

**MINERA IRL LIMITED**  
**Interim Financial Accounts**  
**For the Third Quarter ended 30 September 2014**

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

**HIGHLIGHTS**

**Financial**

- Gold sales of 5,715 ounces (Q3 2013: 6,427 ounces) at an average realized gold price of \$1,272 per ounce (Q3 2013: \$1,323 per ounce).
- Revenue of \$7.3 million, down 14% (Q3 2013: \$8.5 million) reflecting the lower gold price and sale of fewer ounces.
- Gross profit of \$1.5 million (Q3 2013: Gross profit of \$1.7 million).
- Loss before tax from continuing operations (excluding the impact of the investment in the Don Nicolás joint venture) of \$3.1 million (Q3 2013: Before tax loss from continuing operations of \$0.7 million).
- Loss from continuing operations of \$3.7 million (Q3 2013: Loss from continuing operations of \$1.1 million).
- After tax loss including discontinued operations of \$4.0 million (Q3 2013: After tax loss including discontinued operation of \$13.9 million).
- Cash balance of \$5.4 million at the end of the quarter (Q2 2014: \$2.8 million).

**Operational Performance**

- **Corihuarmi, Peru**
  - Gold production from the Corihuarmi Gold Mine of 5,510 ounces (Q3 2013: 6,296 ounces), full-year guidance increased from 21,000 ounces to 22,000 ounces.
  - Site cash operating costs were \$704 per ounce produced (Q3 2013: \$650 per ounce produced).
  - Total cash operating costs were \$924 per ounce sold (Q3 2013: \$848 per ounce sold).
  - Full year guidance for site cash operating costs reduced from \$820 per ounce of gold produced to \$775 per ounce produced and total cash cost was reduced from \$975 per ounce of gold sold to \$950 per ounce sold.
- **Ollachea, Peru**
  - The Company is well advanced on discussions relating to financing the development of the Ollachea Gold Project.
- **Don Nicolás, Argentina**
  - The Company sold its remaining interest in the Don Nicolás joint venture for proceeds of \$11.5 million, of which \$9.8 million has been received thus far.

## CHAIRMAN'S STATEMENT

Steady progress was made on a number of fronts during the quarter ended 30 September 2014. At our flagship Ollachea Gold Project in Peru, the Company expects to advise the market shortly on the results of discussions aimed at the financing and development of the Project. While we are disappointed we have not yet been able to secure financing we remain confident that financing for Ollachea will be finalized soon. Corihuarmi, our gold mine in the high Andes in Peru, recorded another quarter of solid performance with gold production approximately on budget but cash operating costs approximately 20% below budget. Positive drill results have allowed ore scheduling to be extended from late 2015 into the second half of 2016. The sale of Minera IRL Patagonia, including the Don Nicolas Project, for total proceeds of \$11.5 million, was also completed during the quarter.

Gold production in the third quarter of 2014 of 5,510 ounces was approximately on budget. With production of 17,207 ounces in the first nine months of 2014, the Company has increased its full year production guidance from 21,000 ounces to 22,000 ounces. Mine management continues to reduce gross site operating costs and, as a result, the Company has further reduced its full-year forecast for site operating cash costs to \$775 per ounce (from \$820 per ounce). Utilizing the budgeted gold price of \$1,300 per ounce, total cash costs are now forecast to be \$950 per ounce (from \$975 per ounce). This is a very creditable performance for a remote mine treating ore at an average grade of just over 0.3 grams of gold per tonne.

The Company has announced initial positive results from an exploration diamond drilling program that has subsequently been completed at Corihuarmi. Potentially economic gold mineralization, at similar grades to that currently being mined and treated by heap leaching, has been intersected in new zones at the Laura and Cayhua prospects. These results have allowed additional ore to be brought into the business plan and thus extending the mine life from late 2015 into the second half of 2016. Management expects pending results to further extend the mine life. Bonanza-grade gold mineralization previously reported from the Cerro Rojo prospect continues to be investigated.

Earlier in the year, the Company announced positive results from an optimization program, and also the granting of the Construction Permit, at our flagship Ollachea Gold Project. Community relations remain excellent, where an unprecedented 30-year Surface Rights Agreement is in place, and a number of health, education and sustainable development programs are continuing.

We have also advised the market that Macquarie Bank extended an offer of a \$100 million project financing facility. Whilst this facility has not been accepted by the Company pending a "complete solution" to project financing, the Macquarie Bank offer, following extensive due diligence, demonstrates that the economic returns remain sufficiently robust to attract project financing. During recent months discussions have progressed very well on several fronts to close the financing gap and allow the project to proceed to development. We are optimistic that a financing solution will be finalized shortly.

The previously announced sale of Minera IRL Patagonia, including the Don Nicolás Project, to one of our joint venture partners, CIMINAS, was concluded during the quarter for \$11.5 million. Of this, the Company has received \$9.8 million.

During the quarter, 5,715 ounces of gold were sold at an average realized price of \$1,272 per ounce for revenue of \$7.3 million. On an after-tax basis, a loss of \$4.0 million was recorded. The Company's cash balance was \$5.4 million at the end of the quarter.

At the time of writing, the gold price has, again, slipped below the \$1,200 per ounce mark. I remain of the view that the gold price will have support in the \$1,200 per ounce to \$1,300 per ounce range in the medium term with a stronger price returning in the longer term. Gold at the current price remains attractive for low cost producers and thus the ongoing interest that financiers are showing in Ollachea. Also, Corihuarmi continues to make meaningful cash contributions to the Company in the current gold price environment.

Apathy continues in the gold equity markets. Like many of our peers, our share price and market capitalization are most disappointing and, I believe, do not reflect the underlying value of the Company's assets. Gold price and equity markets are, of course, cyclic but, as a friend said to me recently, each day brings us one day closer to the turnaround. Our team at Minera IRL is determined to be in a position to ride the wave of success that will come with the development of Ollachea during a time of improving market sentiment.

Our team continues to do an outstanding job and I thank them for their efforts and contributions. I also wish to thank our shareholders for their continuing support and patience as we continue to work toward the development of Ollachea, continuing to extend the mine life at Corihuarmi and the discovery of new orebodies. Management remains dedicated to unlocking the very substantial shareholder value embedded in the Company's portfolio.

