MINERA IRL LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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CHAIRMAN'S STATEMENT

During the first year of my tenure as Chairman of the Board several positive developments have occurred which have consolidated the strength of the Group. At the beginning of last year the Company resumed trading in Peru and Canada and during the last Annual General Meeting held in December 2017, the Board of Directors was ratified. On the operating side, gold production at the Corihuarmi mine increased slightly, the life of mine was extended and the Ollachea community continued showing support for the development of the Project.

Last year was also a year of decisions aimed to protect the Group's assets which materialized into the commencement of an arbitration process with COFIDE, which the Group estimates could last until September 2019, and the awarding of a precautionary court order suspending any legal procedure to execute guarantees related to the Bridge Loan until the arbitration process is finalized.

Alternatives to finance the development of the Ollachea Project are being discussed with banks and investment funds. We remain optimistic on alternatives to the Project optimization in light of the encouraging results of the drilling campaign reported in February last year, which showed the mineralization at Minapampa continues at least 500 metres to the East and is open in length and depth.

The Corihuarmi mine increased gold production by 5% reaching 24,709 gold ounces. Management estimates the life of mine extends to the end of 2020. The Group reported a gross profit of $7.6 million whereas profit after taxes was US$ 0.8 million. Gold price at the date of this report was above US$ 1,330 which compared to the price $1,297 and $1,159 per ounce of gold at the end of 2016 and 2015 respectively shows a moderate upwards trend.

Our challenge is to recover the value of the company. We await the results of the arbitration process for which we have filed our claim for damages against COFIDE caused by their unilateral decision to terminate the mandate to structure a $240 million Senior Project Debt Facility.

I renew my sincere appreciation to our directors and officers, managers, employees and shareholders for their dedication and loyalty. Minera IRL continues to be a great gold opportunity in Latin America.

Gerardo Perez
Chairman
Minera IRL Limited
28 March 2018

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Minera IRL Group is the development and operation of gold mines in Peru.

The Group operates the Corihuarmi Gold Mine, has a project that has a completed feasibility study and environmental and construction permits (the Ollachea Gold Project), as well as a number of exploration projects.

A summary of the financial risk management policies and objectives is contained in the notes to the financial statements and the Group's Annual Information Form.

RESULTS AND DIVIDENDS

The total comprehensive income for the year after tax was $812,000 (2016: loss of $10,413,000). No dividend was paid during the year and no final dividend is proposed. A profit of $812,000 (2016: loss of $10,413,000) is to be transferred to retained earnings.

DIRECTORS

The names of the directors who served during the year and their interests in the share capital of the Group at the start and the end of the year are:

Director	Ordinary shares of no par value	
	31–Dec-2017	31-Dec-2016
D Jones [(1)]	-	-
R Fryer [(2)]	-	-
J Bavin [(3)]	-	-
F O'Kelly [(4)]	-	-
G Perez [(5)]	100	-
G Bee [(6)]	-	-
D Weyrauch [(7)]	-	-
R Schafer [(8)]	-	-
D Benavides [(9)]	2,066,147	2,066,047
M Iannacone [(10)]	-	-
J Lema [(11)]	-	-
S Valverde[(12)]	-	-

[(1)] Mr. Jones resigned on 15 June 2016
[(2)] Mr. Fryer resigned on 15 June 2016
[(3)] Mr. Bavin resigned on 30 November 2016
[(4)] Mr. O'Kelly was appointed as director on 28 March 2016 and resigned on 30 November 2016
[(5)] Mr. Perez was appointed as director on 23 May 2016.
[(6)] Mr. Bee was appointed as director on 14 June 2016 and resigned on 12 September 2016
[(7)] Mr. Weyrauch was appointed as director on 21 June 2016 and resigned on 30 November 2016
[(8)] Mr. Schafer was appointed as director on 12 September 2016 and resigned on 30 November 2016
[(9)] Mr. Benavides was appointed as director on 2 December 2016
[(10)] Mr. Iannacone was appointed as director on 2 December 2016
[(11)] Mr. Lema was appointed as director on 1 October 2017
[(12)] Mr. Valverde was appointed as director on 1 October 2017

On 31 December 2017, the directors who served during the year held the following share options under the Minera IRL Limited Incentive Stock Option Scheme:

Director	No. Held 31-Dec-2016	Granted	Exercised	Expired or cancelled	No. Held 31-Dec-2017	Exercise price (£)	Expiry Date
D Benavides	400,000	-	-	400,000	-	0.8063	03-Apr-2017
	400,000	-	-	-	400,000	0.1500	15-Nov-2018

Details of these share options may be found in Note 14 to the financial statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Group maintains appropriate insurance to cover directors' and officers' liability in the course of discharging their duties to the Group. This insurance does not provide cover where a director or an officer has acted dishonestly or fraudulently.

DONATIONS

The Group made no charitable donations outside of the areas in which it operates and hopes to establish mines. However, extensive work is done to help the local communities of Peru where the Group is mining or is intending to establish mines, and where the relationship with the local communities is extremely important. No political donations were made during the past year or the previous year.

SUBSTANTIAL SHAREHOLDERS

As at 28 March 2018, the Group has been notified of the following substantial shareholdings in addition to those of the directors:

	Number of Shares	Percentage of Issued Share Capital
Rio Tinto Mining and Exploration Limited	44,126,780	19.1
Compañía Inversora en Minas S.A.	9,146,341	4.0

SUBSEQUENT EVENTS

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

DISCLOSURE OF INFORMATION

So far as each of the directors is aware, there is no information needed by the Group's auditor in connection with the preparation of their report, which they have not been made aware of, and the directors have taken all the steps that they ought to have taken to discover any relevant audit information and to establish that the Group's auditor has been made aware of that information.

By order of the Board

Gerardo Perez
Chairman
Minera IRL Limited
28 March 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law in Jersey requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Under Company Law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as issued by the IASB; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions, to disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in Jersey governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINERA IRL LIMITED

Opinion

We have audited the financial statements of Minera IRL Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements concerning the group's and parent company's ability to continue as a going concern. In March 2017 the group was informed by COFIDE that it had revoked the mandate to structure the senior debt for the development of the Ollachea Gold Project, and required repayment of the US$70 million Bridge Loan in June 2017. The group has temporarily suspended any enforcement proceedings by COFIDE regarding repayment of the Bridge Loan, and has entered into an arbitration process which must conclude before September 2019. The group has also submitted a claim for damages against COFIDE. The group is seeking alternative sources of financing to be able to repay the Bridge Loan and obtain the necessary investment to develop the Ollachea Gold Project. The cash generated from gold production at the Corihuarmi mine is required to fund the working capital requirements of the group in the meantime.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the group's and parent company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Carrying value and assessment of impairment of intangible assets and mining assets & deferred development costs, including the eligibility of expenditure capitalised under IFRS 6. (group only) The carrying value of the Ollachea Gold Project within intangible assets is $140.272m. The carrying value of mining assets & deferred development costs is $8.006m. There is a risk that the carrying value of the asset is impaired and that additional exploration expenditure capitalised during 2017 is not in accordance with IFRS 6. Recoverability is dependent on upon the discovery of economically recoverable ore reserves, continuing compliance with the terms of relevant agreements, the ability of the group to obtain the necessary financing to complete development of ore reserves, future profitable production or profitable disposal of the area of interest. The carrying value of the Ollachea Gold Project is assessed in conjunction with the following criteria: ▪ The Group has sufficient title to the exploration licence in respect of the area known as Ollachea. ▪ The Group has planned/budgeted further substantive expenditure for mineral resource in the area. ▪ Exploration work undertaken to date has indicated the existence of commercially viable quantities of mineral resource. ▪ The carrying value of the exploration asset is likely to be fully recovered from successful development or by sale.	Our audit procedures included: ▪ Review of the cash flow forecast and impairment assessments prepared by management in relation to the Corihuarmi Gold Mine and Ollachea Gold Project, with a focus on the key assumptions and sensitivity to change. ▪ Evaluation whether the model used to calculate value in use complies with the requirements of IAS 36 'Impairment of Assets'. ▪ Assessed the accuracy of management budgets and forecasts used in the prior year value in use calculations to actual results achieved in the current year. ▪ Validating the key assumptions and inputs applied and agreeing, where applicable, to independently prepared reports. ▪ Subjecting the key assumptions to sensitivity analysis. ▪ Substantive testing of capitalised expenditure during 2017. As disclosed in note 1 to the financial statements, the group is currently undergoing an arbitration process with COFIDE, following the revocation of the mandate to structure the senior debt for the development of the Ollachea Gold Project, and is seeking new sources of financing to be able to repay the Bridge Loan and obtain the necessary investment to develop the Ollachea Gold Project. An adverse ruling against the group under the arbitration process, or failure to secure new financing within the required timescale or on acceptable terms, could result in relinquishing control of the subsidiary, Compania Minera Kurri Kullu S.A. and therefore the Ollachea Gold Project, together with an impairment to carrying values at that date.

