1,822)	(5,246)	(6,462)
Comprehensive loss (\$'000)	(987)	(1,822)	(5,246)	(6,462)
Loss per share (cents)	(0.4)	(0.8)	(2.3)	(2.8)

### Results of Operations

During the third quarter of 2019, the Company reported sales revenue of \$9,331,000 compared with sales revenue of \$7,133,000 during the third quarter of 2018, an increase of \$2,198,000. This 31% increase was due to the combined effect of a 7% increase in the number of gold ounces sold and a 22% increase in the average price of gold sold. During the nine month period ended 30 September 2019 sales revenue was \$23,098,000 compared with sales revenue of \$21,281,000 during the same period of the previous year, an increase of \$1,817,000. This 8% increase was due to the combined effect of a 1% increase in the number of gold ounces sold and a 7% increase in the average realized gold price.

During the third quarter of 2019 the Company reported an after tax loss of \$987,000 compared with a loss of \$1,822,000 during the third quarter of 2018. The \$835,000 reduced loss was mainly the result of a \$1,457,000 increase in gross profit offset by \$209,000 increase in administration expenses and an increase of \$273,000 in finance expenses. During the nine month period ended 30 September 2019 after tax loss was \$5,246,000 compared with \$6,462,000 during the same period of the prior year. The \$1,216,000 lower loss was mainly the result of \$1,330,000 higher gross profit and \$815,000 lower administrative expenses partly offset by a \$716,000 increase in finance expenses.

Cost of sales during the third quarter of 2019 was \$6,654,000, compared with cost of sales of \$5,913,000 during the third quarter of 2018, an increase of \$741,000. The most significant changes between the two periods were an increase of \$871,000 in site operating costs and a \$255,000 decrease in depreciation. During the nine month period ended 30 September 2019 cost of sales was \$18,191,000 compared with cost of sales of \$17,704,000 during the same period of the previous year, an increase of \$487,000. The most significant changes between the two periods were an increase of \$782,000 in site operating costs and a \$300,000 decrease in community and environmental costs. A period-over-period comparison for the cost of sales is provided in the table below.

### Breakdown of Cost of Sales

	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2019 (\$'000s)	2018 (\$'000s)	2019 (\$'000s)	2018 (\$'000s)
Site operating costs	4,591	3,720	12,724	11,942
Depreciation and amortization	854	1,109	2,478	2,567
Community and environmental costs	665	655	1,655	1,955
Other Costs (royalties and taxes, selling expense, other)	544	429	1,334	1,240
<b>Total</b>	<b>6,654</b>	<b>5,913</b>	<b>18,191</b>	<b>17,704</b>

Administration expenses during the third quarter of 2019 were \$1,274,000, compared with administration expenses of \$1,065,000 during the third quarter of 2018, an increase of \$209,000. The most significant change between the two periods was an increase of \$155,000 in professional and consulting fees. During the nine month period ended 30 September 2019 administration expenses were \$3,148,000 compared with \$3,963,000 during the same period of the previous year, a decrease of \$815,000. The most significant change between the two periods was a decrease of \$747,000 in arbitration costs. A period-over-period comparison for the administration expenses is provided in the table below.

### Breakdown of Administration Expenses

	Three Months Period Ended 30 September		Nine Months Period Ended 30 September	
	2019 (\$'000s)	2018 (\$'000s)	2019 (\$'000s)	2018 (\$'000s)
Depreciation	13	10	38	39
Director fees	30	30	90	90
Foreign exchange	173	92	119	178
Investor relations	10	4	27	18
Stock exchange fees	50	59	183	214
Office rent and administration	86	111	253	290
Professional and consulting fees	273	118	670	462
Arbitration costs	74	176	230	977
Salaries and wages	467	486	1,408	1,422
Telecommunication	17	13	50	41
Travel	63	37	141	131
Other	18	(71)	(61)	101
<b>Total</b>	<b>1,274</b>	<b>1,065</b>	<b>3,148</b>	<b>3,963</b>

Finance expense during the third quarter of 2019 was \$2,166,000 compared to \$1,893,000 during the third quarter of 2018, an increase of \$273,000. During the nine month period ended 30 September 2019 finance expenses were \$6,449,000 compared with \$5,733,000 during the same period of the previous year, an increase of \$716,000. In both periods the increase is attributable to increases in other finance expenses due to accretion expenses related to the Right-of-use liabilities. A period-over-period comparison for the finance expenses is provided in the table below.

