MINERA IRL LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- The Corihuarmi Gold Mine's 2014 gold production of 23,321 ounces was ahead of budget, but down 7.5% from the 25,223 ounces of gold produced in 2013.
- 2014 gold sales of 23,654 ounces, down 6.2% from 25,220 ounces in 2013 and realised an average gold price of $1,260/oz, down 10.8% from $1,412/oz in 2013; resulting in sales revenue of $29.9 million in 2014, down 16.2% from $35.7 million in 2013.
- 2014 site cash operating costs per ounce produced were $705/oz, up 4.1% from $677/oz in 2013. Total cash costs per ounce sold in 2014 were $874/oz, down 3.3% from $904/oz in 2013.
- Gross profit was down 8.1% to $6.8 million in 2014, from $7.4 million in 2013.
- Loss before tax from continuing operations (which excludes the impact of the disposal of the investment in the Don Nicolás joint venture) of $7.0 million (2013: Before tax loss from continuing operations of $15.8 million, includes a $13.7 million impairment charge to the Corihuarmi mine).
- Losses from discontinued operations (Don Nicolás joint venture) were $34.4 million, compared with losses of $15.7 million in 2013 on discontinued operations. During 2014, the Group sold its remaining interest in the Don Nicolás joint venture to Compañía Inversora en Minas ("CIMINAS").
- Loss after tax of $43.4 million in 2014 (2013: loss after tax of $33.8 million).
- Cash of $3.8 million as at 31 December 2014 (2013: $3.4 million).
- In June 2015, subsequent to year end, the Group entered into a $70 million bridge loan agreement. The proceeds of the bridge loan were used to repay the Macquarie Bank debt facility, make the final property payment due to Rio Tinto Mining and Exploration Limited and will be used to advance many of the initial aspects of the development of the Ollachea Gold Project.

CORPORATE INFORMATION

DIRECTORS
Daryl Hodges (Executive Chairman)
Douglas Jones (Non-Executive)
Robin Fryer (Non-Executive)

GROUP SECRETARY
Brad Boland

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CHAIRMAN'S STATEMENT

2014 proved to be another difficult year for gold mining companies. The average price of gold in 2014 was down over 10% from 2013, which in turn was down by 16% from the average price of gold in 2012. Minera IRL, struggling under the weight of legacy liabilities, continued to pursue financing opportunities for its flagship Ollachea project, near Puno, Peru. By the end of December we were in discussions with various interested parties, from which one emerged with which we finalized a financing, described below.

The Corihuarmi Gold Mine provided strong cash contributions in 2014, with the Group reporting a gross operating profit of $6.8 million. However, we incurred an after-tax loss of $43.4 million, largely the result of charges from discontinued operations totalling $34.4 million and finance expense of $7.8 million. In 2014, we sold our remaining interest in Minera IRL Patagonia and recorded a loss of $32.1 million on its disposal as part of discontinued operations. The sale of Minera IRL Patagonia brought the Group cash proceeds of $10 million.

A prime focus for the Group in 2014 was to secure financing for the construction of the Ollachea Gold Project. Subsequent to 31 December 2014, we announced that the Group had secured a $70 million bridge loan (the "Bridge Loan") from a Peruvian state-owned development and promotion bank, "COFIDE". The Bridge Loan would be used to repay existing obligations, including the Macquarie Bank debt facility, and final cash payment to Rio Tinto. Net proceeds from the Bridge Loan, after working capital adjustments, will be applied to advance the Ollachea project development prior to commencing major site construction. Along with the Bridge Loan, the Group signed a Mandate Letter for COFIDE to structure up to $240 million in debt to be used to replace the Bridge Loan, and finance construction of the Ollachea project. We anticipate the need for additional equity to de-risk the debt portion of the financing, and provide a more 'industry–normal' debt–equity balance, and allow existing shareholders some new opportunity to invest in the Group.

Projects

Corihuarmi Gold Mine

The Corihuarmi Gold Mine, located in the Peruvian high Andes, exceeded expectations again in 2014. Gold production was 23,321 ounces. While this was 8% lower than the previous year, it significantly exceeded the 20,000 ounces originally forecast for 2014. As expected, ore grade was lower as the mine continued to mature. But the lower grade was partially offset by an increase in tonnes mined and stacked and a higher metallurgical recovery of gold. Site cash operating costs[i] increased from $677 per ounce to $705 per ounce, largely due to the processing of lower grade material. Total cash costs[i] were $874 per ounce in 2014, a decrease from total cash costs of $904 per ounce in 2013. The higher site operating cash costs were offset by lower royalty and Special Mining Taxes that was a result of lower realized gold prices on lower production relative to 2013. Total cash costs also benefited from lower environmental and community costs relative to the prior year. Annual revenue totaled $29.9 million from the sale of 23,654 ounces at an average realized gold price of $1,260 per ounce.

Corihuarmi has now been in production for seven years and produced over 225,000 ounces of gold. The production is more than double the feasibility study projections of 112,000 ounces over a four year mine life. The current mine life has now been extended until early 2017. A re-evaluation of the controls on mineralization, and of the regional setting, has generated some new enthusiasm for near mine exploration, and we remain hopeful that the mine life can be extended further.

Ollachea

At the flagship Ollachea Gold Project in Peru, the Group completed an optimization program of the 2012 Definitive Feasibility Study ("DFS") based upon a revised geological model, confirmatory resource update and an optimized mine design and production schedule.

The updated life-of-mine (LOM) production schedule has resulted in an optimized ramp-up of initial production with average annual gold production increasing to 100,000 ounces over the first two years of production (from 70,500 ounces in the DFS). The average annual production is approximately 100,000 ounces per year over the nine years of mine life, almost identical to the Ollachea DFS. The updated mine plan provided opportunities to reduce and defer certain pre-production development capital items. As a result, the initial capital expenditure has been reduced by $11.7 million to $164.7 million from $177.5 million in the 2012 Ollachea DFS (exclusive of VAT, which is refundable when production commences).

Also at Ollachea, during 2014, the Group was granted the Construction Permit by the Peruvian authorities, the final significant permit required to build the mine.

Patagonia
In 2014, the Group announced the sale of Minera IRL Patagonia, including the Don Nicolás Project, to our joint venture partners, CIMINAS. The decision to depart Argentina, following 4½ years of exploration and project work, was not taken lightly, and was a combination of cost over-runs, rampant inflation, project delays, and the fact that Minera IRL's attributable cash flow from the Don Nicolás Project remained several years away.

Financial Results
Production from the Corihuarmi Gold Mine provided revenue of $29.9 million (2013: $35.7 million). The decrease in revenue compared to 2013 was due to a combination of lower gold production as well as a lower average realized gold price received, which decreased from $1,412 per ounce in 2013 to $1,260 per ounce in 2014. Despite the mining and treatment of 12% more ore in 2014, cost of sales were 18% lower at $23.1 million (2013: $28.3 million). The reduction was due to decreases in site operating costs, depreciation and amortization, royalties, production taxes and community and environmental costs. The net effect of the lower revenue combined with lower costs of sales was a 9% decrease in gross profit to $6.8 million (2013: $7.4 million). Administration expenses of $6.6 million were also lower than the prior year (2013: $7.6 million).

As discussed above, we recognized an after-tax loss of $43.4 million, or 19.2 cents per share, in 2014; up from $33.8 million, or 19.5 cents per share, in the prior year. As a result of the sale of the remaining interest in Minera IRL Patagonia, the expenses and charges related to Minera IRL Patagonia have been reclassified to discontinued operations. During the years ended 2014 and 2013, we recorded losses from discontinued operations of $34.4 million and $15.7 million, respectively.

The Group spent a total of $8.3 million on development and exploration during the year (2013: $16.8 million) of which $8.1 million was added to the intangible assets of the Group ($7.1 million for the Ollachea project) and $0.2 million was recognised as an exploration expense in the income statement. The Group continued to give priority to its social commitments, despite the need to reduce expenditures owing to diminished cash.

Board of Directors and Executive Management
In January 2015, the Group announced that Mr. Napoleon Valdez had tendered his resignation as a non-executive director of Minera IRL Limited. On behalf of the Group and the Board of Directors, I wish to extend my sincere thanks to Mr. Valdez for his dedicated contribution to our Board over the last few years.

In March 2015, I assumed the role of Executive Chairman following the decision by Mr. Courtney Chamberlain to take a leave of absence for an indeterminate period of time from his role as Executive Chairman and CEO to deal with personal health matters. To the shock and disbelief of all of us at the Group, Courtney's health problems became more severe and resulted in his passing away on 29 April. On behalf of everyone at Minera IRL, the Board and Executive Management extend our condolences to Courtney's family and his great number of friends.

In May 2015, the Group announced that Mr. Robin Fryer had joined the Board as a non-executive director. Mr. Fryer had a long and distinguished career with Deloitte LLP where he led the global mining and metals industry practice. He is a chartered accountant and US certified public accountant. The Group is very pleased to have been able to add an individual of Mr. Fryer's experience and background to the Board.

Current Investment Climate and Country Outlook

While growth slowed in 2014, Peru continues to have a very strong, stable economy driven by the mining industry. The country has had a sustainable average GDP growth rate of 6% and average inflation of 3% between 2010 and 2014. Mining exports in 2014 were over $20 billion, representing 52% of the country's export income. There are 51 mining projects under development with an expected total investment of approximately $64 billion over the next 5 years. Over the last few years the Peruvian Government introduced a series of laws designed to facilitate efficient time frames for permitting within the industry and the country maintains trade agreements with numerous countries worldwide. All of this, plus excellent exploration potential, makes Peru an attractive destination for foreign investment.

