



Management's Discussion and Analysis For the Three and Nine Months Ended 30 September 2014

The following Management's Discussion and Analysis ("MD&A"), prepared as of 12 November 2014, should be read together with the audited consolidated financial statements (the "Financial Statements") and related notes thereto of Minera IRL Limited ("Minera IRL", the "Group" or the "Company") for the fiscal year ended 31 December 2013 and the unaudited condensed interim consolidated financial statements of the Company for the nine months ended 30 September 2014 and related notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information about Minera IRL, including the Company's most recently filed Annual Information Form and the risks and uncertainties discussed therein, may be found at the Company's website at www.minera-irl.com and within the Company's SEDAR profile at www.sedar.com. All figures are in United States dollars ("\$\$") unless otherwise noted. References to "C\$" are to Canadian dollars and to "£" are to British pound sterling.

Background and Business of the Company

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

In Peru, the Company operates the Corihuarmi Gold Mine and is advancing the Ollachea Gold Project, the Company's flagship project, towards production. At Ollachea, the Company has completed a post-definitive feasibility study ("DFS") optimization and received the Environmental and Social Impact Assessment ("ESIA") and the Construction Permit from the Peruvian authorities. The Company is currently working towards financing the Ollachea Gold Project. The Company also has a number of other gold exploration prospects in Peru.

In Argentina, the Company had a 51% equity stake in Minera IRL Patagonia S.A. ("Minera IRL Patagonia"). Minera IRL Patagonia had a completed DFS, approval of its Environmental Impact Assessment ("EIA"), been granted a development permit for the Don Nicolás Gold Project in Santa Cruz Province, arranged project financing and had commenced construction. In July 2014, the Company announced that it had sold its remaining equity stake in Minera IRL Patagonia to one of its joint venture partners for total proceeds of \$11.5 million.

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine, Peru

The Company's 100% owned Corihuarmi Gold Mine ("Corihuarmi") is located approximately 160 kilometres ("km") southeast of Lima, Peru, in the Central Andes at an altitude of almost 5,000 metres ("m"). The Company acquired the Corihuarmi leases in 2002, and the mine was brought into production in March 2008. As a result of the current year's exploration drill program, the life of the Corihuarmi Mine has been extended from late 2015 into the second half of 2016.

The Corihuarmi Mine is forecasted to produce 22,000 ounces of gold in 2014 (up from 21,000 ounces) at an average site operating cash cost of \$775 per ounce produced (down from \$820 per ounce produced), which is exclusive of royalties, workers' profit participation cost, depreciation, amortization, capital, development, exploration and other non-site costs. There is no hedging in place and all the gold is sold at the spot price.

Below is a summary of the key operating statistics for Corihuarmi for the three and nine months ended 30 September 2014 and 2013:

Operating Parameters	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2014	2013	2014	2013
Waste (tonnes)	36,946	65,382	214,381	210,553
Ore mined & stacked on heaps (tonnes)	666,747	575,822	2,003,652	1,742,135
Ore grade, mined and stacked (g/t)	0.32	0.52	0.31	0.47
Gold produced (ounces)	5,510	6,296	17,207	18,777
Gold sold (ounces)	5,715	6,427	17,488	19,036
Realized gold price (\$ per ounce)	1,272	1,323	1,283	1,460
Site operating cash costs (\$ per ounce) ¹	704	650	729	675
Total cash costs (\$ per ounce sold) ¹	924	848	890	889

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

Three Months Ended 30 September 2014

Gold production during the third quarter of 2014 was 5,510 ounce, 12% lower than the 6,296 ounces produced in the same period of the prior year, and 6% lower than the gold production of 5,863 ounces in the prior quarter. A 38% decrease in the grade of the ore mined and stacked, 0.32g/t gold in the third quarter of 2014 from 0.52g/t gold in the third quarter of 2013, was partially offset by a 16% increase in ore tonnes mined and stacked, increasing from 575,822 tonnes in the third quarter of 2013 to 666,747 tonnes in the third quarter of 2014. Better than budgeted metallurgical recovery of gold also contributed to mitigating the reduction in gold production in the third quarter of 2014 due to the fall in grade.

Site operating cash costs of \$704 per ounce of gold produced in the current quarter were 8% higher than the site operating costs of \$650 per ounce in the same period of the prior year. The increase in the site operate cash cost on a per ounce basis is largely due to the lower production as a result of the drop in grade of the ore. Site operating costs at Corihuarmi were lower in the current quarter versus the comparative quarter in 2013 despite the year-over-year increase in tonnes of ore mined and stacked. This is a result of cost reduction measures undertaken in the second half of 2013.

Total cash costs, which includes site operating cash costs and reflects certain non-site costs such as royalties and workers' profit participation cost, was \$924 per ounce of gold sold in the third quarter of 2014, an increase of 9% relative to the comparable period in 2013. The higher site operating cash costs plus changes in the value of ounces in inventory were partially offset by lower royalty, Special Mining Tax and workers' profit participation costs that is a result of lower realized gold prices relative to the third quarter of 2013.

Nine Months Ended 30 September 2014

Gold production during the nine months ended 30 September 2014 decreased by 8% to 17,207 ounces versus the 18,777 ounces produced in the same period of the prior year. The average grade of ore mined and stacked on the heaps was 34% lower for the nine-month period in 2014 when compared with the same period in the prior year. This was partially offset by a 15% increase in throughput and a higher than budgeted metallurgical recovery of gold.

Site operating cash costs of \$729 per ounce of gold produced were 8% higher for the first nine months of 2014 compared to the same period in the prior year. The increase in per ounce costs is primarily due to lower grade material being mined and stacked on the heaps, relative to the comparable period of 2013, resulting in fewer ounces being produced.

Total cash costs were \$890 per ounce of gold sold in the first nine months of 2014, a slight increase from the total cash costs of \$889 per ounce in the comparable period of 2013. The higher site operating cash costs were offset by lower royalty, Special Mining Tax and workers' profit participation costs that is a result of lower realized gold prices on lower production relative to the first nine months of 2013. Total cash costs also benefited from lower environmental and community costs relative to the prior year.

Ollachea Project, Peru - Development

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

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

Between 2008, when Minera IRL commenced drilling, and the last drill hole in early 2013, it has completed 82,275m of drilling in 211 holes over a strike length of approximately 2km, resulting in the delineation of significant gold mineral resources at Ollachea. All defined zones of mineralization remain open-ended both along strike and down-dip at Ollachea.

