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Minera IRL
LIMITED

Annual Report & Accounts 2012

TSX(IRL) / AIM - BVL (MIRL)

Annual Report & Accounts
2012

For the Year Ended 31 December 2012

Projects Minera IRL

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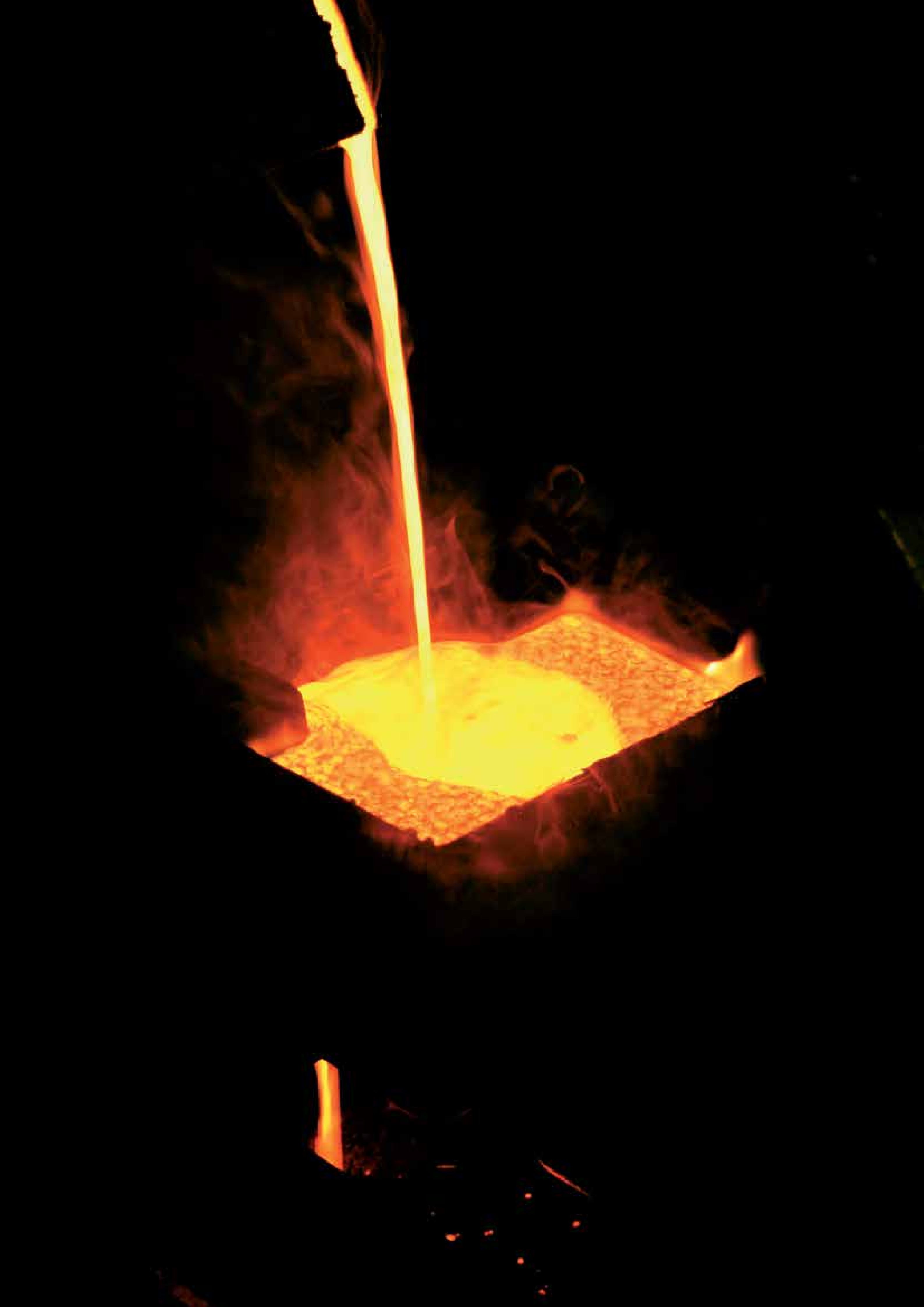
HIGHLIGHTS

- The Corihuarmi Gold Mine 2012 gold production of 27,321 ounces was ahead of forecast, but down 17.8% from 33,255 ounces in 2011. Also, 2012 site operating costs were $581/oz, up 41.7% from $410/oz
- 2012 gold sales of 27,462 ounces, down 18.6% from 33,718 oz in 2011 and realised gold price of $1,673/oz, up 6.5% from $1,570/oz in 2011, and this resulted in sales revenue of $46.0 million in 2012, down 13.2% from $53.0 million in 2011
- Gross profit down 25% to $18.9 million in 2012, from $25.0 million in 2011
- EBITDA down 46% to $13.4 million in 2012, from $24.8 million in 2011
- Profit before tax down 47% to $8.5 million, from $16.1 million in 2011
- Profit after tax down 66% to $3.3 million in 2012, from $9.8 million in 2011
- In February 2012, completed a positive Don Nicolas Feasibility Study in Patagonia. Based on a gold price of US$1,250/oz, NPV (at 7% real) of US$40 million (pre-tax) and US$22 million (post-tax); an IRR (real) of 34.6% (pre-tax) and 22.8% (post-tax) and a payback period of 2.0 years (post-tax)
- In November 2012, the Company completed a positive Feasibility Study at the Ollachea Project in Peru. It indicated a robust project that is expected to produce over 920,000 ounces during a 9 year mine life. Using a gold price assumption of $1,300/oz, the project generates a NPV (at 7% real) of $256 million (pre-tax) and $155 million (post-tax), an IRR (real) of 29.2% (pre-tax) and 22.1% (post-tax) and a payback period of 3.7 years (post-tax)
- Subsequent to the end of the year, the Company completed the development of the 1.2km Ollachea exploration tunnel and began underground drilling of the eastern extension of Minapampa
- Subsequent to the end of the year, the Company completed a successful equity raising for gross proceeds of approximately C$15.5 million by issuing 21,775,000 ordinary shares at a price of C$0.71 per share (equivalent to £0.45 based on exchange rate at pricing) on 7 February 2013
- Cash held of $6.2 million as at 31 December 2012

Note: $ represents USD unless otherwise stated.



CHAIRMAN'S STATEMENT

I am pleased to present the Minera IRL Limited Annual Report to shareholders, our seventh as a publicly listed company.

Every significant goal that we set for 2012 was achieved resulting in an outstanding year, firmly establishing the foundations for our growth aspirations. Our Corihuarmi Gold Mine continued to underpin the Company's finances with a strong cash-flow contribution. We completed Feasibility Studies ("FS") on our flagship Ollachea Project in Peru and also on the Don Nicolas Project in Argentina. The latter was granted the development permit and the permitting process has commenced at Ollachea. Resource updates were completed at both projects further improving the quantity and quality of the Company's gold inventory. A highly successful 1.2 kilometer long production size exploration drive was completed into the hanging wall of the orebody at Ollachea in January 2013. Long term development and production agreements were signed with both the Ollachea community and communities close to Don Nicolas further demonstrating the Company's commitment and ability to establish true alliances with the local people.

Projects

Corihuarmi Gold Mine

The Corihuarmi Gold Mine, located in the Peruvian high Andes, continued to perform well throughout the year. In line with expectations, grade continues to decrease as the mine matures resulting in lower production than previous years. Nevertheless, the 27,321 ounces produced was 30% higher than budget and the site cash operating cost was a respectable $581 per ounce. The average gold price received was $1,673 per ounce, $103 per ounce higher than the previous year.

Corihuarmi has now been in production for five years and produced over 180,000 ounces of gold. This is well in excess of the feasibility study projections of a four year mine life to produce 112,000 ounces. The current mine life now extends until 2015, but a study is in progress to mine and treat a low grade resource from Cayhua, very close to the existing heap leach pads. If successful, this could extend the mine life for at least another year.

Ollachea

Excellent progress was made in advancing Ollachea, Minera IRL's flagship project in southern Peru.

A 31 hole, 12,840 meter, in-fill diamond drilling program was completed into the core Minapampa Zone bringing the total drilled since 2008 to 208 holes for over 81,000 meters. The in-fill program was designed to further validate the Minapampa resource and confirm predictability and continuity of the gold bearing lenses. We obtained an excellent result with the ensuing updated resource estimate checking closely with the earlier estimate. The Indicated Resource, all in the Minapampa zone, now stands at 10.7 million tonnes grading 4.0 g/t containing 1.4 million ounces of gold. The Inferred Resource, which includes over 0.9 million ounces at Concurayoc only 400 meters to the west of Minapampa, now stands at 13.7 million tonnes grading 2.9 g/t containing 1.2 million ounces of gold. The Ollachea deposit remains open and untested along strike in both directions as well as down-dip.

Intensive work continued throughout the year on the Ollachea FS and was completed and announced to the market at year end. This study on the Minapampa Zone, supported by much new information from test work and design, correlated well with the Pre-feasibility Study completed approximately 16 months earlier. The FS provides more detailed confirmation of an economically robust project with production of over 920,000 ounces. Capital cost has been estimated at $177.5 million and an average cash operating cost of $499 per ounce. The base case financial model assumed a gold price of $1,300 per ounce; on that basis the life-of-mine post tax cash flow was estimated at $325 million, the after-tax NPV (at 7% real) was $155 million, an

IRR of 22.1% and a pay-back period of 3.7 years. The Environmental Impact Assessment ("EIA") has been submitted and, assuming timely completion of the permitting process and arrangement of project finance, gold production is scheduled to commence in early 2015. There is potential for a significant addition to the initial nine year mine life through the upgrading and conversion of the resource at the Concurayoc Zone and extensions to the mineralized horizons along strike and down dip.

The 1,234 meter long, 5 meter high by 5 meter wide exploration drive, which will serve as the production access for the future underground mine, was completed in January 2013. This project was completed ahead of schedule and under budget. Ground conditions were better than expected in the slate country-rock, host to the gold mineralization, resulting in a more rapid advance rate than expected and requiring less ground support. Water in-flow was far lower than predicted in the geo-hydrology model which has significant positive implications on both capital and operating costs. Diamond drill exploration of the eastern strike extent of the Minapampa Zone, too steep to drill from surface, commenced from underground in early January 2013.

Community relations at Ollachea remain excellent, and a 30-year development and production agreement was signed. The Company supports important programs in health and welfare, nutrition, education and sustainable development. The Project already provides considerable employment to members of the community which, in turn, is making a significant contribution to the local economy.

Don Nicolas and Patagonia

The Minera IRL Patagonia business unit is located in the mining friendly province of Santa Cruz, Argentina, which is home to a world class, epithermal gold/silver geological district known as the Deseado Massif. Major mines include AngloGold Ashanti's Cerro Vanguardia Mine, the largest gold producer in southern Argentina, Hochschild and McEwen Mining's San Jose Mine and Pan American Silver's Manantial Espejo, whilst Goldcorp is developing the Cerro Negro Project and Yamana is about to commence development at Cerro Moro. Minera IRL Patagonia is now poised to join the above club with a new operation. In addition, the Company's tenement holding of some 2,600 square kilometers, amongst the largest in this volcanic window, provides excellent discovery potential.

The Don Nicolas FS was completed early in the year predicated upon two principal epithermal vein fields, La Paloma and Martinetas, located approximately 50 kilometers apart. The strategy has been to focus the FS on high grade, open pittable mineralization where a starter project can be developed rapidly and with low technical risk. The high grade Proven and Probable Reserves in the FS totalled 1.2 million tonnes grading 5.1 g/t gold and 10.4 g/t silver containing 197,000 ounces of gold and 401,000 ounces of silver, respectively.

The results of the FS have indicated an economically robust project. Metallurgical testing has confirmed high gold recoveries using a conventional carbon-in-leach ("CIL") plant with average annual production of 52,000 ounces of gold and 56,000 ounces of silver. Capital cost was projected to be $56 million with a cash operating cost, after silver credits, of $528 per ounce. Using a base case gold price of $1,250 per ounce, the post-tax cash flow was projected to be $36 million, the NPV (at 7% real) was $22 million, the IRR is 23% and the payback period is 2.0 years. A compelling feature of Don Nicolas is the high potential to increase the initial 3.6 year mine life through open-ended vein extensions and further brown-fields and near-by green-fields exploration.

Following the completion of the Don Nicolas FS, the EIA was submitted to the Santa Cruz authorities and the Development Permit was granted only five months later. A 10-year Social License Agreement was signed with the nearest communities where strong relationships are being forged.

At the time of writing, the Company was pursuing financing options to develop the project. Once project funding is in place, it is anticipated that production can commence approximately 12 months later.

The Company drilled 173 new extension and in-fill holes totalling 18,640 meters at Martinetas during 2012, which resulted in a significant increase in the resource base. The Measured and Indicated Resource has been increased to 8.6 million tonnes grading 1.7 g/t gold and 5.5 g/t silver for 469,000 ounces of gold and 1,515,000 ounces of silver, respectively. An additional 4.0 million tonnes grading 1.3 g/t gold and 3.9 g/t silver containing 165,000 ounces of gold and 505,000 ounces of silver are in the Inferred Resource category. All of the above is based on a lower cut-off grade of 0.3 g/t gold.

There are important implications in the above resource upgrade at Don Nicolas. The higher grade Measured and Indicated above 1.6 g/t gold now stands at 1.8 million tonnes grading 5.3 g/t gold and 12.3 g/t silver for 300,000 ounces of gold and 699,000 ounces of silver respectively, providing tangible evidence for extending the Don Nicolas mine life. Low grade Measured and Indicated Resource between 0.3 g/t and 1.6 g/t gold has increased to 6.8 million tonnes grading 0.8 g/t gold and 3.7 g/t silver for 168,000 ounces gold and 816,000 ounces of silver respectively. Encouraging initial metallurgical testing of the low grade mineralization is being followed up during 2013 to support a feasibility study on a heap leach circuit to run in parallel with the high grade CIL plant. Success from such a study could provide a significantly increased gold stream in future years.

In addition to the large drilling program at Martinetas, the exploration team continued to explore epithermal vein systems within the Company's large lease package. During the year, a further drilling program was carried out on the Michelle tenements in the vein field along strike from Anglo Gold's Cerro Vanguardia Mine. Whilst no discovery was made, the results were of interest and further exploration is required on that property. Further work is also required on the Escondido leases as a number of new drill targets have been identified following field work, including mapping and sampling of outcropping veins. Several other highly prospective areas demanding geological exploration advance, including Microondas and Cecilia, have been included in the 2013 exploration budget.

Financial Results

Production from the Corihuarmi Gold Mine was, as expected, lower than 2011 but yielded an impressive revenue stream of $46.0 million (2011: $53.0 million). The decrease in revenue compared to 2011 was due to lower gold production although this was partially offset by the gold price from spot sales increasing from an average of $1,570 per ounce to $1,673 per ounce in 2012. A 60.2% increase in waste mined in 2012 contributed to a higher cost per ounce produced despite an overall decrease in the cost of sales to $27.1 million (2011: $28.0 million). The combined effect was a lower gross profit of $18.9 million (2011: $25.0 million). Administration expenses of $9.2 million were approximately 12% higher than the prior year (2011: $8.2 million). This combined effect resulted in a decreased operating profit of $8.8 million (2011: $16.4 million). The income tax expense, which arises largely in Peru, decreased to $5.2 million (2011: $6.3 million) with the decrease in profit before tax in Peru. The Company's profit after tax decreased to $3.3 million (2011: $9.8 million).

The group spent a total of $50.0 million in cash (2011: $35.7 million) on development and exploration during the year of which $49.7 million (2011: $34.7 million) was added to the intangible assets of the group ($35.3 million for the Ollachea project) and $0.3 million (2011: $1.0 million) was recognised as an exploration expense in the consolidated statement of total comprehensive income.

At the end of 2012, the Group had a cash balance of $6.2 million. In March 2012, the Company raised gross proceeds of C$33.1 million which was largely depleted during the year due to the Company's extensive exploration and development programs. This project advancement also necessitated the drawdown of the second $10 million tranche of the Macquarie Bank $20 million debt facility late in the year. In February 2013, the Company successfully completed a further $15.5 million financing through the international equity markets.

Board of Directors and Executive Management

There were no changes in the Minera IRL Limited Board of Directors in 2012. The Company is presided over by five directors, which includes four outstanding independent directors with extensive experience and diverse backgrounds. Mr. Brad Boland has been appointed Chief Financial Officer ("CFO") effective 1 April 2013 and is replacing Mr. Tim Miller, who is stepping down for personal reasons. Mr. Boland will be based in Toronto, Canada. Mr. Boland is a past CFO of Azul Ventures Inc., Crocodile Gold Corp. and Consolidated Thompson Iron Mines Ltd. Prior to this, he held senior posts in the financial divisions of Kinross Gold Corporation and Goldcorp Inc. I welcome Mr. Boland to our team and extend my sincere thanks to Mr. Miller for his dedication and major contributions to the Company during his tenure with the Company.