Courtney Chamberlain  
Executive Chairman  
Minera IRL Limited

12 November 2014

## **NOTICE TO READER**

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

## Minera IRL Limited

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in thousands of United States Dollars, except per share amounts)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue		\$ 7,294	\$ 8,530	\$ 22,476	\$ 27,844
Cost of sales		(5,820)	(6,860)	(17,399)	(21,054)
<b>Gross profit</b>		1,474	1,670	5,077	6,790
Administration expenses		(2,074)	(2,035)	(5,039)	(5,384)
Exploration costs		(13)	(51)	(74)	(176)
Share based payments	13	-	-	(8)	(33)
Gain on sale of exploration property	16	-	-	879	-
(Loss) gain on revaluation of available-for-sale investments		(17)	3	(3)	23
<b>Operating (loss) profit</b>		(630)	(413)	832	1,220
Finance income		-	-	-	2
Finance expense	17	(2,467)	(292)	(5,451)	(856)
<b>(Loss) profit before tax</b>		(3,097)	(705)	(4,619)	366
Income tax expense		(592)	(371)	(867)	(2,422)
<b>Loss from continuing operations</b>		(3,689)	(1,076)	(5,486)	(2,056)
<b>Discontinued operations</b>					
Administration expenses	10	-	(229)	-	(605)
Loss on deconsolidation of subsidiary	6	-	(12,517)	-	(12,517)
Dilution gain on part disposal of joint venture	10	-	-	560	-
Share of loss from investment in joint venture	10	(304)	(66)	(2,879)	(66)
Loss on asset held for sale	6,10	-	-	(30,714)	-
<b>Loss for the period attributable to the equity shareholders of the parent</b>		(3,993)	(13,888)	(38,519)	(15,244)
<b>Other comprehensive loss which may be recycled in future periods</b>					
Recycled on deconsolidation of subsidiary	6	-	(231)	-	(231)
Recycled on disposal of available for sale investment		-	-	-	(20)
<b>Total comprehensive loss</b>		\$ (3,993)	\$ (14,119)	\$ (38,519)	\$ (15,495)
<b>Loss per share (US cents)</b>					
Basic and diluted - continuing operations	7	(1.6)	(0.6)	(2.4)	(1.2)
Basic and diluted - discontinued operation	7	(0.1)	(7.4)	(14.7)	(7.7)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

## Minera IRL Limited

Condensed Interim Consolidated Statements of Financial Position  
(Unaudited - Expressed in thousands of United States Dollars)

	Notes	September 30, 2014	December 31, 2013
<b>Assets</b>			
Property, plant and equipment	8	\$ 4,342	\$ 5,321
Intangible assets	9	131,226	124,763
Investment in joint venture	10	-	43,653
Available-for-sale investments		5	30
Other receivables and prepayments	11	7,674	6,572
<b>Total non-current assets</b>		143,247	180,339
Inventory	12	3,414	3,348
Other receivables and prepayments	11	2,472	1,546
Current tax recoverable		2,133	1,860
Cash and cash equivalents		5,428	3,389
<b>Total current assets</b>		13,447	10,143
<b>Total assets</b>		\$ 156,694	\$ 190,482
<b>Equity</b>			
Share capital	13	\$ 159,017	\$ 151,014
Share option reserve	13	2,974	1,395
(Accumulated losses) retained earnings		(58,842)	(20,381)
<b>Total equity attributable to equity shareholders of the parent</b>		103,149	132,028
<b>Liabilities</b>			
Trade and other payables	14	14,190	14,698
Provisions	14	4,168	3,965
Royalty buyback provision	14	1,440	-
<b>Total non-current liabilities</b>		19,798	18,663
Interest bearing loans	14	27,653	25,135
Trade and other payables	14	6,094	14,656
<b>Total current liabilities</b>		33,747	39,791
<b>Total liabilities</b>		53,545	58,454
<b>Total equity and liabilities</b>		\$ 156,694	\$ 190,482

The accompanying notes are an integral part of these condensed interim consolidated financial statements

## Minera IRL Limited

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - Expressed in thousands of United States Dollars, except share amounts)

	Notes	Share capital		Reserves			Total equity	
		Number of Shares	Amount	Share option	Revaluation	Foreign currency		(Accumulated losses) retained earnings
<b>Balance at 1 January 2013</b>		<b>151,902,884</b>	<b>\$ 134,163</b>	<b>\$ 1,705</b>	<b>\$ 20</b>	<b>\$ 231</b>	<b>\$ 12,881</b>	<b>\$ 149,000</b>
Loss for the period		-	-	-	-	-	(15,244)	(15,244)
Recycled on deconsolidation of subsidiary		-	-	-	-	(231)	-	(231)
Recycled on disposal of available-for-sale investments		-	-	-	(20)	-	-	(20)
Total comprehensive loss		-	-	-	(20)	(231)	(15,244)	(15,495)
New share capital subscribed	13	21,775,000	15,504	-	-	-	-	15,504
Cost of share issuance	13	-	(1,631)	-	-	-	-	(1,631)
Issuance of share options	13	-	-	33	-	-	-	33
<b>Balance at 30 September 2013</b>		<b>173,677,884</b>	<b>\$ 148,036</b>	<b>\$ 1,738</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(2,363)</b>	<b>\$ 147,411</b>
Loss for the period		-	-	-	-	-	(18,590)	(18,590)
Recycled on deconsolidation of subsidiary		-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	(18,590)	(18,590)
New share capital subscribed	13	9,146,341	3,000	-	-	-	-	3,000
Cost of share issuance	13	-	(22)	-	-	-	-	(22)
Issuance of share options	13	-	-	229	-	-	-	229
Expiry/lapse of share options	13	-	-	(572)	-	-	572	-
<b>Balance at 31 December 2013</b>		<b>182,824,225</b>	<b>151,014</b>	<b>1,395</b>	<b>-</b>	<b>-</b>	<b>(20,381)</b>	<b>132,028</b>
Loss for the period		-	-	-	-	-	(38,519)	(38,519)
Total comprehensive loss		-	-	-	-	-	(38,519)	(38,519)
New share capital subscribed	13	48,310,803	8,073	-	-	-	-	8,073
Cost of share issuance	13	-	(70)	-	-	-	-	(70)
Issuance of share options	13	-	-	1,637	-	-	-	1,637
Expiry/lapse of share options	13	-	-	(58)	-	-	58	-
<b>Balance at 30 September 2014</b>		<b>231,135,028</b>	<b>\$ 159,017</b>	<b>\$ 2,974</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(58,842)</b>	<b>\$ 103,149</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements

