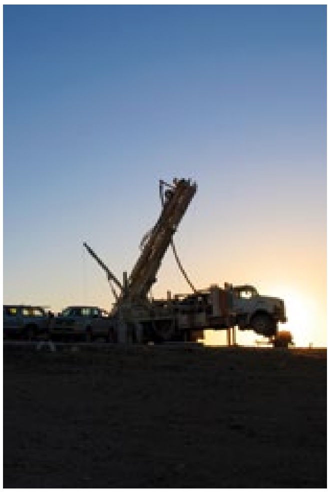
www.minera-irl.com

Minera IRL
LIMITED



Annual Report & Accounts 2011

TSX(IRL) / AIM - BVL (MIRL)

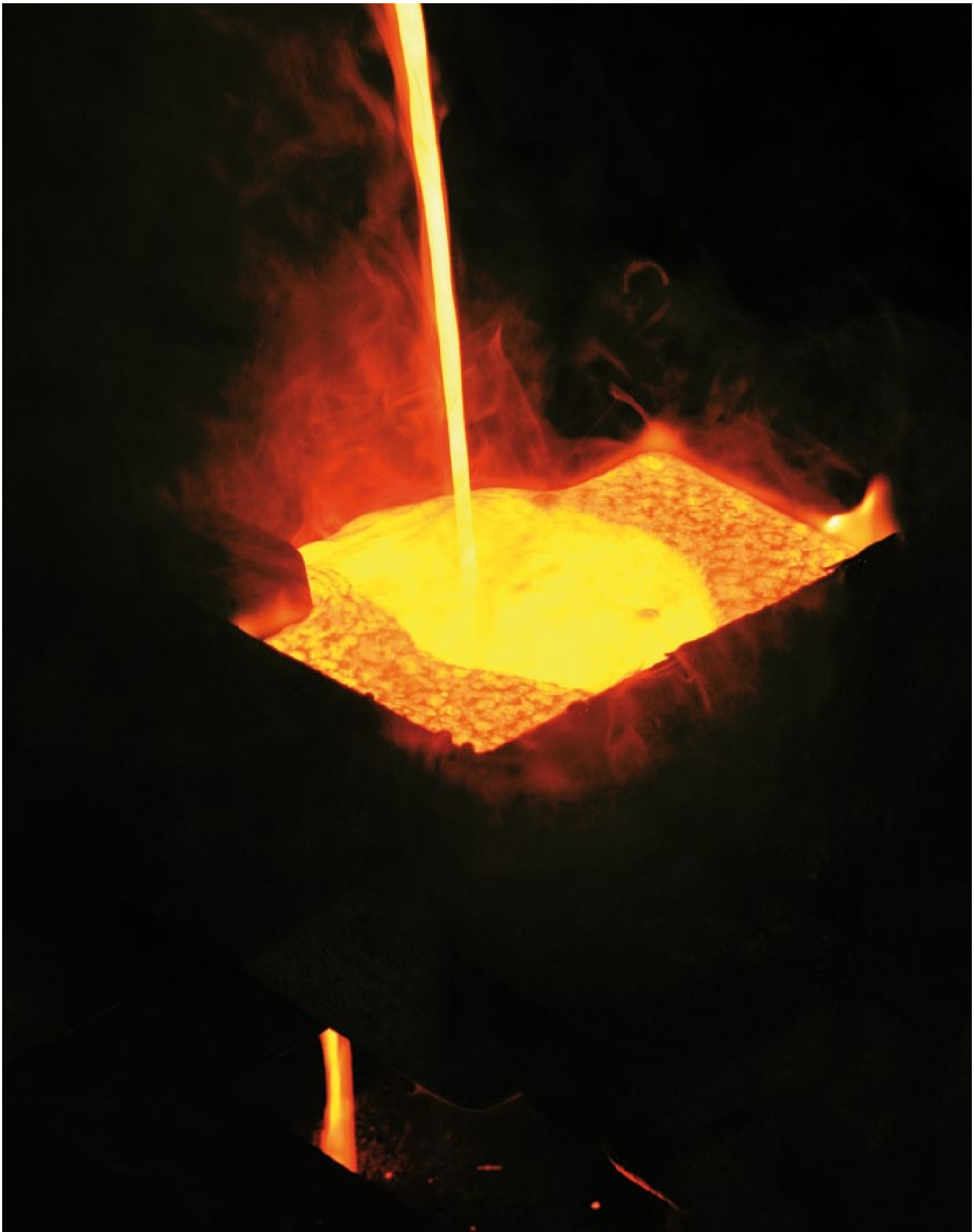
Minera IRL LIMITED

Annual Report & Accounts 2011

For the Year Ended 31 December 2011

Projects Minera IRL

CONTENTS



HIGHLIGHTS

- Corihuarmi 2011 gold production of 33,255oz, up 2.2% from 32,533 oz in 2010. 2011 site operating costs were $410/oz, up 7.0% from $383/oz
- 2011 gold sales of 33,718 ounces, up 1.4% from 33,240 oz in 2010 and realised gold price of $1,570/oz, up 28% from $1,232/oz in 2010, this resulting in record sales revenue of $53.0 million in 2011, up 29% from $41.1 million in 2010
- Gross profit up 41% to $25.0 million in 2011, from $17.8 million in 2010
- EBITDA up 79% to $24.8 million in 2011, from $13.8 million in 2010
- Profit before tax up 146% to $16.1 million, from $6.5 million in 2010
- Total income after tax up 237% to $9.6 million in 2011, from $2.8 million in 2010
- The Company's gold in resource increased to 2.4 Moz in the Measured & Indicated category plus an additional 1.2 Moz ounces in the Inferred category
- In July 2011, the Pre-feasibility Study at Ollachea was completed and indicated a robust project that is expected to produce over 1 Moz during a 9 year mine life. Using a gold price assumption of $1,100/oz, the project generates a NPV (7% real) of $226 million (pre tax) and $133 million (post tax), an IRR (real) of 28.1% (pre tax) and 20.5% (post tax) and a payback period of 3.8 years (post tax)
- In August 2011, announced an upgraded resource at Don Nicolas of 382,000 oz in the Measured and Indicated category (5.6 Mt at 2.1g/t gold) plus 145,000 oz in the Inferred category (3.1 Mt at 1.5g/t gold), with a Measured and Indicated high grade component of 1.5 Mt at 6.0g/t containing 280,000 oz which forms the basis for the Don Nicolas Feasibility Study
- In September 2011, announced a maiden Inferred Mineral Resource at the Ollachea Project's Concurayoc Zone of 10.4 Mt at 2.8g/t for 0.9 Moz of gold
- In the third quarter 2011, the Company committed to the development of the 1.2km Ollachea exploration tunnel, with the first cutting of the tunnel occurring in February 2012. The exploration tunnel is expected to be completed by early 2013
- Subsequent to the year end, February 2012; the Company completed a positive Feasibility Study on the Don Nicolas Project in Patagonia. Based on a gold price of US$1,250/oz, NPV (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)
- Also subsequent to the year end, the Company completed a successful equity raising for gross proceeds of approximately CAD33.1 million by issuing 29,260,000 ordinary shares at CAD1.13 per share (equivalent to GBP72p based on exchange rate at pricing) on 5 March 2012
- Cash held of $11.1 million as at 31 December 2011

Note: $ represents USD unless otherwise stated.