Corporate Governance

Minera IRL Limited has well defined policies that govern the Company. Strict environmental guidelines are followed at all projects and the Corihuarmi Mine has been constructed and operated under stringent environmental controls to an international standard. We have a very strong community relations team and a track record of working closely with local communities in all project areas. In addition to local employment and training, Minera IRL programs cover other areas of social importance including health, nutrition, education and projects aimed at sustainable development.

The Board of Directors maintains audit and compensation committees which further assist in the governance of the Company. Public and investor relations management have been developed in line with publically listed company standards.

Share Price Performance

In light of the outstanding achievements by the Minera IRL team in 2012, the share price performance was particularly disappointing. The share price commenced the year at £0.6675 and appreciated early in the year to allow the equity raising in March to be placed at £0.72 per share. Shortly thereafter, however, the international mining markets commenced a steep, persistent decline with Minera IRL unavoidably following the trend. The share price finished the year under these persistently unfavourable market conditions at a respectable £0.5162, a decrease of 23% from the beginning of the year.

Whilst the public raising at the beginning of 2013 was particularly difficult, the Company did successfully attract $15.6 million and was supported by most of its major shareholders. Of this amount, $6.2 million was raised in Peru and Chile, a good result which attracted a number of new investors and bodes well for renewed interest from South American retail investors. There was no participation from Canadian investors with the gold equity funds showing little appetite for new capital raisings.

Current Investment Climate and Country Outlook

Peru, the Company's major asset base, continues as an economic dynamo driven by the mining industry. The country has a sustainable average growth rate of 6% and inflation of 2%. The country has almost 400 operating mines producing over 250 tonnes per day; mining exports are projected to be over $25 billion in 2013. There are 47 mining projects under development with a total investment of $55 billion. The mining workforce is increasing at a rate of 20% per annum. All of this, plus excellent exploration potential, makes Peru an attractive destination for foreign investment.

Following a somewhat turbulent 2011 election year in Peru, 2012 was characterized by sound government under the leadership of President Ollanta Humala. The new excess profits tax, which replaced the federal royalty system, came into effect without significant adverse reaction from the mining community. The aim of the new system is to provide a more equitable distribution of funding to local communities. To their credit, the Humala government has also tightened up enforcement of environmental policy on illegal miners, which if left unchecked will continue as a serious environmental and occupational health issue, not only for the miners themselves but also for nearby communities in general.

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

In Argentina, a number of policies and actions by the government of Cristina Fernandez have created a negative international investment climate, especially in the mining sector. Early in 2012, the Argentina government nationalized 51% of the 57% interest in oil company YPF owned by Spanish company Repsol. Many international investors became concerned that such action could extend to the mining industry. Whilst we see no risk of this, international investors remain wary of Argentina. As a result, Minera IRL is actively seeking to fund the Don Nicolas project from capital sources within Argentina.

Notwithstanding the above, Minera IRL has received excellent support from both the Santa Cruz provincial government and the Argentina federal mining ministry. There are few jurisdictions in the world where a development permit can be obtained in only five months such as has been achieved at Don Nicolas. Whilst there is no question that there are problems such as high inflation, currency restrictions and import controls, we feel that the outstanding potential to grow our resource base and make new discoveries, potentially world class, outweighs short to medium term political issues.

I wish to convey my sincere appreciation to our fine Board of Directors, management team and all employees for their loyalty, dedication and hard work in building the Company. I would also like to thank our long term shareholders for their continuing support and to welcome those that have recently joined our Company's register. I feel very confident that the goals achieved in 2012, especially in demonstrating that we have two robust new gold mines ready to develop, places Minera IRL Limited in a very strong position to continue building a mid-tier gold mining company.

Courtney Chamberlain
Executive Chairman
Minera IRL Limited
27 March 2013

Note: $ represents US$ unless otherwise stated.

Board of Directors

COURTNEY CHARLES CHAMBERLAIN
Executive Chairman

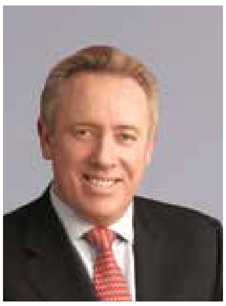
Metallurgist by profession with over 41 years experience in precious and base metals management, operations and development as well as consulting in Australia, Asia, Africa and both North and South America. He is a Fellow of the Australian Institute of Mining and Metallurgy. Mr. Chamberlain spent 29 years with Newmont Mining Corporation and Newcrest Mining Ltd, including 13 years on the Board of Directors of Newmont Australia Ltd and Newcrest responsible for operations and development. His responsibilities included key management roles in the development of the Telfer and New Celebration Gold Mines in Western Australia and the Cadia Mine in New South Wales. Mr. Chamberlain was a founding partner of Investor Resources Limited (IRL), a financial and technical advisor to the international mining industry. He initiated Minera IRL.

GRAEME DAVID ROSS
Non-executive
Director

Mr. Ross qualified as a Chartered Accountant in 1984 and is now a Partner in Rawlinson & Hunter, Jersey which is part of the Rawlinson & Hunter International Network. He has worked in Jersey's finance industry since 1986 and has in-depth knowledge and experience of the structuring and ongoing administration requirements of publicly owned Jersey investment vehicles. Mr. Ross is a shareholder in R&H Trust Co. (Jersey) Limited, which provide services to and or is remunerated by Minera IRL Limited.

DR. DOUGLAS ALAN JONES
Non-executive
Director

Dr. Jones (CP, Geo) is a geologist with 36 years of international exploration, exploration management and consulting experience in the mining industry. Between 2003 and 2007 he served as Vice President Exploration for Golden Star Resources, responsible for worldwide exploration. Before that he was Chief Geologist, New Business South America at Delta Gold Limited. He is currently the Technical Director of ASX and TSX listed Chalice Gold Mines Limited and a non-executive director of AIM and TSX listed Serabi Gold. Dr. Jones is also a former director of TSX, AIM and ASX listed company, Moto Goldmines Limited.



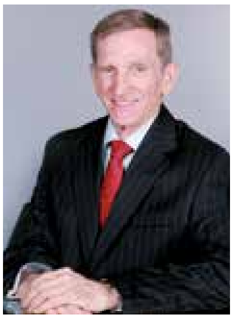
KENNETH PETER JUDGE
Non-executive
Director

Corporate lawyer with extensive business management and corporate development experience, having held numerous public company directorships and having been engaged in the establishment or corporate development of oil and gas, mining and technology companies in the United Kingdom, Middle East, USA, Australia, Europe, Canada, Latin America and South East Asia. He has undergraduate and post-graduate degrees in Commerce, Jurisprudence and Laws from the University of Western Australia and was awarded an Order of Australia Medal in 1984. Mr. Judge was the Executive Chairman of AIM listed Hidefield Gold Plc, until its acquisition by Minera IRL in December 2009; and is a senior consultant and advisor to Hamilton Capital Partners, and director of London Stock Exchange listed Gulfsands Petroleum Plc.

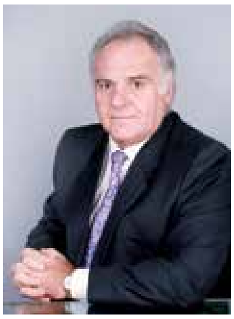
NAPOLEON VALDEZ
Non-executive
Director

Mr. Valdez has extensive business management experience and is the President of the Board and major shareholder of Cristalerias Ferrand, privately owned glass company. He is also the owner and director of Inversiones El Carmen, Agricola Topara and Gruval, Peru incorporated companies. Mr. Valdez is a Peruvian resident, a well connected and experienced South American businessman and well informed on the Peruvian mining industry in which he has been a long standing investor.

Management Team



Courtney Chamberlain, Group Executive Chairman and CEO (see Board of Directors)



Dr. Diego Benavides, President Minera IRL SA. Responsible for corporate, legal and community activities. Diego is a member of the Merger and Acquisition Committee. Lawyer by training with particular experience in the Latin American mining industry. Previous experience includes positions with Minera Mount ISA Peru SA, Minera Newcrest Peru SA and as a consultant to Minera Phelps Dodge Del Peru SA.

Brad Boland, Chief Financial Officer (as of April 2, 2013). Brad has over 15 years of experience in the mining industry and has held executive positions within the finance function at a number of companies in the resource sector, including Kinross Gold Corp., Goldcorp Inc., and more recently, at Consolidated Thompson Iron Mines Ltd., Crocodile Gold Inc. and Azul Ventures Inc. Brad has extensive experience in mine development, operations and finance.

Donald McIver, Vice President, Exploration. Donald is responsible for all exploration activities within the group. Donald is a fellow of the Australasian Institute of Mining and Metallurgy. He is a geologist by training with extensive international experience including over ten years in South Africa, two years in Ecuador and over nine years in Peru. He has previous production and exploration experience within consulting, project management and team environments.

Trish Kent, Vice President Corporate Relations. Responsible for group public and investor relations. Also closely involved with community relations and archaeology. Trish holds an Arts degree and has a diverse employment background which includes administration, project management roles, and experience in writing, production and editing of publications. Trish has lived and worked in a number of countries, is currently a resident of Peru and is proficient in Spanish.

Bill Hogg, In-house Consultant. Mechanical engineer by profession with post-graduate qualifications in construction management, Bill has over 35 years experience in the development of mining projects. Bill has extensive experience in project implementation and feasibility studies for mining related projects including gold and heap leach projects, working both with engineering and mining companies. Bill was Project Manager, based in Peru, for the construction and initial operation of Corihuarmi. Prior to this, he was a Project Manager for Ivanhoe Mines Ltd's Oyu Tolgoi Project in Mongolia from 2002 to 2006, filling a variety of roles as the project moved from discovery through to sinking of the first shaft.

Stuart Smith, Technical Manager. Metallurgist by training, extensive international experience in mine development including 13 years with Ausenco Limited an engineering and construction firm based in Australia. On a consulting basis, Mr. Smith is responsible for the management of technical aspects of the Company.

Frank O'Kelly, In-house Consultant. Plays a key role on the Merger and Acquisition Committee. Mining engineer and financier, based in Santiago, Chile. Frank has extensive International experience in mine development, operations and finance with Rosario Resources Corporation, Exxon Minerals Inc., Hudson Bay Mining Co., JPMorgan, Elders Finance and Standard Bank.

MINERA IRL LIMITED
Management's Discussion and Analysis
For the Year Ended 31 December 2012

*The following Management's Discussion and Analysis ("MD&A"), prepared as of 27 March 2013, 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 end 31 December 2012, which was 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 ("US") 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. The Company subsequently listed on the Lima Stock Exchange in Peru, Bolsa de Valores Lima ("BVL"), in December 2007 under the same trading symbol of "MIRL". In April 2010, the shares of the Company were listed on Toronto Stock Exchange ("TSX") under the trading symbol "IRL".

In Peru, the Company operates the Corihuarmi Gold Mine, has completed a feasibility study ("FS") on the Ollachea Project and is exploring a number of other gold prospects. In Argentina, the Company has completed a FS, received approval of its Environmental Impact Assessment and has been granted a development permit at the Don Nicolas Gold Project in Patagonia. In addition, the Company continues to prospect a large land package under exploration licences.

Details of the Company's corporate structure can be found on the website www.minera-irl.com.

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine

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. The Company acquired the Corihuarmi leases in 2002, and it was brought into production in March 2008.

Below is a summary of the key operating statistics for Corihuarmi for the three and twelve month periods ended 31 December 2012 and 2011:

Operating Parametre	Three Month Period Ended 31 December		Year Ended 31 December	
	2012	2011	2012	2011
Waste (tonnes)	110,483	100,546	513,486	320,475
Ore mined & stacked on heaps (tonnes)	483,374	470,738	2,064,382	2,000,733
Ore grade, mined and stacked (g/t)	0.41	0.45	0.50	0.68
Gold produced (ounces)	6,225	6,809	27,321	33,255
Gold sold (ounces)	6,537	7,408	27,462	33,718
Realised gold price ($ per ounce)	1,720	1,681	1,673	1,570
Site operating cash costs ($ per ounce) [1]	678	522	581	410

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

<u>Current Quarter</u>

Gold production during the fourth quarter of 2012 decreased by 9% to 6,225 ounces, against the 6,809 ounces produced in the same prior year period.

As expected, the grade was 9% lower for the quarter when compared with the same period in the prior year, and this resulted in lower production. Mining was split between the Susan outcrop and broken scree material below the outcrops. The site operating costs per ounce were 30% higher for the current quarter when compared to the same period in the prior year primarily due to fewer ounces produced, a strengthening Peruvian Nuevo Sol and general inflationary increases.

<u>Year</u>

Gold production during the year ended 31 December 2012 decreased by 18% to 27,321 ounces, from 33,255 ounces in 2011. The grade was significantly lower for the year when compared with the prior year, and this resulted in less gold being produced. The lower grade was in line with expectations. Site operating costs per ounce increased by 42% over the prior year primarily due to fewer ounces being produced, a strengthening Peruvian Nuevo Sol and general inflationary increases. This cost increase was partially offset by the 7% increase in the realised price per ounce of gold sales.

Ollachea Project - 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. The project was acquired from Rio Tinto plc in 2006. A surface rights agreement was signed with the local community in late 2007. The 100% owned company, Minera Kuri Kulla SA, was registered to own the leases and manage the Ollachea Project.

Drilling commenced with two diamond rigs in October 2008, and by the end of December 2011 81,073 metres had been completed in 208 holes.

A significant gold discovery was announced in early 2009 and a Scoping Study for the Minapampa Zone, based upon 49 diamond drill holes, was completed by Coffey Mining in November 2009. With the receipt of positive results from this Scoping Study, the Company undertook a Pre-feasibility Study, which was announced in July 2011. The Company recently released the positive results of its Feasibility Study in November 2012.

On 14 June, 2011, the Company released an updated National Instrument 43-101 ("NI 43-101") compliant resource estimate for the Ollachea Project. The resource estimate was carried out over the Minapampa and Minapampa East Zones and was an update on the November 2010 resource estimate. The subsequent in-fill drilling at Minapampa East contributed to the contained ounces in the Indicated category, increasing by nearly 20% to 1.4 million ounces. In the process both tonnage and grade increased. This increase was also assisted by an increase in the dry in-situ bulk density from 2.80 tonnes per cubic metre to 2.83 tonnes per cubic metre.

This NI 43-101 compliant resource estimate was carried out by consultancy Coffey Mining over the Minapampa Zone and the contiguous strike extension known as Minapampa East. The estimate was based upon 88 diamond drill holes for 31,980 metres at Minapampa and 32 diamond drill holes for 14,424 metres at Minapampa East, for a combined 120 drill holes totalling 46,404 metres. The resource estimate applies a 2 grams per tonne ("g/t") gold bottom cut and top cutting as appropriate for each of the seven discrete gold-mineralized horizons, or "lenses" that have been defined to date.

Several of the most easterly holes drilled at Minapampa East, beyond which steep terrain precludes further drilling from surface, returned strong gold intersections including DDH11-148 with 7 metres grading 20.7g/t gold and DDH11-152 with 3 metres grading 27.2g/t gold. This bodes well for future exploration of the eastern extension of the deposit from the underground exploration drive (see below for more details).

Management considers the drill exploration targets from underground to be compelling. The gold bearing structures outcrop for approximately one kilometre to the east of the Minapampa Zones. The most easterly drilling from surface recorded strong gold intersections and supports geological continuity of the open-ended Minapampa mineralization towards the east. Extremely steep terrain precludes further drilling from surface towards the east. The exploration tunnel, which was completed in January 2013 and is explained more fully below, was designed parallel to this eastern strike extension to provide suitable locations for underground diamond drilling from cuddies, or chambers, at regular intervals as the drive advances.

Based upon all of these positive results, the Company embarked upon a pre-feasibility study which was completed and announced on 17 July 2011. Furthermore, on 29 August 2011, the Company announced that it had committed to the construction of the 1.2 km exploration tunnel which to access the ore body defined in the Ollachea Pre-feasibility study. A well-known and experienced underground contractor, JJC Contratistas Generales S.A., was retained to execute the underground project. Consultants TWP Sudamerica S. A. were engaged to assist Minera IRL to manage the project. A general assembly of the Ollachea community overwhelmingly endorsed the project.

On 7 September 2011, the Company announced the maiden Inferred Mineral Resource at the Concurayoc Zone, approximately 400 metres west of the Minapampa Zone, based on infill drilling completed during the second quarter of 2011.

Inferred Mineral Resource (applying a 2.0g/t gold cut-off)

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Concurayoc	10.4	2.8	0.9

This NI 43-101 compliant mineral resource estimate was carried out by consultancy Coffey Mining Pty Ltd. The new estimate at the Concurayoc Zone, which covers a strike length of 700 metres, was based upon 45 diamond drill holes on approximately an 80 metres grid for 16,943 metres. The mineral resource estimate, reported at a 2g/t gold bottom cut-off, includes top cutting as appropriate for each of the six broad gold-mineralized horizons, or “lenses”, that have been quantified in the estimate. The total mineral resource at Ollachea is based upon 165 diamond drill holes for 63,347 metres.