## Minera IRL Limited

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in thousands of United States Dollars)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>OPERATING ACTIVITIES</b>					
Operating (loss) profit		\$ (630)	\$ (413)	\$ 832	\$ 1,220
Items not affecting cash:					
Depreciation		557	1,586	1,959	4,417
Share based payments		-	-	8	33
Loss (gain) on revaluation of available-for-sale investments		17	(3)	3	(23)
Gain on sale of exploration property		-	-	(879)	-
Changes in non-cash working capital items:					
Decrease (increase) in inventory		(44)	11	(66)	85
Decrease (increase) in other receivables and prepayments		(183)	434	(803)	404
Increase (decrease) in trade and other payables		(974)	450	(1,974)	(3,593)
Payment of mine closure costs		(16)	(14)	(49)	(55)
Net cash from (used in) operations		(1,273)	2,051	(969)	2,488
Corporation tax paid		(57)	(270)	(1,278)	(2,876)
Loss from discontinued operation		-	(229)	-	(605)
Finance income received		-	-	-	2
Finance expense paid		(1,414)	(292)	(2,642)	(856)
<b>Net cash from (used in) operating activities</b>		<b>(2,744)</b>	<b>1,260</b>	<b>(4,889)</b>	<b>(1,847)</b>
<b>INVESTING ACTIVITIES</b>					
Proceeds on sale of exploration property		-	-	1,125	-
Proceeds on sale of bonds received on sale of investment in joint venture	6, 10	9,803	-	9,803	-
Disposal of available-for-sale investments		22	-	22	171
Decrease in cash due to deconsolidation of subsidiary		-	(415)	-	(415)
Acquisition of property, plant and equipment		(901)	(1,264)	(1,058)	(3,148)
Deferred exploration and development expenditures		(2,011)	(3,231)	(6,303)	(13,605)
<b>Net cash from (used in) investing activities</b>		<b>6,913</b>	<b>(4,910)</b>	<b>3,589</b>	<b>(16,997)</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from the issue of ordinary share capital		-	-	-	15,504
Cost of share issuance		(8)	-	(70)	(1,631)
Receipt of loans		-	-	4,909	-
Loan extension fees		(1,500)	-	(1,500)	-
<b>Net cash from (used in) financing activities</b>		<b>(1,508)</b>	<b>-</b>	<b>3,339</b>	<b>13,873</b>
Change in cash		2,661	(3,650)	2,039	(4,971)
Cash at beginning of period		2,767	4,925	3,389	6,246
<b>Cash at end of period</b>		<b>\$ 5,428</b>	<b>\$ 1,275</b>	<b>\$ 5,428</b>	<b>\$ 1,275</b>
Cash and cash equivalents consists of:					
Cash		\$ 5,428	\$ 1,275	\$ 5,428	\$ 1,275
Short-term investments		-	-	-	-
		<b>\$ 5,428</b>	<b>\$ 1,275</b>	<b>\$ 5,428</b>	<b>\$ 1,275</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements

## **Minera IRL Limited**

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended 30 September 2014 and 2013

(Unaudited – Expressed in United States Dollars)

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### **Note 1 – Nature and Continuance of Operations**

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

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

These condensed interim consolidated financial statements of the Company for the nine month period ended 30 September 2014 comprise the Company and its subsidiaries (together referred to as the “Group”).

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

At 30 September 2014, the Company had a working capital deficit of \$20,300,000. Current liabilities at 30 September 2014 included a \$27,653,000 interest bearing loan provided by Macquarie Bank Limited (“Macquarie Bank”) with a maturity date of 30 June 2015.

Having taken into account the cash balance at 30 September 2014, the required payment dates of certain current liabilities, the recently announced sale of the Company’s joint venture interest in Minera IRL Patagonia S.A. (“Minera IRL Patagonia”), ongoing positive cash flows from the Corihuarmi mine and the ability to manage expenditures, the Directors consider that the Company has sufficient financial resources available to allow fundraising initiatives to be progressed for the funding of the Ollachea project. However, there are risks associated with the operation of a mine, the development and financing of new mining operations and the ability to refinance existing debt, which may give rise to the possibility that insufficient funds will be available when required. Specifically, the Ollachea Gold Project, which has a positive feasibility study completed, an environmental permit and a construction permit, will require additional funding to construct. However, the Directors are confident that the additional financing to build the Ollachea Gold Project can be secured in the required timescale and on this basis have adopted the going concern basis of preparation.

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

These condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 12 November 2014.

### **Note 2 – Basis of Preparation and Significant Accounting Policies**

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

These condensed interim consolidated financial statements have been prepared by management and reported in thousands of United States dollars in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as adopted for use within the European Union and applicable to the preparation of interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared following the same accounting policies and method of computation as the annual Financial Statements for the year ended 31 December 2013. The disclosures provided below are incremental to those included with the annual Financial Statements. Certain information and disclosures normally included in the notes to the annual Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS expected to be effective for the year ended 31 December 2014.