The involvement of and support by local communities remains a key component in successful Peruvian mining projects which, in turn, have a major impact on the local economy, skills, employment, infrastructure and standard of living in regional communities. Minera IRL, through its local subsidiary Minera Kuri Kullu S.A., has been a trend setter by granting the local community a 5% equity participation in the Ollachea Project at the start of production. This model is receiving wide interest as a means of forming true and enduring partnerships with local communities. The result is that Minera IRL has managed its mine and projects on schedule and with overwhelming support from the local communities. The outstanding tangible evidence of this is the unprecedented signing of the 30-year development and operating agreement with the Ollachea community.

I wish to express my appreciation to our Board of Directors, management team and all employees for their loyalty, dedication and hard work during this difficult period for the Group. I would also like to thank our long-term shareholders for their continuing patience and support and to welcome those that have recently joined our Group's register. Although the last year has been very difficult, we have changed the direction of the Group by exiting Argentina, and refocusing our efforts back in Peru. With the recent closing of the Bridge Loan, and signing of the Mandate Letter, we have consolidated our debts and obligations, formed a relationship with a strong and supportive partner in COFIDE, and finally can see a way forward to finance and build the Ollachea gold project. I feel very confident that we have taken the right steps to position the Group for the future. The hard work is just beginning.

Daryl Hodges
Executive Chairman
Minera IRL Limited 19 June 2015

Note: $ represents US$ unless otherwise stated.

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[1] "Site operating cash costs" include costs such as mining, processing and administration, but are exclusive of royalties, workers' profit participation cost, depreciation, amortization, reclamation, capital, development, exploration and other non-site costs (transport and refining of metals, and community and environmental). These costs are then divided by ounces produced to arrive at "site cash operating cost per ounce". "Total cash costs" includes "site operating cash costs" and reflects the cash operating costs allocated from in-process and doré inventory associated with ounce of gold in the period, plus applicable royalties, workers' profit participation cost, and other non-site costs (transport and refining of metals, and community and environmental). These costs are then divided by the ounces sold to arrive at "total cash cost per ounce sold".

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2014.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

A full review of the business and plans for its future development are contained in the Chairman's Statement. 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 loss for the year after tax was $43,363,000 (2013: loss of $34,085,000). No dividend was paid during the year and no final dividend is proposed. A loss of $43,363,000 (2013: loss of $33,834,000) is to be transferred to accumulated losses.

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-2014	31-Dec-2013
C Chamberlain	3,692,692	3,692,692
D Jones	322,936	322,936
G Ross (1)	N/A	5,000
D Hodges (1)	215,000	N/A
N Valdez Ferrand (2)	894,000	894,000

(1) Graeme Ross resigned on 10 February 2014. Daryl Hodges was appointed to the Board as Non-Executive Director on the same date. Mr Hodges was subsequently appointed Executive Chairman on 6 March 2015.

(2) Napoleon Valdez Ferrand resigned on 21 January 2015.

On 31 December 2014, 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-2013	Granted	Exercised	Expired or cancelled	No. Held 31-Dec-2014	Exercise price (£)	Expiry Date
C Chamberlain	750,000	-	-	(750,000)	-	0.9125	17-Nov-2014
	500,000	-	-	-	500,000	1.0800	17-Nov-2015
	470,000	-	-	-	470,000	0.8063	03-Apr-2017
	670,000	-	-	-	670,000	0.1500	15-Nov-2018
D Hodges	-	160,000	-	-	160,000	0.0988	02-Apr-2019
D Jones	100,000	-	-	(100,000)	-	0.9125	17-Nov-2014
	120,000	-	-	-	120,000	1.0800	17-Nov-2015
	160,000	-	-	-	160,000	0.8063	03-Apr-2017
	160,000	-			160,000	0.1500	15-Nov-2018
G Ross (1)	50,000	-	-	(50,000)	-	0.9125	17-Nov-2014
	120,000	-	-	(120,000)	-	1.0800	17-Nov-2015
	160,000	-	-	(160,000)	-	0.8063	03-Apr-2017
	160,000	-	-	(160,000)	-	0.1500	15-Nov-2018
N Valdez Ferrand	50,000	-	-	-	50,000	0.7250	01-Jul-2015
	120,000	-	-	-	120,000	1.0800	17-Nov-2015
	160,000	-	-	-	160,000	0.8063	03-Apr-2017
	160,000	-	-	-	160,000	0.1500	15-Nov-2018

(1) Graeme Ross resigned on 10 February 2014. Daryl Hodges was appointed to the Board as Non-Executive Director on the same date. Mr Hodges was subsequently appointed Executive Chairman on 6 March 2015.

Details of these share options may be found in note 16 to the accounts.

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 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 19 June 2015, 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

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

Brad Boland

Brad Boland
Group Secretary 19 June 2015

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 as adopted by the European Union. 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. The directors are required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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 and IFRSs as adopted by the European Union; 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 company's transactions, to disclose with reasonable accuracy at any time the financial position of the company 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

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

We have audited the financial statements of Minera IRL Limited for the year ended 31 December 2014 which comprise the consolidated statement of total comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group's members, as a body, in accordance with article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation and fair presentation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, the group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group needs to raise further funds within the next twelve months in order to fund the Group's existing operations and commitments in order to remain a going concern. 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 about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations which are necessary for the purposes of our audit.

Jason Homewood
for and on behalf of BDO LLP
London, UK

19 June 2015

CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE LOSS

for the years ended 31 December 2014 and 2013

	Notes	2014 US$000	2013 US$000
Revenue		29,866	35,706
Cost of sales		(23,101)	(28,304)
Gross profit		6,765	7,402
Administrative expenses		(6,625)	(7,834)
Exploration costs		(180)	(265)
Gain on sale of exploration property	19	879	750
(Loss) gain on revaluation of available-for-sale investments		(8)	16
Operating profit before impairment		831	69
Impairment charge	10	-	(13,700)
Operating profit (loss) after impairment		831	(13,631)
Finance income		-	2
Finance expense	5	(7,790)	(2,202)
Loss before tax	3	(6,959)	(15,831)
Income tax expense	8	(1,966)	(2,283)
Loss from continuing operations		(8,925)	(18,114)
Discontinued operations			
Administration expenses	12	-	(601)
Loss on deconsolidation of subsidiary	7	-	(12,517)
Dilution gain (loss) on part disposal of joint venture	12	560	(574)
Share of loss from investment in joint venture	12	(2,879)	(2,028)
Loss on assets held for sale	7,12	(32,119)	-
Loss after tax from discontinued operations		(34,438)	(15,720)
Loss for the year attributable to the equity shareholders of the parent		(43,363)	(33,834)
Other comprehensive loss which may be recycled in future periods			
Recycled on deconsolidation of subsidiary	7	-	(231)
Recycled on disposal of available-for-sale investments		-	(20)
Total comprehensive loss for the year attributable to the equity shareholders of the parent		(43,363)	(34,085)

Loss per ordinary share (US cents)			
Basic and diluted – continuing operations	9	(4.0)	(10.4)
Basic and diluted – discontinuing operations	9	(15.2)	(9.1)
Basic and diluted - total		(19.2)	(19.5)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014 and 2013

	Notes	2014 US$000	2013 US$000
Assets			
Property, plant and equipment	10	5,143	5,321
Intangible assets	11	133,070	124,763
Investment in joint venture	12	-	43,653
Available-for-sale investments		-	30
Other receivables and prepayments	13	7,834	6,572
Total non-current assets		146,047	180,339
Inventory	14	3,207	3,348
Other receivables and prepayments	13	864	1,546
Current tax recoverable		422	1,860
Cash and cash equivalents	15	3,809	3,389
Total current assets		8,302	10,143
Total assets		154,349	190,482
Equity			
Share capital	16	159,012	151,014
Share option reserve	16	2,770	1,395
Accumulated losses		(63,482)	(20,381)
Total equity attributable to the equity shareholders of the parent		98,300	132,028
Liabilities			
Trade and other payables	17	14,190	14,698
Provisions	17	4,485	3,965
Royalty buyback provision	17	2,153	135
Total non-current liabilities		20,828	18,798
Interest bearing loans	17	28,435	25,000
Trade and other payables	17	6,786	14,656
Total current liabilities		35,221	39,656
Total liabilities		56,049	58,454
Total equity and liabilities		154,349	190,482

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 19 June 2015.

Daryl Hodges
Executive Chairman

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2014 and 2013

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Reval-uation reserve US$000	(Accul. losses) retained earnings US$000	Total US$000
Balance at 1 January 2013		**134,163**	**231**	**1,705**	**20**	**12,881**	**149,000**
Loss for the year		-	-	-	-	(33,834)	(33,834)
Recycled on deconsolidation of subsidiary		-	(231)	-	-	-	(231)
Recycled on disposal of available-for-sale investments		-	-	-	(20)	-	(20)
Total comprehensive loss		-	(231)	-	(20)	(33,834)	(34,085)
New share capital subscribed	16	18,504	-	-	-	-	18,504
Cost of share issuance	16	(1,653)	-	-	-	-	(1,653)
Share options issued	16	-	-	262	-	-	262
Expiry/lapse of share options	16	-	-	(572)	-	572	-
Balance 31 December 2013		**151,014**	**-**	**1,395**	**-**	**(20,381)**	**132,028**

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Reval-uation reserve US$000	(Accul. losses) retained earnings US$000	Total US$000
Balance at 1 January 2014		**151,014**	**-**	**1,395**	**-**	**(20,381)**	**132,028**
Loss for the year		-	-	-	-	(43,363)	(43,363)
Total comprehensive loss		-	-	-	-	(43,363)	(43,363)
New share capital subscribed	16	8,073	-	-	-	-	8,073
Cost of share issuance	16	(75)	-	-	-	-	(75)
Share options issued	16	-	-	1,637	-	-	1,637
Expiry/lapse of share options	16	-	-	(262)	-	262	-
Balance 31 December 2014		**159,012**	**-**	**2,770**	**-**	**(63,482)**	**98,300**