### Breakdown of Finance expenses

	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2019 (\$'000s)	2018 (\$'000s)	2019 (\$'000s)	2018 (\$'000s)
COFIDE bridge loan interest	1,639	1,640	4,867	4,867
Other finance expenses	527	253	1,582	866
Total	2,166	1,893	6,449	5,733

### Cash Flow

Cash balance increased \$785,000 during the third quarter of 2019, from \$1,647,000 to \$2,432,000. Operating activities during this quarter generated \$2,262,000 whereas investing and financing activities used \$622,000 and \$855,000 respectively. During the nine month period ended 30 September 2019 the cash balance increased \$133,000, from \$2,299,000 to \$2,432,000. Operating activities during this nine month period generated \$4,239,000 whereas investing and financing activities used \$1,728,000 and \$2,378,000 respectively.

Investing activities during the third quarter of 2019 used \$622,000, compared with \$1,150,000 used during the third quarter of 2018, a decrease of \$528,000. The change was due to lower cash outflows of \$201,000 and \$299,000 in acquisitions of property, plant and equipment and deferred development expenditures respectively, and an increase of \$28,000 in disposal of property, plant and equipment. During the nine month period ended 30 September 2019 investing activities used \$1,728,000 compared with \$3,576,000 used during the same period of the prior year, a decrease of \$1,848,000. The change was due to lower cash outflows of \$777,000 and \$1,043,000 for acquisitions of property, plant and equipment and deferred development expenditures respectively, and an increase of \$28,000 in disposal of property, plant and equipment. A period-over-period comparison for the investing activities is provided in the table below.

### Breakdown of Investment activities

	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2019 (\$'000s)	2018 (\$'000s)	2019 (\$'000s)	2018 (\$'000s)
Acquisition of property, plant and equipment	352	553	702	1,479
Deferred exploration and development expenditures	302	601	1,058	2,101
Disposal of property, plant and equipment	(32)	(4)	(32)	(4)
Total	622	1,150	1,728	3,576

Financing activities during the third quarter of 2019 used \$855,000, compared with \$160,000 used during the third quarter of 2018, an increase of \$695,000. The change was due to \$764,000 and \$63,000 increases in payment of liabilities for right of use and payment of finance expenses respectively, offset by a decrease of \$132,000 in payment of finance lease liabilities. During the nine month period ended 30 September 2019 investing activities used \$2,378,000 compared with \$590,000 used during the same period of the prior year, an increase of \$1,788,000. The change was due to \$2,057,000 increases in payment of liabilities for right of use offset by decreases of \$265,000 and \$4,000 in payment of lease obligations and payment of finance expenses, respectively. After adoption of IFRS16 as of 1 January 2019 the company recognizes payments related to the liabilities for right of use as a finance activity. A period over period comparison for the financing activities is provided in the table below.

### **Breakdown of Financing activities**

	Three Months Period Ended 30 September		Nine Months Period Ended 30 September	
	2019	2018	2019	2018
	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)
Payment of liabilities for right-of-use	764	-	2,057	-
Payment of other finance expenses	91	28	189	193
Payment of lease obligations	-	132	132	397
<b>Total</b>	<b>855</b>	<b>160</b>	<b>2,378</b>	<b>590</b>

### ***Legal Actions Involving Company***

In March 2017, COFIDE terminated the Mandate Letter for the Senior Project Debt Facility without providing any reason for its decision and the COFIDE Bridge Loan matured in June 2017. Since then, the Company has been engaged in an effort to reverse COFIDE's decision to terminate the Mandate Letter while taking steps to prevent COFIDE from taking action to collect the Bridge Loan or execute on its security while, at the same time, it has been attempting to identify an alternative source of financing that would replace both the Bridge Loan and the Mandate Letter.

On 6 June 2017 the Company announced it had obtained an order from the Superior Court of Justice of Lima as a precautionary measure to protect its assets and investments in the Ollachea Project; and its intention to initiate an arbitration process.