Key Audit Matter	How the scope of our audit responded to the key audit matter
The carrying value of the Corihuarmi mine is assessed for impairment in accordance with IAS 36.	
Recognition, valuation and disclosure of capital commitments, contingent liabilities and provisions. **(group and company)** The Group has a rehabilitation provision in respect of the Corihuarmi Mine and the Ollachea Gold Project exploration tunnel, in the event the Group does not progress into commercial production regarding the latter. Management uses their judgement and experience to provide for and amortise the estimated costs for decommissioning and site rehabilitation over the life of the mine. The ultimate cost of decommissioning and site rehabilitation are uncertain and can vary significantly. The Group uses an external expert to assist in the calculation. The Group has derecognised the royalty buy-back provisions in respect of Sherpa and Macquarie Bank during the year. The potential obligations have been disclosed as contingent liabilities. In addition, there are a number of additional contingent liabilities disclosed in the financial statements e.g. environmental law obligations, tax assessments, supply contracts and employee claims.	Our audit procedures included: ▪ Reviewing contracts, Board minutes and other relevant documents to assess the status of the contingencies/provisions and ensure the accuracy and completeness of disclosures. ▪ Review management experts reports and verify the key estimates and assumptions to supporting documentation or through benchmarking, as applicable. ▪ Assess the qualifications and independence of management's experts. ▪ Test the method of measurement and assumptions used by management. ▪ Discussions with management and legal counsel.
Revenue recognition **(group only)** The accounting policy for revenue recognition is set out in note 1 to the financial statements. Under ISA 240 there is a presumption that revenue recognition is a fraud risk.	Our audit procedures included: ▪ Substantive test of detail on a sample of transactions to ensure revenue was accurately recorded and recognised in accordance with the accounting policy. ▪ Detailed analytical review procedures. ▪ Cut-off procedures to ensure revenue recognised relates to the accounting period.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Management's responsibility for the group and parent company financial statements

Management is responsible for the preparation of the group and parent company financial statements with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, management is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the group and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's or company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the group and parent company financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the group and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

David Thompson (Engagement Partner)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD

28 March 2018

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the years ended 31 December 2017 and 2016

	Notes	2017 US$000	2016 US$000
Revenue		**30,742**	**29,163**
Cost of sales	**3**	**(23,146)**	**(21,919)**
Gross profit		**7,596**	**7,244**
Administration expenses	**3**	**(4,857)**	**(6,455)**
Exploration costs		**(186)**	**(24)**
Gain on disposal of Property, plant and equipment		**443**	**-**
Write-off of intangible asset	**10**	**(266)**	**(124)**
Operating profit		**2,730**	**641**
Finance expense	**5**	**(10,613)**	**(11,094)**
Royalty buyback provision reversal	**17**	**8,695**	**-**
Profit (Loss) before tax		**812**	**(10,453)**
Income tax expense	**7**	**-**	**40**
Profit (Loss) for the year attributable to the equity shareholders of the parent		**812**	**(10,413)**
Total comprehensive income for the year attributable to the equity shareholders of the parent		**812**	**(10,413)**

Earnings per ordinary share (US cents)			
Basic and diluted	**8**	**0.4**	**(4.5)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 and 2016

	Notes	2017 US$000	2016 US$000
Assets			
Property, plant and equipment	**9**	**10,985**	**7,602**
Intangible assets	**10**	**142,324**	**138,256**
Other receivables and prepayments	**11**	**-**	**7,235**
Total non-current assets		**153,309**	**153,093**
Inventory	**12**	**2,769**	**2,729**
Other receivables and prepayments	**11**	**9,492**	**1,887**
Current tax recoverable		**1,036**	**894**
Cash and cash equivalents	**13**	**3,276**	**6,857**
Total current assets		**16,573**	**12,367**
Total assets		**169,882**	**165,460**
Equity			
Share capital	**14**	**159,012**	**159,012**
Share option reserve	**14**	**479**	**663**
Accumulated losses		**(85,443)**	**(86,439)**
Total equity attributable to the equity shareholders of the parent		**74,048**	**73,236**
Liabilities			
Trade and other payables	**19**	**707**	**-**
Finance lease liabilities	**15**	**147**	**-**
Provisions	**18**	**7,269**	**6,738**
Royalty buyback provision	**17**	**-**	**7,906**
Total non-current liabilities		**8,123**	**14,644**
Finance lease liabilities	**15**	**530**	**-**
Interest bearing loans	**16**	**76,483**	**69,187**
Trade and other payables	**19**	**10,698**	**8,393**
Total current liabilities		**87,711**	**77,580**
Total liabilities		**95,834**	**92,224**
Total equity and liabilities		**169,882**	**165,460**

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Gerardo Pérez
Chairman
28 March 2018

Carlos Ruiz de Castilla
Chief Financial Officer
28 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2017 and 2016

	Note	Share capital US$000	Share option reserve US$000	Accumulated. losses US$000	Total US$000
Balance at 1 January 2016		**159,012**	**959**	**(76,322)**	**83,649**
Loss for the year		**-**	**-**	**(10,413)**	**(10,413)**
Total comprehensive income		**-**	**-**	**(10,413)**	**(10,413)**
Expiry/lapse of share options	**14**	**-**	**(296)**	**296**	**-**
Total transactions with owners, recognised directly in equity		**-**	**(296)**	**296**	**-**
Balance 31 December 2016	**14**	**159,012**	**663**	**(86,439)**	**73,236**

	Note	Share capital US$000	Share option reserve US$000	Accumulated. losses US$000	Total US$000
Balance at 1 January 2017		**159,012**	**663**	**(86,439)**	**73,236**
Profit for the year		**-**	**-**	**812**	**812**
Total comprehensive income		**-**	**-**	**812**	**812**
Expiry/lapse of share options	**14**	**-**	**(184)**	**184**	**-**
Total transactions with owners, recognised directly in equity		**-**	**(184)**	**184**	**-**
Balance 31 December 2017	**14**	**159,012**	**479**	**(85,443)**	**74,048**

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2017 and 2016

	Notas	2017 US$000	2016 US$000
Cash flows from operating activities			
Loss before tax		**812**	**(10,453)**
Finance expense	**5**	**10,613**	**11,094**
Royalty buyback provisión reversal	**17**	**(8,695)**	**-**
Depreciation	**9**	**2,230**	**3,162**
Gain on disposal of property, plant and equipment		**(444)**	**(8)**
Write-off of intangible asset	**10**	**266**	**124**
Increase in inventory		**(40)**	**(138)**
Increase in other receivables and prepayments		**(489)**	**(2,042)**
Increase in trade and other payables		**1,951**	**785**
Payment of mine closure costs	**18**	**(79)**	**(71)**
Cash generated from operations		**6,125**	**2,453**
Income tax paid		**(147)**	**(75)**
Net cash from operating activities		**5,978**	**2,378**
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(3,190)**	**(2,650)**
Deferred exploration and development expenditures	**10**	**(4,334)**	**(5,221)**
Disposal of property, plant and equipment		**471**	**18**
Decrease (Increase) in restricted cash		**-**	**3,269**
Net cash outflow from investing activities		**(7,053)**	**(4,584)**
Cash flows from financing activities			
Payment of finance expenses		**(2,001)**	**(5,817)**
Payment of finance lease liabilities	**15**	**(505)**	**-**
Payment of loans	**16**	**-**	**(700)**
Net cash outflow from financing activities		**(2,506)**	**(6,517)**
Net decrease in cash and cash equivalents		**(3,581)**	**(8,723)**
Cash and cash equivalents at beginning of year		**6,857**	**15,580**
Cash and cash equivalents at end of year	**13**	**3,276**	**6,857**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Minera IRL Limited (the "Group") is registered in Jersey and its registered office is at Ordnance House, 31 Pier Road, St. Helier, Jersey.