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 December 2014 and 2013

	Notes	2014 US$000	2013 US$000
Cash flows from operating activities			
Loss before tax		(6,959)	(15,831)
Impairment charge	10	-	13,700
Finance income		-	(2)
Finance expense	5	7,790	2,202
Depreciation		2,507	5,825
Share based payments	16	8	262
Gain on disposals of available-for-sale investments		-	(16)
Revaluation loss (gain) of available-for-sale investments		8	(23)
Gain on sale of exploration property		(879)	-
Decrease in inventory		141	138
(Increase) decrease in other receivables and prepayments		(760)	2,067
Decrease in trade and other payables		(1,534)	(3,448)
Payment of mine closure costs	17	(62)	(69)
Net cash inflow from operations		260	4,805
Corporation tax paid		(649)	(3,003)
Loss from discontinued operations		-	(601)
Net cash (outflow) inflow from operating activities		(389)	1,201
Cash flows from investing activities			
Proceeds on sale of exploration property		1,125	-
Proceeds on available-for-sale investments		22	171
Proceeds on sale of bonds received on sale of investment in joint venture		9,803	-
Acquisition of property, plant and equipment		(2,248)	(3,902)
Decrease in cash due to deconsolidation of subsidiary		-	(415)
Transaction costs on deconsolidation of subsidiary		-	(931)
Deferred exploration and development expenditures		(8,164)	(16,561)
Net cash inflow (outflow) from investing activities		538	(21,638)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	16	-	15,504
Cost of raising share capital		(75)	(1,653)
Receipt of loans	17	4,909	4,810
Loan extension fees	17	(1,500)	-
Finance income received		-	2
Finance expense paid		(3,063)	(1,083)
Net cash inflow from financing activities		271	17,580
Net increase (decrease) in cash and cash equivalents		420	(2,857)
Cash and cash equivalents at beginning of year		3,389	6,246
Cash and cash equivalents at end of year	15	3,809	3,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 for and development of mines for the extraction of metals.

The consolidated financial statements of the Group for the year ended 31 December 2014 comprise the Group and its subsidiaries (together referred to as the “Group”).

The financial statements were authorised for issue by the directors on 19 June 2015.

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”) as adopted for use within the European Union and with IFRS and their interpretations issued by the IASB.

Changes in accounting policies
A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1 January 2015, have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment adopted by the group as detailed below.

<u>New and amended IFRS standards</u>
The following relevant new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2014, but had no significant impact on the Group:

Standard	Effective date:
Amendment to IAS 27 ‘Separate Financial Statements’	1 January 2014
Amendment to IAS 28 ‘Investments in Associates and Joint Ventures’	1 January 2014
Amendment to IAS 32 ‘Financial Instruments: Presentation’ and IFRS 7 ‘Financial Instruments: Disclosures’	1 January 2014
Amendments to IAS 36 ‘Impairment of Assets’	1 January 2014
Amendment to IFRS 11 ‘Joint Arrangements’	1 January 2014
IFRS 12 ‘Disclosure of Interests in Other Entities’	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12	1 January 2014

<u>Standards issued but not yet effective</u>
The following relevant new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2014, and have not been early adopted:

Standard	Effective date
Amendments to IFRS 11 ‘Acquisitions of Interests in Joint Operations’	1 January 2015
Amendments to IAS 16 and IAS 38 ‘Clarification of Acceptable Methods of Depreciations and Amortisation’	1 January 2015
IFRS 9 ‘Financial Instruments’	1 January 2018
IFRS 15 ’Revenue from Contracts with Customers’	1 January 2016
Amendment to IAS 19 ‘Employee Benefits’	1 February 2015

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

NOTE 1 – **SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 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.

At 31 December 2014, the Group had a working capital deficit of $26,919,000. Current liabilities at 31 December 2014 included a $28,435,000 interest bearing loan provided by Macquarie Bank Limited ("Macquarie Bank") with a maturity date of 30 June 2015. Working Capital is defined as current assets less current liabilities.

Subsequent to 31 December 2014, the Group announced that it had secured a $70,000,000 finance facility with a Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. ("COFIDE"). The loan is expected to be the first component of a senior debt facility of up to $240,000,000, to be led by COFIDE, to develop the Group's Ollachea Gold Project. Additional details on the COFIDE loan are provided under note 22, "Subsequent Events".

The proceeds from the 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 was converted into an unsecured promissory note payable by 31 December 2015, accruing interest at a rate of 7% per annum. Rio Tinto was also paid $941,000 in outstanding interest and incentive payments, as outlined in note 17, "Liabilities".

The net proceeds from the loan, after the payment of fees related to the financing and existing debt, was approximately $22,300,000 and will be used to advance many of the initial aspects of project development needed to commence major site construction on the Ollachea Gold Project once the senior debt facility is in place. This includes commencing the detailed engineering and design, recommencement of underground drilling at Minapampa East zone, and maintaining social and environmental programs. Funds will also be available for working capital purposes.

The Bridge Loan is expected to be rolled into a senior debt facility, which is expected to be in place by the end of 2015. However, no agreement has been entered into in respect of the senior debt facility. If the Group is not able to secure the senior debt facility it will not have the funds available to develop the Ollachea Gold Project. Moreover, cash flow forecasts prepared by the Directors show that in order to fund the Group's existing operations and commitments, further funding will be required within twelve months. Whilst the Directors expect to raise funds through the senior debt facility there can be no guarantee that a funding agreement will be concluded in the required timescales.

The above conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. No adjustments that would result from the going concern basis of preparation being inappropriate have been made in the preparation of the financial statements.

NOTE 1 – **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(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.

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 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 during the year are included in the consolidated statement of comprehensive loss 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 accounts of the Group and its subsidiaries as follows:

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

(b) Investments in Jointly Controlled Entities (Equity-accounted Investees)

A joint venture is an arrangement whereby the parties (joint venturers) that have joint control of the arrangement have rights to the net assets of the arrangement. This is an arrangement that involves the use of a separate vehicle, where the individual assets and liabilities of the arrangement reside with the vehicle, in both form and substance.

Joint ventures are accounted for using the equity method and are included in the consolidated statement of financial position as investments in joint ventures. Investments in jointly controlled entities are recognized initially at cost. The cost of the investment includes transaction costs. The Group's share of net earnings (losses), from the date that joint control commences until the date that joint control ceases, is included in the consolidated statement of comprehensive loss as a share of net earnings (losses) from investments in joint ventures (net of income tax), after adjustments to align the accounting policies with those of the Group. Profit distributions received or receivable from an investee reduces the carrying value of the investment.

(c) 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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 utilized.

(e) 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 balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in profit or loss.

(f) 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.

(g) 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.

(h) 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 or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. 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.

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.

(i) 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 loss.

NOTE 1 – **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Property, Plant and Equipment (Continued)

(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 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 each year.

(iv) 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 and reclassified as development expenditure.

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.

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

At each balance sheet 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 any 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) Trade and Other Payables

Trade and other payables are not interest bearing and are stated at amortised cost.

(m) 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.

(n) 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.

(o) 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 loss 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.

(p) 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.

<u>Royalty Buyback Provision</u>
The Group records 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. Additional details on the royalties granted to Macquarie Bank are provided under note 17, "Liabilities".

(q) Significant Accounting Estimates and Assumptions

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:

Impairment

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

Should any key parameters differ from the assumptions contained within the technical economic model, such as tonnes of ore mined, grade of ore mined, recovery profile or gold price, the net present value will be affected either positively or negatively. If the impact is negative, an impairment charge may be required that has not been recognised in these financial statements. Further information is provided on key assumptions and judgements in note 10, "Property, Plant and Equipment", and note 11, "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 each year. Additional information on the depreciation of mining assets is provided in note 10, "Property, Plant and Equipment".

NOTE 1 – **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(q) Significant Accounting Estimates and Assumptions (continued)

Environmental provisions

Management uses its 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 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 17, "Liabilities".

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. An estimate of the value of gold on the leach pads is provided in note 14, "Inventory".

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 to the chief operating decision maker, in this case, the Executive Chairman and the Board of Directors. The Group identifies these units primarily according to the country of operation. Within the countries of operation the managerial functions are divided into mining operations, the exploration activities related to the individual properties which the Group has the rights to explore, the activities related to the acquisition of properties and the administration of the Group. The assessment of exploration activities is dependent principally on non-financial data.

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

2014	Peru US$000	Argentina US$000	Jersey US$000	Total US$000
Mining revenue	29,866	-	-	29,866
Mining cost of sales	(20,683)	-	-	(20,683)
Mining gross profit	9,183	-	-	9,183
Exploration costs expensed	(180)	-	-	(180)
Administrative expenses	(4,045)	-	(2,525)	(6,570)
Net income	4,958	-	(2,525)	2,433
Exploration of properties - deferred	(8,546)	-	-	(8,546)
Capital expenditure	(2,311)	-	-	(2,311)
Reconciliations				
Segmental Revenue				
Customer A	29,520	-	-	29,520
Others	346	-	-	346
Group revenues	29,866	-	-	29,866
Segment Result				
Segmental net income	4,958	-	(2,525)	2,433
Depreciation	(2,473)	-	-	(2,473)
Other income	879	-	-	879
Gain on disposal of available-for-sale investments	-	-	(8)	(8)
Group operating profit	3,364	-	(2,533)	831
Dilution gain on part disposal of joint venture	-	560	-	560
Share of loss from investment in joint venture	-	(2,879)	-	(2,879)
Loss on assets held for sale	-	(32,119)	-	(32,119)
Net finance income (expense)	(1,498)	-	(6,292)	(7,790)
Group loss before tax	1,866	(34,438)	(8,825)	(41,397)
Group Assets				
(not allocated for internal reporting)				
Non-current assets	146,047	-	-	146,047
Inventory	3,207	-	-	3,207
Current tax recoverable	422	-	-	422
Other receivables and prepayments	835	-	29	864
Cash and cash equivalents	3,537	-	272	3,809
Group total assets	154,048	-	301	154,349