Minera IRL LIMITED

CHAIRMAN'S STATEMENT

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

Our Company had an excellent year in 2011, again making substantial progress on all fronts and strongly underpinned by record sales from our Corihuarmi Gold Mine. Particular highlights are the successful pre-feasibility study at our flagship Ollachea Project in Peru, a recently completed full feasibility on the Don Nicolas Project in Argentina and, once again, a substantial expansion of our gold resource base. This augers well to achieve our objective of producing approximately 180,000 ounces of gold per annum by 2015.

In March 2012, the Company completed a successful equity raising of CAD33.1 million gross proceeds which, along with cash flow from Corihuarmi, is expected to provide the financial underpinning to complete all pre-development programmes planned for the year.

Projects

Corihuarmi Gold Mine

The Corihuarmi Gold Mine, located in the Peruvian high Andes, continued to perform well throughout the year, generating record sales from a gold price which averaged $1,570 per ounce, $338 per ounce higher than the previous year. A total of 33,255 ounces was produced, which was 16% above budget and the highest annual gold production since the first year of operation in 2008. Cash operating cost averaged $410 per ounce. The Company made a seamless conversion from contractor mining to owner mining at the beginning of the year and mining of scree (broken rock below the cliff faces) began supplementing ore mined from the pits.

Corihuarmi has now produced over 150,000 ounces of gold in less than four years of production at an average cash operating cost of approximately $300 per ounce. This is well in excess of the estimate in the feasibility study to produce 112,000 ounces over a four year mine life. Corihuarmi has produced much of the cash requirements needed to grow the Company and has also cemented Minera IRL's reputation as an efficient mine developer and operator even under arduous conditions. Although production at Corihuarmi is expected to decrease and costs rise in 2012, the mine will continue to generate strong cash flow over the remaining life, which has been extended until at least mid-2015.

Ollachea

Several milestones were reached at Ollachea, Minera IRL's flagship project in southern Peru.

Exploration and in-fill drilling has been continuous with two diamond rigs on the project since October 2008 with, at the time of writing, more than 75,000 meters drilled from more than 194 holes. This orogenic type gold discovery was recognized as a deposit of international standard by NewGenGold, a group that researches and identifies the top new gold discoveries in the world. The result was an opportunity for the Company to present a paper on the deposit at the NewGenGold biannual international conference in November 2011.

The drill defined resource at Ollachea increased substantially in size and quality in 2011. The Indicated Resource, all in the Minapampa zone, now stands at 10.4 million tonnes grading 4.0g/t containing 1.4 million ounces of gold. The Inferred Resource, boosted by a maiden resource of over 0.9 million ounces at Concurayoc only 400 meters to the west of Minapampa, increased to 13.7 million tonnes grading 2.8g/t containing 1.2 million ounces of gold. The deposit remains open and untested along strike in both directions as well as down-dip.

The Ollachea Pre-feasibility study was completed in mid-2011 and produced very encouraging results. This study indicated a viable mine that will produce over 1 million ounces during a nine year mine life at an average cash operating cost of $436 per ounce. The base case financial model assumed a gold price of $1,100 per ounce; on that basis the life-of-mine post tax cash flow was estimated at $280 million, the NPV (at 7% discount) was $133 million, an IRR of 20.5% and a pay-back period of 3.8 years. With these positive results, the Company embarked on a full feasibility study which is expected to be completed during the second half of 2012. Permitting will then ensue, followed by the commencement of mine development with the objective of bringing Ollachea into production in late 2014.

During the year, a 1.2 kilometer long exploration tunnel from the proposed plant site into the Minapampa orebody was permitted and a well established Peruvian underground mining contractor engaged. The initial cut on this tunnel was announced in February 2012 and is expected to take approximately 12 months to complete. This tunnel will allow diamond drilling from underground to explore the eastern strike extent of the Minapampa orebody where the mountain side is too steep to explore by drilling from surface. This exploration drilling will commence about midway through the driving of the tunnel in the second half 2012.

Community relations at Ollachea remained excellent throughout the year with extensive programmes in health and welfare, nutrition, education and sustainable development. The Company is also providing considerable employment to members of the community which, in turn, is making a significant contribution to the local economy.

Patagonia
Minera IRL Patagonia SA continues to build our new business unit in the mining friendly province of Santa Cruz, Argentina, following the take-over of Hidefield Gold Plc at the end of 2009. Effort was divided between the Don Nicolas Feasibility Study and a major exploration program to test the many low sulphidization, epithermal targets on the Company's large exploration concession totaling some 2,700 square kilometers.

The Don Nicolas Feasibility Study encompasses two principal epithermal vein fields, La Paloma and Martinetas, approximately 50 kilometers apart. Following approximately 24,000 meters of in-fill and extension drilling since acquiring Hidefield, the Company completed its inaugural resource estimate in August 2011. The Measured and Indicated Resource in the combined High and Low Grade category is 5.6 million tonnes grading 2.1 g/t Au for 381,400 ounces gold representing an 89% increase in these categories compared to the Hidefield resource published in 2009. An additional 3.1 million tonnes grading 1.5g/t gold (145,000 ounces) are in the Inferred Resource category.

The results of the Don Nicolas Feasibility Study, completed in February 2012, are highly encouraging. The basis for the project is the high grade Measured and Indicated Resource of 1.5 million tonnes above a lower cut-off of 1.6 g/t gold grading 6.0 g/t gold and containing 281,000 ounces. All ore will be mined from open pits and processed with a conventional carbon-in-leach (CIL) plant producing an average of 52,000 ounces of gold and 56,000 ounces of silver over a 3.6 year mine life at an average cash operating cost, after silver credits, of $528 per ounce. Using a gold price of $1,250 per ounce, the post tax cash flow is projected at $36 million, the NPV using a 7% discount is $22 million, the IRR is 23% and the payback period is 2.0 years. At current spot gold prices the project economics are outstanding. Moreover, a compelling feature of Don Nicolas is the upside potential from brown-fields and near-by green-fields exploration, open ended deeper ore shoots which could become future underground mines and a substantial low grade resource which, subject to metallurgical testing in 2012, could form the basis for production from a parallel heap leach plant.

With the completion of the feasibility study, the Environmental Impact Assessment (EIA) is being completed and permitting will then commence. All required permits should be in place during the second half of 2012 and development will then commence with the objective of bringing Minera IRL's next mine into production in late 2013.

The Deseado Massif, the 77,000 square kilometer volcanic complex in which our leases are located, is proving an outstanding, yet under explored, precious metals district. Minera IRL Patagonia has one of the largest exploration tenement holdings in the Deseado Massif and many outstanding targets. Exploration during the year focused on three key areas: Escondido where a bulk tonnage discovery was made in 2010; Michelle to the south west and within the same vein field as Anglo Gold's Cerro Vanguardia Mine; and Chispas, to the south east. Diamond drilling was carried out on each of these properties during the year. Of particular interest was the discovery of two separate high grade veins at Escondido which recorded 0.7 meters grading 136g/t gold and 157g/t silver in one area and 4.2 meters grading 1.6g/t gold and 663g/t silver in another structure. Based upon the encouraging results from the 2011 field season, an expanded exploration program is underway for 2012.

Financial Results

Production from the Corihuarmi Gold Mine was slightly higher than 2010 and yielded a record sales of $53.0 million (2010: $41.1 million). The increase in revenue compared to 2010 was due to the average gold price from spot sales increasing from $1,232 per ounce to $1,570 per ounce. Mining and treatment of 37.5% more ore in 2011 contributed to an increase in the cost of sale to $28.0 million (2010: $23.3 million). The combined effect was an increased gross profit to $25.0 million (2010: $17.8 million). Administration expenses of $8.2 million were slightly higher than the prior year (2010: $7.8 million). This combined with the stronger gold price resulted in an increased operating profit of $16.4 million (2010: $7.2 million). The income tax expense, which arises solely in Peru, increased to $6.3 million (2010: $4.3 million) with the increase in profit before tax in Peru. The Company's profit after tax increased to $9.8 million (2010: $2.2 million).