The dip and spatial orientation of the mineralized zones at Concurayoc are broadly similar to the mineralized zones hosted within the Minapampa zones. Within the six horizons identified at Concurayoc, mineral resource modelling has additionally identified seven discrete higher grade lenses. Examples of higher grade intersections include drill hole DDH10-130 which intersected 33 metres grading 4.57g/t gold including 12 metres grading 8.66g/t gold, DDH10-135 with 7 metres at 4.03g/t gold plus 4 metres at 8.68g/t gold, DDH11-168 with 9 metres grading 3.38g/t gold plus 4 metres at 22.0g/t gold and DDH11-171 with 7 metres at 17.6g/t gold. The effective true width of mineralized intersections is expected to range between 67% to 98% of the width reported, with the majority of the drill holes reporting around 92% true width. The true width is dependent upon the variation of the angle of incidence between the trace of the Concurayoc exploration drill-hole(s) and the dip of the targeted mineralized horizon(s). The Ollachea Feasibility Study is predicated upon the Indicated Mineral Resource at Minapampa and Minapampa East which is only 400 metres from Concurayoc. As a result, the Company believes that the Concurayoc mineral resource has the potential to substantially enhance the life of mine of the Ollachea mine development.

On 7 June 2012, the Company announced that the Ollachea Community had extended the Surface Rights Agreement for the Ollachea Gold Project, Peru, for a period of 30 years. Minera IRL will continue with the community programs commenced during the past five years. These include health, education and sustainability programs. Of particular importance, going forward, will be the provision of educational personnel and infrastructure to train local residents in specialized mining related skills to support the future mine operations. The Company will also assist in the development of community enterprises for the provision of goods and services. The new 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, which holds the Ollachea leases, upon the commencement of commercial production.

On 18 July 2012, the Company announced that infill drilling has confirmed the resource estimate within the Minapampa Zone at the Ollachea Gold Project. The objective of this drilling program was to increase the confidence level in the Indicated Resource estimate by confirming continuity of gold bearing horizons and gold content through carefully targeted in-fill drill holes within the established Minapampa zone. A total of 31 holes for 12,840 metres of infill drilling have been carried out since August 2011. This process was considered important to ensure sign-off by future third party due diligence associated with project financing.

This resource update supersedes the Minapampa resource announcement of June 2011 (note: Minapampa and Minapampa East are now reported as a single resource known as Minapampa). The Inferred Resource at the Concurayoc zone, some 400 metres to the west of Minapampa, announced in September 2011, remains unchanged.

Indicated Mineral Resource applying a 2.0g/t gold cut-off

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	10.6	4.0	1.4

Inferred Mineral Resource applying a 2.0g/t gold cut-off

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	3.3	3.3	0.3
Concurayoc	10.4	2.8	0.9
Total	**13.7**	**2.9**	**1.2**

Included within the above resource envelope, the higher grade core Indicated Resource, using a 3.5g/t gold cut-off, has increased slightly to 5.1 million tonnes grading 5.3g/t gold containing 0.9 million ounces.

This Canadian National Instrument 43-101 ("NI43-101") compliant resource estimate was carried out by consultancy Coffey Mining Pty Ltd over the Minapampa zone. The new estimate was based upon 151 diamond drill holes for 59,509 metres. The resource estimate applies a 2g/t gold bottom cut and top cutting as appropriate for each of the seven discrete gold-mineralized horizons that have been defined to date. The dry in-situ bulk density within mineralized zones remains unchanged at 2.83 tonnes per cubic metre. An enhanced assay database has been provided by the re-assaying over one metre intervals or less of all mineralized early stage two metre assay intervals.

Better intersections obtained from the infill drilling program includes drill hole DDH11-188 with 8 metres at 10.7g/t gold plus 13 metres at 9.7g/t gold, DDH11-190 which intersected 20 metres grading 10.2g/t gold including 11 metres grading 15.3g/t gold and DDH12-197 with 18 metres grading 3.9g/t gold plus 16 metres at 11.4g/t gold.

The effective true widths of mineralized intersections listed above are expected to range between 97% to 99% of the widths reported. The true width is dependent upon the variation of the angle of incidence between the trace of the Minapampa resource drill-hole(s) and the dip of the targeted mineralized horizon(s).

On 29 November 2012, the Company released the results of the Feasibility study ("FS") on Minipampa. The FS was managed by AMEC Peru SA, which is part of the international engineering firm AMEC plc, in conjunction with Coffey Mining who has contributed the resource estimation and underground mining aspects. Part of the FS included limited final resource in-fill drilling with two diamond rigs which was completed in the second quarter of 2012. On 18 July 2012, the Company announced a resource update which confirmed the resource estimate within the Minapampa Zone at Ollachea based upon the results of this infill drilling program. The objective of this drilling program was to increase the confidence level in the Indicated Resource estimate by confirming continuity of gold bearing horizons and gold content through carefully targeted in-fill drill holes within the established Minapampa zone. This process was considered important to ensure sign-off by future third party due diligence associated with project financing.

The FS was based on a NI 43-101 compliant Indicated Resource of 10.6 million tonnes grading 4.0g/t gold containing 1.4 million ounces. This mine design and production scheduling has resulted in a Probable Mineral Reserve of 9.3 million tonnes grading 3.4g/t gold containing 1.0 million ounces. An underground mining and treatment rate of 1.1 million tonnes per annum has been established giving a mine life of nine years. The orebody will be accessed through a 1.2 kilometre slightly inclined tunnel from an adjacent valley. Mining of the steeply dipping lenses will utilize the sub-level open stoping method with cemented paste fill. The ore is metallurgically responsive to standard treatment techniques with a projected gold extraction of over 91%. Processing will be by way of conventional crush, grind and carbon-in-leach (CIL) technology.

Key performance and economic indicators are shown in the table below:

Parametre	Units	Key performance Indicator	
Mine life	Years	9	
Tonnes	Mt	9.3	
Grade	g/t Au	3.40	
Contained ounces	Moz	1.00	
Metallurgical extraction	%	91.0	
Ounces produced	Moz	1.01	
Pre-production capital cost	$M	177.5	
Life-of-Mine cash operating cost	$/t	49.2	
Life-of-Mine cash operating cost	$/oz	499	
		Base Case Gold Price	**Upside Gold Price**
Gold price assumption	$/oz	1,300	1,600
Pre-tax			
Project cash flow	$M	489	749
NPV at 5% real	$M	309	497
NPV at 7% real	$M	256	422
NPV at 10% real	$M	192	331
IRR (real)	%	29.2	40.2
Payback	Years	3.2	2.5
Post-tax			
Project cash flow	$M	325	486
NPV at 5% real	$M	194	310
NPV at 7% real	$M	155	258
NPV at 10% real	$M	108	194
IRR (real)	%	22.1	30.2
Payback	Years	3.7	3.0

Note:
1. $ represents US dollars.
2. NPVs based on mid-period discounting.
3. NPVs as at commencement of construction.
4. Pre-tax is before Special Mining Tax, Workers' Participation of 8% and Income Tax of 30%.
5. Payback starts from commencement of production.
6. 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 Second Additional Payment payable by MKK and due to Rio Tinto in accordance with Mining Claim Transfer Agreement dated 23 February 2007.

On 21 December 2012, the Company announced that it had submitted the Environmental Impact Assessment for the Ollachea project and thereby initiated the permitting process for the project.

In January 2013, the exploration tunnel reached its planned 1.2 kilometre objective, and did so more than a month ahead of schedule and approximately $1.1 million under budget. The speed and reduced cost associated with the completion of the drive as well as the practical experience gained indicates that assumptions used in the FS are conservative. This particularly relates to better ground conditions, a much higher advance rate and minimal water infiltration.

The Company commenced an underground drilling campaign in January 2013. The initial program consists of 4,000 metres of diamond drilling and results are pending. In addition to providing access for underground exploration drilling, the completed drive will facilitate rapid mine development when project permitting and project financing is in place, which is expected in the second half of 2013.

Don Nicolas Project - Development

In late 2009, Minera IRL completed the take-over of Hidefield Gold Plc ("Hidefield") via an all share transaction. This transaction enabled Minera IRL to acquire the Don Nicolas Project and an extensive exploration tenement package totalling some 2,700km^2 in the Patagonia region of Argentina. The project is located within a large geological complex known as the Deseado Massif. This geological formation hosts existing gold and silver mines and a number of recently discovered low sulphidation, epithermal gold deposits.

At the time of Minera IRL's takeover of Hidefield, the Don Nicolas Project was based upon a NI 43-101 compliant Indicated Resource of 1.078 million tonnes grading 5.8g/t gold containing 201,000 ounces plus an Inferred Resource of 1.075 million tonnes grading 4.6g/t gold containing 158,400 ounces. A Scoping Study completed in 2008 provided the basis for Minera IRL to embark on a full feasibility study. A substantial component of this study has included in-fill and extension drilling both to increase the confidence levels of the Measured and Indicated Resource and to also attempt to increase the number of ounces. On 29 August 2011, an updated resource estimate for the Don Nicolas Project was announced. This resource estimate supersedes the resource inventory inherited with the Hidefield transaction. That estimate was based upon a 1.0g/t gold lower cut-off grade so the new Minera IRL estimate is not directly comparable. However, a relatively small portion of the 89% increase in gold in the overall Measured and Indicated category is related to reducing the gold lower cut-off grade to 0.3g/t.

There are two vein field districts that make up the Don Nicolas Project, La Paloma and Martinetas. The reported resource is made up of nine vein systems (refer to the table below). At La Paloma, resources have been defined at the Sulfuro, Arco Iris, Ramal Sulfuro and Rocio Veins. Martinetas consists of five vein swarms contained in the Coyote, Cerro Oro, Armadillo, Lucia and Calafate deposits. The resource estimation methodology that was applied to each system was appropriate for the particular mineralized deposit. For Sulfuro, Arco Iris, Ramal Sulfuro, Rocio, Armadillo and Calafate, the Ordinary Kriging ("OK") technique was used and, using this method, no mine dilution was included in the resource estimate for these deposits. For Coyote, Cerro Oro and Lucia, the Multiple Indicator Kriging ("MIK") method was considered more appropriate and this method includes dilution for an assumed mining scenario and Selective Mining Unit ("SMU").

			Measured + Indicated Resource					Inferred Resource				
District	Deposit	Lower Au Cutoff (g/t)	Tonnes (kT)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)	Tonnes (kT)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)
La Paloma	Sulfuro [1]	0.3	1,192.3	4.5	171.9	16.1	617.3	535.0	1.2	20.6	5.4	92.5
		1.6	498.4	9.2	147.2	28.1	450.2	47.3	7.0	10.7	18.7	28.4
	Ramal Sulfuro [3]	0.3						134.8	2.3	8.3		
		1.6						58.5	3.0	5.1		
	Rocio [3]	0.3						89.2	4.1	11.9		
		1.6						89.2	4.1	11.9		
	Arco Iris [1]	0.3	36.8	1.7	2.1	2.2	2.6	262.4	2.4	19.4	2.1	17.5
		1.6	18.0	2.4	1.4	2.8	1.6	164.0	3.0	15.7	2.5	13.2
Martinetas	Cerro Oro [2]	0.3	2,528.5	1.1	85.6	3.9	316.5	995.8	1.0	32.9	4.1	130.7
		1.6	378.3	3.3	39.9	6.1	73.8	144.4	3.4	15.9	7.0	32.7
	Lucia [2]	0.3	94.1	1.3	4.1	0.8	2.3	225.5	1.1	7.9	2.1	15.3
		1.6	18.3	3.9	2.3	0.7	0.4	38.1	3.4	4.1	4.4	5.4
	Coyote [2]	0.3	1,603.4	1.9	99.7	3.5	179.5	612.6	1.6	30.5	3.1	60.9
		1.6	440.8	5.1	72.4	5.8	82.5	132.6	4.7	20.2	5.6	23.8
	Calafate [1]	0.3	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
		1.6	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
	Armadillo [1]	0.3	179.0	3.1	17.6	4.7	27.0	209.7	1.9	12.6	4.2	28.4
		1.6	102.7	4.9	16.1	6.2	20.5	66.0	5.0	10.6	6.9	14.6
TOTAL	***All Resource***	***0.3***	***5,638.1***	***2.1***	***381.4***	***6.3***	***1,146.5***	***3,068.5***	***1.5***	***144.8***	***3.5***	***346.6***
	High Grade	***1.6***	***1,460.5***	***6.0***	***279.8***	***13.4***	***630.3***	***743.5***	***4.0***	***94.9***	***5.0***	***119.4***

1 - Ordinary Kriged Estimate.

2 - Multiple Indicator Kriged Estimate -with a Change of Support to an SMU block (5mE x 2mN x 2.5mRL).
3 - Rocio and Ramal were not estimated by Coffey Mining. This Inferred Resource (gold only) is as previously reported by Hidefield in 2009 as estimated by Runge. Ramal was estimated by Runge but not included in the Hidefield estimate.
Note: Arco Iris and Calafate estimates were based within a notional 1.0g/t Au mineralized envelope - Therefore resources between 0.3g/t Au and 1.0g/t Au have not been estimated or included.

On 16 February 2012, Minera IRL announced the results of the Don Nicolas Feasibility Study. International engineering firm Tetra Tech managed the Feasibility Study, with the resource estimate compiled by Coffey Mining Pty Ltd. The high grade Measured and Indicated Resource formed the basis for the Feasibility Study. Mine design and production scheduling on this resource resulted in Proven and Probable Mineral Reserves of 1.2 million tonnes grading 5.1g/t gold and 10g/t silver containing 197,000 ounces gold and 401,100 ounces silver (contained within the reported Measured and Indicated Resource). An all open pit mining scenario was adopted for the Feasibility Study, with ore production from the two vein fields, Martinetas and La Paloma (location of the Sulfuro Vein). The conventional crush, grind and carbon-in-leach (CIL) treatment plant at Martinetas is planned to have a rate of 350,000 tonnes per annum providing initial expected mine life of 3.6 years. An average annual steady-state gold and silver production of 52,400 ounces and 56,000 ounces respectively at a cash operating cost of US$528 per ounce after silver credits is expected. From the reserves outlined to date, peak production is scheduled to occur in Year

2 of operation at 63,800 ounces of gold and 92,200 ounces of silver. The Project's logistics are excellent, with close proximity to a major highway, and an adequate supply of ground water has been defined.

Key performance and economic indicators are shown in following table:

Parametre	Units	Key Performance Indicator			
Mine life	Years	3.6			
Tonnes	Mt	1.2			
Grade - gold	g/t	5.1			
Grade - silver	g/t	10			
Gold Metallurgical extraction	%	92.1%			
Silver Metallurgical extraction	%	47.4%			
Gold produced	koz	181.0			
Silver produced	koz	190.2			
Pre-production capital cost	$M	55.5			
Sustaining capital cost	$M	7.3			
Life-of-Mine site cash operating cost	$/t	82.5			
Life-of-Mine total cash operating cost (after silver credit) excluding royalties	$/oz	528			
Gold price	$/oz	**Base Case $1,250**		**Upside $1,500**	
		Pre Tax	**Post Tax**	**Pre Tax**	**Post Tax**
Project cash flow	$M	58.7	36.1	101.6	62.2
NPV at 5% real	$M	44.7	25.1	82.2	48.0
NPV at 7% real	$M	39.9	21.6	75.6	43.7
NPV at 8% real	$M	37.6	19.8	72.4	41.4
IRR (real)	%	34.6%	22.8%	56.3%	38.1%
Payback period	Years	1.8	2.0	1.5	1.7

Note:
1. $ represents US dollars
2. Costs are in 4Q 2011$
3. Silver price of $25/oz assumed
4. NPV as at commencement of construction
5. Initial Capital Cost excludes IGV (general sales tax), which is recovered once in production
6. Pre-tax is before other taxes (5% export duty and 0.6% debit & 0.6% credit tax) and Corporate Income Tax of 35%
7. Post-tax includes tax deduction for prior expenditure and a deduction for allowable prior tax losses

The Company believes that there is significant opportunity for enhancement of the Don Nicolas Project in the future including the following:

- The low grade resource in the Indicated category totals 6.1 million tonnes grading 0.7g/t gold and 3.3g/t silver for a total of 143,000 ounces of gold and 648,000 ounces of silver. Preliminary metallurgical testing confirms that the ores are amenable to heap leaching techniques and planning is progressing for an expanded test program during early 2013 with the objective of completing a feasibility study on heap leaching during the second half of 2013. During the mining operation outlined in the Feasibility Study, 2.1 million tonnes of low grade material, included in the above resource, grading 0.7g/t gold and 3g/t silver containing 49,000 ounce of gold and 215,000 ounces of silver will be stockpiled. This can be readily reclaimed if heap leaching proves practical;
- Potential exists for a future underground mine at La Paloma where a resource already exists in the open ended high grade shoot which extends below the Sulfuro open pit;
- The 7,000 metre reverse circulation ("RC") in-fill and extension drilling program completed during 2011 at Martinetas was highly successful. A further 12,000 metre RC program commenced in March 2012 at Martinetas, and it successfully added 87,000 ounces in the Measured and Indicated category and 20,000 ounces to the Inferred category of the resource base. This in turn is expected to extend the proposed mine life;
- Potential to outline high grade gold and silver resources which may be defined from exploration prospects within trucking distance and treated at the Martinetas plant. Examples of planned follow-up exploration include reported intersections of 0.7 metres grading 136g/t gold and 157g/t silver and 4.2 metres grading 1.63g/t gold and 663g/t silver that have already been reported in separate systems at the Escondido discovery, approximately 35 kilometres from Martinetas;
- The newly discovered mineralized system at Choique which is located approximately 1km for the Martinetas Vein field. Additional details are disclosed below; and
- Further work is underway to investigate the potential to further reduce operating cost.