NOTE 2 - SEGMENT REPORTING (continued)

2013	Peru US$000	Argentina US$000	Jersey US$000	Total US$000
Mining revenue	35,706	-	-	35,706
Mining cost of sales	(22,808)	-	-	(22,808)
Mining gross profit	12,898	-	-	12,898
Exploration costs expensed	(265)	-	-	(265)
Administration	(4,689)	-	(3,145)	(7,834)
Net income	7,944	-	(3,145)	4,799
Exploration of properties - deferred	(14,191)	(3,801)	-	(17,992)
Capital expenditure	(3,846)	(54)	(2)	(3,902)
Reconciliations				
Segmental Revenue				
Customer A	31,304	-	-	31,304
Others	4,402	-	-	4,402
Group revenues	35,706	-	-	35,706
Segment Result				
Segmental net income	7,944	(3,855)	(3,147)	4,799
Depreciation	(5,496)	-	-	(5,496)
Other income	750	-	-	750
Gain on disposal of available-for-sale investments	-	-	16	16
Group operating profit	3,198	-	(3,129)	69
Administration expenses	-	(601)	-	(601)
Loss on deconsolidation of subsidiary	-	(12,517)	-	(12,517)
Dilution loss	-	(574)	-	(574)
Share of loss from investment in joint venture	-	(2,028)	-	(2,028)
Impairment charge	(13,700)	-	-	(13,700)
Net finance income (expense)	(713)	-	(1,487)	(2,200)
Group loss before tax	(11,215)	(15,720)	(4,616)	(31,551)
Group Assets (not allocated for internal reporting)				
Non-current assets	136,196	43,663	480	180,339
Inventory	3,346	-	-	3,348
Current tax recoverable	1,860	-	-	1,860
Other receivables and prepayments	1,333	-	213	1,546
Cash and cash equivalents	2,721	-	668	3,389
Group total assets	145,458	43,663	1,361	190,482

NOTE 3 – LOSS BEFORE TAX

	2014 US$000	2013 US$000
Auditor's remuneration:		
Audit of group financial statements	**152**	143
Fees payable to the Group's auditor in respect of:		
The auditing of accounts of associates of the Group pursuant to legislation	**2**	115
Taxation services	**6**	8
Review of interim financial statements	**9**	28
Assurance services pursuant to legislation	**4**	10
Share based payments	**8**	262
Foreign exchange loss	**835**	802

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 2014	Number of employees 2013
Corporate finance and administration	**39**	48
Technical	**47**	75
Construction and production	**334**	445
	420	568

The aggregate payroll costs of these persons were as follows:

	2014 US$000	2013 US$000
Wages and salaries	**8,136**	10,510
Social security	**701**	1,074
Share based payments	**8**	262
	8,845	11,846

NOTE 5 – FINANCE EXPENSE

	2014 US$000	2013 US$000
Macquarie Bank finance facility	**1,536**	1,163
Macquarie Bank royalty buyback provision	**2,109**	326
Macquarie Bank amortization of deferred extension fee	**1,565**	-
Rio Tinto Ollachea Mining Rights Transfer Contract payment	**1,010**	624
Rio Tinto share hold incentive bonus	**744**	-
Brokerage fee on sale of Argentinean bonds (note 7)	**341**	-
Other	**485**	89
	7,790	2,202

NOTE 6 - REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Salary & Fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments [4] US$000	2014 Total Remuneration US$000
2014					
Directors:					
C Chamberlain	400	-	8	-	**408**
D Hodges [1]	21	-	-	8	**29**
D Jones	24	-	-	-	**24**
G Ross [2]	3	-	-	-	**3**
N Valdez Ferrand [3]	24	-	-	-	**24**
Directors Total	472	-	8	8	**488**
Non-Directors:	1,042	150	219	-	**1,411**
TOTAL	1,514	150	227	8	**1,899**

Notes:

1. Mr. Hodges was appointed as a non-executive director of Minera IRL Limited on 10 February 2014.
2. Mr. Ross resigned on 10 February 2014.
3. Mr. Valdez Ferrand resigned on 21 January 2014.
4. The share based payments were associated with options granted 2 April 2014. The options were granted with a strike price of £0.10 and a term of 5 years. See note 16 for further details.
5. Non-Directors include the President of the Peruvian subsidiaries, Chief Financial Officer, VP of Exploration, the Corihuarmi Mine Manager and other senior executives.

	Salary & Fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments [3] US$000	2013 Total Remuneration US$000
2013					
Directors:					
C Chamberlain	492	-	15	43	550
D Jones	24	-	-	10	34
K Judge [1]	12	-	-	-	12
G Ross [2]	24	-	-	10	34
N Valdez Ferrand	24	-	-	10	34
Directors Total	576	-	15	73	664
Non-Directors:	1,472	-	462	127	2,061
TOTAL	2,048	-	477	200	2,725

Notes:

1. The Director fees were paid to Hamilton Capital Partners Limited, with which Mr Judge is associated. Mr. Judge ceased to be a director as of July 2013.
2. Mr. Ross resigned on 10 February 2014.
3. The share based payments were associated with options granted 15 November 2013. The options were granted with a strike price of £0.15 and a term of 5 years. See note 16 for further details.

NOTE 7 – TRANSACTION WITH CIMINAS – DON NICOLÁS GOLD PROJECT

On 16 August 2013, the Group entered into a definitive agreement with Compañía Inversora en Minas ("CIMINAS"), whereby CIMINAS would make a $45,000,000 investment in Minera IRL Patagonia to become up to a 45% equity owner of Minera IRL Patagonia. In addition to the equity investment, CIMINAS entered into an agreement with Minera IRL Patagonia to provide a $35,000,000 credit facility for the development of the Don Nicolás Gold Project in the Santa Cruz Province of Argentina.

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

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

In the joint arrangement with CIMINAS, the Group would retain at least a 51% interest in Minera IRL Patagonia, down from 100%. Although the Group was to retain more than half of the voting shares in Minera IRL Patagonia, management determined that the Group would not have control by virtue of an agreement with its other shareholders, which required unanimous consent on decisions concerning relevant activities, resulting in joint control. Consequently, upon entering into the agreement with CIMINAS, the Group's interest in Minera IRL Patagonia was considered a joint venture and was subsequently accounted for using the equity method. Additionally, on the loss of control, Minera IRL Patagonia was deconsolidated, the Group's remaining interest was determined to have a fair value of $40,001,000 and a loss on the derecognition of Minera IRL Patagonia of $12,517,000 was recorded on the consolidated statement of loss and comprehensive loss.

The following adjustments were made to the net assets of the consolidated financial statements as of the date of the transaction with CIMINAS, 16 August 2013, to deconsolidate Minera IRL Patagonia on the loss of control:

	US$000
Property, plant and equipment	2,101
Intangibles	47,222
Other receivables and prepayments – long-term	5,629
Other receivables and prepayments – current	395
Cash	415
Foreign currency reserve	(231)
Trade and other payables – current	(379)
Current taxes	(312)
Net assets	54,840
Loss on derecognition of Minera IRL Patagonia	(12,517)
Investment in Minera IRL Patagonia Joint Venture – 16 August 2013	42,323
Estimated value of Argenwolf's 4% interest in Minera IRL Patagonia	(2,323)
Fair value of Minera IRL Limited's interest in Minera IRL Patagonia – 16 August 2013	40,000
Transaction costs	3,255
Carrying value of Minera IRL's interest in Minera IRL Patagonia – 16 August 2013	43,255

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

Details on the investment in the Don Nicolás Joint Venture following the deconsolidation of Minera IRL Patagonia is provided in note 12, "Investment in the Don Nicolás Joint Venture".

NOTE 7 – TRANSACTION WITH CIMINAS – DON NICOLÁS GOLD PROJECT (continued)

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

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

2. Tranche II – $7,300,000
Tranche II provided CIMINAS with a 7.8% equity interest in Minera IRL Patagonia in exchange for an investment of $7,300,000 and had no preferred rights. During 2013, $1,900,000 was advance under Tranche II. A dilution loss of $574,000 was recorded on the $1,900,000 investment. The remaining $5,400,000 was advance during in February 2014 and a dilution of $1,072,000 was recorded.

3. Tranche III (Accelerated Payback) – $15,000,000
Tranche III provides CIMINAS with a 16.1% equity interest in Minera IRL Patagonia in exchange for an investment of $15,000,000. These shares were to have a preference on dividend payments (doubled to 32.2% of expected cash flows) until the accumulated dividend paid under Tranche III totalled $15,000,000. At which point, the preferred equity held by CIMINAS was to be converted to common shares representing a 16.1% interest in Minera IRL Patagonia. In addition to receiving double dividends, Tranche III was to receive 60% of the dividends payable to Minera IRL Limited to further accelerate the payback of Tranche III, until the accumulated amount paid under Tranche III totalled $15,000,000. During the three months ended 30 June 2014, an equity contribution of $1,005,000 under Tranche III was made. A dilution loss of $512,000 related to this contribution was recorded. No further investments were made under the remaining tranches prior to sale of the Group's remaining interest in Minera IRL Patagonia in July 2014.

4. Tranche IV (Secured) – $19,700,000
Tranche IV was to provide CIMINAS with an option to acquire a 21.1% equity interest in Minera IRL Patagonia in exchange for an investment of $19,700,000. This preferred interest has an annual secured return of 12.5% during the initial option period. At the end of years 3, 4 and 5 of production, CIMINAS would have had the option to request repayment of $6,566,667 (one-third of the amount of Tranche IV) or convert these preferred shares into common shares that represent approximately 7% of Minera IRL Patagonia. At each of these option dates CIMINAS can convert all of the outstanding preferred shares of Tranche IV into common shares. As guarantee for this Tranche, the Group had pledged in favour of CIMINAS its 51% stake in Minera IRL Patagonia.