The group spent a total of $35.7 million on development & exploration during the year (2010: $22.3 million) of which $34.7 million was added to the intangible assets of the group ($18.4 million for the Ollachea project) and $1.0 million was recognised as a cost in profit or loss.

At the end of 2011 the group had a cash balance of $11 million. In March 2011, the Company raised gross proceeds of CAD33.1 million in equity leaving the Company in a strong position to continue with its exploration and development programmes.

Board of Directors and Executive Management

There were no changes in the Minera IRL Limited Board of Directors in 2011. The Company is presided over by five directors which includes four outstanding independent directors with extensive experience and diverse backgrounds. There were no changes in the executive management team.

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 programmes 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

Notwithstanding the outstanding achievements by the Minera IRL team in 2011, the share price performance was disappointing. Early in the year the share price peaked at a record £1.005 (7 March 2011) which translated into a market capitalization of $195 million. However, the general malaise in the international resource share markets after the first quarter, exacerbated by negative sentiment, particular in Canada, about the change in government in Peru, resulted in an erosion of the share price followed by an extended flat performance. The share price finished the year at £0.6675, a decrease of 29% from the beginning of the year.

The UK and Canadian stock markets commenced 2012 on a more positive note with Minera IRL's stock price firming somewhat. Considering the recent share price performance and the state of the markets, the March 2012 capital raising was at a respectable £0.72, the same price obtained from the October 2010 raising. At the time of writing the share price was £0.65 which equates to a market capitalization of approximately $154 million.

Current Investment Climate and Country Outlook

The growth in most Latin American countries slowed somewhat in 2011 reflecting some flow-on effect from global economic conditions. However, the mining industry in the region continued to perform well on the back of strong metal prices.

A number of countries are still adjusting to recent changes of government. In Peru, Ollanta Humala was elected president in June and took up his 5 year post in late July. As is normally the case in recent years when presidents change in Peru, a period of uncertainty and concern has been followed by optimism and recognition that the new government is doing a credible job of running the country. Apprehension about the much anticipated replacement of the federal royalties with an excess profit tax aimed at a broader distribution to local communities gave way to relief once it was recognized that the new system would not impose an unbearable burden on the mining industry. Overall, the new government maintains the strongly pro-mining policy that has been so successful in recent years.

During 2011 Peru has had several problematic projects, often driven by very specific issues involving local communities, but these relate to a relatively minor part of the mining industry in this country. 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 has been that Minera IRL has managed its mine and projects on schedule and with overwhelming support from the local communities.

Argentina also held presidential and local elections in October 2011. Cristina Fernandez was re-elected President of Argentina and the strongly pro-mining government of Governor Daniel Peralta, was re-elected in Santa Cruz Province where the Company is active. Argentina continues to grapple with issues such as high inflation and a weakening peso, nevertheless, the Company considers Santa Cruz a good location to develop its next mine and explore for new discoveries. This particular area has no competing industries and other companies in the district have been highly successful in developing modern mines.

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 our growing resource base, quality of assets and exploration potential, managed by an excellent team, 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
29 March 2012

Directors

COURTNEY CHARLES CHAMBERLAIN

Executive Chairman

Metallurgist by profession with over 40 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 35 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 Chief Executive Officer of ASX and TSX listed Chalice Gold Mines Limited and a non-executive director of ASX listed Liontown Resources Limited and 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) Executive Director

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.

Tim Miller, Chief Financial Officer and Company Secretary. Tim has over 15 years of experience in corporate finance, mergers & acquisitions and finance experience in the natural resource industry, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Fellow of Financial Services Institute of Australasia (FINSIA). Tim assisted with the founding of Minera IRL and managed the company's admission onto AIM. In 2009 he joined the Minera IRL Ltd team, managing the Company's placements, the acquisition of Hidefield and the listing of the Company on the TSX in April 2010.

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 30 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.

Management's Discussion and Analysis (MD&A)

MINERA IRL LIMITED
Management's Discussion and Analysis
For the Year ended 31 December 2011

*The following Management's Discussion and Analysis ("MD&A"), prepared as of 29 March 2012 and 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, 2011 and the comparative period ended 31 December 2010, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts are stated in United States dollars, unless otherwise indicated. 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*

Background and Business of the Company

Minera IRL Limited is a Jersey registered company and together with its subsidiaries (the "Group" or "Company") 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, and subsequently listed on the Lima Stock Exchange in Peru, Bolsa de Valores Lima ("BVL"), in December 2007 both under the symbol of "MIRL". Most recently the shares were listed on Toronto Stock Exchange ("TSX"), in April 2010 under the symbol "IRL".

In Peru the Company operates the Corihuarmi Gold Mine, has completed a Pre-feasibility study on the Ollachea Project and is exploring a number of other gold prospects. In Argentina, the Company has completed a Feasibility study at the Don Nicolas Gold Project in Patagonia and is prospecting a large land package under exploration licences held by the Company.

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

Selected Annual Information

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

Financial Data	2011	2010	2009
Revenue ($'000)	53,002	41,082	31,856
Total income/(loss) after tax ($'000)	9,591	2,847	2,971
Earnings/(loss) per share			
Basic (cents)	8.2	2.5	4.3
Diluted (cents)	8.0	2.4	4.3
Total assets ($'000)	136,110	124,516	82,446
Total liabilities ($'000)	24,131	22,173	18,570

Revenue in 2010 was significantly higher than 2009, due largely to a higher realised gold price. The total income for 2010 was slightly lower than 2009, with the higher revenue offset by the write-off of two exploration projects, higher Corihuarmi site operating costs and higher income tax. Total assets increased significantly with the increase in cash from the equity financing in November 2010. Within in the total assets, intangible assets increased due to the capitalisation of exploration and development expenditure mainly related to the Ollachea and Don Nicolas Projects. Total liabilities increased in 2010 primarily due to the refinancing and additional drawdown of a new Macquarie Bank finance facility.

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 capitalised.

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine

The Company's 100% owned Corihuarmi Gold Mine ("Corihuarmi") is located approximately 160km 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 financial year ended 31 December 2011 compared with the year ended 31 December 2010:

Operating Parameter	2011	2010
Waste (tonnes)	320,475	43,981
Ore mined & stacked on heaps (tonnes)	2,000,733	1,455,500
Ore grade, mined and stacked (g/t)	0.68	0.87
Gold produced (ounces)	33,255	32,533
Gold sold (ounces)	33,718	33,240
Realised Gold Price ($ per ounce)	1,570	1,232
Site operating cash costs ($ per ounce) [1]	410	383

Gold production for 2011 increased by 2.2% to 33,255 ounces, against the 32,533 ounces produced in the same prior year period.

Although the grade was significantly lower, this was more than compensated for by the higher tonnes mined and crushed for 2011, resulting in slightly higher production. At the beginning of 2011, Minera IRL began undertaking the mining operations previously carried out by a contractor. This has allowed significant operating cost savings on a unit per tonne of ore basis. Mining continued predominantly from the Susan outcrop, but also included the mining of broken scree material below the outcrops. The site operating costs per ounce were higher for 2011 compared to 2010, due mainly to the increase in ore mined and treated, and an increase in waste mined. The price received from spot gold sales increased 27.5% giving Corihuarmi a substantially increased margin.