In November 2012, the Company published a National Instrument 43-101 compliant technical report summarizing the results of a Definitive Feasibility Study ("Ollachea DFS") for a robust underground mining operation on the Minapampa Zone on the Ollachea Project that was

prepared by AMEC, a leading global mining consultancy firm. In June 2014, the Company completed an optimization study on Ollachea DFS in anticipation of the development of the Ollachea Gold Mine (the "Ollachea Optimization Study") that included an updated Mineral Reserve and Resource Statement for the Minapampa Zone, updated cost estimates, and an accelerated production profile.

The Ollachea Optimization Study reported an Indicated Mineral Resource (at a 2.0g/t Au cut-off) of 10.1 million tonnes grading 4.0g/t Au for approximately 1.3 million ounces of contained gold. Within the Indicated Mineral Resource, there is a Probable Mineral Reserve (at 2.1g/t Au cut-off) of 9.2 million tonnes grading 3.4g/t Au for 1.0 million contained ounces of gold. In addition, there is an Inferred Mineral Resource (at a 2.0g/t Au cut-off) of 1.7 million tonnes grading 4.0g/t Au for 0.2 million contained ounces of gold at Minapampa.

The Ollachea Optimization Study has scheduled production of 930,000 ounces over an initial nine-year mine life at an average total cash cost of \$587 per ounce of gold produced (from \$583 per ounce in the Ollachea DFS). The projected capital costs required to construct the mine is \$165 million (from \$178 million in the Ollachea DFS) and including life-of-mine sustaining capital and closure costs is \$220 million (from \$223 million in the Ollachea DFS). The after-tax net present value on a 100% equity basis, using a base case gold price of \$1,300 per ounce and a 7% discount rate, is \$181 million (from \$155 million in the Ollachea DFS), with an after-tax internal rate of return of 28% (from 22% in the Ollachea DFS). The payback period from the start of construction is projected to be 3.1 years (from 3.7 years in the Ollachea DFS).

The aforementioned figures are based upon third quarter 2012 cost estimates and do not consider the financial impact of the 1% gross revenue royalty that was granted to Macquarie Bank that has a \$5 million buyback clause. The financial results are on 100% Project basis and exclude the agreement with the community for a 5% participation in MKK on commencement of production and exclude the Second Additional Payment of \$14.2 million due to Rio Tinto in July 2016.

In addition to the 1.3 million ounces of Indicated Resources utilized in the Optimized Ollachea DFS and the 0.2 million ounces of Inferred Resource both at Minapampa, the Company has delineated an Inferred Resource (at a 2.0g/t Au cut-off) of 10.4 million tonnes grading 2.8g/t Au for 0.9 million contained ounces of gold at the Concurayoc Zone, part of the Ollachea Gold Property. The potential addition of these resources to the mine plan represents an opportunity to extend the life of mine beyond what is envisaged in the Ollachea DFS and subsequently enhance the economics of the project.

In December 2012, as part of the permitting process, the Company submitted an Environmental and Social Impact Assessment ("ESIA") report on the Ollachea Project to the Peruvian Ministry of Mines and Energy ("MEM"), the government agency responsible for ESIA approval. The ESIA report was the culmination of over three years of environmental baseline studies, the Ollachea DFS, archaeological studies, water management plan, flora and fauna studies, social baseline studies and comprehensive community public consultations. The approval of a mining project's ESIA is a major milestone on the path towards production and is the key permit required to develop a mine in Peru.

In May 2013, the Ollachea ESIA received final approval from the Community of Ollachea; and in September 2013, the MEM approved the ESIA. After approval of the ESIA, the Company submitted its application for a Construction Permit for the Ollachea Gold Mine, which was awarded in June 2014. The Construction Permit is the final significant permit required to commence construction of the Ollachea Gold Mine.

In June 2014, following extensive technical due diligence and in accordance with a debt financing mandate, the Company received a Committed Letter of Offer from Macquarie Bank for a senior Project Loan Facility for \$100 million. Following the consolidation of the existing \$30 million Macquarie Finance Facility, this would provide \$70 million of new funds towards the construction of the Ollachea Gold Mine, if executed by the Company.

The Optimized Ollachea DFS estimates an initial capital cost of \$165 million, which includes a 12% contingency. The Company will also need to fund an additional \$12 million of working capital for IGV (General Sales Tax) for a total pre-production capital of approximately \$177 million to build the Ollachea Gold Mine (assuming a 100% equity basis) plus additional costs, which largely depend on the nature of how the mine construction is financed.

Accordingly, the Company would require additional funds beyond the Project Loan Facility that had been offered by Macquarie Bank and the Company continues to advance discussions with various parties to obtain the balance of the funding required. Sources of additional financing may include, but are not limited to, the sale of a production royalty, the sale of a royalty stream, subordinated debt instruments, the sale of an interest in the project or equity financing.

In addition, funds from the Project Loan Facility would only be available once sufficient financing to fully fund the development of the Ollachea Gold Project is secured. Given the uncertainty with respect to the sources of the remaining funding, the Company did not feel it was in a position to execute the Committed Letter of Offer. As a result, the Company is now targeting the completion of financing negotiations prior to the end of 2014 and has extended its debt financing mandate with Macquarie Bank accordingly. Following the completion of financing discussions, the Company will provide an update on the development timeline for Ollachea.

During the three months ended 30 September 2014, total expenditures on the Ollachea Gold Project were \$2.1 million, most of which was capitalized. Investments at Ollachea during the third quarter of 2014 were focussed on advancing the Construction Permit, maintaining the exploration tunnel, community development and ongoing environmental and security costs.

Ollachea Project, Peru - Exploration

Since Minera IRL commenced drilling in October 2008, it has completed 82,275m of drilling in 211 holes during the ensuing three and one half years over a strike length of approximately 2km, resulting in the delineation of significant gold mineral resources and reserves at Ollachea. There is significant exploration upside at Ollachea, as all zones of known mineralization remain open-ended both along strike and down-dip.

On 29 August 2011, the Company announced that it had committed to the construction of a 1.2km exploration tunnel into the hanging wall of the Minapampa orebody at the Ollachea Gold Project. In addition to providing access for underground exploration drilling, the tunnel has been designed to later serve as a production tunnel, which is expected to facilitate rapid mine development when project permitting is complete and project financing is in place.

In January 2013, the exploration tunnel reached its planned 1.2km objective, and did so more than a month ahead of schedule and under budget. The speed and reduced cost associated with the completion of the tunnel, as well as the practical experience gained, indicates that certain technical considerations utilized in the DFS are likely conservative. Specifically, the tunnel exhibits significantly better ground conditions, a much higher advance rate and minimal water infiltration, which are likely to have positive implications for the project economics outlined in the Ollachea DFS.