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

   No funds were advanced under Tranche IV prior to the sale of the Group's remaining interest in Minera IRL Patagonia to CIMINAS in July 2014.

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

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

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

NOTE 7 – TRANSACTION WITH CIMINAS – DON NICOLÁS GOLD PROJECT (continued)

In July 2014, the Group entered into an agreement to sell its remaining interest in Minera IRL Patagonia to CIMINAS for proceeds of $11,451,000. The proceeds were to be received in three separate payments. The first payment, representing 85% of the amount due, was received by the Group shortly after the signing of the agreement. The second payment, representing 7.5% of the amount due, is payable 90 days following the completion of certain handover activities and certain due diligence procedures and the third payment, representing the final 7.5% of the amount due, is payable twelve months following the completion of the handover activities and due diligence procedures. 12 September 2014 was established as the start date for the 90 day and twelve month periods. The second and third payments were subject to the completion of due diligence procedures that include financial, legal and environmental due diligence and the assumption of management responsibilities by CIMINAS.

As at 31 December 2014, the second payment was still outstanding and the Group was in discussions with CIMINAS in regards to escrow claims made and the eventual payment of the amounts outstanding. Due to the uncertainty surrounding the collection of amount outstanding, the remaining balance, totaling a gross and net amount of $1,405,000, has been written off, increasing the loss on assets held for sale in the consolidated statement of total comprehensive loss.

Based on gross proceeds received of $10,046,000 on the sale and net of costs related to the sale of $831,000, the Group recorded a charge of $32,119,000 on the sale of the investment in the Don Nicolás joint venture to CIMINAS.

To facilitate the receipt of the proceeds on the sale of Minera IRL Patagonia outside of Argentina it was agreed that bonds for the sale price would be received by Minera IRL and then subsequently sold outside of Argentina. A 3% brokerage fee, totaling $341,000, was incurred on the purchase and sale of these bonds and has been recorded as finance expense on the statement of loss and comprehensive loss during the year ended 31 December 2014.

NOTE 8 – INCOME TAX EXPENSE

	2014 US$000	2013 US$000
Current tax-foreign	**2,029**	1,629
Deferred tax-foreign	**(63)**	654
Income tax expense	**1,966**	2,283

In December 2014, corporate the tax rate was reduced from 30% to 28% for periods beginning after 1 January 2015. Accordingly, deferred tax balances as at 31 December 2014 have been recognized at 28%.

	2014 US$000	2013 US$000
Income tax expense from continuing operations	**1,966**	2,283
Income tax expense from discontinued operations	**-**	-
Income tax expense	**1,966**	2,283

The income tax expense provision for the year is different than the provision on the loss before tax at the standard rate of corporation tax of 30% (2013: 30%) based on the Peru tax rate, the location of the Group's main operations. The differences are explained below:

	2014 US$000	2013 US$000
Tax reconciliation		
Loss for the year	**(43,363)**	(33,834)
Tax	**1,966**	2,283
Loss before tax	**(41,397)**	(31,551)
Tax at 30% (2013: 30%)	**(12,419)**	(9,465)
Effects (at 30%) of:		
Expenses not deductible for tax purposes	**14,448**	11,807
Unrecognised deferred tax movements	**(63)**	(59)
Income tax expense	**1,966**	2,283

NOTE 8 - INCOME TAX EXPENSE (Continued)

At 31 December 2014, the subsidiary operating the Corihuarmi gold mine In Peru, Minera IRL SA, has distributable reserves of $27,330,000 (2013: $31,087,000). In the event of a dividend distribution, income tax totalling $1,093,000 (2013: $1,243,000) would be payable. No provision has been made for this amount as Minera IRL Limited has control over the timing differences of any distribution and no payment is likely in the foreseeable future.

Unrecognised deferred tax assets

The Group has estimated tax losses of approximately $8,426,000 (2013: $5,568,000) available to carry forward for offset against future profits. At the year end, a potential deferred tax asset of $673,000 (2013: $687,000) has not been recognised because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

NOTE 9 – LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders of $43,363,000 (2013: profit of $33,834,000) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2014 of 226,334,762 (2013: 173,524,931).

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

	2014 Loss US$000	**2014 Number of shares '000**	**2014 Loss per share US cents**	2013 Loss US$000	2013 Number of shares '000	2013 Earnings per share US cents
Continuing Operation						
Basic loss	**(8,925)**	**226,335**	**(4.0)**	(18,114)	173,525	(10.4)
Dilutive effects-options	**-**	**-**	**-**	-	-	-
Diluted loss	**(8,925)**	**226,335**	**(4.0)**	(18,114)	173,525	(10.4)
Discontinuing Operations						
Basic loss	**(34,438)**	**226,335**	**(15.2)**	(15,720)	173,525	(9.1)
Dilutive effects-options	**-**	**-**	**-**	-	-	-
Diluted loss	**(34,438)**	**226,335**	**(15.2)**	(15,720)	173,525	(9.1)

As at 31 December 2014 and 2013, all options were excluded from the calculation of diluted loss per share because they were anti-dilutive. Note 16, "Capital and Reserves", provides additional detail on the Group's share options.

NOTE 10 - 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 2013	39,133	2,859	2,874	3,648	48,514
Additions	4,012	185	218	209	4,624
Reclassifications	(316)	316	-	-	-
Transfer from intangibles	4,434	-	-	-	4,434
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	-	(1,684)	(51)	(1,015)	(2,750)
Disposals	(10)	-	(231)	-	(241)
Balance - 31 December 2013	47,253	1,676	2,810	2,842	54,581
Balance at 1 January 2014	**47,253**	**1,676**	**2,810**	**2,842**	**54,581**
Additions	**2,281**	**13**	**-**	**98**	**2,392**
Reclassifications	**1,298**	**(1,293)**	**-**	**(5)**	**-**
Disposals	**-**	**-**	**(184)**	**-**	**(184)**
Balance - 31 December 2014	**50,832**	**396**	**2,626**	**2,935**	**56,789**
Depreciation and impairment losses					
Balance - 1 January 2013	27,383	89	1,053	2,003	30,528
Depreciation for the year	4,781	38	469	537	5,825
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	-	(69)	(50)	(530)	(649)
Impairment	12,412	95	739	454	13,700
Disposals	(8)	-	(136)	-	(144)
Balance - 31 December 2013	44,568	153	2,075	2,464	49,260
Balance - 1 January 2014	**44,568**	**153**	**2,075**	**2,464**	**49,260**
Depreciation for the year	**1,900**	**184**	**304**	**119**	**2,507**
Disposals	**-**	**-**	**(121)**	**-**	**(121)**
Balance - 31 December 2014	**46,468**	**337**	**2,258**	**2,583**	**51,646**
Carrying amounts					
Balance - 1 January 2013	11,750	2,770	1,821	1,645	17,986
Balance - 31 December 2013	**2,685**	**1,523**	**735**	**378**	**5,321**
Balance - 31 December 2014	**4,364**	**59**	**368**	**352**	**5,143**

Mining assets and deferred development costs relate to the Corihuarmi Gold Mine. In 2013, the Group recorded an impairment charge of $13,700,000 against its Corihuarmi Gold Mine. The impairment was largely the result of the significant decrease in the gold price during 2013. For purposes of this impairment evaluation, estimates of future cash flows from the Corihuarmi mine were used to determine fair value. The future cash flows were derived from Corihuarmi's remaining mine life, estimated to be 22 months, a gold price assumption of $1,300 per ounce and management's projections for operating costs. The salvage value of mine's assets was estimated to be $1,024,000 and the resulting cash flow projections were discounted at 7% to arrive at the estimated fair value. A 10% increase (decrease) in the gold price assumption of $1,300 per ounce of gold would give rise to an (decrease) increase in impairment of $4,542,000. A 10% increase (decrease) in the gold production over the remaining 22 month mine life would have a similar impact on the impairment.

In 2014, an impairment review was carried out based upon current gold prices and no further impairment was recorded. A 10% decrease in the gold price assumption would have given rise of an impairment of approximately $2,910,000.

NOTE 11 - INTANGIBLE ASSETS

Deferred Exploration Costs	Ollachea US$000	Don Nicolás US$000	Other Peru US$000	Other Argentina US$000	Total US$000
Balance – 1 January 2013	107,555	33,497	7,697	10,610	159,359
Additions	13,900	2,761	291	109	17,061
Transfers	-	-	(246)	246	-
Transfer to property, plant and equipment [(1)]	-	-	(4,434)	-	(4,434)
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	-	(36,258)	-	(10,965)	(47,223)
Balance – 31 December 2013	121,455	-	3,308	-	124,763
Additions	7,123	-	1,430	-	8,553
Disposal of exploration property	-	-	(246)	-	(246)
Balance - 31 December 2014	**128,578**	**-**	**4,492**	**-**	**133,070**

(1) Intangibles transferred to property, plant and equipment were at the Corihuarmi mine.

The Ollachea property includes $14,190,000 provided in respect of further payments to Rio Tinto, which are detailed in note 17, "Liabilities".

The carrying values of the remaining deferred exploration costs at the yearend 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 assets on the consolidated statement of financial position.

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

NOTE 12 – INVESTMENT IN THE DON NICOLÁS JOINT VENTURE

As of 16 August 2013, upon entering into the contractual arrangement with CIMINAS whereby the investment in Minera IRL Patagonia, the subsidiary that holds the Don Nicolás Gold Project, became jointly controlled, the Group's remaining interest in Minera IRL Patagonia was considered a joint venture and was subsequently accounted for using the equity method. Although the Group was to retain more than half of the voting shares in Minera IRL Patagonia, management determined that the Group did not have control by virtue of an agreement with another shareholder, which required unanimous consent on decisions concerning relevant activities resulting in joint control.