On 10 July 2012, the Company announced that it had signed a Social License Agreement for a period of 10 years with the communities of Jaramillo and Fitz Roy relating to the development of the Don Nicolas Gold Project, in the Province of Santa Cruz, Argentina. The objectives of the Social License Agreement are to jointly develop policies for local training, jobs and sustainable health programs as well as to establish supply companies to complement and diversify the provision of goods and services required by the future Don Nicolas mine. The Company views this agreement as a very important step forward in the development of the Don Nicolas Gold Project.

In early July 2012, an 18,700 metre extension drilling program was completed at the Martinetas area. The objective of this program is to increase the Don Nicolas resource base. In November 2012, the Company announced the following resource update.

			Measured + Indicated Resource					Inferred Resource				
District	Deposit	Lower Au Cutoff (g/t)	Tonnes (kT)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)	Tonnes (kT)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)
La Paloma	Sulfuro [1]	0.3	1,192.3	4.5	171.9	16.1	617.3	535.0	1.2	20.6	5.4	92.5
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	Ramal Sulfuro [3]	0.3						134.8	1.9	8.3		
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	Rocio [3]	0.3						89.2	4.1	11.9		
		1.6						89.2	4.1	11.9		
	Arco Iris [1]	0.3	36.8	1.7	2.1	2.2	2.6	262.4	2.3	19.4	2.1	17.5
		1.6	18.0	2.4	1.4	2.8	1.6	164.0	3.0	15.7	2.5	13.2
Martinetas	Cerro Oro, Coyote, Lucia [2]	0.3	7,002.0	1.2	270.6	3.6	812.9	2,416.8	1.1	83.4	3.8	293.1
		1.6	1,090.8	3.7	131.0	5.8	201.4	308.7	3.6	35.7	6.3	62.6
	Armadillo [1]	0.3	271.7	2.2	19.2	3.8	33.1	186.9	1.4	8.3	3.3	19.7
		1.6	111.8	4.6	16.4	5.9	21.0	45.7	4.1	6.1	5.7	8.4
	Choique [1]	0.3	84.3	1.6	4.4	17.7	48.0	389.2	1.0	11.9	6.6	82.6
		1.6	40.5	2.9	3.8	17.9	23.2	85.0	2.8	7.7	9.3	25.5
	Calafate [1]	0.3	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
		1.6	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
TOTAL	***All Resource***	***0.3***	***8,591.1***	***1.7***	***468.6***	***5.5***	***1,515.3***	***4,017.8***	***1.3***	***164.5***	***3.9***	***505.3***
	Plus 1.6g/t Cut-off	***1.6***	***1,763.5***	***5.3***	***300.2***	***12.3***	***698.9***	***713.4***	***4.2***	***96.0***	***6.8***	***155.2***

[1] Ordinary Kriged Estimate

[2] Multiple Indicator Kriged Estimate -with a Change of Support to an SMU block (5mE x 2mN x 2.5mRL)

[3] Rocio and Ramal were not estimated by Coffey Mining. This Inferred Resource (gold only) is as previously reported by Hidefield in 2009 as estimated by Runge. Ramal was estimated by Runge but not included in the Hidefield estimate.

On 6 September 2012, the Company announced the discovery of a significant mineralized system at Choique, which is located approximately 1km from the Martinetas Vein Field at the Don Nicolas Project. Results from 35 holes totaling 2,386 metres of drilling have demonstrated substantial gold and silver intersections in a new mineralized rhyolite dome host within 50 metres of surface. Furthermore, key high grade intersections include drill holes CH-D12-015 with 6.70 metres at 10.5g/t gold and 19.8g/t silver, CH-D12-018 with 6.10 metres at 5.43g/t gold and 27.6 g/t silver and CH-D12-021 with 11.10 metres grading 5.38 g/t gold and 5.26g/t silver. (Full drill results are available at the Company's website www.minera-irl.com) Management believes that the Choique discovery not only shows immediate potential for increasing the current Don Nicolas resource base and mine life, but also provides great encouragement for more potential discoveries close to Martinetas.

On 16 October 2012, it was announced that the Company received approval of its Environmental Impact Assessment and was granted a Development permit by the Santa Cruz government. The Company is negotiating to engage an engineering company and arranging finance to allow an early commencement of development. Mine development at Don Nicolas is expected to take approximately 12 months with target production in 2014.

Exploration Projects

Patagonia Regional Exploration

In addition to the Don Nicolas Project, the Company is advancing a number of exploration projects in Argentina's Patagonia region, including Escondido, Michelle and Chispas. Since Minera IRL's takeover of Hidefield late 2009, the Company has carried out extensive airborne and ground geophysical surveys. During the second quarter of 2011, a second heli-borne magnetic and radiometric geophysical survey totalling 5,374 line kilometres was completed over four project sites. This is in addition to the 4,400 line kilometres completed in 2010. The database generated by these programs is of exceptional quality and resolution and is of marked assistance to the geologists in identifying targets and fine tuning drill site locations.

The Escondido Project is contiguous to the Las Calandrias discovery first announced by Mariana Resources Limited in late 2009. Extension of the Las Calandrias mineralization into the Escondido property was confirmed by mapping and surface sampling conducted by Minera IRL, which identified a breccia zone in excess of 100 metres wide with anomalous gold and silver values over a strike length of some 700 metres. This was followed up by geophysical studies which identified structural and conductivity anomalies in several areas. The first phase of scout drilling was undertaken during the third quarter of 2010. Of the 11 holes drilled, 10 intersected gold mineralization demonstrating that a significant portion of the deposit lies within the Minera IRL Patagonia license.

On 15 September 2010, the results of the scout drilling were announced. Best intersections are:

- E-D10-02 **25.38 metres averaging 1.45g/t gold and 9.62g/t silver**, including 13.75 metres grading 2.39g/t gold and 14.56g/t silver
- E-D10-03 **100.0 metres averaging 1.19g/t gold and 7.77g/t silver**, including 48.00 metres grading 1.71g/t gold and 9.18g/t silver
- E-D10-07 **120.40 metres averaging 0.65g/t gold and 5.70g/t silver**, including 14.70 metres grading 1.30g/t gold and 11.86g/t silver and 8.40 metres grading 2.45g/t gold and 8.31g/t silver

In December 2010, the widely spaced second-pass scout drilling program was carried out. On the 3 March 2011, results of the drill program were announced, which confirmed that mineralization extends over almost 700 metres of strike from the northern tenement boundary and remains open-ended toward both the east and south-east. Selected intercepts from the second pass Escondido scout drilling are tabulated below:

Hole Number	Intercept			Assay - g/t		Gold Equivalent - g/t*
	From	To	Metres	Au	Ag	
E-D10-020	51.00	84.50	33.50	0.89	2.83	0.91
including	56.15	66.35	10.20	1.83	4.45	1.90
E-D10-022	10.00	62.45	52.45	0.64	9.51	0.80
including	26.00	29.45	3.45	3.53	26.37	3.97
E-D10-024	15.00	32.00	17.00	1.13	8.23	1.27
E-D10-027	20.60	65.00	44.40	0.52	1.79	0.55
E-D10-033	86.25	90.70	4.45	0.82	59.02	1.80

*Gold equivalent grade is calculated by dividing the silver value by 60 and adding this to the gold value.

An extended IP Gradient Array geophysical survey carried out in late 2010 showed a wide resistivity anomaly over the remaining 900 metres of untested ground between the current drilling and the eastern boundary of the Escondido tenement block. A substantial, chargeability anomaly coincident with the resistivity was identified. This led to a Phase 3 drilling in which 59 additional drill holes, for a total of 7,104 metres, was completed during the second quarter.

In July 2011, results from un-reported Phase 2 and the first 20 holes of Phase 3 Escondido drilling were reported. These results continued to confirm the low grade, bulk tonnage potential to the North West but also, for the first time at this project, reported high grade intersections. Selected intercepts are tabulated below:

Zone	Type	Hole Number	Intercept			Assay - g/t		Gold Equivalent g/t*
			From	To	Metres	Au	Ag	
NW	Vein	E-D10-026	89.30	90.00	0.70	136	157	139
NW	Bulk	E-D11-052 including	24.80 38.35	41.00 40.30	16.20 1.95	2.05 10.0	7.4 14.4	2.20 10.3
NW	Bulk	E-D11-053	38.95	58.60	19.65	2.43	10.4	2.64
		including	38.95	41.50	2.55	9.55	51.6	10.6
NW	Bulk	E-D11-055 Including	42.80 48.80	67.00 54.10	24.20 5.30	1.16 2.48	6.1 8.1	1.28 2.64
NW	Bulk	E-D11-057	28.40	72.00	43.60	0.84	6.8	0.98
SE	Vein	E-D11-036	68.70	78.90	10.20	0.17	76.1	1.69
SE	Vein	E-D11-037 Including	54.00 56.00	58.20 56.55	4.20 0.55	1.63 4.16	663 1,250	14.9 29.2
SE	Vein	E-D11-039 Including	37.60 40.00	41.00 41.00	3.40 1.00	0.71 1.19	193 509	4.57 11.4
SE	Bulk	E-D11-058	130.00	146.00	16.00	0.28	63.7	1.55

*Gold equivalent grade is calculated by dividing the silver value by 50 and adding this to the gold value.

At Pan de Azucar, part of the Chispas vein field, scout drilling was completed in the fourth quarter of 2010. The assay results were announced on 22 February 2011 from the first pass diamond drilling program at Pan de Azucar, one of many prospects within Minera IRL's 2,700 square kilometres of exploration licences in the Deseado Massif in Patagonia. Twenty seven holes were drilled for a total of 3,976 metres. This program probed a 950 metre strike length with staggered holes which targeted the vein structure between 30 and 160 metres below surface. This drilling at the Pan de Azucar prospect is the first step in a much larger program to explore more than 12km of other outcropping epithermal veins within the Chispas Vein Field.

Selected intercepts for the Pan de Azucar drilling are shown in the table below:

Hole	Intercept			Assay - g/t		
PDA-D10	From	To	Metres	Au	Ag	Host
001	68.4	69.5	1.1	5.10	650	Fault structure
005	48.0	51.25	3.25	5.81	5.55	Vein
including	49.6	50.3	0.7	15.5	21.4	Vein
009	45.95	50.95	1.0	2.61	12.1	Vein
011	88.47	89.08	0.61	3.00	80.2	Vein
017	47.80	49.14	1.34	2.89	7.31	Splay
019	78.02	80.00	1.98	3.51	8.28	Vein
and	114.3	129.96	15.66	3.37	11.2	Fracture zone
021	96.0	101.0	5.0	3.48	7.98	Vein
022	134.42	135.33	0.91	5.68	12.1	Vein
025	131.45	131.85	0.4	21.5	2.6	Splay
and	135.0	137.0	2.0	2.67	37.1	Vein

This drilling indicated that the Pan de Azucar vein is relatively deeply eroded. However, other veins, with a surface expression of some 11 kilometres within the Chispas project areas, appear to be largely un-eroded. Of particular interest is the Veta Sur vein which outcrops over a strike length of some 4km. The outcrop of this vein appears to be high in the system and, if this is correct, the vein can be expected to be largely intact. A 3,240 metre, 16 hole diamond drilling program was carried out in late 2011 to test other veins in the area. No significant intersections were recorded.

Exploration has identified approximately 22km of cumulative vein strike length at its 143km^2 Michelle Project, located immediately adjacent to AngloGold Ashanti Limited's majority owned and operated multimillion-ounce Cerro Vanguardia Gold-Silver Mine in Santa Cruz Province, Argentina. Many of the veins, which can be traced at surface from Cerro Vanguardia into Minera IRL's property, are Au-Ag bearing with classic low sulphidation epithermal textures that indicate significant depth potential. Of the 51 surface rock samples taken from the Michelle and Jackpot veins, 33 returned values above 1g/t gold, of which 16 were above 5g/t gold. Eleven samples analyzed also assayed above 30g/t silver including one sample of 1,460g/t silver. A 27 hole diamond drilling program totalling 4,698 metres was carried out in late 2011. Results were of sufficient encouragement to justify a further diamond drilling program in 2012, where the company completed 16 trenches for a total of 1,405m followed by a 3,180m, 23 hole diamond drilling program testing targets on 7 vein structures. Four holes returned assay results greater the 1g/t gold. Best results from the 2012 drill program included:

- MI-D12-038 0.70m @ 1.22g/t gold, 159g/t silver from 36.00m
- MI-D12-040 0.75m @ 0.13g/t gold, 569g/t silver from 72.00m

MI-D12-038 and MI-D12-040 both tested the Paris structure which has surface channel results of >1,000g/t silver. Many of the other drill holes intersected significant wide zones of gold anomalism (between 0.1g/t gold - < 1g/t gold). Overall, the 2012 assay results did not identify economically significant mineralization but many vein targets remain to be tested in future drilling campaigns.

Bethania Prospect
The Bethania Project comprises three exploration licenses held for some years by Minera IRL plus an additional 942 hectare lease under option from Minera Monterrico Peru SAC ("Monterrico") to acquire 100% ownership for a total holding of 3,294 hectares. Limited exploration had previously been carried out by Newcrest in 1998. Bethania is located only 10km from the Minera IRL's Corihuarmi Gold Mine in the high Andes of central Peru. The target is a large porphyry gold or gold/copper deposit. An extensive alteration zone, measuring approximately 3.5km by 1.2km, is associated with an Induced Polarization chargeability/resistivity anomaly indicating the presence of extensive disseminated sulphide mineralization.

On 5 July 2010, the Company announced an update on the phase 1 exploration program. The program consisted of a 12 hole, 4,856 metre RC drilling program. The drilling program encountered substantial intersections of low grade gold, copper and molybdenum in a porphyry setting. Six drill holes intersected broad zones of gold copper molybdenum mineralization, characteristic of the targeted porphyry system. The best drill hole results, from RC10-BET10 intersected 276m from surface averaging 0.38g/t gold, 0.09% copper and 30ppm molybdenum including, also from surface, 72m at 0.66g/t gold, 0.13% copper and 40ppm molybdenum. Hole RC10-BET07 averaged 0.32g/t gold, 0.09% copper and 32ppm molybdenum over the entire 426m of the hole and included a better zone of 124m at 0.39g/t gold, 0.10% copper and 22ppm molybdenum from 260m down hole. Drill hole RC10-BET09 recorded two intersections, 90m from surface at 0.46g/t gold, 0.15% copper and 54ppm molybdenum plus 64m from 216m down hole grading 0.41g/t gold, 0.11% copper and 25ppm molybdenum. Drill hole RC10-BET11 averaged 0.29g/t gold, 0.10% copper and 30ppm molybdenum for 424m from surface.

Based upon the encouraging results from the 2010 Bethania exploration program, the Company undertook an additional drill program in 2011. The 2011 Bethania Project drill program was carried out in two stages. The first stage of exploration drilling included 7 diamond drill holes for a total of 2,099 metres. The second stage of drilling, completed during October 2011, included 6 drill holes totalling 723 metres. Confirmation drilling in the mineralized zone drilled in 2010 was positive, but drilling at the other targets failed to intersect significant mineralization. The Company has identified additional prospective targets that have yet to be drill tested.

Although this gold-copper system is yet to be fully understood, the results received thus far indicate that potentially economic gold/copper porphyry style mineralization might be present in this large mineralized system.

For example, drill hole DDH11-BET01 obtained an intersection of 72 metres at 0.72g/t gold and 0.14% copper. This hole was designed to twin hole RC drill hole RC10-BET10 which intersected 72 metres at 0.66g/t gold and 0.13% copper. This indicated:

- There was a 9% increase in gold grade between the twinned diamond drill hole and the RC drill hole in this instance.
- The mineralization of interest in DDH11-BET01 continues down vertically for 100 metres from surface (i.e. 100 metres at 0.64 g/t gold and 0.13% copper).
- It has been recognized that gold and copper content is associated with the intensity of quartz-magnetite-sulphide stockwork veinlets within magnetite-feldspar-biotite-silica potassic alteration zones.

The tenor and consistency of grade distribution that has been intersected from surface justifies continued exploration interest in this mineralized gold porphyry system, which has been interpreted to form a minor part of a far larger hydrothermally altered lithocap which is known to extend for more than 15 kilometres along the Central Andean trend.