Ollachea Project - Development

Minera IRL's flagship Ollachea Gold Project is located in southern Peru, approximately 250 km north of Lake Titicaca, on the eastern escarpment of the Andes Mountains. The project was acquired from Rio Tinto 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.

Diamond drilling with two rigs commenced in October 2008 and by end-December 2011, 73,934 meters have been completed in 193 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.

On 14 June, 2011, the Company released an updated NI 43-101 compliant resources estimate for the Ollachea Project. The resources estimate was carried out over the Minapampa and Minapampa East Zones and was an update on the November 2010 resources 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 meter to 2.83 tonnes per cubic meter.

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

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	9.3	4.0	1.2
Minapampa East	1.4	3.9	0.2
Total	**10.7**	**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	2.4	3.0	0.2
Minapampa East	0.9	3.0	0.1
Total	**3.3**	**3.0**	**0.3**

Included within the above resource envelope, the higher grade core Indicated Resource, using a 3.5g/t gold cut-off, has increased to 4.8 million tonnes grading 5.5g/t gold containing 0.8 million ounces.
This Canadian National Instrument NI43-101 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 meters at Minapampa and 32 diamond drill holes for 14,424 meters at Minapampa East, for a combined 120 drill holes totalling 46,404 meters. The resource estimates apply a 2g/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 meters grading 20.7g/t gold and DDH11-152 with 3 meters grading 27.2g/t gold. This bodes well for future exploration of the eastern extension of the deposit from the planned underground exploration drive, which the Company committed to in August 2011 (see below for more details).

On 18 July 2011, the Company released the results of the Pre-feasibility Study (“PFS”). The PFS 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.

The PFS was based on a Canadian National Instrument 43-101 compliant Indicated Resource of 10.7 million tonnes grading 4.0g/t gold containing 1.4 million ounces. From this mine design and production scheduling has resulted in a Probable Mineral Reserve of 9.5 million tonnes grading 3.65g/t gold containing 1.1 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 90%. Processing will be by way of conventional crush, grind and carbon-in-leach pulp (CIL) technology.

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

Parameter	Units	Key performance indicator	
Mine life	Years	9	
Tonnes	Mt	9.5	
Grade	g/t Au	3.65	
Contained ounces	Moz	1.11	
Metallurgical extraction	%	91.3	
Ounces produced	Moz	1.01	
Pre-production capital cost	$M	170	
Life-of-Mine cash operating cost	$/t	46.6	
Life-of-Mine cash operating cost	$/oz	436	
		Base Case Gold Price	**Upside Gold Price**
Gold price assumption	$/oz	1,100	1,500
Pre-tax			
Project cash flow	$M	419	808
NPV at 5% real	$M	271	561
NPV at 7% real	$M	226	486
NPV at 10% real	$M	170	393
IRR (real)	%	28.1	46.5
Payback	Years	3.1	1.9
Post-tax			
Project cash flow	$M	280	531
NPV at 5% real	$M	167	354
NPV at 7% real	$M	133	301
NPV at 10% real	$M	91	235
IRR (real)	%	20.5	34.1
Payback	Years	3.8	2.5

Note:
1. $ represents US dollars
2. Costs are in 2Q 2011 $.
3. NPV as at commence of construction.
4. Pre-tax is before Workers' Participation of 8% and Income Tax of 30% and Post-tax is after Workers' Participation Profit and Income Tax.
5. Payback starts from commencement of production.

The Canadian National Instrument 43-101 for the Ollachea Project Pre-feasibility Study was filed on 2 September 2011. Based upon these positive results, the Company embarked upon a Feasibility Study. This is expected to be completed during the second half of 2012. Part of the feasibility study includes limited final resource in-fill drilling with two diamond rigs which is expected to be complete early in the second quarter 2012. An upgraded resource estimate is expected to be completed by resource consultants Coffey Mining Pty Ltd during second quarter 2012. Subsequent to the year end, the Company announced on 17 February 2012 results from recent in-fill resource drilling which continue to confirm excellent gold intersections and reinforce continuity of the Minapampa mineralized horizons including 20 meters grading 10.2 g/t gold in DDH12-190 and 31 meters grading 5.58 g/t gold in DDH12-194.

Environmental baseline studies continue to provide important information for a future Environmental Impact Assessment.

On 29 August 2011, the Company announced that it had committed to the construction of a 1.2 kilometer exploration tunnel which will access the ore body defined in the Ollachea Pre-feasibility study. The slightly inclined exploration drive will be from a portal site located in a deeper valley across the ridge from the outcropping mineralization at the Minapampa Zone. The Minapampa orebody will be accessed approximately 350 meters down-dip from the surface outcrop. The exploration drive was permitted by the Peruvian authorities in mid-2011.

Drill exploration targets from underground are compelling. The gold bearing structures outcrop for approximately one kilometer to the east of the Minapampa Zones where 1.4 million ounces of gold (10.7 million tonnes at 4.0g/t Au) in the Indicated Resource category has been drill defined from surface. 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 tunnel track has been 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.

Following a comprehensive tendering process, a contract was signed in August 2011 with well known and experienced underground contractor, JJC, to execute the underground project. Consultants TWP Sudamerica S. A. have been engaged to assist Minera IRL to manage the project. A general assembly of the Ollachea community has also overwhelmingly endorsed the project. The drive is scheduled to be completed over a 15 month time frame with a budget of US$14.9 million which includes a contingency of 10%. Subsequent to the year end, the Company announced on 17 February 2012 that excavation of the exploration tunnel has commenced following the establishment of access to the portal site.

In terms of exploration, Ollachea remains highly prospective. The Minapampa Zone remains open along strike in both directions and down dip and a new discovery, known as Concurayoc, was announced during the second quarter 2010. This zone is approximately 400 metres west of the Minapampa Zone. On 7 September 2011, the Company announced the maiden Inferred Mineral Resource at the Concurayoc Zone based on infill drilling completed during the second quarter 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 resulted in the total Indicated Mineral Resource thus far defined at Ollachea increasing to 10.7 million tonnes grading 4.0g/t gold containing 1.4 million ounces plus an Inferred Mineral Resource of 13.7 million tonnes grading 2.8g/t containing 1.2 million ounces of gold.

This Canadian National Instrument NI43-101 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 meters, was based upon 45 diamond drill holes on approximately an 80 meter grid for 16,943 meters. 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 meters.

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 meters grading 4.57g/t gold including 12 meters grading 8.66g/t gold, DDH10-135 with 7 meters at 4.03g/t gold plus 4 meters at 8.68g/t gold, DDH11-168 with 9 meters grading 3.38g/t gold plus 4 meters at 22.0g/t gold and DDH11-171 with 7 meters 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 Pre-feasibility Study is predicated upon the Indicated Mineral Resource at Minapampa and Minapampa East which is only 400 meters 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.

Many community development and assistance programs are in progress including health, educational and sustainable programs. Minera IRL is already a substantial employer in the local Ollachea community and a strong contributor to the local economy.

Don Nicolas Project - Development

In late 2009 Minera IRL completed the take-over of Hidefield Gold Plc 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 new business unit 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 the Minera IRL's takeover of Hidefield Gold Plc, the Don Nicolas Project was based upon a NI43-101 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 1g/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 g/t Au mineralised envelope - Therefore resources between 0.3g/t Au and 1.0g/t Au have not been estimated or included

On 14 February 2012, Minera IRL announced the results of the Don Nicolas Feasibility Study. International engineering firm Tetra Tech has 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.

Parameter	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 Environmental Impact Assessment (EIA) is well advanced and environmental consultant Ausenco Vector is working toward completing this. The ensuing permitting process is expected to be completed during the second half of 2012 and development is expected to take approximately 12 months with target production in fourth quarter 2013.