For the year ended	31 December 2014 ($'000)	December 31 2013 ($'000)
Balance of investment in joint venture, as at beginning of period	**43,653**	**-**
Carrying value of investment on loss of control – 16 August 2013	-	43,255
Share of losses (net of taxes)	(2,879)	(2,028)
Tranche I investment (issuance of Minera IRL ordinary shares)	-	3,000
Dilution gain (loss)	560	(574)
Costs on sale of remaining interest in investment in Don Nicolás	831	-
Loss on asset held for sale	(32,119)	-
Proceeds on sale of investment in joint venture to CIMINAS	(10,046)	-
Balance of investment in joint venture, as at end of period	**-**	**43,653**

NOTE 12 – **INVESTMENT IN THE DON NICOLÁS JOINT VENTURE** (continued)

Between 1 January 2014 and the sale of Minera IRL Patagonia to CIMINAS in July 2014, the Group recorded a loss of $2,879,000 on its share of Minera IRL Patagonia. During the period between 16 August 2013 and 31 December 2013, the Group recorded a loss of $2,028,000 on its share of Minera IRL Patagonia. As the Don Nicolás Gold Project was a development project it did not record any revenue during the year ended 31 December 2014 or the year ended 31 December 2013.

In December 2013, CIMINAS contributed $1,900,000 of the $7,300,000 under Tranche II of the equity investment as outlined under note 6, "Transaction with CIMINAS – Don Nicolás Gold Project". The contribution of $1,900,000 by CIMINAS reduced Minera IRL Limited's interest in the Don Nicolás joint venture from 96.0% to 91.0% and resulted in a dilution loss of $574,000.

During 2014, prior to the July 2014 sale of the Group's remaining interest in Minera IRL Patagonia, CIMINAS made capital contributions of $6,405,000, which was the balance of the amount remaining under Tranche II and an initial contribution under Tranche III. The contribution of $6,405,000 by CIMINAS reduced Minera IRL Limited's interest in the Don Nicolás joint venture from 91.0% to 80.9% and resulted in a net dilution gain of $560,000.

CIMINAS subscribed for 9,146,341 ordinary shares of Minera IRL Limited and as consideration CIMINAS contributed $3,000,000 to Minera IRL Patagonia toward the development of Don Nicolás. The ordinary shares were issued on 10 October 2013. Additional details on the share issuance are provided in note 16, "Capital and Reserves".

In July 2014, the Group entered into an agreement to sell its remaining interest in Minera IRL Patagonia to CIMINAS and recorded a charge on the sale of $32,119,000. Details on sale are provided above under note 7, "Transaction with CIMINAS – Don Nicolás Gold Project".

NOTE 13 - OTHER RECEIVABLES AND PREPAYMENTS

	2014 US$000	2013 US$000
Non-current assets		
Other receivables	**6,924**	6,467
Deferred expenses	**910**	105
	7,834	6,572
Current assets		
Other receivables	**610**	1,130
Prepayments	**254**	416
	864	1,546

Included in other receivables is an amount of $7,359,000 (2013: $7,024,000) relating to sales tax paid on the purchase of goods and services in Peru. Of the $7,359,000 sales tax recoverable, $6,924,000 (2013: $6,467,000) relates to purchases for the Ollachea project, which is not expected to be recovered in the next accounting period and has therefore been included in non-current assets.

NOTE 14 - INVENTORY

	2014 US$000	2013 US$000
Gold in process	**1,607**	1,753
Mining materials	**1,600**	1,595
	3,207	3,348

The total amount of inventory expensed in the year was $8,688,000 (2013: $9,395,000). No inventory was provided for in the year (2013: nil).

NOTE 15 - CASH AND CASH EQUIVALENTS

	2014 US$000	2013 US$000
Bank balances	**3,809**	3,389

NOTE 16 - CAPITAL AND RESERVES

As at 31 December 2014 and 2013, Minera IRL Limited's share capital is made up of no par shares. There is no upper limit on the value of shares to be issued.

Issued share capital	Ordinary shares
Shares in issue 1 January 2013	**151,902,884**
Equity offering completed 7 February 2013 for total cash consideration of $15,504,000	**21,775,000**
Equity offering completed 10 October 2013 for $3,000,000 cash contribution from CIMINAS to Minera IRL Patagonia	**9,146,341**
Shares in issue 1 January 2014	**182,824,225**
Share issuance [1] completed 28 January 2014 for settlement of a $7,438,000 Rio Tinto liability	**44,126,780**
Share issuance [2] completed 31 January 2014 for settlement of $307,000 in trade payables	**1,917,600**
Share issuance [3] completed 11 August 2014 for settlement of $328,000 in trade payables	**2,266,423**
Shares in issue 31 December 2014	**231,135,028**

[1] On 28 January 2014, Minera IRL Limited issued 44,126,780 ordinary shares at a price of C$0.179 per share to Rio Tinto Mining and Exploration Limited to settle the first instalment of the final Ollachea payment for $7,310,000 and interest due ($128,000). Additional details are provided under note 17, "Liabilities".

[2] On 31 January 2014, Minera IRL Limited issued 1,917,600 ordinary shares at a price of C$0.179 per share to settle certain accounts payable in the aggregate amount of C$343,000 ($307,000).

[3] On 11 August 2014, Minera IRL Limited issued 2,266,423 ordinary shares at a price of C$0.16 per share to settle certain accounts payable in the aggregate amount of C$363,000 ($328,000).

<u>Share Options</u>

Minera IRL Limited has a share option scheme for the benefit of directors, employees and 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.

NOTE 16 - CAPITAL AND RESERVES (continued)

	2014 Number of share options	**2014** Weighted average exercise price (£)	2013 Number of share Options	2013 Weighted average exercise price (£)
Outstanding - beginning of year	**12,010,000**	**0.68**	9,730,000	0.88
Granted during the year	**160,000**	**0.10**	3,975,000	0.16
Expired during the year	**(2,050,000)**	**(0.91)**	(790,000)	(0.62)
Lapsed during the year	**(890,000)**	**(0.53)**	(905,000)	(0.68)
Outstanding - end of the year	**9,230,000**	**0.63**	12,010,000	0.68
Exercisable - end of the year	**9,230,000**	**0.63**	12,010,000	0.68

The average remaining contractual life of the outstanding options as at 31 December 2014 was 2.5 years (2013: 3.0 years).

On 2 April 2014, Minera IRL Limited granted 160,000 incentive stock options at an exercise price of £0.10 for a period of five years. The options vested immediately upon being granted, and they were fair valued with a Black-Scholes option pricing model using the following assumptions:

Date of Grant	**2 April 2014**
Share price on date of grant	£0.08
Exercise price	£0.10
Expected volatility	57%
Expected option life	3.5 yrs
Risk-free rate of return	0.50%
Expected dividends	Nil
Fair Value	£0.03

The fair value of this option grant resulted in a share based payment expense during 2014 of $8,000. In addition, on the expiry and lapsing of 2,940,000 options during the year ended 31 December 2014, a total of $262,000 was transferred from share option reserve to accumulated losses.

On 17 May 2013, Minera IRL Limited granted a total 425,000 incentive stock options at an exercise price of £0.25 for a period of five years. Additionally, Minera IRL Limited granted 3,550,000 incentive stock options at £0.15 for a period of five years on 15 November 2013. The options vested immediately upon being granted and they were fair valued with a Black-Scholes option pricing model using the following assumptions:

Date of Grant	**17 May 2013**	**15 November 2013**
Share price on date of grant	£0.20	£0.12
Exercise price	£0.25	£0.15
Expected volatility	46%	55.35%
Expected option life	3.5 yrs	3.5 yrs
Risk-free rate of return	0.48%	0.48%
Expected dividends	Nil	Nil
Fair Value	£0.05	£0.04

The fair value of these option grants resulted in a share based payment expense for 2013 totalling $262,000. In addition, on the expiry and lapsing of 1,695,000 options during 2013 a total of $572,000 was transferred from share option reserve to accumulated loss.

NOTE 16 - CAPITAL AND RESERVES (continued)

The following table details the incentive stock options outstanding as at 31 December 2014:

Number of share options	Exercise price	Expiry date
160,000	£0.10	2 April 2019
2,990,000	£0.15	15 November 2018
425,000	£0.25	17 May 2018
3,165,000	£0.81	3 April 2017
2,390,000	£1.08	17 November 2015
50,000	£0.73	2 July 2015
50,000	£0.89	26 January 2015
9,230,000	£0.63	

Other Share Options

	2014		2013	
	Number of share options	**Weighted average exercise price ($)**	Number of share options	Weighted average exercise price ($)
Outstanding - beginning of year	**18,786,525**	**1.06**	18,786,525	1.06
Granted	**26,000,000**	**0.18**	-	-
Expired	**(18,786,525)**	**(1.06)**	-	-
Outstanding - end of the year	**26,000,000**	**0.18**	18,786,525	1.06
Exercisable - end of the year	**26,000,000**	**0.18**	18,786,525	1.06

On 30 June 2014, Minera IRL Limited granted 26,000,000 options at an exercise price of $0.176 for a period of two years (to 30 June 2016) to Macquarie Bank as partial consideration for the one-year extension of the Macquarie Bank loan facility (see "Interest Bearing Loans" under note 17, "Liabilities"). The options vested immediately upon being granted and were fair valued at $1,629,000 based on the Black-Scholes option pricing model using the following assumptions:

Date of Grant	30 June 2014
Share price on date of grant	$0.176
Exercise price	$0.176
Expected volatility	60%
Expected option life	2 yrs
Risk-free rate of return	0.50%
Expected dividends	Nil
Fair value	$0.06

The 18,786,525 options that were cancelled when the new options were granted were also held by Macquarie Bank. These original options were also issued as consideration in connection with the interest bearing loan and had an immaterial fair value.