There was no exploration activity at Bethania during the current period, however, the Company did enter into an amended agreement with Minera Monterrico Peru SAC to provide for a 5 year extension. Under the terms of the amended agreement:

- Minera will pay $1 million at the end of year 3;
- Minera will pay $10 per ounce of gold contained in Proven and Probable Mineral Reserves as defined in a FS;
- In the event that a FS has not been completed by the end of year 5, then Minera will pay $2 per ounce of gold contained in the Measured and Indicated Mineral Resource. This payment will be deductible against future payments for gold in Mineral Reserves as described above;
- The term of the agreement can be extended for up to an additional 5 years with annual payments of $1 million; and
- Minera has the right to terminate the agreement at any time without further obligation, and accordingly the El Alcatraz 12 property will revert back to Monterrico.

Huaquirca Joint venture

Minera IRL entered into a Letter Agreement in June, 2010 with Alturas Minerals Corp. (“Alturas”) providing the opportunity for the latter to earn up to an 80% interest in the Company’s 6,903 hectare Chapi-Chapi project, located in the department of Apurimac in southern Peru. The Chapi-Chapi property block is immediately adjacent to Alturas’s 5,276 hectare Utupara property, both which lie within the Huaquirca copper-gold district. Together the two projects now comprise a larger joint venture area designated the Huaquirca Joint Venture (“Huaquirca JV”).

On 13 January 2011, Alturas and Minera IRL entered into an amendment of the Letter Agreement regarding the Huaquirca JV. The amendment modifies an earlier letter agreement announced on 2 June 2010 and grants Alturas an extension within which to execute drilling at Huaquirca JV.

The Chapi-Chapi property hosts a large copper-gold-molybdenum skarn system (the +3 km long “Chapi Chapi Corridor”) within Cretaceous limestone and cut by dioritic and monzonitic stockwork. In addition, the property hosts a large “gold-in-soils” geochemical anomaly located within fractured Cretaceous sandstones. The limestone in the Huaquirca District is part of the same unit that hosts large skarn deposits in the Apurimac-Cusco porphyry-skarn belt, such as the Tintaya and Las Bambas copper-gold skarn projects of Xstrata. The quartzite unit also hosts a significant copper oxide resource at the nearby Antilla project of Panoro Minerals, situated some 15km to the west.

In accordance with the amended agreement, Alturas has the option to acquire an 80% interest in the Huaquirca JV by starting drilling on the property no later than June 30, 2011, completing a minimum 15,000 metres of drilling on the Chapi-Chapi Property and completing a scoping study on any potential discovery before 31 December 2012. Once Alturas has fulfilled its obligations and has earned an 80% interest in the Huaquirca JV, both parties would contribute pro-rata according to their percentage interests, subject to usual dilution. If Minera IRL were to dilute its interest below 20%, then it has the option to convert that part of its interest to a 2% NSR. If Minera IRL were to further dilute its interest to below 10%, it would be entitled to an additional 1% NSR. The NSR is subject to a total buyout for $5M at Alturas’ option. Alturas is the operator of the exploration program on the Huaquirca JV and is responsible for all community and environmental issues during the drilling and Scoping Study phases.

On 30 June 2011, Alturas initiated a first phase of drilling, and it signed a new 2-year agreement with the Huaquirca community that gives Alturas access to community land for its planned exploration program and has obtained the permit to conduct its first phase drilling program from the Peruvian mining authority.

On 10 May 2012, Alturas announced encouraging assay results from its first phase diamond drill program. The program was comprised of 16 diamond holes for 5,498 metres drilled over the central part of the 4.5-by-2.5km mineralized area. The strong metal values intersected have confirmed a large copper-gold-molybdenum system, and highlight the need of a follow-up drilling program to define possible extensions of the intersected mineralized bodies and to explore numerous additional untested drill targets. Full program results can be viewed in the Alturas press release issued on 10 May 2012.

On 15 January 2013, it was announced that the Company had granted Alturas extensions of the terms within which to complete its exploration commitments at the Huaquirca property. Under the amended agreement Alturas has the option to earn an 80% interest in the Huaquirca Joint Venture by resuming exploration drilling no later than June 30, 2013 and completing a further 9,502 metres of drilling on the Chapi Chapi Property and completing a scoping study on any potential discovery before 31 December 2013.

Frontera Joint Venture

The Frontera project is a 35/65 joint venture with Teck Cominco, which is managed by the latter. The property consists of a 1,200 hectare package of tenements located in region I of northern Chile, on the north-western border with Peru and close to the eastern border with Bolivia.

No exploration activity was conducted on this property during the year.

Quilavira Project

The Company signed an option agreement in February 2010 to acquire the Quilavira Gold Project from Newcrest. The 5,100 hectare 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. The Peruvian company 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 will be transferred at nominal cost.

The main exploration target at Quilavira is an alteration zone approximately 1200m x 300m in size. Sampling by Newcrest identified a 200m x 200m zone of anomalous gold mineralization (>1g/t gold rock chip samples) within the western part of the alteration zone.

No exploration activity was conducted on this property during the year. Exploration activities are planned following the negotiation and signing of a surface rights agreement with the local community.

Summary of Quarterly Results

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

	Q1 Mar. '11	Q2 Jun. '11	Q3 Sep. '11	Q4 Dec. '11	Q1 Mar. '12	Q2 Jun. '12	Q3 Sep. '12	Q4 Dec. '12
Total revenue	10,969	13,161	16,436	12,476	11,073	11,111	12,549	11,255
Profit (loss) after tax	1,254	2,735	3,585	2,185	1,696	115	1,710	(188)
Total comprehensive income/(loss)	1,113	2,593	3,530	2,355	1,692	(982)	2,108	207
Net earnings/(loss) per share								
Basis (US cents)	1.0	2.3	3.0	1.8	1.3	0.1	1.1	(0.1)
Diluted (US cents)	1.0	2.2	2.9	1.8	1.3	0.1	1.1	(0.1)

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

Over the last eight quarters, the Company has experienced diminishing grades from production leading to higher operating costs, but this has been substantially offset by increased gold prices. However, the Company did experience a net loss during the fourth quarter of 2012.

Note – All of the results presented above 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 31 December		Year Ended 31 December	
	2012	2011	2012	2011
Corihuarmi				
Waste (tonnes)	110,483	100,546	513,486	320,475
Ore mined & stacked on heaps (tonnes)	483,374	470,738	2,064,382	2,000,733
Ore grade, mined and stacked (g/t)	0.41	0.45	0.50	0.68
Gold produced (ounces)	6,225	6,809	27,321	33,255
Gold sold (ounces)	6,537	7,408	27,462	33,718
Realised gold price ($ per ounce)	1,720	1,681	1,673	1,570
Site operating cash costs ($ per ounce) [1]	678	522	581	410
Financial				
Revenue ($'000)	11,255	12,476	45,988	53,002
Gross profit ($'000)	3,651	4,981	18,856	25,047
EBITDA ($'000) [1]	1,714	4,758	13,413	24,774
Profit/(loss) before tax ($'000)	611	2,846	8,490	16,063
Profit/(loss) after tax ($'000)	(188)	2,185	3,333	9,759
Comprehensive income/(loss) ($'000)	207	2,355	3,025	9,591
Earnings/(loss) per share				
Basic (cents)	(0.1)	1.8	2.3	8.2
Diluted (cents)	(0.1)	1.8	2.3	8.0

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

<u>Quarter</u>

During the fourth quarter of 2012, sales revenue decreased by 9.8% over the same quarter in 2011. This decrease was attributed to lower gold production for the period, but it was partially offset by an increase the realised gold price on sales.

The Company reported a loss after tax of $0.2 million for the fourth quarter of 2012, compared with a profit of $2.2 million in the same prior year period. Decreased production coupled with increasing production costs were the fundamental reason behind the decline.

Cash flow from operating activities decreased by $1.9 million from $3.6 million in the fourth quarter of 2011 to $1.7 million in the current period. This decrease can be attributed primarily to the payment of corporate income taxes in Peru.

Year
During the year ended 31 December 2012, revenue decreased by 13.2% as compared to the prior year period. This decrease was attributed to a lower grade ore being mined and accordingly less gold produced. This was partially offset by a 6.5% improvement in the gold sales price per ounce received. The Company continues to take advantage of high spot prices and does not employ a hedging program.

The Company reported a profit after tax of $3.3 million for the year compared with a profit of $9.8 million in the prior year. As stated for the quarter, decreased production coupled with increasing production costs and some non-recurring expenses, including share based payments totalling $0.6 million, attributed to the decline.

Cash flow from operating activities declined by $11.2 million from $14.5 million in 2011 to $3.3 million in 2012. This decrease is again attributed to larger income tax payments in Peru during the year. The reason for the increase stems from expenses that were incurred out of country and thus not deductible for tax purposes in Peru.

Administration expense as presented in the consolidated statement of comprehensive income was comprised of the following:

	2012 US$000	2011 US$000
Depreciation and amortization	148	161
Directors fees	179	139
Foreign exchange	432	(399)
Investor relations	443	456
Nomad and exchange fees	395	270
Office rent and administration	885	1,325
Professional and consulting fees	1,985	1,643
Salaries and wages	3,496	2,803
Telecommunication	385	418
Travel	582	770
Workers' profit participation provision	115	202
Other	146	423
Total	9,191	8,211

Cost of sales was comprised of the following:

	2012 US$000	2011 US$000
Site operating costs	15,447	13,536
Community and environmental costs	3,253	2,441
Depreciation and amortization	4,876	8,062
Selling expenses	257	405
Royalties and taxes	2,224	2,140
Workers' profit participation provision	1,075	1,371
Total	27,132	27,955

Selected Annual Information

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

Financial Data	**2012**	**2011**	**2010**
Revenue ($'000)	45,988	53,002	41,082
Total income/(loss) after tax ($'000)	3,333	9,591	2,847
Earnings/(loss) per share			
Basic (cents)	2.3	8.2	2.5
Diluted (cents)	2.3	8.0	2.4
Total assets ($'000)	204,097	136,110	124,516
Total liabilities ($'000)	55,097	24,131	22,173

Revenue in 2012 was down when compared to 2011 due primarily to a 17% decline in gold produced during the year. This resulted in a significantly lower after-tax profit for the year as well. The Company continued to expend the vast majority of its resources on the development of the Ollachea and Don Nicolas Projects which is evident in the Company's asset base.

Revenue in 2011 was significantly higher than 2010, due also to a higher realised gold price plus slightly higher gold sales. This contributed to a higher total income for 2011, offsetting the higher costs at Corihuarmi. The profit for the year gave a rise to an increase in total assets for 2011 compared with 2010. The majority of the expenditure on exploration and development, which again mainly related to the Ollachea and Don Nicolas Projects, was capitalized.

Liquidity and Capital Resources

As at 31 December 2012, the Company had cash of $6.2 million, compared with $11.1 million as at 31 December 2011.

As at 31 December 2012, the Company had a working capital deficit of $5.3 million, compared to $2.4 million deficit as at 31 December 2011.

As at 31 December 2012, 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	20,000	-	20,000	-	-	-	-
Property purchase payments *	21,000	7,140	6,930	6,930	-	-	-
Asset retirement obligation +	5,103	223	205	205	2,661	1,147	663

Note:

* This amount is an estimate of the Ollachea "2nd Additional Payment" payable to Rio Tinto Mining and Exploration Limited. The amount of the payment is yet to be finalised. The payment is calculated by taking 30% of the NPV (at 7%) of the Project, based on the feasibility study, less 30% of sunk costs.

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

The Company completed an equity offering on 5 March 2012. The Company issued 29,260,000 ordinary shares at a price of C$1.13 per share for gross proceeds of approximately C$33.1 million.

Additionally, the Company filed a base shelf prospectus with Canadian Securities Regulators on 12 July 2012. This base shelf prospectus will allow 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. The Company has no immediate plans to issue securities covered by the shelf prospectus.

On 2 November 2012, the Macquarie Bank Finance Facility dated 7 July 2010 was amended to make available the $10 million Tranche 2 Facility and extend the Facility Repayment Date from 31 December 2012 to 30 June 2014. The Amendment Agreement 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 on 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 additional options of 680,828 at $1.08 all with expiry on 31 December 2014. The Facility interest rate is LIBOR plus 5.0% margin.

In December 2012, the second Tranche of $10 million was drawdown in two separate $5 million 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 on 31 December 2014 were issued to Macquarie Bank.

Subsequent to the end of the year, the Company completed an equity offering via the issuance of 21,775,000 ordinary common shares for gross proceeds of approximately C$15.3 million.

Both the Ollachea and Don Nicolas projects will require additional financing in order to proceed with mine development, and consequently the Company is currently evaluating financing alternatives.

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 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. In the event that certain minimum power usages are not achieved, then the Group is exposed to a maximum penalty of up to approximately US$0.7 million.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, available for sale financial assets, loans and accounts payable and accrued liabilities. The carrying value of the financial instruments approximate their fair value because of the short-term nature of their maturity.

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 lines of credit with certain banking institutions. The Company is in the production and development stage and for 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 ongoing basis. The Company ensures 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. Management believes that the credit risk concentration with respect to receivables on sales 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, Peru and Argentina 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.

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

During the years ended 31 December 2012 and 2011, the Company had no transactions with related parties other than with key management as disclosed in note 6 of the consolidated financial statements.

Significant Accounting Policies and Critical Accounting Estimates

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.

The Company follows the accounting policies described in the audited consolidated financial statements for the year ended 31 December 2012 that was filed on SEDAR on 27 March 2013.

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.

<u>Intangible Assets</u>

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.

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.

Income Taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

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.

Estimation of Ollachea acquisition payment

The second additional payment to be made to Rio Tinto under the Ollachea acquisition agreement requires an estimation of the project net present value based on the feasibility study results and the sunk costs incurred on the project up to 31 December 2012.

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 consolidated financial statements.

Outstanding Share Data

The Company has an authorised share capital of an unlimited number of no par Ordinary Shares, of which 173,677,884 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 28,516,525 options issued and outstanding, of which 9,730,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's 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 regarding the Company's share and option data can be found in note 17 of the annual audited financial statements.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. Options outstanding
Share Option Plan Issued Options				
18 March 2008	18 March 2009 [1]	18 March 2013 [2]	£0.62 00	790,000
17 November 2009	17 November 2009	17 November 2014	£0.9125	2,300,000
25 January 2010	25 January 2010	25 January 2015	£0.8875	125,000
2 July 2010	2 July 2010	2 July 2015	£0.7250	50,000
17 November 2010	17 November 2010	17 November 2015	£1.08 00	2,6 30,000
3 April 2012	3 April 2012	3 April 2017	£0.8063	3,485,000
14 May 2012	14 May 2012	14 May 2017	£0.5875	200,000
4 September 2012	4 September 2012	4 September 2017	£0.52 50	150,000
Other Issued Options				
7 July 2010	7 July 2010	31 December 2014 [3]	US$1.08	6,944,444
30 September 2010	30 September 2010	31 December 2014 [3]	US$1.08	1,633,987
2 November 2012	2 November 2012	31 December 2014	US$1.08	680,828
4 December 2012	4 December 2012	31 December 2014	US$1.07	4,672,897
24 December 2012	24 December 2012	31 December 2014	US$1.03	4,854,369
Total				**28,516,525**

1. 50% of the options were exercisable after one year from the date of grant and the remaining 50% after two years.
2. The options granted on 18 March 2008 had an expiry date during a close/black-out period for the Company. Under the Company's Share Option Plans, the expiry date can be extended to 10 business days after the ceasing of the close/black-out period, as such these options have not yet expired.
3. In connection with an amendment to the Macquarie Finance Facility, the expiration date of these options was extended from 28 June 2013 to 31 December 2014. Additionally, the exercise price on the 1,633,987 options issued on 30 September 2010 was changed to $1.08 from $1.53.

Changes in Accounting Policies including Initial Adoption

Other than what is disclosed in Note 1 of the Company's audited annual financial statements, the Company has not and does not expect to adopt any new accounting policies subsequent to the end of the most recently completed financial year. The Company also did not adopt any new accounting policies during the most recently completed financial year.

Subsequent Events

Mr. Brad Boland has been appointed Chief Financial Officer ("CFO") effective 1 April 2013 and is replacing Mr. Tim Miller. Mr. Boland will be based in Toronto, Canada. Mr. Boland is a past CFO of Azul Ventures Inc., Crocodile Gold Corp. and Consolidated Thompson Iron Mines Ltd. Prior to this, he held senior posts in the financial divisions of Kinross Gold Corporation and Goldcorp Inc.

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.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the accounting principles under which the Company's financial statements are prepared. As required under Multilateral Instrument 52-109, management advises that there have been no material weaknesses identified and no changes in the Company's internal control over financial reporting that occurred during the most recent year ended 31 December 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As required under Multilateral Instrument 52-109, management advises that there have been no material weaknesses identified and no changes in the Company's internal control over financial reporting that occurred during the most recent year ended 31 December 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 2012 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 Person ("QP") responsible for the technical disclosure in this MD&A.