The principal activity of the Group and its subsidiaries is the exploration, development and operation of mines for the extraction of metals.

The consolidated financial statements of the Group for the year ended 31 December 2017 comprise the Group and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 28 March 2018.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB").

New and amended standards

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2017

Revenue Recognition
In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently mandatory for annual periods beginning on or after January 1, 2018. Either a modified retrospective application or full retrospective application is required for IFRS 15. The Company has elected to apply the full retrospective approach upon transition on January 1, 2018.

The core principle of IFRS 15 is that revenue related to the transfer of promised goods or services should be recognized when the control of the goods or services passes to customers. The Group has evaluated the impact of applying IFRS 15 by analyzing its doré sale agreements. The Group concluded there will be no material change in the timing of revenue recognized under the new standard as the point of transfer of risk and reward for goods and services and transfer of control occur at the same time.

In addition, IFRS 15 requires entities to apportion revenue earned from contracts to distinct performance obligations on a relative standalone selling price basis. The Company has evaluated its sales agreement and concluded delivery of individual doré is the only performance obligations in the contract and accordingly there will be no change in the amount or timing of revenue recognition under the new standard.

Financial instruments
In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments ("IFRS 9") to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not required. For hedge accounting, the requirements are generally applied prospectively.

The new expected credit loss impairment model and reformed approach to hedge accounting is not expected to have impact on the Group's financial statements.

Leases

In January 2016, the IASB published a new accounting standard, IFRS 16 - Leases ("IFRS 16") which supersedes IAS 17 - Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, has also been applied. The Group has not quantified the potential impact at this time.

The following new and amended standards were effective for the first time for the financial year beginning on or after 1 January 2017.

Standard		Effective Date
IAS 7 (Amendments)	Disclosure Initiative	1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax	1 January 2017

New and amended standards issued but not yet effective for the financial year beginning 1 January 2017 and not early adopted:

Standard		Effective Date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Annual Improvements	2014-2016 Cycle	1 January 2018
IFRS 2 (Amendments)	Classification of measurement of share based payments	1 January 2018
IFRIC (Interpretation 22)	Foreign Currency Translations and Advance Considerations	1 January 2018
Annual Improvements	2015-2017 Cycle	1 January 2019

The Directors do not anticipate that the adoption of the other standards and interpretations will have a material effect on the reported income or net assets of the Group and the Parent Company.

Basis of Preparation and Going Concern

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

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies.

At 31 December 2017, the Group had a working capital deficit of $71,138,000 (defined as current assets less current liabilities). On 8 June 2015, the Group announced that it had 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") and syndicated through Goldman Sachs Bank USA. The Bridge Loan was part of a senior project credit finance facility of up to $240,000,000 described in a letter of mandate signed by COFIDE and Minera IRL ("Senior Project Debt Facility"). The Senior Project Debt Facility was to be structured by COFIDE, in conjunction with Minera IRL, to build the Ollachea Gold Project (the "Ollachea Project").

In March 2017 COFIDE terminated the letter of mandate without providing any reason for their decision.

On 6 June 2017 the Group 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. The order temporarily suspends any enforcement proceedings against the Group regarding non repayment of the $70,000,000 Bridge Loan granted by COFIDE as well as the last interest instalment of approximately $1,240,000, both of which were due for payment on 5 June 2017.

On 20 June 2017 the Group 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 Group 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 Group's claims despite COFIDE's objections, and decided that the Arbitration should continue.

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 Group's subsidiary, Compañia Minera Kuri Kullu S.A., which holds the Ollachea Project. If the arbitration ruling is not in favour of the Group, or the Group is not able to secure an alternative source of funds to refinance the debt with COFIDE it may have to relinquish its ownership of the subsidiary, Campañia 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 assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

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

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 however that alternative funding will be obtained within the required timescale or on acceptable terms. The cash generated from gold production at the Corihuarmi mine is required to fund the working capital requirements of the Group in the meantime. In addition, the Group intends to accelerate the process for recovering VAT in connection with its exploration activities on the Ollachea Project, together with other cost cutting measures, if required.

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.

Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. These policies have been applied consistently for all the years presented, unless otherwise stated:

(a) Principles of Consolidation

The consolidated financial statements incorporate the statements of the Group and enterprises controlled by the Group (its subsidiaries) made up to 31 December each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recognised as separately identifiable intangibles and goodwill. Any excess of the fair value of assets acquired over the cost of acquisition is recognised directly in the consolidated statement of comprehensive income.

The results of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries

These consolidated financial statements include the financial statements of the Parent and its subsidiaries as follows:

	Location	Ownership
Minera IRL Limited	Jersey	-
Minera IRL S.A.	Peru	100%
Compañía Minera Kuri Kullu S.A.	Peru	100%
Minera IRL Argentina S.A.	Argentina	100%
Hidefield Gold Limited [1]	UK	100%
Hidefield Gold (Alaska) Inc. [1]	USA	100%
Minera IRL Chile S.A.	Chile	100%

[1] These subsidiaries were dissolved subsequent to the year-end

(b) Revenue Recognition

The Group enters into contracts for the sale of gold. Revenue arising from gold sales under these contracts is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales price is reasonably assured. These criteria are assessed to have occurred once the gold has been received by the smelter and a sale price has been agreed for the contained gold.

(c) Income Tax

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation. Deferred tax is expected to be payable or recoverable on differences between the carrying value amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be realised.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(d) Foreign Currency

The Group's presentation currency is the US Dollar and has been selected based on the currency of the primary economic environment in which the Group as a whole operates. In addition, the significant entities in the Group have a functional currency of the US Dollar.

Transactions in currencies other than the functional currency of a company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each statement of financial position date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the statement of financial position date and any gains or losses arising are recognised in profit or loss.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits and money market investments readily converted to cash and have an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities. For the purposes of the cash flow statements, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts.

Restricted cash, comprising cash set aside to cover rehabilitation obligations, is not available for use by the Group and is excluded from cash and cash equivalents.

(f) Trade and Other Receivables

Trade and other receivables are not interest bearing and are stated at their original invoiced value less an appropriate provision for irrecoverable amounts.

(g) Intangible Assets

Deferred exploration costs

Once legal title is obtained, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area. Accumulated costs in relation to an abandoned area are written off in full against the results in the year in which the decision to abandon the area is made. No amortisation is charged during the exploration and evaluation phase. Expenditure is transferred from 'Deferred Exploration Costs' to 'Mining Assets' in property, plant and equipment once the work completed to date supports the technical and commercial feasibility of the project, the appropriate permits have been issued and financing has been secured. Additional exploration and evaluation expenditure subsequent to transfer is capitalised within 'Mining Assets and Deferred Development Costs' within property, plant and equipment.