Dividends

The directors do not recommend the payment of a dividend.

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 2014.

NOTE 16 - CAPITAL AND RESERVES (continued)

Capital Maintenance

The directors manage the capital resources of the Group to ensure that there are sufficient funds available to continue in business. Share capital is generally raised for the purpose of funding capital developments and significant exploration programmes, and loans for the purpose of funding working capital requirements.

	At 31 December 2014 US$000	At 31 December 2013 US$000
Total interest bearing debt	**28,435**	25,000
Total equity	**98,300**	132,028
Debt-to-equity ratio	**28.9%**	18.9%

NOTE 17 - LIABILITIES

Interest bearing loans

	At 31 December 2014 US$000	At 31 December 2013 US$000
Current liabilities		
Bank loans due within one year	**28,435**	25,000

As at 31 December 2014, the Group had drawn $30,000,000 (31 December 2013: $25,000,000) on the interest bearing loan provided by Macquarie Bank (the "Facility"). The loan was secured against the assets of the Group. Share options have been granted in connection with the loan. See note 16, "Capital and Reserves" for more details on the share options.

In August 2013, the Facility was amended to increase the amount available by $10,000,000, in two separate $5,000,000 tranches ("Tranche 3" and "Tranche 4"), increasing the total amount available under the Facility to $30,000,000. The Facility interest rate remained LIBOR plus 5.0%; however, as a condition of drawing down on each additional $5,000,000 tranche, a 0.5% gross revenue royalty on gold production from the Group's Ollachea gold project for the life of mine was to be granted to Macquarie Bank (the "Macquarie Royalty"). Once granted, the Group would have the right to buyback and cancel each tranche of the Macquarie Royalty by paying a buyback fee (the "Buyback Fee"). The Buyback Fee would be calculated as the amount required to generate an internal rate of return ("IRR") to Macquarie Bank of 25% for each tranche, but shall not be less than $2,500,000 for each tranche.

The IRR would be calculated using the actual drawdown and actual repayment of each tranche, the upfront fee paid (1.5% of each tranche), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty. In addition, the $10,000,000 available under Tranches 3 and 4 was subject to an undrawn line fee of 2% per annum.

In November 2013, the Group drew down $5,000,000 under Tranche 3. A total of $191,000 in fees were paid in connection with this transaction. In March 2014, the Group drew down $5,000,000 under Tranche 4. A total of $91,000 in fees were paid in connection with this transaction. As required under IAS 39, the Group recorded the present value of the estimated cash flows including the corresponding $2,500,000 Buyback Fee to determine the effective interest rate for both Tranche 3 and 4. The effective interest rate used for each Tranche is 2.24% and 2.64%, respectively. A reconciliation of the royalty buyback provision is as follows:

	Tranche 3 US$000	**Tranche 4 US$000**	**Total US$000**
Balance 1 January 2013	-	-	-
Finance expense recorded	326	-	326
Fees paid in connection with Tranche 3	(191)	-	(191)
Balance 31 December 2013	135	-	135
Finance expense recorded	1,047	1,062	2,109
Fees paid in connection with Tranche 4	-	(91)	(91)
Balance 31 December 2014	**1,182**	**971**	**2,153**

NOTE 17 - LIABILITIES (continued)

On 30 June 2014, the Group announced that it had negotiated an extension to the term of the Facility for one year, to 30 June 2015. In exchange for the one-year extension, the Group agreed to pay a fee of $1,500,000 and issue 26,000,000 options with an exercise price of $0.176 and a two-year term. The fair value of the 26,000,000 options was estimated to be $1,629,000, based on the Black-Scholes option pricing model using the following assumptions: common share price of $0.176; expected dividend yield of 0%; expected volatility of 60%; risk-free interest rate of 0.5%; and, an expected life of two years (expiry date of 30 June 2016). The existing terms of LIBOR plus 5% on the Facility remained unchanged. Upon issuance of the 26,000,000 options to Macquarie Bank, the existing 18,786,525 options held by Macquarie Bank were cancelled.

The total cost of the one-year extension of $3,129,000 was applied against the carrying amount of the Facility as at 30 June 2014 and will be amortized over the remaining one-year term of the modified Facility. During the six month period between 30 June 2014 and 31 December 2014, $1,565,000 of the total cost was amortized.

Subsequent to 31 December 2014, the $30,000,000 due under the Facility along with accrued interest was paid from proceeds from the COFIDE Bridge Loan. Additional details on the COFIDE Bridge Loan and the settlement of the amounts due to Macquarie Bank are provided under note 22, "Subsequent Events".

During the year ended 31 December 2014, finance expense of $3,645,000 related to the Facility was recorded (2013: $1,489,000).

Provisions

The Group has a provision of $4,485,000 against the present value of the cost of restoring the Corihuarmi 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 up until 31 December 2014. 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 present time, management estimates that the remaining mine life at Corihuarmi is approximately 26 months. Further, the directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 11 years based on the time to develop and the projected mine life.

	Environmental provisions US$000
Balance 1 January 2013	3,178
Additional provision	856
Paid during the year	(69)
Balance 31 December 2013	3,965
Accretion	**423**
Additional provision	**159**
Paid during the year	**(62)**
Balance 31 December 2014	**4,485**

Trade and Other Payables

	2014 US$000	2013 US$000
Non-current		
Other payables	**14,190**	14,698
Current		
Trade payables	**5,541**	7,229
Other payables (1)	**1,245**	7,427
	6,786	14,656

(1) Other payables includes accrued interest expense to Rio Tinto of $501,000 (2013: $7,310,000 current principal payment plus $117,000 in accrued interest expense) and the accrued payment to Rio Tinto for $744,000 (2013: nil)

NOTE 17 - LIABILITIES (continued)

On July 11, 2013, the Group and Rio Tinto agreed to an amount of $21,500,000 as the amount due from the Group to Rio Tinto in connection with the second and final additional payment under the Mining Rights Transfer Contract for the Ollachea property. The payment was originally to be made in three separate instalments over a 24 month period. In September 2013, the Group and Rio Tinto amended these payment terms. The due date of the first instalment of $7,310,000 was rescheduled to 11 January 2014 and the second and third instalments were combined into a final instalment of $14,190,000, due 11 July 2016.

In December 2013, the Group and Rio Tinto agreed that up to 100% of the first instalment of $7,310,000 plus the accrued interest of $128,000 could be settled in shares of the Group. The price per share, for purposes of calculating the number of shares to be issued, on both the first and final instalments, would be the lower of C$0.179, representing the 5-day volume-weighted-average price ("VWAP") on the Toronto Stock Exchange ("TSX") on the date of signing the most recently revised agreement, or the TSX's 5-day VWAP on the day on which an instalment is paid. On 28 January 2014, the Group issued 44,126,780 ordinary shares to Rio Tinto to settle the first instalment of the final Ollachea payment ($7,310,000) and accrued interest ($128,000). Additionally, if Rio Tinto does not sell any of these shares during a period of one year after the date of issuance, Rio Tinto will be paid an incentive bonus of 10% of the value of the shares. The Group made a provision of $744,000 against this expected liability during the year ended 31 December 2014.

The remaining amount due of $14,190,000 was included in the non-current portion of trade and other payables. The balance due accrued interest at an annual rate of 7% and was secured against the Ollachea mining tenements. In June 2014, the Group and Rio Tinto agreed to defer the $993,000 interest payment related to the $14,190,000 Final Instalment liability that was due on 1 July 2014 to 2 September 2014. The deferred interest payment totalling $1,005,000 was made during September 2014. Under the Ollachea Mining Rights Transfer Contract, up to 80% of the remaining principal payment can be settled in ordinary shares of Minera IRL Limited at the Group's election.

Subsequent to 31 December 2014, $12,000,000 of the $14,190,000 due to Rio Tinto, along with the $744,000 share hold incentive bonus was paid from proceeds for the COFIDE Bridge Loan. A promissory note for the balance of $2,190,000 due under the Mining Rights Transfer Contract for the Ollachea property was issued by the Group to Rio Tinto. Additional details on the COFIDE Bridge Loan and the settlement of the amounts due to Rio Tinto are provided under note 22, "Subsequent Events".

NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The Group's principal financial assets comprise of available-for-sale financial investments, cash and cash equivalents, and other receivables. The Group also has amounts due from subsidiaries. With the exception of available-for-sale financial investments, which are recorded at fair value, all of the Group's financial assets are classified as loans and receivables and are measured at amortised cost.

The Group's financial liabilities include trade and other payables, interest bearing loans and other long term liabilities. They are all classified as financial liabilities and measured at amortised cost.

Risk management

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

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

NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2014 US$000	2013 US$000
Pounds sterling	**1**	40
Australian dollars	**18**	25
Canadian dollars	**26**	28
Chilean pesos	**5**	6
Peruvian nuevos soles	**270**	122
United States dollars	**3,489**	3,168
	3,809	3,389

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

	2014 US$000	2013 US$000
Pounds sterling	**(181)**	(184)
Australian dollars	**5**	(120)
Canadian dollars	**(125)**	(341)
Chilean pesos	**-**	5
Peruvian nuevos soles	**3,047**	4,294
United States dollars	**(47,079)**	(48,711)
	(44,333)	(45,057)

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:

	2014 US$000	2013 US$000
10% weakening of the US dollar	**270**	361
20% weakening of the US dollar	**540**	722
10% strengthening of the US dollar	**(270)**	(361)
20% strengthening of the US dollar	**(540)**	(722)

NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk
Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents as well as an adequate amount of committed credit facilities. The management of the Group safeguards its cash resources and makes regular forecasts of the requirements to use those resources. If necessary, the management adapt their 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. 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.