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended 30 September 2014 and 2013

(Unaudited – Expressed in United States Dollars)

### Note 3 – Segment Reporting

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

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

	Peru (\$'000)	Argentina (\$'000)	Other (\$'000)	Total (\$'000)
<b>For the Nine Months Ended 30 September 2014</b>				
Revenue	22,476	-	-	22,476
Administration	(3,049)	-	(1,990)	(5,039)
Operating profit (loss) from continuing operations	2,976	-	(2,144)	832
Profit (loss)	1,060	(33,033)	(6,546)	(38,519)

<b>For the Nine Months Ended 30 September 2013</b>				
Revenue	27,844	-	-	27,844
Administration	(3,395)	-	(1,989)	(5,384)
Operating profit (loss) from continuing operations	3,219	-	(1,999)	1,220
Profit (loss)	1,254	(12,969)	(3,529)	(15,244)

	Peru (\$'000)	Argentina (\$'000)	Other (\$'000)	Total (\$'000)
<b>As at 30 September 2014</b>				
Non-current assets	132,935	-	10,312	143,247
Current	9,542	1,405	2,500	13,447
Total assets	142,447	1,405	12,812	156,694
<b>As at 31 December 2013</b>				
Non-current assets	136,196	43,663	480	180,339
Current	9,262	-	881	10,143
Total assets	145,458	43,663	1,361	190,482

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended 30 September 2014 and 2013

(Unaudited – Expressed in United States Dollars)

### Note 4 – (Loss) Profit Before Tax

	30 September 2014 (\$'000)	30 September 2013 (\$'000)
Auditor's remuneration:		
Audit of group financial statements	114	121
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of associates of the Company pursuant to legislation	53	20
Taxation services	-	1
Share based payments	8	33
Foreign exchange loss (gain)	572	660

### Note 5 – Remuneration of Key Management Personnel

30 September 2014	Salary & Fees (\$'000)	Bonus (\$'000)	Other Benefits (\$'000)	Share Based Payments (\$'000)	Total (\$'000)
<b>Directors:</b>					
C Chamberlain	300	-	6	-	306
D Hodges <sup>(2)</sup>	15	-	-	8	23
D Jones	18	-	-	-	18
G Ross <sup>(1)</sup>	3	-	-	-	3
N Valdez Ferrand	18	-	-	-	18
Directors total	354	-	6	8	368
<b>Non-Directors:</b>	776	150	180	-	1,106
<b>TOTAL</b>	1,130	150	186	8	1,474

Notes:

1. Graeme Ross resigned on 10 February 2014.
2. Mr. Hodges was appointed as a non-executive director of the Company on 10 February 2014.

30 September 2013	Salary & Fees (\$'000)	Bonus (\$'000)	Other Benefits (\$'000)	Share Based Payments (\$'000)	Total (\$'000)
<b>Directors:</b>					
C Chamberlain	375	-	13	-	388
D Jones	18	-	-	-	18
K Judge <sup>(1)</sup>	12	-	-	-	12
G Ross <sup>(2)</sup>	18	-	-	-	18
N Valdez Ferrand	18	-	-	-	18
Directors total	441	-	13	-	454
<b>Non-Directors:</b>	1,174	-	282	24	1,480
<b>TOTAL</b>	1,615	-	295	24	1,934

Notes:

1. The Director fees were paid to Hamilton Capital Partners Limited, with which Mr Judge is associated. Mr. Judge ceased to be a director as of July 2013.
2. Graeme Ross resigned on 10 February 2014.

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended 30 September 2014 and 2013

(Unaudited – Expressed in United States Dollars)

### Note 6 – Transactions with CIMINAS – Don Nicolás Gold Project

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

In addition, the Company 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.

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

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

	(\$'000)
Property, plant and equipment	2,101
Intangibles	47,222
Other receivables and prepayments – long-term	5,629
Other receivables and prepayments – current	395
Cash	415
Foreign currency reserve	(231)
Trade and other payables – current	(379)
Current taxes	(312)
Net assets	54,840
Loss on derecognition of Minera IRL Patagonia	(12,517)
Investment in Minera IRL Patagonia Joint Venture – 16 August 2013	42,323
Estimated value of Argenwolf’s 4% interest in Minera IRL Patagonia	(2,323)
Fair value of Minera IRL Limited’s interest in Minera IRL Patagonia – 16 August 2013	40,001
Transaction Costs	3,254
Carrying value of Minera IRL’s interest in Minera IRL Patagonia– 16 August 2013	43,255

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

Details on the investment in the Don Nicolás Joint Venture, following the deconsolidation of Minera IRL Patagonia, are provided in note 10, “Investment in the Don Nicolás Joint Venture”.

In July 2014, the Company entered into an agreement to sell its remaining interest in Minera IRL Patagonia to CIMINAS for \$11,451,000.

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended 30 September 2014 and 2013

(Unaudited – Expressed in United States Dollars)

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### Note 6 – Transactions with CIMINAS – Don Nicolás Gold Project (continued)

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

1. Tranche I (Minera IRL Ordinary Shares) – \$3,000,000

CIMINAS subscribed for 9,146,341 ordinary shares of Minera IRL Limited and as consideration CIMINAS contributed \$3,000,000 to Minera IRL Patagonia toward the development of Don Nicolás. The ordinary shares were issued on 10 October 2013 pursuant to a prospectus supplement to the Company’s base shelf prospectus dated 12 July 2012.

2. Tranche II – \$7,300,000

Tranche II provided CIMINAS with a 7.8% equity interest in Minera IRL Patagonia in exchange for an investment of \$7,300,000 and had no preferred rights. During 2013, \$1,900,000 was 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.

3. Tranche III (Accelerated Payback) – \$15,000,000

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

4. Tranche IV (Secured) – \$19,700,000

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

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

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

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

## Minera IRL Limited

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(Unaudited – Expressed in United States Dollars)

### Note 6 – Transactions with CIMINAS – Don Nicolás Gold Project (continued)

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

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

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

Based on gross proceeds of \$11,451,000 on the sale and net of expected costs related to the sale of \$831,000, the Company recorded a charge of \$30,714,000 on the sale of the investment in the Don Nicolás joint venture to CIMINAS.

To facilitate the receipt of the proceeds on the sale of Minera IRL Patagonia outside of Argentina it was agreed that bonds for the sale price would be received by Minera IRL and then subsequently sold outside of Argentina. A 3% brokerage fee, totalling \$341,000, was incurred on the purchase and sale of these bonds and has been recorded as finance expense on the statement of loss and comprehensive loss during the nine months ended 30 September 2014.

### Note 7 – Loss per Share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders for the nine months ended 30 September 2014 of \$38,519,000 (2013: loss of \$15,244,000) and the weighted average number of ordinary shares in issue during the nine month period ended 30 September 2014 of 224,708,788 (2013: 171,464,491).