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 4.2 million tonnes grading 0.8g/t gold and 4g/t silver for a total of 102,000 ounces of gold and 516,000 ounces of silver. Studies are underway to test the application of heap leaching to treat this resource and due for completion during the second half 2012. 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 resource already exists in the open ended high grade shoot which extends below the Sulfuro open pit;
- The 7,000 meter RC in-fill and extension drilling program completed during 2011 at Martinetas was highly successful. A further 12,000 meter RC program commenced in March 2012 at Martinetas. The Company believes that this program will add significantly to the resource base which, if achieved, will extend the 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 0.7m grading 136g/t gold and 157g/t silver and 4.2m 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; and
- Further work underway to investigate the potential to further reduce operating cost such as the possible provision of low cost grid power.

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 Gold Plc in late 2009, the Company has carried out extensive airborne and ground geophysical surveys. During the second quarter 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 meters wide with anomalous gold and silver values over a strike length of some 700 meters. 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 meters averaging 1.45 g/t gold and 9.62 g/t silver**, including 13.75 meters grading 2.39 g/t gold and 14.56 g/t silver

- E-D10-03 **100.0 meters averaging 1.19 g/t gold and 7.77 g/t silver**, including 48.00 meters grading 1.71 g/t gold and 9.18 g/t silver

- E-D10-07 **120.40 meters averaging 0.65 g/t gold and 5.70 g/t silver**, including 14.70 meters grading 1.30 g/t gold and 11.86 g/t silver and 8.40 meters grading 2.45 g/t gold and 8.31 g/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 meters 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	Meters	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 meters 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 meters, 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	Meters	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 meters. This program probed a 950 meter strike length with staggered holes which targeted the vein structure between 30 and 160 meters 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 PDA-D10	Intercept			Assay - g/t		Host
	From	To	Meters	Au	Ag	
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 meter, 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 1 g/t gold, of which 16 were above 5 g/t gold. Eleven samples analyzed also assayed above 30g/t silver including one sample of 1,460g/t Ag. A 4,698 meter, 27 hole diamond drilling program was carried out in late 2011. Results were of sufficient encouragement to justify a further diamond drilling program scheduled for the second quarter of 2012.

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 to acquire 100% ownership for a total holding of 3,294 hectare. Limited prior exploration had been carried out by Newcrest in 1998. Bethania is located only 10km from the MIRL 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 reverse circulation ("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 believes that the drilling demonstrates significant presence of gold and copper in this large system warranting a next phase of exploration in 2011.

The 2011 Bethania Project drilling program has been carried out in two stages. The first stage of exploration drilling included 7 diamond drill holes for a total of 2,099 meters (April to June 2011). The second stage of drilling, completed during October 2011, included 6 drill holes totalling 723 meters. Confirmation drilling in the mineralized zone drilled in 2010 was positive but drilling at other targets failed to intersect significant mineralization. Other targets have yet to be drill tested.

Although this gold-copper system is yet to be fully understood, some results thus far received 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 meters at 0.72g/t Au and 0.14% Cu. This hole was designed to twin hole RC drill hole RC10-BET10 which intersected 72 meters at 0.66g/t Au and 0.13% Cu. This indicated:

- There was a 9% increase in gold grade between the twinned diamond and RC twin drill hole in this instance.
- The mineralization of interest in DDH11-BET01 continues down vertically for 100 meters from surface i.e.: 100 meters at 0.64 g/t Au and 0.13% Cu.
- 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 kilometers along the Central Andean trend.

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"

On 13 January 2011, Alturas and Minera IRL entered into an amendment of the Letter Agreement regarding 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.

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 stock-work. 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 15 kilometres to the west.

Alturas has the option to gain an 80% interest in the Huaquirca Joint Venture by starting drilling on the JV property no later than June 30, 2011 and must complete at least 15,000 meters of drilling on the Chapi-Chapi Property and completing a scoping study on any potential discovery before December 31, 2012. Once Alturas has fulfilled its obligations and has earned an 80% interest in the 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% it could 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 US$ 5m at Alturas's option. Alturas will be operator of the exploration program on the JV Property and will be responsible for all community and environmental issues during the drilling and Scoping Study phases.

Alturas announced on 5 July 2011, it had initiated a first phase of drilling on the 30 June 2011, and that it had 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 15 December 2011, Alturas announced encouraging assay results from the first four widely-spaced diamond drill holes completed as part of the first phase 5,000 meter drill program.

Highlights include copper-gold mineralized sections of skarn reporting:

- 22.60 meters (35.50m to 58.10m) grading 0.35% copper, 0.25g/t gold, 1.30 g/t silver and 0.01% molybdenum, and
- 14.70 meters (80.60m to 95.30m) grading 0.52% copper, 0.27 g/t gold, 1.81 g/t silver and 0.01% molybdenum, both in drillhole CHA-11-03.

Sections with gold-silver mineralized in altered and brecciated sandstones included:

- 28.00 meters (181.00m to 209.00m) grading 0.27 g/t gold and 0.35 g/t silver in drillhole CHA-11-02,
- 30.00 meters (13.20m to 43.20m) grading 0.37 g/t gold and 0.67 g/t silver, and
- 26.70 meters (121.20m to 147.90m) grading 0.39 g/t gold and 1.45 g/t silver, including 10.30 meters grading 0.66 g/t gold and 2.75 g/t silver, both in drillhole CHA-11-02A

Frontera Joint Venture

The Frontera project is 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 2011.

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 of dimension 1200m x 300m. Sampling by Newcrest identified a zone 200m x 200m of anomalous gold mineralization (+ 1g/t Au rock chip samples) within the western part of the alteration zone.

No exploration activity was conducted on this property during 2011. 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. '10	Q2 Jun. '10	Q3 Sep. '10	Q4 Dec. '10	Q1 Mar. '11	Q2 Jun. '11	Q3 Sep. '11	Q4 Dec. '11
Total Revenue	8,356	9,963	11,176	11,587	10,969	13,161	16,436	12,476
Profit after tax	242	1,571	(1,719)	2,155	1,254	2,735	3,585	2,185
Total income/(loss) after tax	242	1,571	(1,719)	2,753	1,113	2,593	3,530	2,355
Net earnings/(loss) per share								
Basis (US cents)	0.3	1.8	(2.0)	2.3	1.0	2.3	3.0	1.8
Diluted (US cents)	0.3	1.8	(2.0)	2.2	1.0	2.2	2.9	1.8

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.

Overview of Fourth Quarter Financial Results

Data	Three months to 31 December	
	2011	2010
Corihuarmi		
Waste (tonnes)	100,546	8,245
Ore mined & stacked on heaps (tonnes)	470,738	333,497
Ore grade, mined and stacked (g/t)	0.45	0.77
Gold produced (ounces)	6,809	8,615
Gold sold (ounces)	7,408	8,393
Realised Gold Price ($ per ounce)	1,682	1,367
Site operating cash costs ($ per ounce) [1]	522	366
Financial		
Revenue ($'000)	12,476	11,587
Gross Profit ($'000)	4,981	5,126
EBITDA ($'000) [2]	4,758	5,870
Profit/(loss) before tax ($'000)	2,846	3,811
Profit/(loss) after tax ($'000)	2,185	2,155
Total Income/(loss) after tax ($'000)	2,355	2,753
Earnings/(loss) per share		
Basic (cents)	1.8	2.4
Diluted (cents)	1.8	2.3

For the fourth quarter of 2011, revenue increased by 7.7%, or $0.9 million over the fourth quarter of 2010. This increase was attributed to a higher realised gold price, which offset the decrease in gold sold.