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

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

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

Don Nicolás Project, Argentina - Development

Minera IRL Patagonia, a formerly wholly owned subsidiary of the Company, owns the Don Nicolás Project and an extensive exploration tenement package totalling some 2,600km² in the Patagonia region of Argentina. The project is located within a large geological complex known as the Deseado Massif.

On 19 August 2013, Minera IRL announced that it had entered into a definitive financing agreement to fund the construction of the Don Nicolás Mine that would ultimately reduce its equity interest in Minera IRL Patagonia to 51%. For more information on this transaction, please see the section below entitled, "Transaction with CIMINAS – Don Nicolás Gold Project."

On 30 July 2014, the Company announced that it had entered into a Sale and Purchase Agreement pursuant to which one of the Minera IRL Patagonia joint venture partners, CIMINAS, would acquire the Company's remaining shareholdings for total consideration of \$11,451,000. Under the terms of the agreement to sell the Company's remaining interest in Minera IRL Patagonia, the consideration will be received in three instalments: 85% upon closing of the transaction (received), 7.5% after 90 days following the completion of certain handover activities and certain due diligence procedures and the remaining 7.5% after twelve months following the completion of certain handover activities and certain due diligence procedures. 12 September 2014 has been established as the start date for the 90 day and twelve month periods. Payment of the second and third instalments is conditional upon the completion of due diligence, the satisfaction of certain conditions and customary representation and warranties. The Company recorded a loss on the sale of its investment in the Don Nicolás joint venture of \$30,714,000. The charge also included transaction costs of \$831,000. The outstanding amount is recorded on the 30 September 2014 balance sheet under other receivables and prepayments.

Following the completion of sale of its remaining interest in Minera IRL Patagonia, the Company no longer has any business interests in Argentina.

Transaction with CIMINAS – Don Nicolás Gold Project

On 16 August 2013, the Company entered into a definitive agreement with 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 Santa Cruz Project, Argentina.

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

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

Under the joint arrangement with CIMINAS, the Company would retain at least a 51% interest in Minera IRL Patagonia, down from 100%. Although the Company would retain more than half of the voting shares in Minera IRL Patagonia and would remain as the manager, control

would be exercised through 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 Company's interest in Minera IRL Patagonia was considered a joint venture and was subsequently accounted for using the equity method. Additionally, on the transition to joint control, Minera IRL Patagonia was deconsolidated and the Company's remaining interest was determined to have a fair value of \$40,001,000 and a loss on the deconsolidation of Minera IRL Patagonia of \$12,517,000 was recorded on the consolidated statement of loss and comprehensive loss during the year.

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

The \$45,000,000 equity investment was to consist of 4 components ("Tranches") made up of preferred and common equity. Under Tranche I, CIMINAS subscribed for 9,146,341 ordinary shares of Minera IRL Limited and, as consideration, CIMINAS contributed \$3,000,000 to Minera IRL Patagonia toward the development of Don Nicolás. The ordinary shares were issued on 10 October 2013 pursuant to a prospectus supplement to the Company's base shelf prospectus dated 12 July 2012.

Under Tranche II, CIMINAS was provided with a 7.8% equity interest in Minera IRL Patagonia (with no preferred rights) in exchange for an investment of \$7,300,000. During 2013, \$1,900,000 was advanced under Tranche II. A dilution loss of \$574,000 was recorded on the \$1,900,000 investment. The remaining \$5,400,000 was advanced in February 2014 and a dilution gain of \$1,072,000 was recorded during the three months ended 31 March 2014.

Tranches III and IV were to provide CIMINAS with 16.1% and 21.1% equity interests (with preferential rights) in Minera IRL Patagonia in exchange for investments of \$15,000,000 and \$19,700,000, respectively. During the second quarter of 2014, an equity contribution of \$1,005,000 under Tranche III was made. A dilution loss of \$512,000 relating to this contribution was recorded. No further investments were made under these remaining tranches prior to sale of the Company's remaining interest in Minera IRL Patagonia in July 2014 as described above. Additional details on the terms of the equity investment and the credit facility are provided in the Company's 2013 Annual Information Form.

Exploration Projects

Bethania Prospect

The Bethania Project comprises three exploration licenses held for some years by Minera IRL plus an additional 0.14km² lease under option from Minera Monterrico Peru SAC to acquire 100% ownership for a total holding of 33km² that was amended in late 2012 and extended for five years. Bethania is located only 10km from Minera IRL's Corihuarmi Gold Mine in the high Andes of central Peru and, prior to being optioned by Minera IRL, had undergone limited exploration by Newcrest in 1998.

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

There is no exploration activity planned at Bethania during 2014.

Huaquirca Joint Venture

Minera IRL entered into a Letter Agreement in June 2010 with Alturas Minerals Corp. (“Alturas”) providing the opportunity for Alturas to earn up to an 80% interest in the Company’s Chapi-Chapi project, located in the department of Apurimac in southeastern Peru.

Following several amendments to the agreement, Alturas failed to fulfill its obligations under the most recent agreement. As a result, the Company provided the required notice to Alturas that it was terminating Alturas’ option on the Chapi-Chapi project. In March 2014, the Company sold the Chapi-Chapi project for proceeds of \$1,125,000, and recognized a gain on disposal of the property of \$879,000.

Frontera Joint Venture

The Frontera project is a 35/65 joint venture with Teck Resources Limited (“Teck”), which is managed by Teck. The property consists of a 12km² package of tenements located in Region I of northern Chile, on the northwestern border with Peru and close to the eastern border with Bolivia.

No exploration activity is currently planned for 2014.

Quilavira Project

The Company signed an option agreement in February 2010 to acquire the Quilavira Gold Project from Newcrest Mining Ltd. The 51km² tenement package is in the Tacna district of southern Peru. The transaction was conducted through a surrogate local Peruvian company authorized to work within the Strategic Frontier Zone facing Chile that acquired the property from Newcrest on behalf of the Company. Once permission is granted to the Company to work in the Frontier Zone, the properties are expected to be transferred at nominal cost.

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

No exploration activity is planned for 2014. Exploration activities will be planned following the negotiation and signing of a surface rights agreement with the local community, subject to the availability of discretionary spending for exploration activities.