Non-IFRS Measures

1. "Site cash operating cost" figures are calculated in accordance with standards developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented in this MD&A may not be comparable to other similarly titled measures of other companies. Cash operating costs include mine site operating costs such as mining, processing and administration, but are exclusive of royalties, 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 the cash operating cost per ounce. 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 which 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.

2. The term EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is used, which are financial measures used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA is used because Minera IRL's net income alone does not give an accurate picture of its' cash-generating potential. Management believes that EBITDA is an important measure in evaluating performance and in determining whether to invest in Minera IRL. However, EBITDA is not a recognized earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS. It is not intended to represent cash flow or results of operations in accordance with IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as an indicator of Minera IRL's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.

Reports and Financial Statements Year Ending 31st December 2012

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The Group operates the Corihuarmi Gold Mine, has two projects that have reached full feasibility, as well as a number of exploration projects.

A full review of the business and plans for its future development are contained in the Chairman's Statement. A summary of the financial risk management policies and objectives is contained in the notes to the financial statements.

RESULTS AND DIVIDENDS

The total comprehensive income for the year after tax was $3,025,000 (2011: $9,591,000). No dividend was paid during the year and no final dividend is proposed. A profit of $3,333,000 (2011: $9,759,000) is to be transferred to retained earnings.

DIRECTORS

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

Director	Ordinary shares of no par value	
	31-Dec-2012	31-Dec-2011
C Chamberlain	3,492,692	3,492,692
D Jones	322,936	292,936
K Judge [(1)]	1,389,062	1,389,062
G Ross	5,000	5,000
N Valdez Ferrand	894,000	44,000

Note: (1) Hamilton Capital Partners, an associate company of Mr. Judge, is the direct or indirect holder of these Ordinary Shares.

On 31 December 2012, the directors who served during the year held the following share options under the Minera IRL Limited Incentive Stock Option Scheme:

Director	No. Held 31-Dec-2011	Granted	Exercised	Expired or cancelled	No. Held 31-Dec-2012	Exercise price (£)	Expiry Date
C Chamberlain	2,000,000	-	2,000,000	-	-	0.45	12-Apr-2012
	250,000	-	-	-	250,000	0.62	18-Mar-2013
	750,000	-	-	-	750,000	0.9125	17-Nov-2014
	500,000	-	-	-	500,000	1.08	17-Nov-2015
	-	470,000	-	-	470,000	0.8063	03-Apr-2017
D Jones	100,000	-	100,000	-	-	0.45	12-Apr-2012
	50,000	-	-	-	50,000	0.62	18-Mar-2013
	100,000	-	-	-	100,000	0.9125	17-Nov-2014
	120,000	-	-	-	120,000	1.08	17-Nov-2015
	-	160,000	-	-	160,000	0.8063	03-Apr-2017
K Judge	50,000	-	-	-	50,000	0.8875	26-Jan-2015
	120,000	-	-	-	120,000	1.08	17-Nov-2015
	-	160,000	-	-	160,000	0.8063	03-Apr-2017
G Ross	50,000	-	50,000	-	-	0.45	12-Apr-2012
	25,000	-	-	-	25,000	0.62	18-Mar-2013
	50,000	-	-	-	50,000	0.9125	17-Nov-2014
	120,000	-	-	-	120,000	1.08	17-Nov-2015
	-	160,000	-	-	160,000	0.8063	03-Apr-2017
N Valdez Ferrand	50,000	-	-	-	50,000	0.725	01-Jul-2015
	120,000	-	-	-	120,000	1.08	17-Nov-2015
	-	160,000	-	-	160,000	0.8063	03-Apr-2017

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

The ordinary shares that were acquired under the above noted share option exercises, on April 2, 2012 when the Company's share price was £0.65, were all sold with the exception of 30,000 ordinary shares that were retained by Dr. Jones. Furthermore, Mr. Valdez-Ferrand acquired a total of 850,000 ordinary shares. Otherwise, there have been no other movements in any of the directors' interests in the share capital of the Company between 1 January 2012 and 27 March 2013.

The Company's Articles of Association states that at every annual general meeting, one-third of the directors shall retire from office or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but if any director has at the start of the annual general meeting been in office for more than three years since their appointment or reappointment, they shall retire; and if there is only one director who is subject to retirement by rotation, he shall retire. As such, it is proposed that a minimum of two directors will retire by rotation and offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DONATIONS

The Company made no charitable donations outside of the areas in which it hopes to establish mines. However, extensive work is done to help the local communities of the Andean Cordillera where the Company is mining or is intending to establish mines, and where the relationship with the local communities is extremely important.

No political donations were made during the past year or the previous year.

SUBSTANTIAL SHAREHOLDERS

As at 27 March 2013, the Company has been notified of the following substantial shareholdings in addition to those of the directors:

	Number of Shares	Percentage of Issued Share Capital
Midas Capital plc	19,986,900	11.5
BlackRock Investment Management (UK) Limited managed funds	18,841,411	10.8
JP Morgan Asset Management (UK) Limited	14,519,105	8.4
Fratelli Investments Limited	13,163,016	7.6
Baker Steel Capital Managers (UK) managed funds	8,640,000	5.0

SPECIAL BUSINESS AT FORTHCOMING ANNUAL GENERAL MEETING

As per the previous Annual General Meeting, an ordinary resolution will be proposed at the forthcoming Annual General Meeting to give the directors the authority to allot the Company's Ordinary shares up to a maximum of approximately 50% of shares in issue at the time of the Annual General Meeting. This authority is being sought to give the Company flexibility to make further issues of shares.

Subject to the passing of this ordinary resolution a special resolution will be proposed to renew the directors' power to disapply the pre-emption rights specified in the Articles of Association of the Company in respect to the allotment of the same approximately 50% of shares in issue. These authorities, if granted, would be valid from the date of the passing of the resolutions until the date of the next Annual General Meeting.

DISCLOSURE OF INFORMATION

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

By order of the Board

Timothy W. Miller
Company Secretary
27 March 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. Company law in Jersey requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards.

The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing these financial statements the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain its transactions such as to disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements prepared by the company comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Minera IRL Limited for the year ended 31 December 2012 which comprise the consolidated and company statements of total comprehensive income, statements of financial position, statements of changes in equity, cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2012 and of the group's profit and the company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's and the Group's ability to continue as a going concern. The Group needs to raise additional funds to construct its projects or, in the event that such funds cannot be secured at the appropriate time, may need to raise funds for additional working capital or to refinance its existing loans in order to remain a going concern. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company or the Group was unable to continue as a going concern.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the parent company; or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's accounts are not in agreement with its accounting records; or
- we have not received all the information and explanations which are necessary for the purposes of our audit.

Jason Homewood
for and on behalf of PKF (UK) LLP
London, UK
27 March 2013

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the years ended 31 December 2012 and 2011

	Notes	2012 US$000	2011 US$000
Revenue		45,988	53,002
Cost of sales		(27,132)	(27,955)
Gross profit		18,856	25,047
Other income		2	200
Administrative expenses		(9,191)	(8,211)
Exploration costs		(280)	(1,014)
Share based payments	16	(585)	-
(Loss)/gain on disposal of available-for-sale investments		(50)	403
Operating profit		8,752	16,425
Finance income	5	289	56
Finance expense	5	(551)	(418)
Profit before tax	3	8,490	16,063
Income tax	7	(5,157)	(6,304)
Profit for the year attributable to the equity shareholders of the parent		3,333	9,759
Retranslation of foreign operations		-	102
(Loss)/gain on valuation of available-for-sale investments		(274)	18
Recycled on disposal of available-for-sale investments		(34)	(288)
Total comprehensive income for the year attributable to the equity shareholders of the parent		3,025	9,591

Earnings per ordinary share (US cents)			
- Basic	8	2.3	8.2
- Diluted	8	2.3	8.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 US$000	2011 US$000
Assets			
Property, plant and equipment	9	17,986	19,989
Intangible assets	10	159,359	88,474
Available-for-sale investments	12	183	547
Deferred tax asset	11	654	574
Other receivables and prepayments	14	13,266	7,253
Total non-current assets		191,448	116,837
Inventory	13	3,486	2,809
Other receivables and prepayments	14	2,917	5,330
Cash and cash equivalents	15	6,246	11,134
Total current assets		12,649	19,273
Total assets		204,097	136,110
Equity			
Share capital	16	134,163	100,752
Foreign currency reserve	16	231	231
Share option reserve	16	1,705	1,917
Revaluation reserve	16	20	328
Retained Earnings		12,881	8,751
Total equity attributable to the equity shareholders of the parent		149,000	111,979
Liabilities			
Interest bearing loans	17	20,000	-
Trade and other payables	17	14,000	-
Provisions	17	3,178	2,443
Total non-current liabilities		37,178	2,443
Interest bearing loans	17	-	10,000
Current tax		164	2,290
Trade and other payables	17	17,755	9,398
Total current liabilities		17,919	21,688
Total liabilities		55,097	24,131
Total equity and liabilities		204,097	136,110

The consolidated financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 March 2013.

Courtney Chamberlain
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2012 and 2011

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Reval-uation reserve US$000	Retained earnings US$000	Total US$000
Balance at 1 January 2011		**100,707**	**129**	**1,938**	**598**	**(1,029)**	**102,343**
Profit for the year		-	-	-	-	9,759	9,759
Gain on available-for-sale financial assets		-	-	-	18	-	18
Recycled on disposal of available for sale investments		-	-	-	(288)	-	(288)
Retranslation of foreign operations		-	102	-	-	-	102
Total comprehensive income		-	102	-	(270)	9,759	9,591
New share capital subscribed	16	45	-	-	-	-	45
Exercise and expiry of share options	16	-	-	(21)	-	21	-
Balance 31 December 2011		**100,752**	**231**	**1,917**	**328**	**8,751**	**111,979**

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Reval-uation reserve US$000	Retained earnings US$000	Total US$000
Balance at 1 January 2012		**100,752**	**231**	**1,917**	**328**	**8,751**	**111,979**
Profit for the year		-	-	-	-	3,333	3,333
Loss on available for sale financial assets		-	-	-	(274)	-	(274)
Recycled on disposal of available for sale investments		-	-	-	(34)	-	(34)
Total comprehensive income		-	-	-	(308)	3,333	3,025
New share capital subscribed	16	35,564	-	-	-	-	35,564
Cost of share issuance	16	(2,153)	-	-	-	-	(2,153)
Share options issued	16	-	-	585	-	-	585
Exercise of share options	16		-	(797)	-	797	-
Balance 31 December 2012		**134,163**	**231**	**1,705**	**20**	**12,881**	**149,000**

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2012 and 2011

	Note	2012 US$000	2011 US$000
Cash flows from operating activities			
Operating profit		8,752	16,425
Depreciation		4,661	8,349
Share based payments	16	585	-
Provision for mine closure costs and other		-	652
Loss on disposals of assets		38	89
Profit on disposal of available for sale investments		(50)	(403)
Investment impairment		-	80
Foreign exchange losses relating to non-operating items		(77)	-
Increase in inventory		(677)	(301)
Increase in other receivables and prepayments		(3,600)	(4,999)
Increase in trade and other payables		1,357	752
Payment of mine closure provision	17	(54)	-
Corporation tax paid		(7,363)	(5,751)
Net cash inflow from operations		3,572	14,893
Interest received		289	56
Interest paid		(551)	(418)
Net cash inflow from operating activities		3,310	14,531
Cash flows from investing activities			
Sale of available for sale investments		61	672
Acquisition of property, plant and equipment		(2,062)	(3,984)
Acquisition of available-for-sale investments		-	(152)
Deferred exploration and development expenditures		(49,730)	(34,728)
Net cash outflow from investing activities		(51,731)	(38,192)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	16	35,564	45
Cost of raising share capital		(2,153)	-
Receipt of loans	17	10,000	-
Net cash inflow from financing activities		43,411	45
Net decrease in cash and cash equivalents		(5,010)	(23,616)
Cash and cash equivalents at beginning of period		11,134	34,648
Exchange rate movements		122	102
Cash and cash equivalents at end of period	15	6,246	11,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements of the Company for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 27 March 2013.

Statement of Compliance

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

There has not been any significant impact on the financial statements, from new Standards or Interpretations which became effective during the year.

No Standards and Interpretations that have been issued but are not yet effective, and that are available for early application, have been applied by the group in these financial statements. There are no Standards or Interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future. Specifically, the Directors' have considered the impact of IFRIC 20 which concerns the treatment of stripping costs. The Directors are of the view that the accounting treatment detailed in this standard would not result in a change of the Group's accounting policy.

Basis of Preparation and Going Concern

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

In common with many exploration, development and mining companies, the Company raises finance for its exploration and development activities in discrete tranches to finance itself for limited periods only. Further funding is raised as and when required, the most recent being in February 2013 (note 21). The Company has the Corihuarmi gold mine, which is currently providing positive cash flow. The Company has also completed positive feasibility studies on the Ollachea and Don Nicolas Projects. Additional funding will be required to construct these projects and refinance existing loans.

Having taken into account the balance of cash at the year end, the recent equity fund raising, the fact that the Corihuarmi gold mine has a positive cash flow and the ability to manage expenditure, the Directors of the Company consider that it will have sufficient funds to continue as a going concern for the foreseeable future.

However, there are risks associated with operating a mine, and the development and financing of new mining operations which may give rise to the possibility that additional working capital may be required. In addition, existing loan facilities will need to be refinanced or renegotiated. Should additional capital be required, the Directors consider that further sources of finance could be secured in the required timescale.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies

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

(a) Principles of Consolidation

The consolidated financial statements incorporate the statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year.

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

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

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

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

(b) **Significant accounting estimates and assumptions**

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

Impairment

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

The depreciation of the mining assets of the group is calculated on a straight-line basis over the expected life of the mine. This calculation requires regular estimates to be made of the remaining reserves of ore in the mine, and will be subject to revision as further information about the size of the resource becomes available.

Environmental provisions

Management uses its judgement and experience to provide for and amortise the estimated costs for decommissioning and site rehabilitation over the life of the mine. The ultimate cost of decommissioning and site rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions estimated which could affect future financial results.

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 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.

Estimation of acquisition payment

The second additional payment to be made to Rio Tinto under the Ollachea acquisition agreement requires an estimation of the project net present value based on the feasibility study results and the sunk costs incurred on the project up to 31 December 2012.

(c) Revenue Recognition

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

(d) Income Tax

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign Currency

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

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

On consolidation, the assets and liabilities of the Group's overseas operations that do not have a US Dollar functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits, and money market investments readily converted to cash. Bank overdrafts are shown within borrowings in current liabilities. For the purposes of the Cash Flow Statements, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts.

(g) Trade and Other Receivables

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

(h) Intangible Assets

Deferred exploration costs

Once legal title is obtained, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against the result in the year in which the decision to abandon the area is made.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, Plant and Equipment

(i) Owned asset

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Mining assets are depreciated on a straight-line basis over the expected life of the mine. The amount of ore remaining and the expected future life of the mine are reviewed each year. During the year, the Company announced a revised mine plan that extended the mine life by two years, ending in 2015. The impact of this change in accounting estimates has been to decrease the depreciation charged on these assets by approximately $5,302,000.

(iv) Deferred development costs

When the technical and commercial feasibility of an area of interest has been demonstrated and the appropriate mining licence has been issued, the area of interest enters its development phase. The accumulated costs are transferred from exploration and evaluation expenditure and reclassified as development expenditure.

Once mining commences the asset is amortised on a straight line basis over the expected life of the mine. Provision is made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value, less costs to sell, and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- Unexpected geological occurrences that render the resource uneconomic;
- Title to the asset is compromised;
- Variations in metal prices that render the project uneconomic; and
- Variations in the currency of operation.

(k) Inventory

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

(l) Trade and Other Payables

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

(m) Segment Reporting

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

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated.

(o) Share Based Payments

The Group rewards directors, senior executives and certain consultants with share options. These instruments are stated at fair value at the date of grant, using the Black-Scholes valuation model, and are expensed to the income statement over the vesting period of the options. The valuation model requires assumptions to be made about the future, including the length of time the options will be held before they are exercised, the number of option holders who will leave the Company without exercising

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

their options, the volatility of the share price, the risk free interest rate and the dividend yield on the Company's shares. The resulting valuation does not necessarily reflect the value attributed to the options by the option holders.

(p) Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value, less attributable transactions costs. Subsequent to initial recognition they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(q) Available-for-sale Financial Assets

Available-for-sale financial assets comprise equity investments. Subsequent to initial recognition these assets are stated at fair value. Movements in fair value are recognised in other comprehensive wincome, with the exception of impairment losses which are recognised in profit or loss. Fair values are based on prices quoted in an active market if such a market is available. If an active market is not available, the Group establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis. When an investment is disposed of, any cumulative gains and losses previously recognised in equity are recognised in profit or loss. Dividends are recognised as profit or loss when the right to receive payments is established.