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On 30 October 2019 the Group announced that the Court of Arbitration had rejected COFIDE's request to modify the Final Arbitration Award issued in September 2019. COFIDE has the right to apply for annulment of the Final Award based on due process and formality grounds.

The Company is not currently involved in any other legal proceedings nor was it involved in any other legal proceedings during the three month period ended 30 September 2019 and nor, to the knowledge of management, are there any legal proceedings currently contemplated which may materially affect the business and affairs of the Company.

During the financial year ended 31 December 2018, there were no penalties or sanctions imposed against the Company by, and no settlement agreements were entered into with, a court relating to securities legislation or a securities regulatory authority, nor were any penalties or sanctions imposed against the Company by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## ***Outlook***

At 30 September 2019, the Company had a working capital deficit of \$96,585,000 (defined as current assets less current liabilities).

In 2019, the Company is forecasting gold production of 22,500 ounces from Corihuarmi. Production is expected to come mainly from the Cayhua and Cayhua Norte zones, along with continued production from the Diana Extension, Susan and Laura zones plus nearby Scree Slope material.

The capital budget of Corihuarmi for 2019 is \$1.9 million to finalize heap leach pad 5C sector 2 and \$0.5 million for other CAPEX costs.

### Ollachea and the COFIDE Bridge Loan

In March 2017, COFIDE terminated the Mandate Letter for the Senior Project Debt Facility without providing any reason for its decision and the COFIDE Bridge Loan matured in June 2017. In June 2017 the Company announced it had obtained an order from the Superior Court of Justice of Lima as a precautionary measure to protect its assets and investments in the Ollachea Project; and its intention to initiate an arbitration process.

On 16 September 2019 the Group announced that the Court of Arbitration had issued its Final Arbitration Award. The Award provides that COFIDE must pay aggregate amount of \$34.2 million for damages. The Court of Arbitration declared that it did not have jurisdiction to require repayment of the Bridge Loan because the Bridge Loan facility expressly provides that it is subject to the jurisdiction of the courts of New York.

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The Bridge Loan is secured by the Ollachea Project's assets, mining reserves, mining concessions and rights and a pledge of the shares of the Company's subsidiary, Compañía Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Company is not able to secure financing it will not have the funds available to develop the Ollachea Project and may be required to delay, scale back or eliminate various programs related to the Project. If the Company cannot refinance the Bridge Loan, it could lose the Ollachea Project. The assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

For further information, please refer to paragraph "Background and Business of the Company" on page 3.

### ***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, development and operation of its mining assets. 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 in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

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

### ***Liquidity and Capital Resources***

As at 30 September 2019, the Company had cash of \$2,432,000, compared with \$2,299,000 as at 31 December 2018.

As at 30 September 2019, the Company had a working capital deficiency of \$96,585,000. Working capital is defined as current assets less current liabilities.

The above conditions indicate the existence of a material uncertainty which may cast doubt on the Company's ability to continue as a going concern.

### ***Future Contractual Obligations***

As at 30 September 2019, the Company had the following undiscounted future contractual obligations outstanding:

<b>\$'000</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>After Year 5</b>
Debt repayments	86,343	86,343	-	-	-	-	-
Promissory note	1,516	1,516	-	-	-	-	-
Payments of right-of-use liabilities	10,020	8,322	679	253	200	167	399
Asset retirement obligation +	7,047	362	735	1,344	2,018	708	1,880

Note:

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

## Going Concern Basis

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. The Company does not currently have the capital required to repay the Bridge Loan or advance the Ollachea Project. If the Company cannot refinance the Bridge Loan, it could lose the Ollachea Project. If it cannot replace the Senior Project Debt Facility, 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 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. The 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 reassessments, taxes in the amount of approximately \$1,403,000 would be payable.

The Company entered into a contract with a legal firm in connection with the arbitration process described on paragraph "Background and Business of the Company" on page 3. This contract includes a success fee on the damages awarded by the Arbitration Tribunal.