Summary of Quarterly Results

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

	Q4 Dec. '12	Q1 Mar. '13	Q2 Jun. '13	Q3 Sep. '13	Q4 Dec. '13	Q1 Mar. '14	Q2 Jun. '14	Q3 Sep. '14
Total revenue	11,255	9,241	10,073	8,530	7,862	7,592	7,590	7,294
Profit (loss) after-tax	(188)	(1,106)	(250)	(13,888)	(18,590)	(1,486)	(33,040)	(3,993)
Total comprehensive income (loss)	207	(1,126)	(250)	(14,119)	(18,590)	(1,486)	(33,040)	(3,993)
Net earnings (loss) per share								
Basic (US cents)	(0.1)	(0.7)	(0.1)	(8.0)	(10.2)	(0.7)	(14.4)	(1.7)
Diluted (US cents)	(0.1)	(0.7)	(0.1)	(8.0)	(10.2)	(0.7)	(14.4)	(1.7)

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

Over the last eight quarters, as forecasted, the Company's Corihuarmi Mine has experienced general inflationary pressures and diminishing ore grades, leading to correspondingly lower gold production resulting in higher operating costs on a per ounce basis. The impact of the diminishing grades has been partially offset by an increase in tonnes mined and stacked on the heaps. In 2012 and the first quarter of 2013, the effects of lower gold production on financial results were substantially offset by an increasing gold price. However, during the second quarter of 2013, the gold price decreased significantly with the average London PM Fix declining to \$1,415 per ounce from \$1,632 per ounce in the first quarter of 2013. The gold price continued to decline with an average London PM Fix of \$1,326 per ounce during the third quarter of 2013 and an average London PM Fix of \$1,275 per ounce during the fourth quarter of 2013. During the nine months ended 30 September 2014 the average London PM Fix was \$1,288 per ounce.

During the three months ended 30 June 2014, the Company recorded a charge of \$30.7 million against its investment in the Don Nicolás joint venture. In July 2014, the Company announced that it had entered into an agreement with its joint venture partner, CIMINAS, to sell its remaining interest in Minera IRL Patagonia for total consideration of \$11.5 million. As a result, the Company recorded a write down on its investment in the Don Nicolás joint venture to the expected proceeds on the sale. Additional details are provided under the section entitled, "Transaction with CIMINAS - Don Nicolás Gold Project".

During the three months ended 31 December 2013, the Company recorded an impairment charge of \$13.7 million against its mining assets at the Corihuarmi operation. The impairment charge was largely the result of a reduction in the estimate of future gold prices over the remaining life of the mine (to the end of 2015).

During the three months ended 30 September 2013, the Company recorded a loss of \$12.5 million on the deconsolidation of Minera IRL Patagonia as a result of the August 2013 transaction with CIMINAS. Additional details on this transaction are provided in the section entitled, "Transaction with CIMINAS - Don Nicolás Gold Project".

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

Overview of Financial Results

Data	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2014	2013	2014	2013
Corihuarmi				
Waste (tonnes)	36,946	65,382	214,381	210,553
Ore mined & stacked on heaps (tonnes)	666,747	575,822	2,003,652	1,742,135
Ore grade, mined and stacked (g/t)	0.32	0.52	0.31	0.47
Gold produced (ounces)	5,510	6,296	17,207	18,777
Gold sold (ounces)	5,715	6,427	17,488	19,036
Realized gold price (\$ per ounce)	1,272	1,323	1,283	1,460
Site operating cash costs (\$ per ounce produced) ¹	704	650	729	675
Total cash costs (\$ per ounce sold) ¹	924	848	890	889
Financial				
Revenue (\$'000)	7,294	8,530	22,476	27,844
Gross profit (\$'000)	1,474	1,670	5,077	6,790
Loss from continuing operations (\$'000)	(3,689)	(1,076)	(5,486)	(2,056)
Loss after-tax (\$'000)	(3,993)	(13,888)	(38,519)	(15,244)
Comprehensive loss (\$'000)	(3,993)	(14,119)	(38,519)	(15,495)
Loss per share–Basic and diluted (cents)				
Continuing operations	(1.6)	(0.6)	(2.4)	(1.2)
Discontinued operation	(0.1)	(7.4)	(14.7)	(7.7)

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

Results of Operations

The Company reported an after-tax loss of \$3,993,000 in the third quarter of 2014, compared with a loss of \$13,888,000 in the same period in the prior year. The higher loss in the third quarter of 2013 was the result of a loss of \$12,517,000 on the deconsolidation of Minera IRL Patagonia following the August 2013 transaction with CIMINAS. As a result of this transaction, the Company’s ownership in Minera IRL Patagonia was to be ultimately reduced to 51% from 100% and resulted in joint control. Additional details on this transaction are provided above in the section entitled, “Transaction with CIMINAS – Don Nicolás Gold Project”. The Company sold the balance of its interest in Minera IRL Patagonia to CIMINAS in the third quarter of 2014. As a result, expenses related to Minera IRL Patagonia, from both the current periods and comparative prior periods have been reclassified to discontinued operations. The loss from continuing operations during the third quarter of 2014 was \$3,689,000, compared with \$1,076,000 in the third quarter of 2013. The increase in the loss from continuing operations was largely due to decreased revenue resulting from a lower gold price on fewer ounces sold, increased finance expenses and higher income tax expense. This was partially offset by reduced costs of sales.

During the nine months ended 30 September 2014, the Company recorded an after-tax loss of \$38,519,000, compared with a loss of \$15,244,000 in the comparative period in 2013. The loss from discontinued operations during the current nine-month period was \$33,033,000, compared with \$13,188,000 in the comparative period. The loss from continuing operations during the current nine-month period was \$5,486,000, compared with \$2,056,000 during the comparative period in 2013. The increase in the loss from continuing operations was due to decreased revenue and increased finance expenses, partially offset by reduced costs of sales, lower administration expenses, lower income tax expense and a gain on the sale of an exploration property.

During the third quarter of 2014, sales revenue decreased by 14% compared to the same quarter in 2013. The decrease was attributed to an 11% drop in the number of gold ounces sold, combined with a 4% decrease in the average realized gold price for the period. During the quarter, the Company realized an average gold price of \$1,272 per ounce, compared with an average of \$1,323 per ounce during the third quarter of 2013. Similarly, revenue during the first nine months of 2014 decreased by 19%, due to an 8% drop in the number of gold ounces sold and a 12% decrease in the average realized gold price for the period. During the nine months ended 30 September 2014, the Company realized an average gold price of \$1,283 per ounce, compared with an average of \$1,460 per ounce during the nine months ended 30 September 2013.

Cost of sales during the third quarter and first nine months of 2014 decreased by 15% and 17%, respectively. The reduction was due to decreases in site operating costs, depreciation and amortization, royalties, production taxes and the workers' profit participation provision.

Site operating costs of \$3,744,000 during the three months ended 30 September 2014 were down by 9% compared against the comparative quarter in 2013, despite a 16% increase in the tonnes of ore mined and stacked. Site operating costs of \$12,409,000 during the nine months ended 30 September 2014 were 2% lower than the same period in 2013 despite a 15% increase in the tonnes of ore mined and stacked. This is a result of cost reduction measures and very close attention to cost control.