NOTE 2 - SEGMENT REPORTING

IFRS 8 requires operating segments to be identified on the basis of internal reports on the performance of the managerial units of the Group to the chief operating decision maker, in this case the Executive Chairman and the Board of Directors. The Group identifies these units primarily according to the country of operations. 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 (2011: one). The following table sets out the income and expenditure of the Group according to these reporting segments:

2012	Peru US$000	Argentina US$000	Other US$000	Total US$000
Mining revenue	45,988	-	-	45,988
Mining cost of sales	(22,278)	-	-	(22,278)
Mining gross profit	23,710	-	-	23,710
Other income	-	-	2	2
Exploration of properties	(57,603)	(13,562)	-	(71,165)
Capital expenditure	(2,369)	(475)	(5)	(2,849)
Administration	(4,933)	(1,350)	(2,909)	(9,191)
Net income/(expenditure)	(41,195)	(15,387)	(2,912)	(59,494)
Reconciliations				
Revenue				
Segmental revenues	45,988	-	-	45,988
Customer A	23,968	-	-	23,968
Customer B	22,020	-	-	22,020
Group revenues	45,988	-	-	45,988
Segment Result				
Segmental net income/(expenditure)	(41,195)	(15,387)	(2,912)	(59,494)
Exploration costs deferred	57,325	13,560	-	70,885
Depreciation	(4,853)	-	-	(4,853)
Capital expenditure	2,369	475	5	2,849
Share based payments	-	-	(585)	(585)
Loss on disposal of available-for-sale investments	-	-	(50)	(50)
Group operating profit/(loss)	13,645	(1,352)	(3,542)	8,752
Net finance income/(expense)	(1,363)	-	1,101	(262)
Group profit before tax	12,282	(1,352)	(2,441)	8,490
Group Assets				
(not allocated for internal reporting)				
Non-current assets	131,345	59,985	118	191,448
Inventory	3,486	-	-	3,486
Other receivables and prepayments	2,831	37	49	2,917
Cash and cash equivalents	4,050	143	2,053	6,246
Group total assets	141,712	60,165	2,220	204,097

NOTE 2 - SEGMENT REPORTING (continued)

2011	Peru US$000	Argentina US$000	Other US$000	Total US$000
Mining revenue	53,002	-	-	53,002
Mining cost of sales	(19,630)	-	-	(19,630)
Mining gross profit	33,372	-	-	33,372
Other income	-	-	2	2
Exploration of properties	(20,952)	(14,790)	-	(35,742)
Capital expenditure	(3,345)	(637)	(2)	(3,984)
Administration	(4,255)	(1,373)	(2,583)	(8,211)
Net income/(expenditure)	4,820	(16,800)	(2,385)	(14,365)
Reconciliations				
Revenue				
Segmental revenues	53,002	-	-	53,002
Group revenues	53,002	-	-	53,002
Segment Result				
Segmental net income/(expenditure)	4,820	(16,800)	(2,385)	(14,365)
Exploration costs deferred	20,285	14,443	-	34,728
Depreciation	(8,325)	-	-	(8,325)
Capital expenditure	3,345	637	2	3,984
Gain on disposal of available-for-sale investments	-	-	403	403
Group operating profit/(loss)	20,125	(1,720)	(1,980)	16,425
Net finance income/(expense)	(39)	(0)	(323)	(362)
Group profit before tax	20,086	(1,720)	(2,303)	16,063
Group Assets (not allocated for internal reporting)				
Non-current assets	81,068	29,522	6,247	116,837
Inventory	2,809	-	-	2,809
Other receivables and prepayments	279	5,001	50	5,330
Cash and cash equivalents	5,539	780	4,815	11,134
Group total assets	89,695	35,303	11,112	136,110

NOTE 3 - PROFIT BEFORE TAX

	2012 US$000	2011 US$000
Auditor's remuneration:		
Audit of group financial statements	114	105
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	143	120
Taxation services	44	-
Corporate finance services	18	17
Share based payments	585	-
Foreign exchange gains	(77)	(79)

NOTE 4 - STAFF NUMBERS AND COSTS

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

	Number of employees 2012	Number of employees 2011
Corporate finance and administration	60	74
Technical	154	132
Construction and production	462	353
	676	559

The aggregate payroll costs of these persons were as follows:

	2012 US$000	2011 US$000
Wages and salaries	13,818	10,871
Social security	1,695	1,265
Share based payments	585	-
	16,098	12,136

NOTE 5 - FINANCE INCOME/ (EXPENSE)

	2012 US$000	2011 US$000
Interest income	**289**	56
Interest expense	**(551)**	(418)
Net finance expense	**(262)**	(362)

NOTE 6 - REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Salary & fees US$000	Bonus US$000	Other Benefits [3] US$000	Share Based Payments [2] US$000	2012 Total Remuneration US$000
2012					
Directors:					
C Chamberlain	450	53	18	73	**594**
D Jones	45	-	-	25	**70**
K Judge [1]	45	-	-	25	**70**
G Ross	44	-	-	25	**69**
N Valdez Ferrand	45	-	-	25	**70**
Directors Total	629	53	18	173	**873**
Non-Directors:	1,826	256	273	323	**2,678**
TOTAL	2,455	309	291	496	**3,551**

Note:

1. The Director fees are paid to Hamilton Capital Partners Limited, with which Mr. Judge is associated.
2. The Share Based Payments were associated with options granted 3 April 2012. The options were granted with a strike price of £0.81 and a term of 5 years. See note 16 for further details.
3. Included within this amount was $104,000 in social security costs.

NOTE 6 - REMUNERATION OF KEY MANAGEMENT PERSONNEL (continued)

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments [2] US$000	2011 Total Remuneration US$000
2011					
Directors:					
C Chamberlain	273	39	20	-	332
D Jones	35	-	-	-	35
K Judge [1]	35	-	-	-	35
G Ross	34	-	-	-	34
N Valdez Ferrand	35	-	-	-	35
Directors Total	412	39	20	-	471
Non-Directors:	1,434	127	252	-	1,813
TOTAL	1,846	166	272	-	2,284

Note:

1. The Director fees are paid to Hamilton Capital Partners Limited, with which Mr. Judge is associated.
2. There was no Share Based Payment in 2011 as no options were issued and the options issued in the prior period vested in that period.
3. Included within this amount was $94,000 in social security costs.

NOTE 7 - INCOME TAX EXPENSE

	2012 US$000	2011 US$000
Current tax-foreign	**5,237**	6,801
Deferred tax	**(80)**	(497)
Income tax expense	**5,157**	6,304

The income tax expense charge for the year is higher than the charge on the profit before tax at the standard rate of corporation tax of 30% (2011: 30%) based on the Peru tax rate, the location of the Company's main operations. The differences are explained below:

	2012 US$000	2011 US$000
Tax reconciliation		
Profit before tax	**8,490**	16,063
Tax at 30% (2011: 30%)	**2,547**	4,819
Effects (at 30%) of:		
Expenses not deductible for tax purposes	**1,148**	820
Income not taxable	**-**	(192)
Unrecognised deferred tax movements	**775**	701
Adjusted to tax charge in respect of prior years	**-**	(335)
Withholding tax paid	**687**	491
Income tax expense	**5,157**	6,304

At 31 December 2012, the subsidiary operating the Corihuarmi gold mine In Peru, Minera IRL SA, has distributable reserves of $33.7M (2011: $25.9M). In the event of a dividend distribution income tax totalling $1.4M (2011: $1.1M) would be payable. No provision has been made for this amount as Minera IRL Limited has control over the timing differences of any distribution and no payment is likely in the foreseeable future.

NOTE 8 - EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of $3,333,000 (2011: $9,759,000) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 145,994,523 (2011: 119,580,021).

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

	2012 Profit US$000	**2012 Number of shares '000**	**2012 Earnings per share US cents**	2011 Profit US$000	2011 Number of shares '000	2011 Earnings per share US cents
Basic earnings	**3,333**	**145,995**	**2.3**	9,759	119,580	8.2
Dilutive effects-options	**-**	**8**	-	-	2,393	-
Diluted earnings	**3,333**	**146,003**	**2.3**	9,759	121,973	8.0

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	Mining assets & deferred development costs US$000	Land & buildings US$000	Motor Vehicles US$000	Computers & other equipment US$000	Total US$000
Cost					
Balance - 1 January 2011	35,443	1,308	2,786	2,475	42,012
Additions	2,112	777	296	799	3,984
Disposals	-	-	(229)	(2)	(231)
Balance - 31 December 2011	37,555	2,085	2,853	3,272	45,765
Balance at 1 January 2012	**37,555**	**2,085**	**2,853**	**3,272**	**45,765**
Additions	**1,615**	**774**	**85**	**376**	**2,850**
Disposals	**(37)**	**-**	**(64)**	**-**	**(101)**
Balance - 31 December 2012	**39,133**	**2,859**	**2,874**	**3,648**	**48,514**
Depreciation and impairment losses					
Balance - 1 January 2011	16,376	19	285	889	17,569
Depreciation for the year	7,248	13	466	622	8,349
Disposals	-	-	(140)	(2)	(142)
Balance - 31 December 2011	23,624	32	611	1,509	25,776
Balance - 1 January 2012	**23,624**	**32**	**611**	**1,509**	**25,776**
Depreciation for the year	**3,786**	**57**	**478**	**494**	**4,815**
Disposals	**(27)**	**-**	**(36)**	**-**	**(63)**
Balance - 31 December 2012	**27,383**	**89**	**1,053**	**2,003**	**30,528**
Carrying amounts					
Balance - 1 January 2011	19,067	1,289	2,501	1,586	24,443
Balance - 31 December 2011	**13,931**	**2,053**	**2,242**	**1,763**	**19,989**
Balance - 31 December 2012	**11,750**	**2,770**	**1,821**	**1,645**	**17,986**

Mining assets and deferred development costs relate to the Corihuarmi Gold Mine.

NOTE 10 - INTANGIBLE ASSETS

Deferred Exploration Costs	Ollachea	Don Nicolas	Other Peru	Other Argentina	Total
Balance - 1 January 2011	32,809	15,214	4,832	891	53,746
Additions	18,447	7,743	1,839	6,699	34,728
Balance - 31 December 2011	51,256	22,957	6,671	7,590	88,474
Additions [1]	56,299	10,540	1,026	3,020	70,885
Balance - 31 December 2012	**107,555**	**33,497**	**7,697**	**10,610**	**159,359**

Note:

1. The Ollachea property includes $21 million provided in respect of further payments to Rio Tinto Plc which are detailed in Note 17.

The carrying values of the remaining deferred exploration costs at the year 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 statement of financial position.

Both the Ollachea and Don Nicolas projects will require additional permitting and significant project financing in order to bring them into production and convert them into mining assets.

NOTE 11 - DEFERRED TAXATION

Recognised deferred tax assets

	2012 US$000	2011 US$000
Temporary differences	**654**	574

Unrecognised deferred tax assets

The Group has estimated tax losses of approximately $19.2 million (2011: $15.4 million) available to carry forward for offset against future profits. At the year end, a potential deferred tax asset of $5.7 million (2011: $4.5 million) has not been recognised because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

NOTE 12 - AVAILABLE-FOR-SALE INVESTMENTS

These securities, which consist of 493,434 common shares of Columbus Gold Corp. ("Columbus"), 398,224 common shares of Alturas Minerals Corp. and 397,520 common shares of Alix Resources Corp. ("Alix") have all been valued at their respective market prices as quoted on the TSX Venture Exchange on 31 December 2012.

NOTE 13 - INVENTORY

	2012 US$000	2011 US$000
Gold in process	**2,117**	2,030
Mining materials	**1,369**	779
	3,486	2,809

NOTE 14 - OTHER RECEIVABLES AND PREPAYMENTS

	2012 US$000	2011 US$000
Non-current assets		
Other receivables	**13,266**	7,253
Current assets		
Other receivables	**2,032**	4,856
Prepayments	**885**	474
	2,917	5,330

Included in other receivables is an amount of $14,792,000 (2011: $10,452,000) relating to sales tax paid on the purchase of goods and services. This balance is expected to be fully recovered in due course against the revenue earned from exploitation of the respective projects. Included within this is a total of $13,178,000 (2011: $7,253,000) relating to purchases for the Ollachea and the Don Nicolas projects, which will not be recovered in the next accounting period and has therefore been included in non-current assets.

NOTE 15 - CASH AND CASH EQUIVALENTS

	2012 US$000	2011 US$000
Bank balances	**6,246**	10,382
Term deposits	**-**	752
Cash and cash equivalents	**6,246**	11,134

NOTE 16 - CAPITAL AND RESERVES

As at 31 December 2012 and 2011, 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 2011	**119,527,884**
Share options exercised on 20 January 2011 for total cash consideration of $20,925	**30,000**
Shares options exercised on 20 January 2011 for total cash consideration of $24,025	**25,000**
Shares in issue 1 January 2012	**119,582,884**
Equity offering[1] completed 5 March 2012 for total cash consideration of $33,363,376	**29,260,000**
Share options exercised on 2 April 2012 for total cash consideration of $1,605,500	**2,230,000**
Share options exercised on 12 April 2012 for total cash consideration of $595,688	**830,000**
Total Shares in issue 31 December 2012	**151,902,884**

[1] On 5 March 2012, the Company issued 29,260,000 ordinary shares at a price of C$1.13 per share (equivalent to £0.72 based on exchange rate at time of pricing) as a private placement of ordinary common shares to raise gross proceeds of C$33,063,800. A total of $2,153,456 in commissions and professional fees was paid in cash in connection with this placement.

NOTE 16 - CAPITAL AND RESERVES (continued)

Share Options

The Company has a share option scheme for the benefit of directors, employees and consultants of the Group. The purpose of the scheme is to provide incentives to those people whose efforts and skills are most important to the success of the Group, and to ensure that the interests of the management of the Group are fully aligned with the interests of shareholders. The terms of the scheme allow the directors to decide at the date of grant when the option becomes exercisable. Options granted before 17 November 2009 allow for the exercise of half of the options after one year from the date of grant and half after two years. Options granted on or after 17 November 2009 allow immediate exercise. The options lapse on the fifth anniversary of the date of grant and have no performance conditions.

	2012		2011	
	Number of share options	**Weighted average exercise price (£)**	Number of share Options	Weighted average exercise price (£)
Outstanding - beginning of year	**8,955,000**	**0.78**	9,210,000	0.78
Granted during the year	**3,835,000**	**0.78**	-	-
Exercised during the year	**(3,060,000)**	**0.45**	(55,000)	0.53
Lapsed during the year	**-**	**-**	(200,000)	0.94
Outstanding - end of the year	**9,730,000**	**0.88**	8,955,000	0.78
Exercisable - end of the year	**9,730,000**	**0.88**	8,955,000	0.78

The average remaining contractual life of the outstanding options as at 31 December 2012 was 3.0 years (2011: 2.1 years).

On 2 April 2012, a total of 2,230,000 options at £0.45 were exercised when the share price was trading at £0.65 per share. A further 830,000 options at £0.45 were exercised on 12 April 2012 when the share price was trading at £0.62 per share.

On 3 April 2012, the Company granted a total 3,485,000 incentive stock options at an exercise price of £0.81 for a period of 5 years. Additionally the Company granted 200,000 incentive stock options at £0.59 for a period of 5 years on 14 May 2012. Finally, the Company granted 150,000 incentive stock options at £0.53 for a period of 5 years on 4 September 2012. These options were fair valued with a Black Scholes option pricing model using the following assumptions:

Date of Grant	03 April 2012	14 May 2012	04 September 2012
Share price on date of grant	£0.65	£0.47	£0.42
Exercise price	£0.81	£0.59	£0.53
Expected volatility	30%	30%	36%
Expected option life	3.5 yrs	3.5 yrs	3.5 yrs
Risk-free rate of return	0.75%	0.75%	0.75%
Expected dividends	Nil	Nil	Nil
Fair Value	£0.10	£0.07	£0.08

The fair value of these option grants resulted in a share based payment expense for the year totalling $585,000.

There were no options granted in the prior year.

NOTE 16 - CAPITAL AND RESERVES (continued)

The following table details the incentive stock options outstanding as at 31 December 2012:

Number of share options	Exercise price	Expiry date
150,000	£0.53	September 3, 2017
200,000	£0.59	May 14, 2017
3,485,000	£0.81	April 3, 2017
2,630,000	£1.08	November 17, 2015
50,000	£0.73	July 2, 2015
125,000	£0.89	January 26, 2015
2,300,000	£0.91	November 17, 2014
790,000	£0.62	March 18, 2013 [1]

[1] The stock options expiring on 18 March 2008 had an expiry date during a close/black-out period for the Company. Under the Company's share option scheme, the expiry date can be extended to 10 business days after the ceasing of the close/black-out period, as such these options have not yet expired.