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

	2014 Profit (\$'000)	2014 Number of shares ('000)	2014 Earnings per share (cents)	2013 Profit (\$'000)	2013 Number of shares ('000)	2013 Earnings per share (cents)
Basic loss	(38,519)	224,709	(17.1)	(15,244)	171,464	(8.9)
Dilutive effects-options	-	-	-	-	-	-
Diluted loss	(38,519)	224,709	(17.1)	(15,244)	171,464	(8.9)

As at 30 September 2014 and 2013, all options were excluded from the calculation of diluted loss per share because they were anti-dilutive. Note 13, "Capital and Reserves", provides additional detail on the Company's share options.

**Minera IRL Limited**

Notes to Condensed Interim Consolidated Financial Statements

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**Note 8 – Property, Plant and Equipment**

	<b>Mining Assets &amp; Deferred Development Costs (\$'000)</b>	<b>Land &amp; Buildings (\$'000)</b>	<b>Motor Vehicles (\$'000)</b>	<b>Computers &amp; Other Equipment (\$'000)</b>	<b>Total (\$'000)</b>
<b>Cost</b>					
Balance – 1 January 2013	40,331	2,859	2,874	3,648	49,712
Additions	4,012	185	218	209	4,624
Reclassifications	(316)	316	-	-	-
Transfer from intangibles	4,434	-	-	-	4,434
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	-	(1,684)	(51)	(1,015)	(2,750)
Disposals	(10)	-	(231)	-	(241)
<b>Balance – 31 December 2013</b>	<b>48,451</b>	<b>1,676</b>	<b>2,810</b>	<b>2,842</b>	<b>55,779</b>
Additions	986	13	-	59	1,058
Disposals	-	-	(62)	-	(62)
Reclassifications	(73)	-	-	(5)	(78)
<b>Balance – 30 September 2014</b>	<b>49,364</b>	<b>1,689</b>	<b>2,748</b>	<b>2,896</b>	<b>56,697</b>
<b>Accumulated Depreciation</b>					
Balance – 1 January 2013	28,581	89	1,053	2,003	31,726
Depreciation for the year	4,781	38	469	537	5,825
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	-	(69)	(50)	(530)	(649)
Impairment	12,412	95	739	454	13,700
Disposals	(8)	-	(136)	-	(144)
<b>Balance – 31 December 2013</b>	<b>45,766</b>	<b>153</b>	<b>2,075</b>	<b>2,464</b>	<b>50,458</b>
Depreciation for the period	1,278	288	279	92	1,937
Disposals	-	-	(40)	-	(40)
<b>Balance – 30 September 2014</b>	<b>47,044</b>	<b>441</b>	<b>2,314</b>	<b>2,556</b>	<b>52,355</b>
<b>Carrying Amounts</b>					
Balance - 1 January 2013	11,750	2,770	1,821	1,645	17,986
<b>Balance – 31 December 2013</b>	<b>2,685</b>	<b>1,523</b>	<b>735</b>	<b>378</b>	<b>5,321</b>
<b>Balance – 30 September 2014</b>	<b>2,320</b>	<b>1,248</b>	<b>434</b>	<b>340</b>	<b>4,342</b>

Mining assets and deferred development costs relate to the Corihuarmi Gold Mine. In 2013, the Company recorded an impairment charge of \$13,700,000 against its Corihuarmi Gold Mine. The impairment was largely the result of the significant decrease in the gold price during 2013. For purposes of this impairment evaluation, estimates of future cash flows from the Corihuarmi mine were used to determine value in use. The future cash flows were derived from Corihuarmi's remaining mine life, estimated to be 22 months, a gold price assumption of \$1,300 per ounce and management's projections for operating costs. The salvage value of mine's assets were estimated to be \$1,024,000 and the resulting cash flow projections were discounted at 7% to arrive at the estimated fair value.

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited – Expressed in United States Dollars)

### Note 9 – Intangible Assets

	Ollachea (\$'000)	Don Nicolás (\$'000)	Other Peru (\$'000)	Other Argentina (\$'000)	Total (\$'000)
Balance – 1 January 2013	107,555	33,497	7,697	10,610	159,359
Additions	13,900	2,761	291	109	17,061
Transfers	-	-	(246)	246	-
Transfer to property, plant and equipment <sup>(1)</sup>	-	-	(4,434)	-	(4,434)
Deconsolidation on loss of control of Minera IRL Patagonia S.A.	-	(36,258)	-	(10,965)	(47,223)
Balance – 31 December 2013	121,455	-	3,308	-	124,763
Additions	5,494	-	1,137	-	6,631
Disposal of exploration property	-	-	(246)	-	(246)
Reclassifications	-	-	78	-	78
<b>Balance - 30 September 2014</b>	<b>126,949</b>	<b>-</b>	<b>4,277</b>	<b>-</b>	<b>131,226</b>

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

The Ollachea property includes \$21,500,000 provided in respect of payments to Rio Tinto, which are detailed in note 14. Ollachea will require significant project financing in order to bring it into production and convert it into mining assets.

The carrying values of the remaining deferred exploration costs at the period end have been assessed for indications of impairment and the results of these assessments have been sufficiently encouraging to justify the retention of the deferred exploration assets on the consolidated statements of financial position.

### Note 10 – Investment in the Don Nicolás Joint Venture

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

For the nine months and year ended	30 September 2014 (\$'000)	December 31 2013 (\$'000)
<b>Balance of investment in joint venture, as at beginning of period</b>	<b>43,653</b>	-
Carrying value of investment on loss of control – 16 August 2013	-	43,255
Share of losses (net of taxes)	(2,879)	(2,028)
Tranche I investment (issuance of Minera IRL ordinary shares)	-	3,000
Dilution gain (loss)	560	(574)
Costs on sale of remaining interest in investment in Don Nicolás	831	-
Loss on asset held for sale	(30,714)	-
Proceeds on sale of investment in joint venture to CIMINAS	(11,451)	-
<b>Balance of investment in joint venture, as at end of period</b>	<b>-</b>	<b>43,653</b>

## **Minera IRL Limited**

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Nine Months Ended 30 September 2014 and 2013

(Unaudited – Expressed in United States Dollars)

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### **Note 10 – Investment in the Don Nicolás Joint Venture (continued)**

Between 1 January 2014 and the sale of Minera IRL Patagonia to CIMINAS in July 2014, the Company recorded a loss of \$2,879,000 on its share of Minera IRL Patagonia. During the period between 16 August 2013 and 31 December 2013, the Company recorded a loss of \$2,028,000 on its share of Minera IRL Patagonia. As the Don Nicolás Gold Project was a development project it did not record any revenue during the nine months ended 30 September 2014 or the year ended 31 December 2013.