A period-over-period comparison for the cost of sales is provided in the table below. The lower depreciation and amortization expense is largely related to the impairment charge of \$13,700,000 recorded in 2013 which reduced the carrying value of mining assets at Corihuarmi. The reduction in the royalties and taxes, selling expense and the workers' profit participation provision is largely due to the lower operating profits resulting from reduced production being sold at lower gold prices.

Breakdown of Cost of Sales

	Three Months Ended 30 September			Nine Months Ended 30 September		
	2014 (\$'000s)	2013 (\$'000s)	Change (%)	2014 (\$'000s)	2013 (\$'000s)	Change (%)
Site operating costs	3,744	4,092	(9%)	12,409	12,674	(2%)
Inventory adjustment	476	29	1,541%	180	239	(25%)
Community and environmental costs	734	939	(22%)	1,894	2,234	(15%)
Depreciation and amortization	537	1,407	(62%)	1,842	4,127	(55%)
Selling expense	38	51	(25%)	134	175	(23%)
Royalties and taxes	290	339	(14%)	898	1,260	(29%)
Workers' profit participation provision	1	3	(67%)	42	345	(88%)
Total	5,820	6,860	(15%)	17,399	21,054	(17%)

Administration expenses increased by 2% during the current quarter compared with the comparative quarter in 2013 to \$2,074,000. During the nine month period in 2014, administration expenses decreased by 6% to \$5,039,000. A period-over-period comparison for administration expenses is provided in the table below. Administrative expenses include foreign exchange expense that is impacted by the movement of local currencies in relation to the US dollar. During the three months ended 30 September 2014, the Company recorded foreign exchange losses of \$417,000, compared with \$489,000 in the same period in 2013.

Breakdown of Administration Expenses

	Three Months Ended 30 September			Nine Months Ended 30 September		
	2014 (\$'000s)	2013 (\$'000s)	Change (%)	2014 (\$'000s)	2013 (\$'000s)	Change (%)
Depreciation	10	42	(76%)	46	116	(60%)
Director fees	18	18	-	53	64	(17%)
Foreign exchange	417	489	(15%)	572	660	(13%)
Investor relations	86	62	39%	214	229	(7%)
Nomad and exchange fees	39	19	105%	133	264	(50%)
Office rent and administration	156	229	(32%)	352	342	3%
Professional and consulting fees	415	423	(2%)	1,079	1,037	4%
Salaries and wages	672	551	22%	2,105	2,216	(5%)
Telecommunication	61	43	42%	141	181	(22%)
Travel	20	20	-	136	205	(34%)
Workers' profit participation	1	-	100%	6	44	(86%)
Other	179	139	29%	202	26	677%
Total	2,074	2,035	2%	5,039	5,384	(6%)

As a result of the sale of the Company's remaining interest in the Minera IRL Patagonia, the expenses and charges related to Minera IRL Patagonia have been reclassified to discontinued operations. During the three and nine months ended 30 September 2014, the Company recorded losses to discontinued operations of \$304,000 and \$33,033,000, respectively. During the three and nine months ended 30 September 2013, the Company recorded losses to discontinued operations of \$12,812,000 and \$13,188,000, respectively.

The loss on discontinued operations included administrative expenses from Argentina from the period prior to entering into the joint venture arrangement with CIMINAS in August 2013. It also includes the dilution gain recorded on part disposal of the joint venture and the Company's share of loss from the joint venture investment prior to the sale of the Company's remaining interest in Minera IRL Patagonia in July 2014. Finally, the loss from discontinued operations includes the loss on deconsolidation of Minera IRL Patagonia of \$12,517,000 recorded in 2013 when the joint venture arrangement with CIMINAS was entered into and a loss of \$30,714,000 recorded in 2014 on the sale of the Company's remaining interest in the joint venture.

During the first half of 2014, CIMINAS made total capital contributions of \$6,405,000, reducing Minera IRL Limited's interest in the Don Nicolás joint venture from 91.0% to 80.9% and resulted in a dilution gain of \$560,000 on the reduction in its interest in the joint venture.

During 2014, between January and the end July, when the Company sold its remaining interest in Minera IRL Patagonia, the Company recorded a loss of \$2,879,000 on its share of the joint venture.

In July 2014, the Company entered into a Sale and Purchase Agreement pursuant to which one of the Minera IRL Patagonia joint venture partners, CIMINAS, would acquire the Company's remaining shareholdings for total consideration of \$11,451,000. Under the terms of the agreement to sell the Company's remaining interest in Minera IRL Patagonia, CIMINAS will pay the consideration in three instalments: 85% upon closing of the transaction (received), 7.5% after 90 days following the completion of certain handover activities and certain due diligence procedures and the remaining 7.5% after twelve months following the completion of certain handover activities and certain due diligence procedures. 12 September 2014 has been established as the start date for the 90 day and twelve month periods. Payment of the second and third instalments is conditional upon the satisfaction of certain conditions and customary representation and warranties. The Company recorded a loss on the disposal of its investment in the Don Nicolás joint venture of \$30,714,000. The charge also included transaction costs of \$831,000.

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

The Company recorded finance expenses of \$2,467,000 during the three months ended 30 September 2014, compared with \$292,000 during the same period in 2013. During the nine months ended 30 September 2014, the Company recorded finance expenses of \$5,451,000, compared with \$856,000 during the comparative period in 2013. The increase in finance expense in 2014 was due to increased debt outstanding at a higher interest rate and the amortization of deferred expenses related to the extension of the Company's Finance Facility provided by Macquarie Bank from 30 June 2014 to 30 June 2015.

In November 2013, the third \$5,000,000 tranche under the credit facility was drawn down bringing the total outstanding to \$25,000,000. On 31 March 2014, the Company drew down the final \$5,000,000 under the Macquarie Bank Finance Facility bringing the total debt outstanding under the facility to \$30,000,000.

During June 2014, the Company announced that it had negotiated a one-year extension to the Macquarie Bank Finance Facility. In addition to the existing terms, which remained unchanged, there was an upfront fee of \$1,500,000 payable and the Company issued 26,000,000 options and the existing 18,786,525 options held by Macquarie Bank were cancelled upon the issuance of the new options. The 26,000,000 options expire on 30 June 2016 and have an exercise price of \$0.176. The grant date fair value of the options, estimated using the Black-Scholes option pricing model, was \$1,629,000, and was based on 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 from the date of issue.

The cost of the one-year extension, including both the estimated value of the options of \$1,629,000 and the upfront fee of \$1,500,000, was deferred and will be expensed over the one-year extension. During the three months ended 30 September 2014, \$782,000 of the deferred amount was charged to finance expense.