Other Share Options

	2012		2011	
	Number of share options	**Weighted average exercise price ($)**	Number of share options	Weighted average exercise price ($)
Outstanding - beginning of year	**8,578,431**	**1.17**	8,578,431	1.17
Granted during the year	**10,208,094**	**1.05**	-	-
Outstanding - end of the year	**18,786,525**	**1.06**	8,578,431	1.17
Exercisable - end of the year	**18,786,525**	**1.06**	8,578,431	1.17

These options were issued as additional consideration to Macquarie Bank in connection with the interest bearing loan.

During the year a total of 1,633,987 options were repriced from $1.53 to $1.08 and extended from 28 June 2013 to 31 December 2014 in connection with the amendment of the Macquarie debt facility. In addition, 6,944,444 options were extended from 28 June 2013 to 31 December 2014.

During the year a total of 10,208,094 options were granted with an average strike price of $1.05 and an expiration date of 31 December 2014. These options were all granted in connection with further drawdowns under the Macquarie debt facility.

The following table details the other share options outstanding as at 31 December 2012:

Number of share options	Exercise price	Expiry date
6,944,444	$1.08	December 31, 2014
1,633,987	$1.08	December 31, 2014
680,828	$1.08	December 31, 2014
4,672,897	$1.07	December 31, 2014
4,854,369	$1.03	December 31, 2014

The options granted during the year were deemed to have an immaterial fair value and accordingly all of the proceeds received from the debt facility were attributed to the loan.

Dividends

The directors do not recommend the payment of a dividend.

NOTE 16 - CAPITAL AND RESERVES (continued)

Share Option Reserve

The share option reserve includes an expense based on the fair value of share options issued and remaining in issue at 31 December 2012.

Foreign Exchange Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that do not have a US dollars functional currency. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized in profit or loss in the period in which the operation is disposed of.

Revaluation Reserve

The revaluation reserve comprises the difference between the fair value of available-for-sale securities and the carrying cost at 31 December 2012.

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.

	At 31 December 2012 US$000	At 31 December 2011 US$000
Total interest bearing debt	**20,000**	10,000
Total equity	**149,000**	111,979
Debt-to-equity ratio	**13.4%**	8.9%

NOTE 17 - LIABILITIES

Interest bearing loans

	At 31 December 2012 US$000	At 31 December 2011 US$000
Non-current liabilities		
Bank loans due after one year	**20,000**	-
Current liabilities		
Bank loans due within one year	**-**	10,000

In November 2012, the interest bearing loans drawn with Macquarie Bank were amended. The term of the loan was extended from December 31, 2012 to June 30, 2014 and the interest rate increased to LIBOR plus 5%. The loans remain secured against the assets of the Group. In addition, other share options were granted in connection with the loan extension. See note 17 for more details.

NOTE 17 - LIABILITIES (continued)

Provisions

The Group has made a provision of US$3,178,000 against the present value of the cost of restoring the Corihuarmi site and Ollachea exploration tunnel site to their original condition. This provision is an estimate of the cost of reversing the alterations to the environment which had been made up until 31 December 2012. The timing and cost of this rehabilitation is uncertain and depend upon the duration of the mine life and the quantity of ore which will be extracted from the mine. At present time management estimates that the remaining mine life at Corihuarmi is approximately 2.5 years. Further, the directors have currently estimated the rehabilitation of the Ollachea exploration tunnel to begin in 11 years based on the time to develop and the projected mine life.

	Environmental provisions US$000
Balance 1 January 2011	1,639
Additional provision	804
Balance 31 December 2011	2,443
Balance 1 January 2012	**2,443**
Additional provision	**789**
Paid during the year	**(54)**
Balance 31 December 2012	**3,178**

	2012 US$000	2011 US$000
Trade and other payables		
Non-current		
Other payables [1]	**14,000**	-
Current		
Trade payables	**8,090**	5,274
Other payables [1]	**9,665**	3,662
Accrued expenses	**-**	462
	17,755	9,398

[1] The Company has accrued $21,000,000 in connection with the second and final additional payment to Rio Tinto plc for the Ollachea property acquisition. The payment will be made in three separate instalments which are to occur three months after the reception of notice from independent appraisers on the valuation of the Feasibility Study, 12 months after the appraisers report and 24 months after the appraisers report, respectively. The final amount is still subject to the independent third party appraiser's report, and up to 80% the payment can be settled in ordinary shares of Minera IRL Limited at the Company's election.

NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

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

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

Risk management

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

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

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

	2012	2011
	US$000	US$000
Pounds sterling	**72**	3,206
Australian dollars	**242**	35
Canadian dollars	**174**	88
Argentine pesos	**206**	782
Chilean pesos	**22**	20
Peruvian nuevo soles	**1,164**	1,250
United States dollars	**4,366**	5,753
	6,246	11,134

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

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

	2012 US$000	2011 US$000
Pounds sterling	**(89)**	3,042
Australian dollars	**(230)**	(86)
Canadian dollars	**406**	600
Argentine pesos	**5,791**	(698)
Chilean pesos	**(7)**	6
Peruvian nuevo soles	**1,605**	(3,689)
United States dollars	**(39,961)**	(4,339)
	(32,485)	(5,164)

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

	2012 US$000	2011 US$000
10% weakening of the US dollar	**748**	(508)
20% weakening of the US dollar	**1,495**	(1,016)
10% strengthening of the US dollar	**(748)**	508
20% strengthening of the US dollar	**(1,495)**	1,016

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.

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

2012

Financial Liabilities	Due in less than 1 month US$000	Due between 3 months to 1 year US$000	Due between 1 to 5 years US$000	Total US$000
Trade payables	10,755	-	-	10,755
Other payables	-	-	14,000	14,000
Other payables - Current portion	-	7,000	-	7,000
Interest bearing loan	-	-	20,000	20,000
	10,755	7,000	34,000	51,755

2011

Financial Liabilities	Due in less than 1 month US$000	Due between 3 months to 1 year US$000	Due between 1 to 5 years US$000	Total US$000
Trade payables	5,274	-	-	5,274
Other payables	3,662	-	-	3,662
Accrued expenses	462	-	-	462
Interest bearing loan - Current portion	-	10,000	-	10,000
	9,398	10,000	-	19,398

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.

Credit risk

The Group is exposed to credit risk in so far as it deposits cash with its banks as detailed in note 15. However the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in note 14, by the governments of the Latin American countries in which it works.

The Company is exposed to credit risk on the loans it makes to subsidiaries of US$85.8 million (included in investments in note C5). Provisions have been made on these balances as detailed in that note.

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

Interest rate risk
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. 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 has performed a review of the financial assets and liabilities as at 31 December 2012 and has concluded that the fair value of those assets and liabilities is not materially different to book value.

NOTE 19 - CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following entered into a contract with Generacion Electrica San Gaban SA for the supply of power to the construction and operation of the Ollachea project. In the event that certain minimum power usages are not achieved, then the Group is exposed to a maximum penalty of up to approximately $0.7 million.

NOTE 20 - RELATED PARTIES

During the year ended 31 December 2012, the Group did not enter into any transactions with related parties other than with key management as disclosed in note 6. In the prior year, the Company incurred $4,967 (£3,047) of registrar services fees from Computershare Investor Services (Jersey) Limited, a company related through a common director. The common director resigned from Computershare Investor Services (Jersey) Limited effective from 1 July 2011. The fees stated were incurred only for the period that there was a related party transaction.

NOTE 21 - SUBSEQUENT EVENTS

On 7 February 2013, the Company completed an equity offering wherein the Company issued 21,775,000 ordinary shares at a price of $0.71 per share (Equivalent to £0.45 and C$0.71 based on exchange rate at pricing) for gross proceeds of $15.5 million. As of 31 December 2012, the Company had incurred approximately $88,000 in transaction costs in connection with this issuance.

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 US$000	2011 US$000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		-	200
Administrative expenses		**(2,910)**	(2,166)
Share based payments		**(585)**	-
Exploration costs		-	(53)
Operating loss		**(3,495)**	(2,019)
Finance income		**1,643**	1,202
Finance expense		**(542)**	(377)
Loss before tax		**(2,394)**	(1,194)
Income tax		**(687)**	(491)
Loss and comprehensive loss for the year		**(3,081)**	(1,685)

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 US$000	2011 US$000
Assets			
Property, plant and equipment	*C3*	**30**	39
Available-for-sale investments		**20**	36
Intangible assets	*C4*	**12,540**	5,662
Investments in subsidiary undertakings	*C5*	**121,424**	85,182
Total non-current assets		**134,014**	90,919
Other receivables and prepayments	*C6*	**137**	50
Cash and cash equivalents	*C7*	**1,821**	3,681
Total current assets		**1,958**	3,731
Total assets		**135,972**	94,650
Equity			
Issued share capital	*16*	**134,163**	100,752
Share option reserve	*16*	**1,705**	1,917
Accumulated losses		**(20,765)**	(18,481)
Total equity		**115,103**	84,188
Liabilities			
Interest bearing loans	*C9*	**20,000**	-
Total non-current liabilities		**20,000**	-
Interest bearing loans	*C9*	**-**	10,000
Trade and other payables	*C8*	**869**	462
Total current liabilities		**869**	10,462
Total liabilities		**20,869**	10,462
Total equity and liabilities		**135,972**	94,650

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 March 2013.

Courtney Chamberlain
Executive Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Share Capital US$000	Share option reserve US$000	Accumulated losses US$000	Total equity US$000
Balance at 1 January 2011		100,707	1,938	(16,817)	85,828
Loss for the year		-	-	(1,685)	(1,685)
Total comprehensive loss for the year		-	-	(1,685)	(1,685)
New share capital subscribed	*16*	45	-	-	45
Exercise of share options			(21)	21	-
Balance at 31 December 2011		100,752	1,917	(18,481)	84,188
Balance at 1 January 2012		**100,752**	**1,917**	**(18,481)**	**84,188**
Loss for the year		-	-	(3,081)	(3,081)
Total comprehensive loss for the year		-	-	(3,081)	(3,081)
New share capital subscribed	*16*	35,564	-	-	35,564
Cost of issuing share capital		(2,153)	-	-	(2,153)
Grant of share options		-	585	-	585
Exercise of share options			(797)	797	-
Balance at 31 December 2012		**134,163**	**1,705**	**(20,765)**	**115,103**

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2012

	Note	2012 US$000	2011 US$000
Cash flows from operating activities			
Operating loss from continuing operations		**(3,495)**	(2,019)
Depreciation of deferred development costs	*C3*	**13**	27
Impairment of available-for-sale investments		**16**	64
Share based payments		**585**	-
Foreign exchange losses		**60**	(467)
Decrease (Increase) in other receivables and prepayments		**2**	(37)
Increase (decrease) in trade and other payables		**407**	(227)
Foreign tax paid		**(687)**	(491)
Cash used in operations		**(3,099)**	(3,150)
Interest received		**147**	1,202
Interest paid		**(542)**	(377)
Net cash outflow from operating activities		**(3,494)**	(2,325)
Cash flows from investing activities			
Acquisition of property, plant & equipment	C3	**(5)**	(3)
Acquisition of investment		**-**	(100)
Deferred exploration and development expenditures	*C4*	**(6,878)**	(3,442)
Amounts remitted to existing subsidiary undertakings	*C5*	**(34,746)**	(19,514)
Net cash outflow from investing activities		**(41,629)**	(23,059)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**35,564**	45
Cost of raising share capital		**(2,153)**	-
Receipt of loans		**10,000**	-
Deferred share issue costs		**(88)**	-
Net cash inflow from financing activities		**43,323**	45
Net (decrease)/ increase in cash and cash equivalents		**(1,800)**	(25,339)
Cash and cash equivalents at beginning of period		**3,681**	28,554
Exchange rate movements		**(60)**	466
Cash and cash equivalents at end of period		**1,821**	3,681

NOTES TO THE COMPANY FINANCIAL STATEMENTS

The accounting policies in the Group accounts also form part of the Company accounts

C1. Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the addition of the following:

Subsidiary investments
Investments in subsidiary undertakings are stated at cost less impairment losses.

C2. Remuneration of directors and key management personnel

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	Total Remuneration US$000
2012					
Directors:					
C Chamberlain	406	-	-	73	**479**
D Jones	45	-	-	25	**70**
K Judge	45	-	-	25	**70**
G Ross	44	-	-	25	**70**
N Valdez Ferrand	45	-	-	25	**70**
Directors Total	585	-	-	173	**759**
Non-Directors	1,030	124	24	323	**1,501**
TOTAL	1,615	124	24	496	**2,260**

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	Total Remuneration US$000
2011					
Directors:					
C Chamberlain	217	-	-	-	217
D Jones	35	-	-	-	35
K Judge	35	-	-	-	35
G Ross	34	-	-	-	34
N Valdez Ferrand	35	-	-	-	35
Directors Total	356	-	-	-	356
Non-Directors	768	32	22	-	822
TOTAL	1,124	32	22	-	1,178

C3. Property, plant and equipment

	Deferred development costs US$000
Carrying value at 1 January 2011	63
Additions	3
Depreciation	(27)
Carrying value at 31 December 2011	39
Carrying value at 1 January 2012	**39**
Additions	**5**
Depreciation	**(14)**
Carrying value at 31 December 2012	**30**

C4. Intangible assets

	Deferred exploration costs US$000
Cost and carrying value at 1 January 2011	2,219
Additions	3,443
Cost and carrying value at 31 December 2011	5,662
Cost and carrying value at 1 January 2012	**5,662**
Additions	**6,878**
Cost and carrying value at 31 December 2012	**12,540**

The carrying value of the deferred exploration costs at the year 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 in the balance sheet.

C5. Investments in subsidiary undertakings

	Investments in Group undertakings US$000
Cost	
Balance at 1 January 2011	70,401
Additions	19,514
Balance at 31 December 2011	89,915
Balance at 1 January 2012	89,915
Additions	36,242
Balance at 31 December 2012	**126,157**
Amortisation and impairment losses	
Balance at 1 January 2011	4,733
Impairment	-
Balance at 31 December 2011	4,733
Balance at 1 January 2012	4,733
Impairment	-
Balance at 31 December 2012	**4,733**
Carrying amounts	
At 1 January 2011	65,668
At 31 December 2011	85,182
At 1 January 2012	85,182
At 31 December 2012	**121,424**

The Company has a controlling interest in the following subsidiary undertakings:

	Country of Incorporation and operation	Principal activity	Minera IRL Limited effective interest 2012	2011
Minera IRL SA	Peru	Mining and exploration	100%	100%
Minera IRL Argentina SA	Argentina	Mining and exploration	100%	100%
Compañia Minera Kuri Kullu SA *	Peru	Mining and exploration	100%	100%
Hidefield Gold Limited	United Kingdom	Mining and exploration	100%	100%
Minera IRL Patagonia SA *	Argentina	Mining and exploration	100%	100%
Exploraciones Bema SRL *	Argentina	Mining and exploration	100%	100%
Hidefield Gold (Alaska) Inc *	USA	Mining and exploration	100%	100%
Minera IRL Chile Limitada	Chile	Mining and exploration	100%	100%

C6. Other receivables and prepayments

	2012 US$000	2011 US$000
Other receivables	**137**	50

C7. Cash and cash equivalents

	2012 US$000	2011 US$000
Bank balances	**1,821**	3,681
Term deposits	**-**	-
Cash and cash equivalents	**1,821**	3,681

C8. Trade and other payables

	2012 US$000	2011 US$000
Current		
Trade and other payables	**869**	-
Accrued expenses	**-**	462
	869	462

C9. Interest bearing loans

	At 31 December 2012 US$000	At 31 December 2011 US$000
Non-current liabilities		
Bank loans due after one year	**20,000**	**-**
Current liabilities		
Bank loans due within one year	**-**	**10,000**

In November 2012, the interest bearing loans drawn with Macquarie Bank were amended. The term of the loan was extended from December 31, 2012 to June 30, 2014 and the interest rate increased to LIBOR plus 5%. The loans remain secured against the assets of the Group. In addition, other share options were granted in connection with the loan extension. See note 16 for more details.

C10.Related parties

The Company has a related party relationship with its subsidiaries (see note C5), directors and other key management personnel (see note 6).

The following table details transactions carried out with subsidiary undertakings:

	2012 US$000	2011 US$000
Loans to subsidiaries	**3,157**	19,514
Investment in subsidiaries	**33,085**	-
Total Transfer of cash to subsidiaries	**36,242**	19,514

Other related parties
Transactions with other related parties are detailed in note 20.

C11. Financial risk management

The Company has the same exposure to financial risks as the Group, details of which are shown in note 18.

C12. Subsequent events

On 7 February 2013, the Company completed an equity offering wherein the Company issued 21,775,000 ordinary shares at a price of $0.71 per share (Equivalent to £0.45 and C$0.71 based on exchange rate at pricing) for gross proceeds of $15.5 million. As of 31 December 2012, the Company had incurred approximately $88,000 in transaction costs in connection with this issuance.

CORPORATE INFORMATION

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Courtney Chamberlain (Executive Chairman)
Douglas Jones (Non-Executive)
Kenneth Judge (Non-Executive)
Graeme Ross (Non-Executive)
Napoleon Valdez Ferrand (Non-Executive)

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