The company reported a profit after tax of $2.2 million for the fourth quarter of 2011, compared with a profit of $2.2 million in the same prior year period.

Liquidity and Capital Resources

As at 31 December 2011, the Company had cash and cash equivalents of $11.1 million, compared with $34.6 million as at 31 December 2010. The Company's cash and cash equivalents are invested in highly liquid, low risk, interest-bearing investments with maturities of 180 days or less from the original date of investment.

As at 31 December 2011, the Company had the following contractual obligations outstanding:

$'000	Total	Less than 1 year	Year 2	Year 3	Year 4	Year 5	After Year 5
Long Term Debt Repayments	10,000	10,000	-	-	-	-	-
Property Purchase Payments *	-	-	-	-	-	-	-
Asset Retirement Obligation	2,844	1,584	1,015	71	71	71	142

Note:

* Excludes Ollachea "2nd Additional Payment", which is contingent on a positive Ollachea Feasibility Study and other factors.

+ This cost relates to the Corihuarmi rehabilitation costs and with the approval of a new EIA in January 2012 this expenditure will be delayed compared with this current schedule.

Subsequent to 31 December 2011, the Company completed an equity offering on 5 March 2012. The Company issued 29,260,000 ordinary shares at a price of CAD1.13 per share for gross proceeds of approximately C$33.1 million.

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 to 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.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, loans and accounts payable and accrued liabilities. The carrying value of the financial instruments approximate fair value, because of the short-term maturity of those instruments.

Liquidity risk

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. The Company's cash is invested in business accounts with high-credit quality financial institutions in Jersey and are available on demand.

Credit risk

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 for which management believes the risk of loss to be minimal. Management believes that the credit risk concentration with respect to receivables is minimal.

Currency risk
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
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. Debt interest rate periods normally have maturities of 90 days or less. Other interest rate risks arising from the Company's operations are not considered material.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. 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 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 year ended 31 December 2011, the Company had entered into the following transaction with a related party:

The Company incurred US$4,967 (GBP3,047) (2010: US$9,553 (GBP6,102)) of registrar services fees from Computershare Investor Services (Jersey) Limited, a company related through a common director. The contract for these services provides for a minimum annual charge of GBP3,500 to be paid by the Company. 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.

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 2011 that was filed on SEDAR on 30 March 2012.

Critical Accounting Estimates

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.

Changes in Accounting Policies including Initial Adoption

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.

Outstanding Share Data

The Company has an authorised share capital of an unlimited number of no par Ordinary Shares, of which 148,842,884 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 17,533,431 options issued and outstanding, of which 8,955,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's Share Option Plans and the balance was issued in connection with a finance facility. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. Options outstanding
Share Option Plans Issued Options				
12 April 2007	12 April 2008 [1]	12 April 2012	£0.45	3,060,000
18 March 2008	18 March 2009 [1]	18 March 2013	£0.62	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	2,630,000
Other Issued Options				
7 July 2010	7 July 2010	28 June 2013	US$1.08	6,944,444
30 September 2010	30 September 2010	28 June 2013	US$1.53	1,633,987
Total				**17,533,431**

1. 50% of the options were exercisable after one year of grant and the remaining 50% after two years.

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 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 changes in the Company's internal control over financial reporting that occurred during the most recent interim period, being the three months ended 31 December 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2011 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 neuvo 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.

End Note

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 Canadian GAAP or IFRS, and is not necessarily indicative of operating costs presented under Canadian GAAP or IFRS.

2. The term EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is used, which is a 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 Canadian generally accepted accounting principles (“GAAP”) and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. 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 GAAP as an indicator of Minera IRL’s performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.

Minera IRL LIMITED

Reports and Financial Statements Year Ending 31st December 2011

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2011.

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 in differing stages of feasibility evaluation, 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 income for the year after tax was US$9,591,000 (2010: US$2,847,000). No dividend was paid during the year and no final dividend is proposed. A profit of US$9,759,000 (2010: US$2,249,000) is to be transferred to reserves.

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-2011	31-Dec-2010
C Chamberlain	3,492,692	3,472,692
D Jones	292,936	292,936
K Judge [(1)]	1,389,062	1,389,062
G Ross	5,000	5,000
N Valdez Ferrand (appointed 2 March 2010)	44,000	44,000

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

On 31 December 2011 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-2010	Granted	Exercised	Expired or cancelled	No. Held 31-Dec-2011	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
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
K Judge	50,000	-	-	-	50,000	0.8875	26-Jan-2015
	120,000	-	-	-	120,000	1.08	17-Nov-2015
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
N Valdez Ferrand	50,000	-	-	-	50,000	0.725	01-Jul-2015
	120,000	-	-	-	120,000	1.08	17-Nov-2015

Details of these share options may be found in note 17 to the accounts.

There have been no other movements in any of the directors' interests in the share capital of the Company between 1 January 2012 and 29 March 2012.

It is proposed that Mr Jones and Mr Ross 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 29 March 2012 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
BlackRock Investment Management (UK) Limited managed funds	16,419,026	11.0
Midas Capital plc	14,186,900	9.5
JP Morgan Asset Management (UK) Limited	12,558,650	8.4
Fratelli Investments Ltd	11,063,016	7.4
Baker Steel Capital Managers (UK) managed funds	7,550,000	5.0
Shairco for Trading, Industry and Contracting	4,705,000	3.2
Geologic Resource Partners LLC managed funds	4,500,000	3.0

SPECIAL BUSINESS AT FORTHCOMING 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 the directors are 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
29 March 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the group and parent company 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 to prepare the parent company financial statements on the same basis.

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;
- states 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 disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the 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 group and parent company financial statements ("the financial statements") of Minera IRL Limited for the year ended 31 December 2011 which comprise the consolidated and company statements of total comprehensive income, balance sheets, 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 statement of directors' responsibilities, 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 2011 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 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.

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 company; or
- proper returns adequate from our audit have not been received from branches not visited by us; or
- the 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
30 March 2012

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Notes	2011 US$000	2010 US$000
Revenue		**53,002**	41,082
Cost of sales		**(27,955)**	(23,302)
Gross profit		**25,047**	17,780
Other Income		**200**	-
Administrative expenses		**(8,211)**	(7,755)
Exploration costs		**(1,014)**	(3,321)
Gains on disposal of available for sale investments		**403**	468
Operating profit		**16,425**	7,172
Finance income	**6**	**56**	95
Finance expense	**6**	**(418)**	(731)
Profit before tax	**3**	**16,063**	6,536
Income tax	**7**	**(6,304)**	(4,287)
Profit for the year attributable to the equity shareholders of the parent		**9,759**	2,249
Retranslation of foreign operations		**102**	-
Gain on valuation of available for sale investments		**18**	598
Recycled on disposal of available for sale investments		**(288)**	-
Total comprehensive income for the year attributable to the equity shareholders of the parent		**9,591**	2,847

Earnings per ordinary share (US cents)			
- Basic	**8**	**8.2**	2.5
- Diluted	**8**	**8.0**	2.4

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Notes	2011 US$000	2010 US$000
Assets			
Property, plant and equipment	9	**19,989**	24,443
Intangible assets	10	**88,474**	53,746
Available for sale investments	12	**547**	1,014
Deferred tax asset	11	**574**	77
Other receivables	14	**7,253**	4,735
Total non-current assets		**116,837**	84,015
Inventory	13	**2,809**	2,508
Other receivables and prepayments	14	**5,330**	3,345
Cash and cash equivalents	15	**11,134**	34,648
Total current assets		**19,273**	40,501
Total assets		**136,110**	124,516
Equity			
Share capital	16	**100,752**	100,707
Foreign currency reserve		**231**	129
Share option reserve	16	**1,917**	1,938
Revaluation reserve		**328**	598
Accumulated profit/(losses)		**8,751**	(1,029)
Total equity attributable to the equity shareholders of the parent		**111,979**	102,343
Liabilities			
Interest bearing loans	17	**-**	10,000
Provisions	17	**2,443**	1,639
Total non-current liabilities		**2,443**	11,639
Interest bearing loans	17	**10,000**	-
Current tax		**2,290**	1,737
Trade and other payables	17	**9,398**	8,797
Total current liabilities		**21,688**	10,534
Total liabilities		**24,131**	22,173
Total equity and liabilities		**136,110**	124,516

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29 March 2012.