During the nine months ended 30 September 2014, the Company also recorded interest expense totalling \$759,000 related to the payment due to Rio Tinto in connection with the Ollachea Gold Project. Additionally, if Rio Tinto does not sell any of the 44,126,780 ordinary shares of Minera IRL during the one-year period from the 11 January 2014 issue date Rio Tinto will be paid an incentive bonus equal to 10% of the initial value of the shares. The Company made a provision of \$744,000 against this expected liability during the three months ended 31 March 2014.

Additional details on the payment due to Rio Tinto are provided below in the section entitled, "Liquidity and Capital Resources - Ollachea Property Payment Due to Rio Tinto".

During the three months ended 30 September 2014, the Company incurred costs of \$341,000 in brokerage fees related to the sale of bonds received on the disposal of Minera IRL Patagonia. 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% commission was incurred on the purchase and sale of these bonds.

In March 2014, the Company sold the Chapi-Chapi project for proceeds of \$1,125,000 and recognized a gain on disposal of the property of \$879,000.

During the third quarter of 2014, the Company recorded an income tax expense of \$592,000, versus income tax expense of \$371,000 in the third quarter of 2013. During the first nine months of 2014, the Company recorded income tax expense of \$867,000, versus income tax expense of \$2,422,000 during the comparative period in 2013. The income tax expense is largely the result of the income tax exposure on the Company's Corihuarmi operation in Peru, which has a corporate income tax rate of 30%. The decrease year-to-date in 2014 versus the comparative period in 2013 was largely due to reduced profit from operations.

Cash Flow

Cash used by operating activities was \$2,744,000 in the third quarter of 2014, compared with \$1,260,000 provided in the third quarter of 2013. The increase in cash used in operating activities was the result of an increased operating loss, changes in non-cash working capital and higher finance expense paid.

During the first nine months of 2014, cash used by operating activities was \$4,889,000, compared with \$1,847,000 used in the comparative period in 2013. The increase in the use of cash from operating activities was reduced operating profit and higher finance expense paid, partially offset by lower corporation taxes paid and changes in working capital.

Investing activities during the three and nine months ended 30 September 2014 provided \$6,913,000 and \$3,589,000, respectively. This compared with \$4,910,000 and \$16,997,000, respectively, used in the three and nine months ended 30 September 2013. During the first nine months of 2014, the Company incurred deferred exploration and development expenditures at the Company's Ollachea Gold Project of \$5,494,000 and deferred exploration expenditures at the Corihuarmi mine of \$575,000. There was also \$1,058,000 spent on property, plant and equipment at the Corihuarmi mine, most of which was spent on a leach pad expansion. These expenditures were offset by proceeds of \$9,803,000 on the sale the Company's joint venture interest in Minera IRL Patagonia and \$1,125,000 on the sale of the Chapi-Chapi exploration project in Peru.

Investing activities during the nine months ended 30 September 2013 largely related to deferred exploration and development expenditures at the Company's Ollachea and Don Nicolás Gold Projects and property, plant and equipment at Corihuarmi.

Financing activities during the three months ended 30 September 2014 used \$1,508,000, which was largely related to the \$1,500,000 payment to Macquarie Bank for the one-year extension of the \$30 million debt facility to 30 June 2015. Financing activities during the nine months ended 30 September 2014 provided \$3,339,000. During the first quarter 2014, the Company drew down on the fourth and final \$5,000,000 Tranche under the Macquarie Bank Finance Facility. The corresponding 0.5% gross revenue royalty was registered against the Ollachea property in favour of Macquarie Bank. Net proceeds received by the Company, after fees and transaction costs were \$4,909,000. Also during the first nine months of 2014, the Company incurred costs of \$70,000 largely related to the issuance of 44,126,780 ordinary shares of Minera IRL to Rio Tinto in settlement of the first instalment plus accrued interest on the outstanding Ollachea property payment.

Financing activities during the nine months ended 30 September 2013 provided \$13,873,000. On 7 February 2013, the Company completed an offering of 21,775,000 ordinary shares at C\$0.71 per share for gross proceeds of \$15,504,000. Total cash costs related to the equity raising were \$1,631,000. Additional details on the 7 February 2013 equity financing are provided below under the section entitled, "Liquidity and Capital Resources".

Selected Annual Information

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

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

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

Outlook

Production of 17,207 ounces in the first nine months of 2014 is ahead of forecast and is attributable to higher than budgeted tonnage and metallurgical recovery at the Corihuarmi Gold Mine. As a result, the Company has increased its full year production guidance to 22,000 ounces for 2014 (up from 21,000 ounces). For 2015, the Company is maintaining its forecast of 20,000 ounces.

As a result of realizing lower than budgeted operating costs at the Corihuarmi Gold Mine, the Company has reduced its site operating cash costs guidance to \$775 per ounce of gold produced (down from \$820 per ounce of gold produced). Based on a budgeted gold price of \$1,300 per ounce, the Company is forecasting total cash costs of \$950 per ounce sold in 2014 (down from \$975 per ounce of gold sold).

At Corihuarmi, an exploration drilling program conducted in the second and third quarters of 2014 has defined additional material at the Laura and Cayhua zones. Based upon the results received, the life of the mine has been extended from late 2015 into the second half of 2016. Additional assay results are pending, which may further extend the life of the mine. Furthermore, additional targets have been identified for drill testing in 2015.

The 2014 Corihuarmi capital expenditure budget is \$1.9 million, including \$1.5 million for a heap leach pad expansion that commenced in the third quarter of 2014. This expansion is to accommodate all of the material that is scheduled to be mined and stacked until late-2015.

At the Company's flagship Ollachea Gold Project in Peru, the Company announced on 30 June 2014 that it had received its Construction Permit, the final significant permit required to commence construction of the mine. With the Construction Permit granted, only project financing remains outstanding prior to the commencement of construction.

The Company also announced on 30 June 2014, following extensive technical due diligence, that it had received a Committed Letter of Offer from Macquarie Bank for a senior Project Loan Facility for \$100 million. Following the consolidation of the existing \$30 million Macquarie Finance Facility, this would provide \$70 million of new funds towards the construction of the Ollachea Gold Mine.

A condition precedent of drawing on the Project Loan Facility is that all the costs associated with the development of the Ollachea Gold Project be fully funded and the Company continues to advance discussions with various parties to obtain the balance of the funding required. Sources of additional financing may include, but are not limited to, the sale of a production royalty, the sale of a royalty stream, subordinated debt instruments, the sale of an interest in the project or equity financing.

As a result, until such time as there is more certainty with respect to the sources of the remaining funding required, the Company did not feel it was in a position to execute the Committed Letter of Offer. Accordingly, the Company has extended its debt financing mandate with Macquarie Bank and the Company is now targeting the completion of financing negotiations by the end of 2014.