The Group entered into a contract with Empresa de Generacion Electrica San Gaban S.A. for the supply of power during the construction and operation stages of the Ollachea Project. This contract included certain minimum power usages for each of the construction and operation stages. In March 2017 the Group entered into an amended power contract extending the term to start the construction stage for sixty months from 1 March 2017. If the contract is terminated due to the construction stage not commencing within the sixty months term, the Group would have to pay a penalty for an amount equivalent to approximately \$2,400,000. Otherwise, the Group agreed to pay a fixed monthly compensation for an amount equivalent to approximately \$11,000 for a period of nine and a half years starting on the seventh month after Ollachea commencing the operation stage.

In June 2015, the Group secured a \$70,000,000 Bridge Loan from COFIDE. The financial structuring costs related to the Bridge Loan included a 0.9% net smelter return royalty on gold production from the Ollachea Project granted to Sherpa. The Group would have the right to buyback and cancel this royalty from Sherpa by paying a buy-back fee of \$5,566,000. 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 sales from the Group's Ollachea Project. The Group would have the right to buyback and cancel this royalty from Macquarie Bank by paying a buyback fee of \$5,000,000.

## ***Financial Instruments***

The Company's principal financial assets comprise of cash and cash equivalents, and other receivables. The Company's financial assets are classified as loans and receivables and are measured at amortised cost. The Company's financial liabilities include trade and other payables, interest bearing loans and other long term liabilities. They are all classified as financial liabilities and measured at amortised cost.

## ***Risks***

The Company operates in the resource industry, which is highly speculative, and has certain inherent exploration, development and operating 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.

Additionally, there are risks specifically related to the COFIDE Bridge Loan. For further information, please refer to paragraph "Background and Business of the Company" on page 3 and section 5 Risk Factors on the Company's 2018 Annual Information Form filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Liquidity risk**

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

In March 2017 COFIDE terminated the Mandate Letter for the Senior Project Debt Facility that was to fund development of the Ollachea Project, and the \$70,000,000 Bridge Loan matured on 5 June 2017. The Company does not currently have the funds required to repay the Bridge Loan or develop the Ollachea Project. As a result, the Company must now raise the funds required from alternative sources. Failure to do so may result in loss of the Ollachea Project.

### **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 is exposed to credit risk in so far as it deposits cash with its banks. However, the banks used are reputable international institutions. In addition the Company is exposed to sovereign risk in so far as it is owed recoverable sales tax by the government of Peru.

### **Currency risk**

Foreign currency risk is the risk that the fair value of assets and future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company operates in Peru and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of local

currencies in relation to the US dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge any currency exposures.

### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Debt obligations are exposed to interest rate variations. The Company has debt denominated in US dollars payable to COFIDE and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 6.17% over LIBOR plus a 2% interest surcharge after the date the Bridge Loan was due. A change in LIBOR of +/- 1% would not have a material effect on the financial results of the Company. It is the policy of the Company to settle trade payables within agreed terms so that no interest is incurred on those liabilities.

### **Commodity price risk**

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in gold prices. The 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 gold prices to determine appropriate actions to be undertaken. The Company has not entered into any agreements or purchased any instruments to hedge possible gold 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***

During the three month period ended 30 September 2019, the Company did not enter into transactions with related parties with the exception of directors and key management. As at 30 September 2019, the Company owed \$84,000 to directors and key management.

### ***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 2018, which have been filed on SEDAR [www.sedar.com](http://www.sedar.com).

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 the Company. An alternative policy would be to expense these costs until a feasible mineral resource has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down is charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

### Impairment

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

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

### Asset Retirement Provisions

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

## Depreciation Rate

Mining properties are depreciated on a 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.

## Share Based Payments

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

## ***Management's Responsibility for Financial Statements***

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

## ***Disclosure Controls and Internal Control over Financial Reporting***

Management of the Company is responsible for the design and implementation of disclosure controls and procedures and for internal controls over financial reporting ("ICFR") as required by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure. Management has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company has concluded that, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB. The Company's internal control over financial reporting includes policies and procedures that:

- Require maintaining records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary for preparation of financial statements in accordance with IFRS;
- Provide reasonable assurance that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's internal control over financial reporting may not prevent or detect all misstatements, whether due to error or fraud, because of inherent limitations. A control system, no matter how well designed or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Additionally, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

There has been no change in the Company's internal control over financial reporting during the quarter ended 30 September 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### ***Outstanding Share Data***

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

As at the date of this report, the Company had no options issued or outstanding for the benefit of directors, employees and consultants of the Company under the Company's Share Option Plan. However, 11,556,750 options were to be issued as part of the fees payable to Sherpa in regards to the COFIDE Bridge Loan financing. The options, which will have an exercise price of C\$0.20, are subject to shareholder and regulatory approval.