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

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

CIMINAS subscribed for 9,146,341 ordinary shares of Minera IRL Limited and as consideration CIMINAS contributed \$3,000,000 to Minera IRL Patagonia toward the development of Don Nicolás. The ordinary shares were issued on 10 October 2013. Additional details on the share issuance are provided in note 13, “Capital and Reserves”.

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

Based on gross proceeds of \$11,451,000 on the sale and net of expected costs related to the sale of \$831,000, the Company recorded a charge of \$30,714,000 on the sale of the investment in the Don Nicolás joint venture to CIMINAS.

To facilitate the receipt of the proceeds on the sale of Minera IRL Patagonia outside of Argentina it was agreed that bonds for the agreed sale price would be received by Minera IRL and then subsequently sold outside of Argentina. A 3% commission, totalling \$341,000, was incurred on the purchase and sale of these bonds and has been recorded as finance expense on the statement of loss and comprehensive loss during the nine months ended 30 September 2014.

**Minera IRL Limited**

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**Note 11 – Other Receivables and Prepayments**

	<b>30 September 2014 (\$'000)</b>	31 December 2013 (\$'000)
<b>Non-current assets</b>		
Other receivables	<b>6,932</b>	6,467
Deferred expenses	<b>742</b>	105
	<b>7,674</b>	6,572
<b>Current assets</b>		
Receivable from the sale of investment in Don Nicolás joint venture	<b>1,405</b>	-
Other receivables	<b>686</b>	1,130
Prepayments	<b>381</b>	416
	<b>2,472</b>	1,546

Included in other receivables and prepayments is an amount of \$7,329,000 (2013: \$7,024,000) relating to sales tax paid on the purchase of goods and services in Peru. Included in the sales tax recoverable is an amount of \$6,932,000 (2013: \$6,467,000) relating to purchases for the Ollachea project, which is not expected to be recovered in the next accounting period and has therefore been included in non-current assets.

**Note 12 - Inventory**

	<b>30 September 2014 (\$'000)</b>	31 December 2013 (\$'000)
Gold in process	<b>1,746</b>	1,753
Mining materials	<b>1,668</b>	1,595
	<b>3,414</b>	3,348

## Minera IRL Limited

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### Note 13 – Capital and Reserves

As at 30 September 2014 and 31 December 2013, the Company's share capital is made up of no par shares. There is no upper limit on the value of shares to be issued.

Issued share capital	Ordinary Shares
Shares in issue 1 January 2013	151,902,884
Equity offering completed 7 February 2013 for total cash consideration of \$15,504,000	21,775,000
Equity offering completed 10 October 2013 for \$3,000,000 cash contribution from CIMINAS	9,146,341
Shares in issue 1 January 2014	182,824,225
Share issuance completed 28 January 2014 for settlement of \$7,438,000 Rio Tinto liability	44,126,780
Share issuance completed 31 January 2014 for settlement of \$307,000 in trade payables	1,917,600
Share issuance completed 11 August 2014 for settlement of \$328,000 in trade payables	2,266,423
<b>Total shares in issue 30 September 2014</b>	<b>231,135,028</b>

On 28 January 2014, the Company issued 44,126,780 ordinary shares at a price of C\$0.179 per share to Rio Tinto Mining and Exploration Limited to settle the first instalment of the final Ollachea payment for \$7,310,000 and interest due (\$128,000). Additional details are provided under note 14, "Liabilities".

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 in the aggregate amount of C\$343,000 (\$307,000).

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

#### Share Options

The Company has a share option scheme for the benefit of directors, employees and consultants. The purpose of the scheme is to provide incentives to those people whose efforts and skills are most important to the success of the Company, and to ensure that the interests of the management of the Company are fully aligned with the interests of shareholders. The terms of the scheme allow the directors to decide at the date of grant when the option becomes exercisable. All of the options outstanding were granted with an exercise price 25% above the prevailing market price on the date of the grant and were exercisable immediately. The options lapse on the fifth anniversary of the date of grant and have no performance conditions.

	30 September 2014		31 December 2013	
	Number of Options	Weighted Average Exercise Price (£)	Number of Options	Weighted Average Exercise Price (£)
Outstanding – beginning of period	12,010,000	0.68	9,730,000	0.88
Granted	160,000	0.10	3,975,000	0.16
Expired	-	-	(790,000)	(0.62)
Lapsed	(490,000)	(0.67)	(905,000)	(0.68)
Outstanding, end of period	11,680,000	0.67	12,010,000	0.68
Exercisable, end of period	11,680,000	0.67	12,010,000	0.68

The average remaining contractual life of the outstanding options as at 30 September 2014 was 2.3 years (2013: 3.0 years).

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited – Expressed in United States Dollars)

### Note 13 – Capital and Reserves (continued)

On 2 April 2014, the Company granted 160,000 incentive stock options at an exercise price of £0.10 for a period of 5 years. The options vested immediately upon being granted, and they were fair valued with a Black-Scholes option pricing model using the following assumptions:

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

The fair value of this option grant resulted in a share based payment expense for the nine months ended 30 September 2014 of \$8,000. In addition, on the expiry and lapsing of 490,000 options during the nine months ended 30 September 2014, a total of \$58,000 was transferred from share option reserve to (accumulated losses) retained earnings.