The recoverability of the deferred exploration cost is dependent upon the discovery of economically recoverable ore reserves, continuing compliance with the terms of relevant agreements, the ability of the Group to obtain the necessary financing to complete the development of ore reserves, and the future profitable production or profitable disposal of the area of interest.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(h) Property, Plant and Equipment

(i) Owned asset

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i below).

(ii) Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive income.

(iii) Depreciation

Depreciation on these assets is calculated by the straight-line method to allocate their cost over their estimated useful lives, as follows:

- vehicles - 5 years;
- computer equipment - 4 years;
- furniture and fixtures, and other equipment - 10 years;
- buildings - 25 years; and
- land is not depreciated.

The residual values and useful economic lives of all assets are reviewed annually.

Mining assets are depreciated over the expected life of the mine. The amount of ore remaining and the expected future life of the mine are reviewed each year.

(iv) Mining assets and Deferred development costs

When the technical and commercial feasibility of an area of interest has been demonstrated, financing has been secured and the appropriate permits have been issued, the area of interest enters its development phase. The accumulated costs are transferred from exploration and evaluation expenditure within intangible assets and reclassified as mining assets and deferred development costs. When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either recognised as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements to mineable reserve development.

Once mining commences the asset is amortised on a unit-of-production basis over the expected life of the mine. Provisions are made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

(i) Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell.

Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

i. sufficient data exists that render the resource uneconomic and unlikely to be developed
ii. title to the asset is compromised
iii. budgeted or planned expenditure is not expected in the foreseeable future
iv. insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

i. a significant deterioration in the spot price of gold
ii. a significant increase in production costs
iii. a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

(j) Inventory

Inventory of consumables is valued at the lower of cost and net realisable value. The value of metal on the leach pads is calculated by applying the estimated cost of production incurred to place the metal on the leach pads to the number of ounces estimated to remain on the leach pads. The value of metal in process is calculated by applying the total cost of production per ounce to the number of ounces which have been extracted from the ore, but not yet been converted into doré bars.

(k) Trade and Other Payables

Trade and other payables are not interest bearing and are stated at amortised cost using the effective interest method.

(l) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of operating segments, has been identified as the Executive Chairman together with the Board of Directors.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Royalty Buyback Provision

The Group recorded the present value of the estimated cash flows on the $5,000,000 buyback fee on the royalties granted under Tranche 3 and 4 of the Macquarie Bank loan to determine the effective interest rate.

The Group also recorded the present value of the estimated cash flows on the $5,566,000 buyback fee on the royalties granted as part of the fees paid to Sherpa, the structuring agent of the COFIDE Bridge Loan.

At the end of the 2017, the Group reviewed the feasibility and probability of settling such options and came to the conclusion that, given current cash constraints and the arbitration process in relation to the COFIDE loan described in Note 1, it was not in the position to determine with reasonable certainty if and when these royalties buybacks could be settled. Consequently both provisions have been derecognised as at 31 December 2017. A contingent liability has been disclosed related to the possibility that the Group may decide in the future to exercise both buyback options.

Additional details on the royalties granted to Macquarie Bank and Sherpa are provided under note 17, “Royalty Buyback Liabilities”.

(n) Share Based Payments

The Group rewards directors, senior executives and certain consultants with share options. These instruments are stated at fair value at the date of grant, using the Black-Scholes valuation model, and are expensed to the consolidated statement of comprehensive income over the vesting period of the options. The valuation model requires assumptions to be made about the future, including the length of time the options will be held before they are exercised, the number of option holders who will leave the Group without exercising their options, the volatility of the share price, the risk-free interest rate and the dividend yield on the Group’s shares. The resulting valuation does not necessarily reflect the value attributed to the options by the option holders.

(o) Borrowings and Borrowings Costs

Interest bearing borrowings are recognised initially at fair value, less attributable transactions costs. Subsequent to initial recognition they are stated at amortised cost with any difference between cost and redemption value being recognised as a finance cost over the period of the borrowings on an effective interest basis. Interest expense is capitalized once a development decision on an asset is made. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets. The assets are depreciated over the shorter of the lease term and its useful lives.

(q) Exceptional items

Exceptional items are disclosed separately in the Financial Statements, where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material, either because of their size or their nature, or that are non-recurring. The de-recognition of the royalty buyback provisions are disclosed as exceptional items in the year ended 31 December 2017.

(r) Significant Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

<u>Key sources of estimation uncertainty</u>

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 statement of financial position and an assessment is made regarding impairment.

In assessing the carrying amounts of deferred exploration costs, the Directors have used an updated financial model based upon the original Definitive Feasibility Study prepared in conjunction with a number of independent experts. The study has been approved by the Directors.

Should any key parameters differ from the assumptions contained within the technical economic model, such as tonnes of ore mined, grade of ore mined, recovery profile or gold price, the net present value will be affected either positively or negatively. If the impact is negative, an impairment charge may be required that has not been recognised in these financial statements. Further information on the year end carrying values is disclosed in Note 9, “Property, Plant and Equipment”, and Note 10, “Intangibles”.

Depreciation

Mining assets are depreciated on a unit-of-production basis over the expected life of the mine. The amount of ore remaining and the expected future life of the mine are reviewed and estimated each year. Additional information on the depreciation of mining assets is provided in Note 9, “Property, Plant and Equipment”.

Environmental provisions

Management uses its judgement and experience, together with independently prepared reports by qualified valuers, to provide for and amortise the estimated costs for decommissioning and site rehabilitation over the life of the mine. The ultimate cost of decommissioning and site rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions estimated which could affect future financial results. Additional information on environmental provisions is provided under “Provisions” in Note 18.

Estimation of recoverable gold contained on the leach pads

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

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.

During 2017 the Group had one customer. The following table sets out the income and expenditure of the Group according to these reporting segments:

2017	**Peru**	**Jersey**	**Total**
	US$000	**US$000**	**US$000**
Mining revenue	30,742	-	30,742
Mining cost of sales	(21,002)	-	(21,002)
Mining gross profit	9,740	-	9,740
Exploration costs expensed	(186)	-	(186)
Administrative expenses	(3,423)	(1,373)	(4,796)
Net income	6,131	(1,373)	4,758
Exploration of properties - deferred	(4,334)	-	(4,334)
Capital expenditure	(5,640)	-	(5,640)
Reconciliations			
Segmental Revenue			
Customer A	30,742	-	30,742
Group revenues	30,742	-	30,742
Segment Result			
Segmental net income	6,131	(1,373)	4,758
Depreciation and amortisation	(2,205)	-	(2,205)
Profit on disposal of PPE	443	-	443
Write-off of intangible asset	(266)	-	(266)
Group operating profit	4,103	(1,373)	2,730
Finance expense	(10,016)	(597)	(10,613)
Royalty buyback provision reversal	8,695	-	8,695
Group (loss)/profit before tax	2,782	(1,970)	812
Group Assets			
Non-current assets	143,958	9,351	153,309
Inventory	2,769	-	2,769
Current tax recoverable	1,036	-	1,036
Other receivables and prepayments	9,459	33	9,492
Cash and cash equivalents	3,276	-	3,276
Group total assets	160,498	9,384	169,882

NOTE 2 – SEGMENT REPORTING (continued)

2016	Peru US$000	Jersey US$000	Total US$000
Mining revenue	29,163	-	29,163
Mining cost of sales	(18,875)	-	(18,875)
Mining gross profit	10,288	-	10,228
Exploration costs expensed	(20)	-	(20)
Administrative expenses	(4,728)	(1,648)	(6,376)
Net income	5,540	(1,648)	3,892
Exploration of properties - deferred	(5,221)	-	(5,221)
Capital expenditure	(3,675)	-	(3,675)
Reconciliations			
Segmental Revenue			
Customer A	29,163	-	29,163
Group revenues	29,163	-	29,163
Segment Result			
Segmental net income	5,540	(1,648)	3,892
Depreciation and amortisation	(2,874)	(253)	(3,127)
Write-off of Intangible asset	(124)	-	(124)
Group operating loss	2,542	(1,901)	641
Finance expense	(10,423)	(671)	(11,094)
Group loss before tax	(7,881)	(2,572)	(10,453)
Group Assets			
(not allocated for internal reporting)			
Non-current assets	143,742	9,351	153,093
Inventory	2,729	-	2,729
Current tax recoverable	894	-	894
Other receivables and prepayments	1,867	20	1,887
Cash and cash equivalents	6,857	-	6,857
Group total assets	156,089	9,371	165,460

Liabilities are not reported and monitored on a segmental basis.