### ***Changes in Accounting Policies***

The Company has adopted IFRS 16, which is effective for annual reporting periods beginning on or after 1 January 2019.

The objective of IFRS 16 is to report information that properly represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities from a lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

### ***Subsequent Events***

There have been no subsequent events between the end of the period date and the date of filing of this report.

### ***Management and Board Changes***

There were no Management and Board changes during the three month period ended 30 September 2019.

## ***Additional Information***

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2018 is available on the Company's website at [www.minera-irl.com](http://www.minera-irl.com) or on SEDAR at [www.sedar.com](http://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, the Company's ability to refinance the COFIDE Bridge Loan and replace the Senior Project Debt Facility, changes in the price of precious metals and commodities, changes in the relative exchange rates of the US dollar against the Peruvian nuevo sol, interest rates, legislative, political, social or economic developments both within the countries in which the Company operates and in general, contests over title to property, the speculative nature of mineral exploration and development, operating or technical difficulties in connection with the Company's development or exploration programs, increasing costs as a result of inflation or scarcity of human resources and input materials or equipment. Known and unknown risks inherent in the mining business include potential uncertainties related to the title of mineral claims, the accuracy of mineral reserve and resource estimates, metallurgical recoveries, capital and operating costs and the future demand for minerals. Please see **Risks**, elsewhere herein.

## ***Qualified Person***

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

### ***Non-IFRS Measures***

“Total cash costs” includes include costs such as mining, processing and administration (excluding depreciation and amortization) plus applicable royalties, workers’ profit participation cost, and other non-site costs (transport and refining of metals, community and environmental costs). These costs are then divided by the ounces sold to arrive at “total cash cost per ounce produced”.

“Total all-in sustaining costs” includes “Total cash costs” plus administrative expenses, mine closure accretion, exploration expenses and capital expenditure. These costs are then divided by the ounces sold to arrive at “total all-in sustaining cost per ounce produced”.

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.

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019	2018	2019	2018
Cost of sales	\$6,654	\$5,913	\$18,191	\$17,704
Less:				
One-time optimization costs <sup>1</sup>	-	-	-	107
Depreciation	854	1,109	2,478	2,567
<b>Total cash costs</b>	<b>\$5,800</b>	<b>\$4,804</b>	<b>\$15,713</b>	<b>\$15,030</b>
<i>Ounces of gold produced</i>	<i>6,460</i>	<i>5,987</i>	<i>17,204</i>	<i>16,633</i>
<b>Total cash costs per ounce produced</b>	<b>\$898/oz</b>	<b>\$802/oz</b>	<b>\$913/oz</b>	<b>\$904/oz</b>
Total cash costs plus:				
Administrative expenses <sup>2</sup>	\$561	\$257	\$1,225	\$833
Mine closure provision accretion	102	185	307	555
Right-of-use liabilities accretion	151	-	544	-
Exploration expenses	92	84	224	170
Capital expenditure - leases payments	15	132	147	397
Capital expenditure - instalments payments	36	-	36	-
Sustaining capital expenditure	352	553	702	1,478
<b>Total all-in sustaining costs</b>	<b>\$7,108</b>	<b>\$6,015</b>	<b>\$18,898</b>	<b>\$18,463</b>
<i>Ounces of gold produced</i>	<i>6,460</i>	<i>5,987</i>	<i>17,204</i>	<i>16,633</i>
<b>Total all-in sustaining costs per ounce produced</b>	<b>\$1,100/oz</b>	<b>\$1,005/oz</b>	<b>\$1,098/oz</b>	<b>\$1,110/oz</b>

1. During Q2 2018 the Company optimized its mine staff incurring in one-time severance costs of \$107,000

2. Excluding arbitration costs related to the arbitration process with COFIDE.