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

Date of Grant	17 May 2013	15 Nov 2013
Share price on date of grant	£0.20	£0.12
Exercise price	£0.25	£0.15
Expected volatility	46%	55%
Expected option life	3.5 yrs	3.5 yrs
Risk-free rate of return	0.48%	0.48%
Expected dividends	Nil	Nil
Fair value	£0.05	£0.04

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

The following table details the incentive stock options outstanding as at 30 September 2014:

Number of share options	Exercise price	Expiry date
160,000	£0.10	2 April 2019
3,190,000	£0.15	15 November 2018
425,000	£0.25	17 May 2018
200,000	£0.59	14 May 2017
3,165,000	£0.81	3 April 2017
2,390,000	£1.08	17 November 2015
50,000	£0.73	2 July 2015
50,000	£0.89	26 January 2015
2,050,000	£0.91	17 November 2014
11,680,000	£0.67	

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

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### Note 13 – Capital and Reserves (continued)

#### Other Share Options

	30 September 2014		31 December 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	18,786,525	1.065	18,786,525	1.065
Granted	26,000,000	0.176	-	-
Expired	(18,786,525)	(1.065)	-	-
Outstanding – end of period	26,000,000	0.176	18,786,525	1.065
Exercisable – end of period	26,000,000	0.176	18,786,525	1.065

On 30 June 2014, the Company granted 26,000,000 options at an exercise price of \$0.176 for a period of two years (30 June 2016) to Macquarie Bank as partial consideration for the one-year extension of the Macquarie Bank loan facility (see “Interest Bearing Loans” under note 14, “Liabilities”). The options vested immediately upon being granted and were fair valued at \$1,629,000 based on the Black-Scholes option pricing model using the following assumptions:

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

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

#### Dividends

The directors do not recommend the payment of a dividend.

#### Capital Maintenance

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

	30 September 2014 (\$'000)	31 December 2013 (\$'000)
Total interest bearing debt	27,653	25,135
Total equity	103,149	132,028
Debt-to-equity ratio	26.8%	19.0%

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended 30 September 2014 and 2013

(Unaudited – Expressed in United States Dollars)

### Note 14 – Liabilities

#### Interest Bearing Loans

	30 September 2014 (\$'000)	31 December 2013 (\$'000)
<b>Current liabilities</b>		
Bank loans due within one year	27,653	25,135

As at 30 September 2014, the Company had drawn \$30,000,000 (31 December 2013: \$25,000,000) on the interest bearing loan provided by Macquarie Bank (the “Facility”). The loan is secured against the assets of the Company. Share options have been granted in connection with the loan. See note 13, “Capital and Reserves” for more details on the share options.

In August 2013, the Facility was amended to increase the amount available by \$10,000,000, in two separate \$5,000,000 tranches (“Tranche 3” and “Tranche 4”), increasing the total amount available under the Facility to \$30,000,000. The Facility interest rate remained LIBOR plus 5.0%; however, as a condition of drawing down on each additional \$5,000,000 tranche, a 0.5% gross revenue royalty on gold production from the Company’s Ollachea gold project for the life of mine was to 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 tranche.

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

In November 2013, the Company drew down \$5,000,000 under Tranche 3. A total of \$190,000 in fees was paid in connection with this transaction. On 31 March 2014, the Company drew down \$5,000,000 under Tranche 4. A total of \$91,000 in fees was paid in connection with this transaction. As required under IAS 39, the Company recorded the present value of the estimated cash flows including the corresponding \$2,500,000 Buyback Fee to determine the effective interest rate for both Tranche 3 and 4.

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

The total cost of the one-year extension of \$3,129,000 was applied against the carrying amount of the Facility as at 30 June 2014 and will be amortized over the remaining one-year term of the modified Facility. During the three months period ended 30 September 2014, \$782,000 of the total cost was amortized.

During the nine months ended 30 September 2014, finance expense of \$2,536,000 related to the Facility was recorded (nine months ended 30 September 2013: \$797,000).

#### Provisions

The Group has made a provision of \$4,168,000 against the present value of the cost of restoring the Corihuarmi site and the Ollachea exploration tunnel site. This provision is an estimate of the cost of reversing the alterations to the environment which have been made up until 30 September 2014. The timing and cost of this rehabilitation is uncertain and dependent upon the duration of the mine life and the quantity of ore that will be extracted from the mine. At present time, management estimates that the remaining mine life at Corihuarmi is approximately 16 months. Further, management has currently estimated that the rehabilitation of the Ollachea exploration tunnel is to begin in 11 years based on the time to develop the mine and the projected mine life.

## Minera IRL Limited

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### Note 14 – Liabilities (continued)

	<b>Environmental Provisions (\$'000)</b>
Balance - 1 January 2013	3,178
Additional provision	856
Paid during the year	(69)
Balance - 31 December 2013	3,965
Accretion expense	252
Paid during the period	(49)
<b>Balance - 30 September 2014</b>	<b>4,168</b>

### Trade and other payables

	<b>30 September 2014 (\$'000)</b>	31 December 2013 (\$'000)
<b>Non-current</b>		
Other payables	<b>14,190</b>	14,698
<b>Current</b>		
Trade payables	<b>2,798</b>	7,229
Other payables	<b>3,296</b>	7,427
	<b>6,094</b>	14,656

On 11 July 2013, the Company and Rio Tinto agreed to an amount of \$21,500,000 as the amount due from the Company to Rio Tinto in connection with the second and final additional payment under the Mining Rights Transfer Contract for the Ollachea property. The payment was originally to be made in three separate instalments. The first instalment, representing 34% of the amount due, \$7,310,000, was 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 12 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). In September 2013, the Company and Rio Tinto amended these payment terms. The due date of the first instalment of \$7,310,000 was rescheduled to 11 January 2014 and the second and third instalments were combined into a final instalment of \$14,190,000, due 11 July 2016.

In December 2013, the Company and Rio Tinto agreed that up to 100% of the first instalment of \$7,310,000 plus the accrued interest of \$128,000 could be settled in shares of the Company. The price per share, for purposes of calculating the number of shares to be issued, on both the first and final instalments, would be the lower of C\$0.179, representing the 5-day volume-weighted-average price ("VWAP") on the Toronto Stock Exchange ("TSX") on 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 to Rio Tinto to settle the first instalment of the final Ollachea payment (\$7,310,000) and accrued interest (\$128,000). Additionally, if Rio Tinto does not sell any of these shares during a period of one year after the date of issuance, Rio Tinto will be paid an incentive bonus of 10% of the value of the shares. The Company has made a provision of \$744,000 against this expected liability during the nine months ended 30 September 2014.

The remaining amount due of \$14,190,000 is included in the non-current portion of trade and other payables. The balance due accrues interest at an annual rate of 7% and is secured against the Ollachea mining tenements. In 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 to 2 September 2014. The deferred payment totalling \$1,005,000 (up from \$993,000) was made during September 2014. Under the Ollachea Mining Rights Transfer Contract, up to 80% of the remaining principal payment can be settled in ordinary shares of Minera IRL Limited at the Company's election.