Courtney Chamberlain
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Reval-uation reserve US$000	Retained earnings/ (losses) US$000	Total US$000
Balance at 1 January 2010		**65,784**	**129**	**1,363**	**-**	**(3,400)**	**63,876**
Profit for the year		-	-	-	-	2,249	2,249
Gain on available for sale financial assets		-	-	-	598	-	598
Total comprehensive income		-	-	-	598	2,249	2,847
New share capital subscribed	16	37,987	-	-	-	-	37,987
Cost of raising share capital		(3,064)	-	-	-	-	(3,064)
Credit on share option issue		-	-	697	-	-	697
Exercise of share options	16	-	-	(122)	-	122	-
Balance 31 December 2010		**100,707**	**129**	**1,938**	**598**	**(1,029)**	**102,343**

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Reval-uation reserve US$000	Retained earnings/ (losses) 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
Retranslation of foreign operations		-	102	-	-	-	102
Gain on available for sale financial assets		-	-	-	18	-	18
Recycled on disposal of available for sale investments		-	-	-	(288)	-	(288)
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**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 US$000	2010 US$000
Cash flows from operating activities			
Operating profit		**16,425**	7,172
Depreciation	**9**	**8,349**	6,689
Impairment of exploration assets	**10**	**-**	2,766
Provision against non-current assets		**-**	600
Share option costs	**16**	**-**	697
Provision for mine closure costs and other		**652**	176
Loss on disposals of assets		**89**	101
Profit on disposal of available for sale investments		**(403)**	(468)
Available for sale investments impairment		**80**	-
Foreign exchange losses relating to non-operating items		**-**	147
Increase in inventory		**(301)**	(982)
(Increase)/decrease in other receivables and prepayments		**(4,999)**	(3,558)
(Decrease/increase in trade and other payables		**752**	(4,005)
Corporation tax paid		**(5,751)**	(3,152)
Net cash flow from operations		**14,893**	6,183
Interest received		**56**	95
Interest paid		**(418)**	(574)
Net cash flow from operating activities		**14,531**	5,704
Cash flows from investing activities			
Sale of available for sale investments		**672**	1,619
Acquisition of property, plant and equipment	**9**	**(3,984)**	(5,843)
Acquisition of available for sale investments		**(152)**	-
Acquisition of intangible assets (exploration expenditure)		**(34,728)**	(22,315)
Net cash outflow from investing activities		**(38,192)**	(26,539)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**45**	36,987
Cost of raising share capital		**-**	(3,064)
Receipt of loans		**-**	10,000
Repayment of loans		**-**	(2,511)
Net cash inflow from financing activities		**45**	41,412
Net (decrease)/ increase in cash and cash equivalents		**(23,616)**	20,577
Cash and cash equivalents at beginning of period	**15**	**34,648**	14,218
Exchange rate movements		**102**	(147)
Cash and cash equivalents at end of period	**15**	**11,134**	34,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 29 March 2012.

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.

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 and mining companies, the Company raises finance for its exploration activities in discrete tranches to finance itself for limited periods only. Further funding is raised as and when required, the most recent being in March 2012 (note 21).

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

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 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.

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. It is requires an estimation of the costs associated with the gold on the leach pads.

(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 majority of 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 is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(e) Foreign Currency

The Group's presentation currency is US Dollars 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 USD. 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 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) 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 income statement as an expense as incurred.

(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;
- 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, which is presently 64 months. The amount of ore remaining and the expected future life of the mine are reviewed each year.

(iv) Deferred development costs

When the technical and commercial feasibility of an area of interest has been demonstrated 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.

(i) 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.

(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 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 income, 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 only one customer (2010: one). The following table sets out the income and expenditure of the Group according to these reporting segments:

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	-	-	200	200
Exploration of properties acquired	(20,952)	(14,790)	-	(35,742)
Capital expenditure	(3,345)	(637)	(2)	(3,984)
Acquisition of properties	-	-	-	-
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
Impairment of exploration assets	-	-	-	-
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: Chile was not included in Segment Reporting for 2011 as only project was abandoned in 2010.

2010	Peru US$000	Argentina US$000	Chile US$000	Other US$000	Total US$000
Mining Revenue	41,082	-	-	-	41,082
Mining cost of sales	(17,322)	-	-	-	(17,322)
Mining gross profit	23,760	-	-	-	23,760
Exploration of properties acquired	(13,491)	(7,128)	(1,696)	-	(22,315)
Capital expenditure	(5,280)	(563)	-	-	(5,843)
Acquisition of properties	(555)	-	-	-	(555)
Administration	(3,808)	(619)	(215)	(3,113)	(7,755)
Net income/(expenditure)	626	(8,310)	(1,911)	(3,113)	(12,708)
Reconciliations					
Revenue					
Segmental revenues	41,082	-	-	-	41,082
Group revenues	41,082		-	-	41,082
Segment Result					
Segmental net income/(expenditure)	626	(8,310)	(1,911)	(3,113)	(12,708)
Exploration costs deferred	13,491	7,128	1,696	-	22,315
Impairment of exploration assets	(363)	-	(2,403)	-	(2,766)
Depreciation	(5,980)	-	-	-	(5,980)
Capital expenditure	5,280	563	-	-	5,843
Gain on disposal of available for sale investments	-	-	-	468	468
Group operating profit/(loss)	13,054	(619)	(2,618)	(2,645)	7,172
Net finance income/(expense)	(291)	-	-	(345)	(636)
Group profit before tax	12,763	(619)	(2,618)	(2,990)	6,536
Group assets					
(not allocated for internal reporting)					
Non-current assets	61,441	19,277	-	3,297	84,015
Inventory	2,508	-	-	-	2,508
Other receivables and prepayments	2,924	403	-	18	3,345
Cash and cash equivalents	4,469	382	41	29,756	34,648
Group total assets	71,342	20,062	41	33,071	124,516

NOTE 3 PROFIT BEFORE TAX

	2011 US$000	2010 US$000
Profit is stated after charging/(crediting):		
Auditor's remuneration:		
Audit of group financial statements	**105**	74
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	**120**	111
Corporate finance services	**17**	53
Share based payments	**-**	697
Foreign exchange gains	**(79)**	(405)

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 2011	Number of employees 2010
Corporate finance and administration	**74**	48
Technical	**132**	83
Construction and production	**353**	225
	559	356

The aggregate payroll costs of these persons were as follows:

	2011 US$000	2010 US$000
Wages and salaries	**10,871**	6,559
Social security	**1,265**	1,125
Share based payments	**-**	697
	12,136	8,381

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	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 Payments in 2011 as no options were issued and the options issued in the prior period vested in that period.