NOTE 3 – EXPENSES BY NATURE

	2017 US$000	2016 US$000
Site operating costs	16,278	15,715
Community and environmental costs	2,924	1,342
Depreciation and amortisation	2,205	3,162
Royalties, taxes and selling costs	1,766	1,718
Foreign exchange	(40)	210
Investor relations and Stock Exchange fees	232	304
Legal, professional and consulting fees	1,234	1,570
Arbitration costs	463	-
Director and employee benefit expense	2,027	3,187
Property costs and utilities	447	629
Travel costs	278	354
Other	189	183
Total cost of sales and administration expenses	28,003	28,374

Auditor's remuneration:

Fees payable to the Group's auditor and its associates for the audit of the consolidated and subsidiaries' financial statements	88	80

NOTE 4 - STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2017	Number of employees 2016
Corporate finance and administration	36	39
Technical	26	25
Construction and production	321	314
	383	378

The aggregate payroll costs of these persons were as follows:

	2017 US$000	2016 US$000
Wages and salaries	5,868	6,582
Social security	582	616
	6,450	7,198

NOTE 5 - FINANCE EXPENSE

	2017 US$000	2016 US$000
COFIDE Bridge Loan effective interest	8,454	8,697
Other Bridge Loan finance costs – unwinding of discount	539	1,052
Macquarie Bank royalty buyback provision (Note 17)	473	423
Sherpa royalty buyback provision (Note 17)	316	305
Other (includes unwinding of discount on environmental provisions)	831	617
	10,613	11,094

NOTE 6 - REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Salary & Fees US$000	**Compensation for loss of office US$000**	**Other Benefits US$000**	**2017 Total Remuneration US$000**
2017				
Directors [1]	808	-	18	**826**
Non-Directors: [2]	431	-	19	**450**
TOTAL	1,239	-	37	**1,276**

Notes:
1. Directors include Messrs. Gerardo Perez, Diego Benavides, Michael Iannacone, Jesus Lema and Santiago Valverde.
2. Non-Directors include the CFO and the Corihuarmi Mine Manager.

	Salary & Fees US$000	**Compensation for loss of office US$000**	**Other Benefits US$000**	**2016 Total Remuneration US$000**
2016				
Directors [1]	712	120	46	878
Non-Directors [2]	312	-	14	326
TOTAL	1,024	120	60	1,204

Notes:
1. Directors include Messrs. Doug Jones, Robin Fryer, Julian Bavin, Frank O'Kelly, Gerardo Perez, George Bee, Derrick Weyrauch, Robert Schafer, Diego Benavides and Michael Iannacone.
2. Non-Directors include the Corihuarmi Mine Manager and the Interim CFO.

NOTE 7 - INCOME TAX EXPENSE

	2017 US$000	2016 US$000
Current tax	**-**	258
Current tax-recovery	**-**	(298)
Income tax expense (recovery)	**-**	(40)

NOTE 7 - INCOME TAX EXPENSE (continued)

The tax on the Group's profit/(loss) differs from the amount that would arise using the weighted average tax rate. The differences are explained below:

	2017 US$000	2016 US$000
Tax reconciliation		
Profit (Loss) for the year	**812**	(10,413)
Tax	**-**	(40)
Profit (Loss) before tax	**812**	(10,453)
Tax at 29.5% (2016: 28%)	**239**	(2,927)
Effects at 29.5% (2016: 28%) of:		
Write-back of royalty provision and disposal of PPE	**(2,695)**	-
Expenses not deductible for tax purposes and losses carried forward on which no deferred tax asset is recognised	**2,456**	3,185
Tax recovery	**-**	(298)
Income tax expense (recovery)	**-**	(40)

The Group has estimated tax losses of approximately $7,569,000 (2016: $9,776,000) available to carry forward for offset against future profits.

A potential deferred tax asset of $3,860,000 (2016: $6,047,000) has not been recognised because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

NOTE 8 – EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit/(loss) attributable to ordinary shareholders during the year ended 31 December 2017 of $812,000 (2016: loss of $10,413,000) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2017 of 231,135,028 (2016: 231,135,028).

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

	2017 Profit US$000	**2017 Number of shares '000**	**2017 Profit per share US cents**	2016 Loss US$000	2016 Number of shares '000	2016 Earnings per share US cents
Continuing Operation						
Basic earnings (losses)	**812**	**231,135**	**0.4**	(10,413)	231,135	(4.5)
Dilutive effects-options	**-**	**-**	**-**	-	-	-
Diluted profit/(loss)	**812**	**231,135**	**0.4**	(10,413)	231,135	(4.5)

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

NOTE 9 - 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 at 1 January 2016	54,920	396	2,626	2,990	60,932
Additions	3,457	31	53	134	3,675
Disposals			(110)	(41)	(151)
Balance - 31 December 2016	58,377	427	2,569	3,083	64,456
Balance at 1 January 2017	**58,377**	**427**	**2,569**	**3,083**	**64,456**
Additions	**2,852**	**-**	**1,703**	**1,085**	**5,640**
Reclassification	**(40)**	**-**	**-**	**40**	**-**
Disposals	**-**	**-**	**(1,913)**	**-**	**(1,913)**
Balance - 31 December 2017	**61,189**	**427**	**2,359**	**4,208**	**68,183**
Depreciation					
Balance - 1 January 2016	48,356	344	2,432	2,701	53,833
Depreciation for the year	2,920	3	110	129	3,162
Disposals	-	-	(100)	(41)	(141)
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**
Depreciation for the year	**1,907**	**3**	**250**	**70**	**2,230**
Disposals	**-**	**-**	**(1,886)**	**-**	**(1,886)**
Balance - 31 December 2017	**53,183**	**350**	**806**	**2,859**	**57,198**
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 December 2017	**8,006**	**77**	**1,553**	**1,349**	**10,985**

NOTE 10 - INTANGIBLE ASSETS

Deferred Exploration Costs	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
Write-off of intangible assets	-	(124)	(124)
Balance – 31 December 2016	**136,705**	**1,551**	**138,256**
Additions	3,567	767	4,334
Write-off of intangible assets	-	(266)	(266)
Balance - 31 December 2017	**140,272**	**2,052**	**142,324**

NOTE 10 - INTANGIBLE ASSETS (continued)

The Ollachea property will require significant project financing in order to bring it into production and convert it into mining assets. 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 2017 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.

As disclosed in Note 1 'Basis of Preparation and Going Concern', the Ollachea property is pledged as security for the Bridge Loan which was due for repayment in June 2017. For additional information please refer to Note 1.

NOTE 11 - OTHER RECEIVABLES AND PREPAYMENTS

	2017 US$000	**2016 US$000**
Non-current assets		
Other receivables	**-**	7,235
	-	7,235
Current assets		
Other receivables	**9,204**	1,693
Prepayments	**288**	194
	9,492	1,887

Included in other receivables and prepayments is an amount of $8,778,000 (2016: $8,584,000) relating to sales tax paid on the purchase of goods and services in Peru.