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

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### Note 15 – Financial Instruments and Financial Risk Management

#### Financial instruments

The Group's principal financial assets comprise available-for-sale financial assets, cash and other receivables. With the exception of available-for-sale financial assets, 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.

#### Risk management

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

##### *Exchange rate risk*

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

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

	30 September 2014 (\$'000)	31 December 2013 (\$'000)
Pounds sterling	25	40
Australian dollars	31	25
Canadian dollars	29	28
Chilean pesos	6	6
Peruvian nuevo soles	107	122
United States dollars	5,230	3,168
	<b>5,428</b>	<b>3,389</b>

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

	30 September 2014 (\$'000)	31 December 2013 (\$'000)
Pounds sterling	(111)	(184)
Australian dollars	(15)	(120)
Canadian dollars	18	(341)
Argentine pesos	(44)	(46)
Chilean pesos	2	5
Peruvian nuevo soles	5,952	4,294
United States dollars	(44,130)	(48,665)
	<b>(38,328)</b>	<b>(45,057)</b>

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended 30 September 2014 and 2013

(Unaudited – Expressed in United States Dollars)

### Note 15 – Financial Instruments and Financial Risk Management (continued)

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

	30 September 2014 (\$'000)	31 December 2013 (\$'000)
10% weakening of the US dollar	580	361
20% weakening of the US dollar	1,160	722
10% strengthening of the US dollar	(580)	(361)
20% strengthening of the US dollar	(1,160)	(722)

#### Liquidity risk

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

An analysis of the financial liabilities presented by maturity is detailed below. The contractual amounts disclosed in the maturity analysis are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

30 September 2014	Due in less than 3 months (\$'000)	Due between 3 months to 1 year (\$'000)	Due between 1 to 5 years (\$'000)	Total (\$'000)
Trade payables	2,798	-	-	2,798
Other payables	2,301	1,737	15,183	19,221
Interest bearing loan	390	30,780	5,000	36,170
	5,489	32,517	20,183	58,189

31 December 2013	Due in less than 3 month (\$'000)	Due between 3 months to 1 year (\$'000)	Due between 1 to 5 years (\$'000)	Total (\$'000)
Trade payables	4,208	3,021	-	7,229
Other payables	-	993	16,176	17,169
Other payables – current portion <sup>(1)</sup>	7,438	-	-	7,438
Interest bearing loan	-	25,750	2,500	28,250
	11,646	29,764	18,676	60,086

<sup>1</sup>. "Other payables – current portion" at 31 December 2013 was an amount due to Rio Tinto, with accrued interest, that was settled in ordinary shares of Minera IRL Limited on 28 January 2014. Additional details are provided in note 14, "Liabilities".

#### Market price of minerals risk

The Group's business exposes it to the effects of changes in the market price of minerals. Severe changes in the market price of minerals may affect the recoverability of the Group's investments in its mine, exploration assets and mining rights, and of the Company's intercompany receivables. However, considering the market prices in the last few years and available projections of future prices, the management believes that changes in market prices of minerals will not have a damaging impact on the Group's financial statements.

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended 30 September 2014 and 2013

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### Note 15 – Financial Instruments and Financial Risk Management (continued)

#### *Credit risk*

The Group is exposed to credit risk in so far as it deposits cash with various banks. However, the banks used are international institutions of the highest standing. In addition, the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in note 11, “Other Receivables and Prepayments”, by the government of Peru.

#### *Interest rate risk*

The Group has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 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. It is the policy of the Group to settle trade payables within the agreed terms and no interest is incurred on those liabilities.

#### *Price risk*

Investments by the Group in available-for-sale financial assets expose the Group to price risk. All of the available-for-sale financial assets are valued by reference to quoted market prices. The directors do not consider this risk to be material as the Group does not have a significant portfolio of available-for-sale financial assets.

#### *Fair values of financial assets and liabilities*

The Group uses various methods in estimating the fair value of financial instruments. The methods comprise of:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value is summarized in the table below.

	<b>30 September 2014 (\$'000)</b>	31 December 2013 (\$'000)
	<b>Level 1</b>	Level 1
<b>Financial assets</b>		
Available-for-sale investments	<b>5</b>	30
	<b>5</b>	30

The quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

### Note 16 – Other Income

In March 2014, the Company received proceeds of \$1,125,000 on the sale of its Chapi-Chapi project and recognized a gain of \$879,000.

## Minera IRL Limited

Notes to Condensed Interim Consolidated Financial Statements

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### Note 17 – Finance Expense

The following table details the finance expenses incurred during the nine months ended 30 September 2014 and 2013.

	30 September 2014 (\$'000)	30 September 2013 (\$'000)
Macquarie Bank finance facility	1,140	797
Macquarie Bank royalty buyback provision	1,396	-
Macquarie Bank amortization of deferred extension fee	782	-
Rio Tinto Ollachea Mining Rights Transfer Contract Payment	759	-
Rio Tinto share hold incentive bonus	744	-
Brokerage fee on sale of Argentinean bonds	341	-
Other	289	59
	<b>5,451</b>	<b>856</b>

### Note 18 – Capital 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.

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. Following 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.

The Company has entered into a contract with Generacion Electrica San Gaban SA for the supply of power to the construction and operation of the Ollachea project. The contract includes certain minimum power usages, including the payment of a penalty of \$500,000 in the event that the construction of Ollachea has not commenced by the end of March 2015.

## **Minera IRL Limited**

Notes to Condensed Interim Consolidated Financial Statements

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### **Note 18 – Capital Commitments and Contingent Liabilities** (continued)

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 \$11,451,000 (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 \$9,803,000, which represented 85% of the total proceeds. Under the terms of the Don Nicolás SPA, 15% of the proceeds were put into escrow and 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.

### **Note 19 – Related Parties**

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

During the period ended 30 September 2014, the Group did not enter into transactions with related parties with the exception of key management as disclosed in note 5.

The Directors of Minera IRL are listed in the Group's Annual report for the year ended 31 December 2013.

### **By order of the Board**

C. Chamberlain  
Executive Chairman