Under the assumption that project financing is obtained before the end of 2014, gold production at Ollachea is expected to commence in the second half of 2016 (from the second quarter of 2016).

With the extension of the Macquarie Finance Facility, the proceeds from the recently completed sale of its remaining interest in the Don Nicolás joint venture, the Company estimates that it has sufficient cash on hand and expected cash flow from operations to meet its requirements until the end of the first quarter of 2015. In the event that the requisite financing for the Ollachea Project is not secured within that timeframe, the Company will require additional financing.

In the first nine months of 2014, the Company spent \$6.4 million towards permitting, exploration, community and government relations, administration, and maintaining the Ollachea Tunnel, most of which were capitalized. In the last quarter of 2014, the Company expects to spend an additional \$1.9 million at Ollachea, most of which will be capitalized, and \$0.5 million to complete the heap leach pad expansion at Corihuarmi.

The Company continues to undertake initiatives to reduce expenditures to conserve cash. The priority use of funds continues to be arranging project financing to develop the Ollachea Gold Mine as well as maintaining community programs and other commitments at Ollachea and Corihuarmi.

Capital Management

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

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

The Company is not currently subject to externally imposed capital requirements. Beginning in the second half of 2013 and continuing through 2014, the Company has undertaken significant initiatives to reduce its discretionary spending to conserve cash.

Liquidity and Capital Resources

As at 30 September 2014, the Company had cash of \$5,428,000, compared with \$3,389,000 as at 31 December 2013.

As at 30 September 2014, the Company had a working capital deficit of \$20,300,000, compared to a working capital deficit of \$29,648,000 as at 31 December 2013. The working capital deficit is largely the result of the \$30,000,000 Macquarie Bank Finance Facility that is due on 30 June 2015. The decrease in the working capital deficit was largely the result of the Company issuing 44,126,780 ordinary shares of Minera IRL to Rio Tinto in January 2014 in settlement of the first instalment plus accrued interest on the Ollachea property payments (see immediately below) and the proceeds received on the sale of the Company's joint venture investment in Minera IRL Patagonia.

Ollachea Property Payment Due to Rio Tinto

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

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

Both instalments were to accrue interest at a rate of 7% per annum to be paid in cash. The interest payment on the First Instalment was due on 11 January 2014 and interest payments on the Final Instalment are due on the first day of July in 2014, 2015 and 2016.

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

Additionally, it was agreed that if Rio Tinto does not sell any ordinary shares that it receives as consideration for the First Instalment for a period of one year, Rio Tinto shall be entitled to a cash Share Hold Incentive Payment. The Share Hold Incentive Payment, which is subject to certain qualifying exceptions, will be equal to 10% of the market value of any ordinary shares provided as part of the payment of the First Instalment. The Company made a provision of \$744,000 against this expected liability during the nine month period ended 30 September 2014.

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

On 28 January 2014, the Company issued 44,126,780 ordinary shares of Minera IRL to Rio Tinto in settlement of the First Instalment plus accrued interest for a total payment of \$7,438,000.

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

During the three months ended 30 June 2014, the Company 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 until 2 September 2014. The deferred payment, which also included accrued interest, for \$1,005,000 (up from \$993,000) was made during September 2014.

As at 30 September 2014, the Company had the following undiscounted future contractual obligations outstanding:

\$'000	Total	Less than 1 year	Year 2	Year 3	Year 4	Year 5	After Year 5
Debt repayments	36,170	31,170	5,000	-	-	-	-
Property payments-Rio Tinto	17,913	1,737	993	15,183	-	-	-
Asset retirement obligation +	4,852	477	477	2,933	311	473	181

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

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

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

On 28 January 2014, the Company issued 44,126,780 ordinary shares to Rio Tinto in settlement of the First Instalment Ollachea property payment. Additional details are provided above under the section entitled, "Ollachea Property Payment Due to Rio Tinto". The offering was completed under the base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012.

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

On 11 August 2014, the Company issued 2,266,423 ordinary shares at a price of C\$0.16 per share to settle accounts payable of the Company related to the Corihuarmi exploration program in the aggregate amount of \$328,000. The offering was completed under the base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012.

Macquarie Bank Finance Facility

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

In August 2013, the Finance 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 Finance Facility interest rate remains LIBOR plus 5.0%; however, as a condition of drawing down on each additional \$5,000,000 tranche a 0.5% gross revenue royalty on gold production from the Company's Ollachea gold project for the life of mine will be granted to Macquarie Bank (the "Macquarie Royalty"). Once granted, the Company would have the right to buyback and cancel each tranche of the Macquarie Royalty by paying a buyback fee (the "Buyback Fee"). The Buyback Fee would be calculated as the amount required to generate an internal rate of return ("IRR") to Macquarie Bank of 25% for each tranche, but shall not be less than \$2,500,000 for each 0.5% gross revenue royalty. The IRR would be calculated using the actual drawdown and actual repayment of each tranche, the upfront fee paid (1.5% of each tranche), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty.

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

In November 2013, Tranche 3, totalling \$5,000,000, was drawn by the Company and at the end of March 2014, the Company drew down on the remaining \$5,000,000 under the Finance Facility, bringing the total outstanding to \$30,000,000. The corresponding 0.5% gross revenue royalties were registered against the Ollachea property in favour of Macquarie Bank at each draw down.

In June 2014, it was announced that the Finance Facility, that was due to mature on 30 June 2014, had been extended by one year to 30 June 2015. In addition to the existing terms, which remained unchanged, there was an upfront fee of \$1,500,000, which was paid during the quarter, and the Company issued 26,000,000 options. The existing 18,786,525 options held by Macquarie Bank were cancelled upon the issuance of the new options. The 26,000,000 options expire on 30 June 2016 and have an exercise price of \$0.176.

The Company currently does not have the financial capability to repay this loan, but is in negotiations with Macquarie Bank to secure a Project Loan Facility for the Ollachea Gold Project, under which the existing Finance Facility would be refinanced. The Company is also

currently evaluating other financing alternative that will allow for the construction of the Ollachea Gold Project and the repayment of the Macquarie Bank Finance Facility.

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

Commitments and Contingent Liabilities

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

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

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

In October 2013, based on an indicative letter of offer, the Company provided Macquarie Bank with a mandate to provide a Project Loan Facility for the Ollachea Gold Mine for up to \$120,000,000. Following extensive technical due diligence, the Company received a Committed Letter of Offer from Macquarie Bank for a senior Project Loan Facility for \$100,000,000. After the consolidation of the existing \$30,000,000 Macquarie Finance Facility, this would provide \$70,000,000 of new funds towards the construction of the Ollachea Gold Mine.