NOTE 12 - INVENTORY

	2017 US$000	2016 US$000
Gold in process	**1,476**	1,384
Mining materials	**1,293**	1,345
	2,769	2,729

NOTE 13 - CASH AND CASH EQUIVALENTS

	2017 US$000	**2016 US$000**
Bank balances	**3,276**	6,857

NOTE 14 - CAPITAL AND RESERVES

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

Issued and fully paid share capital (number)	Ordinary shares
Shares in issue 31 December 2016	231,135,028
Shares in issue 31 December 2017	**231,135,028**

All fully paid shares entitle the holder to one vote and equal rights to dividends declared.

Share Options

Group Share Option Scheme

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.

	2017 Number of share options	Weighted average exercise price (£)	2016 Number of share options	Weighted average exercise price (£)
Outstanding - beginning of year	**2,000,000**	**0.51**	4,570,000	0.51
Expired during the year	**(1,300,000)**	**0.71**	(2,570,000)	(0.52)
Outstanding - end of the year	**700,000**	**0.15**	2,000,000	0.51
Exercisable - end of the year	**700,000**	**0.15**	2,000,000	0.51

The average remaining contractual life of the outstanding options as at 31 December 2017 was 0.9 years (2016: 1.0 years).

On the expiry and lapsing of 1,300,000 options during the year ended 31 December 2017, a total of $184,000 was transferred from share option reserve to accumulated losses.
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.

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

Number of share options	Exercise price	Expiry date
700,000	£0.15	15 November 2018

NOTE 14 - CAPITAL AND RESERVES (continued)

Other Share Options

	2017		2016	
	Number of share options	**Weighted average exercise price ($)**	Number of share options	Weighted average exercise price ($)
Outstanding - beginning of year	**11,556,751**	**0.16**	37,556,751	0.17
Expired	**-**	**-**	(26,000,000)	0.18
Outstanding - end of the year	**11,556,751**	**0.16**	11,556,751	0.16
Exercisable - end of the year	**-**	**-**	-	-

As part of the fees paid in connection with the Bridge Loan to structuring agent Inversiones y Asesoría SHERPA S.C.R.L. ("Sherpa"), Minera IRL Limited was required to grant 11,556,751 options (subject to receipt of all regulatory approvals). Each option would 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. During the Annual General Meeting held on 30 November 2016 the resolution granting the directors the authority to allot shares was not passed. Consequently these options have not been granted.

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 December 2017.

Accumulated losses

The accumulated losses reserve represents the groups accumulated losses since incorporation.

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.

	At 31 December 2017 US$000	At 31 December 2016 US$000
Total interest bearing debt	**76,483**	69,187
Total equity	**74,048**	73,236
Debt-to-equity ratio	**103.3%**	94.5%

NOTE 15 – FINANCE LEASE OBLIGATIONS

During the second quarter of 2017 the Group replaced a significant part of its dump truck fleet (10 units) at the Corihuarmi mine through a leasing contract. The acquisition cost of the new units was $1,501,000 and the old units were sold for $458,000. The balance was financed through a two year lease term with an interest rate of 14.33%. These assets are pledged as security against lease obligations.

Motor vehicles includes amounts where the Group is a lessee under a finance lease. Assets held under finance lease have a net book value of $1,256,000 at 31 December 2017.

The following is a schedule of future lease payments due under the capital lease contract

Lease Obligations	**31 December 2017 US$000**	31 December 2016 US$000
Balance - 1 January	**-**	-
Additions	**1,501**	-
Proceeds from disposals	**(458)**	-
Deferred interest	**139**	-
Paid during the period	**(505)**	-
Balance – 31 December	**677**	-

The following is a reconciliation between present value and gross future minimum lease payments:

	31 December 2017 US$000	31 December 2016 US$000
Present value	**620**	-
Interest	**57**	-
Total gross future minimum lease payments	**677**	-

The following is the presentation Statement of Financial Position Presentation:

	31 December 2017 US$000	31 December 2016 US$000
Lease obligations – not later than one year	**530**	-
Lease obligations – between two and five years	**147**	-
Balance – 31 December	**677**	-

NOTE 16 – INTEREST BEARING LOANS

	At 31 December 2017 US$000	At 31 December 2016 US$000
Current liabilities		
Promissory note	**1,516**	1,551
Bank loan	**74,967**	67,636
	76,483	69,187

COFIDE Bridge Loan

On 8 June 2015, the Group announced that it had 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") and syndicated through Goldman Sachs Bank USA. The Bridge Loan was part of a senior project credit finance facility of up to $240,000,000, described in a Mandate Letter signed by COFIDE and Minera IRL ("Senior Project Debt Facility"). The Senior Project Debt Facility was to be structured by COFIDE, in conjunction with Minera IRL, to build the Ollachea Project.

The length of the loan was 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 financial advisor, 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 would also be 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 receipt of all regulatory and shareholder approval). During the Annual General Meeting held on 30 November 2016 the resolution granting the directors the authority to allot shares was not passed. Consequently, these options have not been granted.

The 0.9% net smelter return royalty granted to Sherpa is subject to a buyback at the Group's option. Details on the royalty buyback are provided in Note 17, "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 expensed over the two-year life of the loan on an effective interest basis.

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 repaid $700,000 of the principal plus interest during 2016. The balance of $1,516,000 as at 31 December 2017 is $1,490,000 of principal and $26,000 of interest.

In March 2017 COFIDE terminated the letter of mandate without providing any reason for their decision.

On 6 June 2017 the Group 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. The order temporarily suspends any enforcement proceedings against the Group regarding the repayment of the $ 70,000,000 Bridge Loan granted by COFIDE as well as the last interest instalment of approximately $1,240,000, both of which were due on 5 June 2017.

On 20 June 2017 the Group 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 of 6 June 2017.

On 4 October 2017 the Group announced that 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 Group's claims despite COFIDE's objections, and decided that the Arbitration should continue. The Group is currently awaiting the outcome of the Arbitration process.

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 Group's subsidiary, Compañia Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Group is unsuccessful in the Arbitration process or not able to secure an alternative source of funds to refinance the debt with COFIDE, it may have to relinquish its ownership of the subsidiary, Campañia 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 assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

The Group is currently evaluating its options for the repayment of the Bridge Loan and accrued interests as well as seeking alternative sources of financing its Ollachea Project.

NOTE 17 – 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 terms amended in 2013, that can be bought out at the Group's option by paying buyback fees. The Group initially intended to exercise those options and accrued the present value of the corresponding buyback fees, with interest being unwound through finance costs.

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	316	473	789
Write back to profit or loss	(4,860)	(3,835)	(8,695)
Balance 31 December 2017	**-**	**-**	**-**

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 included a 0.9% net smelter return royalty on gold production from the Ollachea Project. The Group would have the right to buyback and cancel this royalty by paying a buy-back fee of $5,566,000. During the year 2017 the Group increased this provision by $316,000 to a balance of $4,860,000. The increase to the provision was accounted for within finance expenses as shown in Note 5.

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 gold production from the Ollachea Project. The Group would have the right to buyback and cancel this royalty by paying a buyback fee of $5,000,000. During the year 2017 the Group increased this provision by $473,000 to a balance of $3,835,000. The increase to the provision was accounted for within finance expenses as shown in Note 5.

At the end of the 2017, the Group reviewed the feasibility and probability of settling both royalty buyback options and concluded that, given current cash constraints and the arbitration process in relation to the COFIDE loan described in Note 1, it was not in the position to determine with reasonable certainty if and when these royalties could be settled. Consequently, both provisions have been derecognised as at 31 December 2017.

NOTE 18 - PROVISIONS

The Group has a provision of $7,269,000 (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 the year end, management estimates that the remaining mine life at Corihuarmi is approximately 36 months. The directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 2 years' time on the assumption that commercial production does not proceed.