2014

Financial Liabilities	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	3,077	-	-	3,077
Other payables	3,209	993	15,183	19,385
Interest bearing loan	390	31,170	5,000	36,560
	6,676	32,163	20,183	59,022

2013

Financial Liabilities	Due in less than 3 month US$000	Due between 3 months to 1 year US$000	Due between 1 to 5 years US$000	Total US$000
Trade payables	4,208	3,021	-	7,229
Other payables	-	993	16,176	17,169
Other payables – current portion	7,438	-	-	7,438
Interest bearing loan	-	25,750	2,500	28,250
	11,646	29,764	18,676	60,086

1. "Other payables – current portion" at 31 December 2013 was an amount due to Rio Tinto, with accrued interest, that was settled in ordinary shares of Minera IRL Limited on 28 January 2014. Additional details are provided in note 17, "Liabilities".

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 15. 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 13, by the governments 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 5% over LIBOR and allows for interest periods of between 30 and 180 days. A change in LIBOR of +/- 1% would not have a material effect on the financial results of the Group. It is the policy of the Group to settle trade payables within the agreed terms and no interest is incurred on those liabilities.

NOTE 19 - OTHER INCOME
In March 2014, the Group received proceeds of $1,125,000 on the sale of its Chapi-Chapi project and recognized a gain of $879,000.

In October 2013, the Group signed an agreement transferring mining rights over 802 hectares of its Chapi-Chapi project to arms' length third party for a period of ten years. Consideration for this transfer was a total of $750,000 (paid) plus a 2% net smelter royalty.

NOTE 20 - 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.

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 reassessment, taxes in the amount of approximately $1,561,000 would be payable.

The Group has entered into certain contracts for the purchase of electrical equipment and the supply of power to the construction and operation of the Ollachea project. The supply of power contract included certain minimum power usages in the event that construction of Ollachea had not commenced by June 2015. Subsequent to 31 December 2014, the Group entered into an amended power contract deferring the requirement to make minimum power usages payments for twelve months, until June 2016. As compensation for deferring the minimum power usage requirement for twelve months, the Group agreed to pay fixed monthly compensation for a period of nine and a half years starting six months after Ollachea commences production. The monthly compensation amount will vary depending on the start date of the construction of Ollachea, but could be as high as $11,000 per month for total payments of $1,254,000. Minimum power usage beginning in June 2016 would amount to approximately $16,000 per month for the first three months and increasing to $78,000 per month thereafter. If the Group chooses to terminate the power supply agreement prior to the commencement of production there would be a penalty of approximately $1,500,000. Equipment related to the purchase of long lead time items for the Group's main substation for the supply of power has been ordered through a third party. If the Group cancels these orders a penalty of 10% of the value of the purchases would be payable, 10% of which would total approximately $240,000.

In July 2014, the Group entered into a sale and purchase agreement with CIMINAS, the Group's partner in the Don Nicolás joint venture, whereby CIMINAS would acquire the Group's remaining interest in Minera IRL Patagonia for an amount of $11,451,000 (the "Don Nicolás SPA").

As part of the Don Nicolás SPA, the Group has indemnified CIMINAS and Minera IRL Patagonia employees against any loss that originated during the Group's management period (prior to August 2013) or during the co-management period (between August 2013 and the date of the Don Nicolás SPA). Any undisclosed liabilities originating prior to the signing of the Don Nicolás SPA would result in a purchase price adjustment under the Don Nicolás SPA. The Group would continue (subject to applicable limitation periods) to be responsible for 100% of any undisclosed liabilities originating during the Group's management period and 55% of any undisclosed liabilities originating during the co-management period. Extensive financial and legal due diligence was carried out by CIMINAS not only during the initial joint venture transaction with Minera IRL Limited in August 2013, but also during the finalization of the Don Nicolás SPA. In addition, an environmental audit has been completed by a third party consultant to assess Minera IRL Patagonia's existing environmental liabilities.

On the closing of the agreement, the Group received gross proceeds of $10,046,000, which represented 85% of the total proceeds. Under the terms of the Don Nicolás SPA, 15% of the proceeds were put into escrow and remained subject to continued financial, legal and environmental due diligence and the satisfaction of certain conditions. The amount in escrow was to be released in two separate tranches pending completion of certain handover activities and certain due diligence procedures, which were completed on 12 September 2014. As a result, and absent an escrow claim by the purchaser, 50% of the escrow amount was to be released within 90 days of 12 September 2014 and the remaining 50% within 365 days of 12 September 2014.

As at 31 December 2014, the second payment was still outstanding and the Group was in discussions with CIMINAS in regards to the escrow claims made and eventual payment of the amounts outstanding. Due to the uncertainty surrounding the collection of the amount outstanding, the remaining balance, totalling a net amount of $1,405,000, has been written off, increasing the loss on assets held for sale in the consolidated statement of total comprehensive loss.

The Group has provided performance guarantees to the Peruvian Ministry of Energy and Mines relating to the future reclamation and rehabilitation of the Group's Corihuarmi mine site and Ollachea exploration tunnel site. The performance guarantees are provided in the form of letters of guarantee from a major Peruvian bank and are renewed on an annual basis.

NOTE 20 - CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As part of the bridge loan financing entered into with COFIDE, the Group also signed a letter of mandate in regards to a larger senior debt facility for up to $240,000,000. Additional details on the financing are provided in note 22, “Subsequent Events”. The mandate letter provides for a payment of $1,440,000 from the Group to COFIDE in the event that the Group does not proceed with the senior debt facility once COFIDE has achieved the approval of all the banks to be participants in the facility.

The Group’s Bethania property, an exploration stage property in Peru, has an option payment of $1,000,000 due in December 2015, if the Group is to retain its option rights on the property.

NOTE 21 - RELATED PARTIES

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

During the year ended 31 December 2014, the Group did not enter into transactions with related parties with the exception of key management as disclosed in note 3 and with one of its directors as outlined below.

On 1 May 2014, the Group entered into a consulting agreement with Ladykirk Capital Advisors Inc., a company controlled by Daryl Hodges, a director of the Group, to provide services in regards to securing financing for the development of the Ollachea Gold Project. No payments were made under this agreement in 2014.

NOTE 22 - SUBSEQUENT EVENTS

COFIDE Bridge Loan Financing

Subsequent to 31 December 2014, the Group announced that it had secured a $70,000,000 finance facility (the “Bridge Loan”) from the Peruvian state-owned development and promotion bank, Corporación Financiera de Desarrollo S.A. (“COFIDE”), which was syndicated through Goldman Sachs Bank USA (“Goldman Sachs”). The Bridge Loan is expected to be the first component of a senior debt facility (“Senior Debt Facility”) of up to $240,000,000 to be led by COFIDE to develop the Group’s Ollachea Gold Project.

COFIDE is a Peruvian state-owned development bank with a charter to provide financing to projects of national interest. COFIDE is also actively involved with several Peruvian community programs that provide economic, health, social, educational and sustainable large-scale development.

The term of the loan is for 24 months, at an interest rate of LIBOR plus 6.17%. The Bridge Loan terms include financing fees of 2.25% paid to COFIDE, along with a $300,000 upfront fee payable to Goldman Sachs. In addition, the Group paid certain fees to the structuring agent, Inversiones y Asesoría SHERPA S.C.R.L. (“Sherpa”), including a 3% fee paid in cash; a 0.9% net smelter return royalty on the Ollachea Gold Project; and the issuance of 11.6 million options, each of which will be exercisable to purchase one ordinary share of the Group 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 Gold Project (subject to receipt of all regulatory approvals of the TSX, AIM and BVL stock markets).

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

NOTE 22 - SUBSEQUENT EVENTS (Continued)

COFIDE Bridge Loan Financing (Continued)

The net proceeds from the Bridge Loan have been applied towards the repayment of the $30,000,000 Macquarie Bank debt facility and accrued interest, 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 has be converted into an unsecured promissory note payable by 31 December 2015 and accruing interest at a rate of 7% per annum. The Group will have the option of settling the $2,190,000 promissory note with the issuance of Minera IRL ordinary shares or with cash. The issuance of ordinary shares to Rio Tinto for the settlement of some or all of the promissory note will require shareholder approval at the next annual general meeting. The Group has also paid the $744,000 share hold incentive bonus due to Rio Tinto (See note 17) along with accrued interest.

The net proceeds from the Bridge Loan, after the payment of existing debt, will be used to advance many of the initial aspects of project development needed to commence major site construction on the Ollachea Gold Project once the Senior Debt Facility is in place. This includes commencing the detailed engineering and design, recommencement of underground drilling at Minapampa East zone, and maintaining social and environmental programs.

The Bridge Loan is expected to be refinanced into the Senior Debt Facility of up to $240,000,000, which the Group hopes to have in place by the end of 2015. The Group has signed a letter of mandate in regards to the proposed Senior Debt Facility; however, the availability of the Senior Debt Facility is not guaranteed and its terms are still to be negotiated.

Environmental Performance Guarantee

Subsequent to 31 December 2014, as part of the renewal process of its environmental performance guarantees, the Peruvian bank providing the letters of guarantee required, as a condition of renewing the performance guarantees, that the Group provide a cash deposit to the bank as security. Following discussions between the Group and the bank it was agreed that the bank would renew the performance guarantees for a period of one year on the condition that the Group provide the bank with a cash deposit of $1,368,000, equal to 35% of the total performance guarantee, as security (paid). In addition, the Group agreed to further increase the cash deposit securing the performance guarantees to $3,908,000, equal to 100% of the amount of the performance guarantees, over the balance of 2015. It was agreed that an additional cash deposit of $586,000 would be provided by 30 June 2015, bringing the total cash deposit to $1,954,000, or equal to 50% of the performance guarantees. It was also agreed that during the six month period between 1 July 2015 and 31 December 2015, monthly cash deposits of $326,000 would be made, equal to cash deposits of $1,954,000, bringing the total cash deposits to $3,908,000, 100% of the performance guarantees. Additional details are provided above in note 20, “Capital Commitments and Contingent Liabilities”.