A condition precedent of drawing on the Project Loan Facility would have been that the remainder of the funding required to construct the Ollachea Gold Mine be secured. Also, the Company's acceptance of the Committed Letter of Offer would have resulted in facility and underwriting fees of \$1,500,000 becoming payable to Macquarie Bank. While the Company continues to advance discussions with various parties, the balance of the funding has not yet been secured. As a result, the Company did not feel it was in a position to execute the Committed Letter of Offer until such time as there was more certainty with respect to the remaining funding required. While the mandate with Macquarie Bank has been extended until

June 2015, the Committed Letter of Offer expired unaccepted. Under the mandate agreement with Macquarie Bank, the expiry of a Committed Letter of Offer constitutes a “Triggering Event” whereby a break fee of \$1,200,000 becomes payable to Macquarie Bank should the Company not eventually finalize a Project Loan Facility with Macquarie Bank on the Ollachea Gold Project.

In July 2014, the Company entered into a sale and purchase agreement with CIMINAS, the Company’s partner in the Don Nicolás joint venture, whereby CIMINAS would acquire the Company’s remaining interest in Minera IRL Patagonia for an amount of \$11.5 million (the “Don Nicolás SPA”).

As part of the Don Nicolás SPA, the Company has indemnified CIMINAS and Minera IRL Patagonia employees against any loss that originated during the Company’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 Company would continue (subject to applicable limitation periods) to be responsible for 100% of any undisclosed liabilities originating during the Company’s management period and 55% of any undisclosed liabilities originating during the co-management period. Extensive financial and legal due diligence has been 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 Company received proceeds of approximately \$9.8 million, which represented 85% of the total proceeds. Under the terms of the Don Nicolás SPA, 15% of the proceeds were put into escrow and remain subject to continued financial, legal and environmental due diligence and the satisfaction of certain conditions. The amount in escrow will 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 will be released within 90 days of 12 September 2014 and the remaining 50% within 365 days of 12 September 2014.

Financial Instruments

The Group’s principal financial assets comprise of available-for-sale financial investments, cash and other receivables. With the exception of available-for-sale financial investments, which are recorded at fair value, all of the Group’s financial assets are classified as loans and receivables and are measured at amortized 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 amortized cost.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining sufficient cash balances to meet current working capital requirements and access to credit facilities with certain banking institutions. The Company is in the production and development stage and the latter depends on obtaining regular funding in order to continue its programs. There is no guarantee that additional funding will be obtained. Accordingly, the Company has a planning and budgeting process in place to

help determine the funds required to support the Company's normal operating requirements on an on-going basis. The Company tries to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company's cash is invested in business accounts with high-credit quality financial institutions in Jersey and are available on demand.

Credit risk

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

Currency risk

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

Interest rate risk

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

Commodity price risk

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

During the nine months ended 30 September 2014, the Company had no transactions with related parties with the exception of key management as disclosed in note 5 of the condensed interim consolidated financial statements for the nine months ended 30 September 2014.

Significant Accounting Policies and Critical Accounting Estimates

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

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

Critical Accounting Estimates

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

Intangible Assets

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

Impairment

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

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

Asset Retirement Provisions

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

Depreciation Rate

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

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.

Share Based Payments

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

Management's Responsibility for Financial Statements

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

Outstanding Share Data

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

As at date of this report, the Company also had 37,680,000 options issued and outstanding, of which 11,680,000 options were issued for the benefit of directors, employees and consultants under the Share Option Plans and the balance were issued in connection with a finance facility. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below. Additional disclosure on the Company's share and option data can be found in note 13 of the condensed interim consolidated financial statements for the nine months ended 30 September 2014.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. of options outstanding
Share Option Plan Issued Options				
17 November 2009	17 November 2009	17 November 2014	£0.9125	2,050,000
25 January 2010	25 January 2010	25 January 2015	£0.8875	50,000
2 July 2010	2 July 2010	2 July 2015	£0.7250	50,000
17 November 2010	17 November 2010	17 November 2015	£1.0800	2,390,000
3 April 2012	3 April 2012	3 April 2017	£0.8063	3,165,000
14 May 2012	14 May 2012	14 May 2017	£0.5875	200,000
17 May 2013	17 May 2013	17 May 2018	£0.2469	425,000
15 November 2013	15 November 2013	15 November 2018	£0.1500	3,190,000
3 April 2014	3 April 2014	3 April 2019	£0.0988	160,000
Other Issued Options				
30 June 2014 ⁽¹⁾	30 June 2014	30 June 2016	\$0.176	26,000,000
Total				37,680,000

1. In connection with the one year extension of the Macquarie Finance Facility to 30 June 2015, Macquarie Bank was granted 26,000,000 options. The options are still subject to TSX and regulatory approval. On the grant of these options, the existing 18,786,525 options held by Macquarie Bank were cancelled.

Changes in Accounting Policies including Initial Adoption

Other than what is disclosed in note 1 of the Company's audited annual financial statements for the year ended 31 December 2013, the Company has not and does not expect to adopt any new accounting policies during the year ended December 31, 2014. The Company also did not adopt any new accounting policies during the most recently completed financial year other than what is disclosed in note 1 of the Company's audited annual financial statements for the year ended 31 December 2013.

Risks

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

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

Designated Foreign Issuer

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

Additional Information

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

Cautionary Statement on Forward-Looking Information

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

Qualified Person

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

Non-IFRS Measures

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

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

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

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

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

	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2014	2013	2014	2013
Cost of sales	\$5,820	\$6,860	\$17,399	\$21,054
Less:				
Depreciation	537	1,407	1,842	4,127
Total cash costs	\$5,283	\$5,453	\$15,557	\$16,927
<i>Ounces of gold sold</i>	<i>5,715</i>	<i>6,427</i>	<i>17,488</i>	<i>19,036</i>
Total cash costs per ounce sold	\$924/oz.	\$848/oz.	\$890/oz.	\$889/oz.
Total cash costs	\$5,283	\$5,453	\$15,557	\$16,927
Less:				
Workers’ profit participation	1	3	42	345
Royalties and Special Mining Tax	290	339	898	1,260
Community and environmental costs	734	939	1,894	2,234
Other costs – Provisions, transport & refinery, inventory adjustment	380	80	180	414
Adjusted site cash operating costs	\$3,878	\$4,092	\$12,543	\$12,674
<i>Ounces of gold produced</i>	<i>5,510</i>	<i>6,296</i>	<i>17,207</i>	<i>18,777</i>
Site cash operating costs per ounce	\$704/oz.	\$650/oz.	\$729/oz.	\$675/oz.