	30 December 2017 US$000	31 December 2016 US$000
Balance brought forward	6,738	5,329
Accretion expense	528	456
Provision increase	82	1,024
Paid during the year	(79)	(71)
Balance carried forward	**7,269**	**6,738**

NOTE 19 – TRADE AND OTHER PAYABLES

	2016 US$000	2016 US$000
Non-current		
Other payables	**707**	-
Current		
Trade payables	**7,693**	5,950
Other payables	**3,005**	2,443
	10,698	8,393

NOTE 20 - 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:

NOTE 20 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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:

	2017 **US$000**	2016 US$000
Peruvian nuevos soles	**222**	294
United States dollars	**3,054**	6,563
	3,276	6,857

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

	2017 **US$000**	2016 US$000
Pounds sterling	**(115)**	(127)
Canadian dollars	**(33)**	(171)
Peruvian nuevos soles	**408**	2,353
United States dollars	**(82,290)**	(77,406)
	(82,030)	(75,351)

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 assets shown in the table above:

	2017 **US$000**	2016 US$000
10% weakening of the US dollar	**26**	205
20% weakening of the US dollar	**52**	411
10% strengthening of the US dollar	**(26)**	(205)
20% strengthening of the US dollar	**(52)**	(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 (p) 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.

NOTE 20 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

2017 **Financial Liabilities measured at amortised cost**	**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**
Trade payables	7,694	-	707	8,401
Other payables	2,813	191	-	3,004
Finance lease liabilities	-	530	147	677
Interest bearing loan - current	1,516	-	-	1,516
Interest bearing loan – non-current	74,967	-	-	74,967
	86,990	721	854	88,565

2016 **Financial Liabilities measured at amortised cost**	**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**
Trade payables	5,950	-	-	5,950
Other payables	2,443	-	-	2,443
Interest bearing loan - current	1,551	-	-	1,551
Interest bearing loan – non-current	1,129	71,129	-	72,258
	11,073	71,129	-	82,202

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 13. 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 11, 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.

Additionally, there are risks specifically related to the COFIDE Bridge Loan. For further information, please refer to Note 1 Basis of Preparation and Going Concern on page 18.

NOTE 21 - 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. The Group estimates an amount of $255,000 (2016 - $457,000) as contingencies related to environmental issues.

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 $1,456,000 (2016 - $1,407,000) would be payable.

The Group entered into contracts with a legal firm in connection with the Arbitration process described in Note 1 and with a legal advisor in connection with legal processes related to the COFIDE outstanding loan, also described in Note 1. These contracts include success fees for an aggregate amount of $380,000.

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. For additional details please refer to Note 17.

NOTE 22 - RELATED PARTIES

During the year ended 31 December 2017, the Group did not enter into transactions with related parties with the exception of directors and key management as disclosed on Note 6. As at 31 December 2017, the Group owed $169,000 to directors and key management.

During the year ended 31 December 2016, the Group did not enter into transactions with related parties with the exception of directors and key management as disclosed in Note 6. As at 31 December 2016, the Group owed $258,000 to directors and key management, including $100,000 to Ladykirk Capital Advisors Inc., a company controlled by Mr Daryl Hodges.

NOTE 23 - SUBSEQUENT EVENTS

There have been no subsequent events between the end of the period date and the date of filing of the financial statements.

STAND ALONE ACCOUNTS OF MINERA IRL LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF TOTAL COMPREHENSIVE INCOME
for the years ended 31 December 2017 and 2016

	Notes	31 December 2017 US$000	31 December, 2016 US$000
Administration expenses	3	(1,373)	(1,860)
Operating profit/(loss)		(1,373)	(1,860)
Financial expenses	4	(597)	(671)
Intercompany interest	4	(2,654)	(2,513)
Royalty buyback provision reversal	11	3,835	-
Impairment of Investment in Subsidiaries	7	-	(35,422)
Loss) / Profit for the year attributable to the equity shareholders of the parent		(789)	(40,466)
Total comprehensive income for the year attributable to the equity shareholders of the parent		(789)	(40,466)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017 and 2016

	Notas	31 December 2017 US$000	31 December 2016 US$000
Assets			
Other receivables and pre-payments		**33**	144
Inter-group receivables	**8**	**7,438**	7,438
Total current assets		**7,471**	7,582
Property, plant and equipment	**5**	**-**	-
Intangible assets	**6**	**9,351**	9,351
Investment in Subsidiaries	**7**	**117,331**	117,331
Total non-current assets		**126,682**	126,682
Total assets		**134,153**	134,264
Liabilities			
Trade and other payables	**13**	**390**	591
Total current liabilities		**390**	591
Royalty buyback provisión	**11**	**-**	3,362
Inter-group liabilities	**12**	**44,006**	39,765
Total non-current liabilities		**44,006**	43,127
Total liabilities		**44,396**	43,718
Equity			
Share Capital	**9**	**159,012**	159,012
Share options reserve	**10**	**479**	663
Accumulated losses		**(69,734)**	(69,129)
Total equity attributable to the equity shareholders of the parent		**89,757**	90,546
Total equity and liabilities		**134,153**	134,264

STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2017 and 2016

	Number of shares	Share Capital US$000	Share options reserve US$000	(Acumulated Losses) Retained Earnings US$000	Total US$000
Balance at 1 January 2016	231,135,028	159,012	959	(28,959)	131,012
Loss for the year	-	-	-	(40,466)	(40,466)
Total comprehensive income	-	-	-	(40,466)	(40,466)
Expiry/lapse of share options	-	-	(296)	296	-
Total transactions with owners, recognised directly in equity	-	-	(296)	296	-
Balance 31 December 2016	231,135,028	159,012	663	(69,129)	90,546

	Number of shares	Share Capital US$000	Share options reserve US$000	(Acumulated Losses) Retained Earnings US$000	Total US$000
Balance at 1 January 2017	**231,135,028**	**159,012**	**663**	**(69,129)**	**90,546**
Loss for the year	**-**	**-**	**-**	**(789)**	**(789)**
Total comprehensive income	**-**	**-**	**-**	**(789)**	**(789)**
Expiry/lapse of share options	**-**	**-**	**(184)**	**184**	**-**
Total transactions with owners, recognised directly in equity	**-**	**-**	**(184)**	**184**	**-**
Balance 31 December 2017	**231,135,028**	**159,012**	**479**	**(69,734)**	**(89,757)**

CASH FLOW STATEMENT
For the years ended 31 December 2017 and 2016

	Notes	**December 31, 2017 US$000**	December 31, 2016 US$000
Cash flows from operating activities:			
Loss		**(789)**	(40,466)
Finance expenses	4	**597**	671
Intercompany interest		**2,654**	2,513
Royalty buyback provision recovery	11	**(3,835)**	-
Depreciation	5	**-**	253
Impairment of Investment in Subsidiaries	7	**-**	35,422
(Increase) Decrease in account receivables		**(12)**	(61)
Decrease in accounts payable		**(201)**	(474)
Net cash outflow from operating activities		**(1,586)**	(2,142)
Cash flows from financing activities			
Funds transferred from subsidiary		**1,586**	2,110
Net cash inflow from financing activities		**1,586**	2,110
Net cash outflow		**-**	(32)
Cash balance at beginning of year		**-**	32
Cash balance at end of year		**-**	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Note 1 – Nature and Continuance of Operations

Minera IRL Limited (the "Company") is registered in Jersey and its registered office is at Ordnance House, 31 Pier Road, St. Helier, Jersey. The principal activity of the Group and its subsidiaries is the exploration for and development of mines for the extraction of metals.

The financial statements have been prepared on the assumption that the Company 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.

At 31 December 2017, the Company had working capital deficiency of $7,081,000. Working capital is defined as current assets less current liabilities. The Company has no operations by itself and does not generate revenue, does not have a bank account and carries out its operations through its subsidiaries. All payments are made through Minera IRL SA, one of its Peruvian subsidiaries.

On 8 June 2015, the Group announced that it had 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") and syndicated through Goldman Sachs Bank USA. The Bridge Loan was part of a senior project credit finance facility of up to $240,000,000 described in a letter of mandate signed by COFIDE and Minera IRL ("Senior Project Debt Facility"). The Senior Project Debt Facility was to be structured by COFIDE, in conjunction with Minera IRL, to build the Ollachea Gold Project (the "Ollachea Project").

In March 2017 COFIDE terminated the letter of mandate without providing any reason for their decision.

On 8 June 2017 the Group 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. The order temporarily suspends any enforcement proceedings against the Group regarding the repayment of the $ 70,000,000 Bridge Loan granted by COFIDE as well as the last interest installment of approximately $1,240,000 both of which were due on 5 June 2017

On 20 June 2017 the Group 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 of 6 June 2017.

On 4 October 2017 the Group 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 Group's claims despite COFIDE's objections, and decided that the Arbitration should continue.

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 Group's subsidiary, Compañia Minera Kuri Kullu S.A., which holds the Ollachea Project. If the Group is not able to secure an alternative source of funds to refinance the debt with COFIDE it may have to relinquish its ownership of the subsidiary, Campañia 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 assets of the Corihuarmi mine are not included as a guarantee of the Bridge Loan.

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

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.

Note 2 – Basis of Preparation

According the Companies (Jersey) Law of 1991 this report is not mandatory and has not been filed with the Companies Registry in Jersey. This report has been prepared by management at request of the Peruvian securities regulator in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") except for IFRS 10 Consolidated Financial Statements. This standard requires a controlling entity to prepare Consolidated Financial Statements of a Group in which the assets, liabilities, equity, income and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Note 3 – Administrative expenses

	2017 US$000	2016 US$000
Director fees	**66**	79
Travel expenses	**43**	114
Senior management salaries	**603**	795
Professional fees	**591**	587
Depreciation	**-**	253
Other	**70**	32
Balance at 31 December 2017	**1,373**	**1,860**

Note 4 – Finance expense

	2017 $000	2016 $ 000
Macquarie Bank royalty buyback provision	**474**	423
Amortization of deferred finance expenses	**123**	248
Intercompany interests	**2,654**	2,513
Financial expenses of the periods	**3,251**	3,184

Note 5 – Property, plant and equipment

	US$000
Balance at 1 January 2016	253
Amortization	(253)
Balance 31 December 2016	-
Balance 31 December 2017	-

Note 6 – Intangible Assets

The balance of intangible assets is the amount invested and capitalized on the Ollachea Gold Project which is owned by the Company's subsidiary Minera Kuri Kullu SA. There were no changes to the amount invested during the years ended 31 December 2017 and 31 December 2016.

Note 7 – Investment in Subsidiaries

	2017 US$000	2016 US$000
Balance at 1 January	**117,331**	152,753
Impairment	**-**	(35,422)
Balance at 1 December	**117,331**	117,331

During the year ended 31 December 2016 the following Investments in Subsidiaries were fully impaired because they are no longer considered to be recoverable; Minera IRL Argentina S.A., Minera IRL Chile S.A. and Hidefield Gold Limited of $2,963,000, $1,947,000 and $30,512,000 respectively. Minera IRL Argentina S.A. and Minera IRL Chile S.A. are currently dormant and are expected to be liquidated during 2018. Hidefield Gold Limited was liquidated during the year.

The Company holds investments in the following subsidiaries:

	Location	**Ownership**
Minera IRL S.A. ("MIRLSA") – MIRLTD's subsidiary	Peru	100%
Compañía Minera Kuri Kullu S.A. ("MKKSA") – MIRLSA's subsidiary	Peru	100%
Minera IRL Argentina S.A. – MIRLTD's subsidiary	Argentina	100%
Hidefield Gold Limited ("HGL") – MIRLTD's subsidiary [1]	UK	100%
Hidefield Gold (Alaska) Inc. HGL subsidiary [1]	USA	100%
Minera IRL Chile S.A. – MIRLTD's subsidiary	Chile	100%

[1] These subsidiaries were dissolved subsequent to the year-end

Note 8 – Intra-group receivables

	2017 US$000	2016 US$000
Intercompany receivable from Minera Kuri Kullu SA	7,438	7,438
Balance at 31 December 2017and 31December 2016	7,438	**7,438**

Note 9 - Share Capital

The Company has an authorized share capital of an unlimited number of Common Shares without par value, of which 231,135,028 have been issued as of the date of this report. Each share grants its holder the right to one vote. All shares of the Company have the same rank in terms of dividends, number of votes and participation in the assets at the time of dissolution or liquidation of the Company.

There was no share capital issuances during the year ended 31 December 2017.

Note 10 – Share options reserve

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.

	2017		2016	
	Number of share options	**Weighted average exercise price (£)**	Number of share Options	Weighted average exercise price (£)
Outstanding - beginning of year	**2,000,000**	**0.51**	4,570,000	0.51
Expired during the year	**(1,300,000)**	**0.71**	(2,570,000)	(0.52)
Outstanding - end of the year	**700,000**	**0.15**	2,000,000	0.51
Exercisable - end of the year	**700,000**	**0.15**	2,000,000	0.51

The average remaining contractual life of the outstanding options as at 31 December 2017 was 0.9 years (2016: 1.0 years).

On the expiry and lapsing of 1,300,000 options during the year ended 31 December 2017, a total of $184,000 was transferred from share option reserve to accumulated losses.
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.

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

Number of share options	**Exercise price**	**Expiry date**
700,000	£0.15	15 November 2018

<u>Other Share Options</u>

	2017		2016	
	Number of share options	**Weighted average exercise price ($)**	Number of share options	Weighted average exercise price ($)
Outstanding - beginning of year	**11,556,751**	**0.16**	37,556,751	0.17
Granted	**-**	**-**	-	-
Expired			(26,000,000)	0.18
Outstanding - end of the year	**11,556,751**	**0.16**	11,556,751	0.16
Exercisable - end of the year	**-**	**-**	-	-

As part of the fees paid in connection with the Bridge Loan to structuring agent Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”), Minera IRL Limited would be required to grant 11,556,751 options (subject to the approvals of regulatory entities and shareholders). Each option would 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 Gold Project. During the General Shareholders' meeting held on November 30, 2016, the resolution granting the directors the authorization to issue shares was rejected, so these stock options have not been granted.

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 December 2017.

Note 11 – Royalty buyback liabilities

The Company has granted royalties on the Ollachea Project to Macquarie Bank that can be bought out at the Company’s option. The Company intended, until end of 2017, to exercise those options and accrued the present value of the buyback amount of this royalty until the end of 2017.

At the end of the 2017, the Company reviewed the feasibility and probability of being able to exercise this royalty buyback option and came to the conclusion that, given current cash constraints and the ongoing arbitrage process in relation to the COFIDE loan described in Note 1, it was not in the position to determine with reasonable certainty if these royalties could be bought back. The Company has disclosed in Note 14 the contingent liability related to the possibility that the Company would be able in the future to make this payment and would decide to exercise the buyback option.

A reconciliation of the royalty buyback provision is as follows:

	U$000
Balance at 1 January 2016	2,939
Accretion expense	423
Balance at 31 December 2016	**3,362**
Accretion expense	**473**
Buyback provision recovery	**(3,835)**
Balance at 31 December 2017	**-**

Note 12 – Inter-group liabilities

	2017 US$000	2016 US$000
Intercompany payable to Minera IRL SA	**44,006**	39,765
Balance at 31 December 2017 and 2016	**44,006**	39,765

During the year ended 31 December 2017 the balance payable by the Company to its subsidiary Minera IRL Peru SA has increased by $1,587,000 due the payments made by Minera IRL SA on behalf of the Company as well as an increase of $2,654,000 in interest charged by the subsidiary. There were no other intercompany transactions.

Note 13 – Trade and other payables

	2017 US$000	2016 US$000
Fees and services	**157**	338
Other	**233**	253
Balance at 31 December 2017 and 2016	**390**	591

Note 14 – Contingent liabilities

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 Company would have the right to buyback and cancel this royalty by paying a buyback fee of $5,000,000.