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	2010 Total Remuneration US$000
2010					
Directors:					
C Chamberlain	258	23	17	163	**461**
D Jones	25	-	-	29	**54**
K Judge [1]	34	-	-	22	**56**
G Ross	23	-	-	23	**46**
N Valdez Ferrand	21	-	-	21	**42**
Directors Total	361	23	17	258	**659**
Non-Directors	796	40	251	209	**1,296**
TOTAL	1,157	63	268	467	**1,955**

Note:
1. The Director fees are paid to Hamilton Capital Partners Limited, with which Mr Judge is associated.

NOTE 6 FINANCE INCOME/ (EXPENSE)

	2011 US$000	2010 US$000
Interest income	**56**	**95**
Interest expense	**(418)**	**(574)**
Unwinding of discount on contractual liabilities (note 18)	**-**	**(157)**
Total interest expense	**(418)**	**(731)**
Net finance expense	**(362)**	**(636)**

NOTE 7 INCOME TAX EXPENSE

	2011 US$000	2010 US$000
Current tax-foreign	**6,801**	4,364
Deferred tax	**(497)**	(77)
Income tax expense	**6,304**	4,287

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% (2010: 30%) based on the Peru tax rate, the location of the Company's main operations. The differences are explained below:

	2011 US$000	2010 US$000
Tax reconciliation		
Profit before tax	**16,064**	6,536
Tax at 30% (2010: 30%)	**4,819**	1,961
Effects (at 30%) of:		
Expenses not deductible for tax purposes	**820**	1,526
Income not taxable	**(192)**	-
Unrecognised deferred tax movements	**701**	800
Adjusted to tax charge in respect of prior years	**(335)**	-
Withholding tax suffered	**491**	-
Income tax expense	**6,304**	4,287

NOTE 8 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of US$9,759,000 (2010: US$2,249,000) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 119,580,000 (2010: 90,913,000).

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

	2011 Profit US$000	2011 Number of shares '000	2011 Earnings per share US cents	2010 Profit US$00 0	2010 Number of shares '000	2010 Earnings per share US cents
Basic earnings	**9,759**	**119,580**	**8.2**	**2,249**	**90,913**	**2.5**
Dilutive effects- options	**-**	**2,393**		**-**	**1,241**	
Diluted earnings	**9,759**	**121,973**	**8.0**	**2,249**	**92,154**	**2.4**

NOTE 9 PROPERTY, PLANT and EQUIPMENT

	Mining assets & deferred development costs US$000	Land & buildings US$000	Motor Vehicles US$000	Computers & other equipment US$000	Total US$000
Cost					
Balance at 1 January 2010	33,314	1,000	422	1,594	36,330
Additions	2,290	308	2,364	881	5,843
Disposals	(161)	-	-	-	(161)
Balance 31 December 2010	35,443	1,308	2,786	2,475	42,012
Balance at 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
Depreciation and impairment losses					
Balance at 1 January 2010	10,447	-	124	369	10,940
Depreciation charge for the year	5,989	19	161	520	6,689
Disposals	(60)	-	-	-	(60)
At 31 December 2010	16,376	19	285	889	17,569
Balance at 1 January 2011	16,376	19	285	889	17,569
Depreciation charge for the year	7,248	13	466	622	8,349
Disposals	-	-	(140)	(2)	(142)
At 31 December 2011	23,624	32	611	1,509	25,776
Carrying amounts					
At 1 January 2010	22,867	1,000	298	1,225	25,390
Balance 31 December 2010	19,067	1,289	2,501	1,586	24,443
At 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

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

NOTE 10 INTANGIBLE ASSETS

	Deferred exploration costs US$000
Carrying value 1 January 2010	**34,197**
Additions	**22,315**
Impairment	**(2,766)**
Balance 31 December 2010	**53,746**
Carrying value 1 January 2011	**53,746**
Additions	**34,728**
Balance 31 December 2011	**88,474**

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 in the balance sheet.

NOTE 11 DEFERRED TAXATION

Recognised deferred tax assets

	2011 US$000	2010 US$000
Temporary differences	**574**	77

Unrecognised deferred tax assets

The Group has estimated tax losses of approximately US$15.4 million (2010: US$11.7 million) available to carry forward for offset against future profits. At the year end the potential deferred tax asset of US$4.5 million (2010: US$3.8 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 have been valued at the market price quoted on the Toronto Stock Exchange on 31 December 2011.

NOTE 13 INVENTORY

	2011 US$000	2010 US$000
Gold in process	2,030	1,858
Mining materials	779	650
	2,809	2,508

NOTE 14 OTHER RECEIVABLES AND PREPAYMENTS

	2011 US$000	2010 US$000
Non current assets		
Other receivables	7,253	4,735
Current assets		
Other receivables	4,856	2,628
Prepayments	474	717
	5,330	3,345

Included in other receivables is an amount of US$10,452,000 (2010: US$6,660,000) 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 US$7,253,000 (2010: US$4,735,000) 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

	2011 US$000	2010 US$000
Bank balances	10,382	11,744
Term deposits	752	22,904
Cash and cash equivalents in the statement of cash flows	11,134	34,648

NOTE 16 CAPITAL AND RESERVES

As at 31 December 2011 and 31 December 2010 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 2010	**85,575,173**
Shares issued 8 February 2010 for total cash consideration of US$71,964	**100,000**
Shares issued 24 June 2010 as a result of a debt for equity swap of US$1,000,000	**1,111,111**
Shares issued 5 October 2010 for total cash consideration of US$35,570	**50,000**
Shares issued 10 November 2010 for total cash consideration of US$36,843,390	**32,641,600**
Shares issued 25 November 2010 for total cash consideration of US$36,099	**50,000**
Shares in issue 1 January 2011	**119,527,884**
Shares issued 20 January 2011 for total cash consideration of US$20,925	**30,000**
Shares issued 20 January 2011 for total cash consideration of US$24,025	**25,000**
Total Shares in issue 31 December 2011	**119,582,884**

Potential issues of ordinary shares

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.

	2011		2010	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	**9,210,000**	**0.7784**	6,405,000	0.6377
Granted during the year	**-**	**-**	3,005,000	1.0565
Exercised during the year	**(55,000)**	**0.5273**	(200,000)	0.4500
Lapsed during the year	**(200,000)**	**0.9356**	-	-
Outstanding at the end of the year	**8,955,000**	**0.7765**	9,210,000	0.7784
Exercisable at the end of the year	**8,955,000**	**0.7765**	9,210,000	0.7784

The average remaining contractual life of the outstanding options as at 31 December 2011 was 2.1 years (2010: 3.2 years)

There were no options granted in the current period, In the prior year, for the purpose of calculating the fair value of the options granted under the share option scheme the directors used the Black-Scholes model and the following information:

Date of grant	2010
Share price on date of grant	GBP0.85
Exercise price	GBP1.0565
Expected volatility	30%
Expected option life	2.25 years
Risk free rate of return	0.5%
Expected dividends	0%
Expected rate at which holders will leave without exercising	10%
Fair value	GBP0.09

Where more than one set of options has been issued during a year a weighted average of the prices has been used. The volatilities used in this calculation have been derived from an analysis of the share price over the two years before the issue of the options.

Other share options	Exercisable from	Exercisable to	Exercise price	Number Granted	Number at 31 December 2011	Number at 31 December 2010
7 July 2010	7 July 2010	28 June 2013	US$1.08	6,944,444	**6,944,444**	6,944,444
30 September 2010	30 September 2010	28 June 2013	US$1.53	1,633,987	**1,633,987**	1,633,987
					8,578,431	8,578,431

The other share options were granted to third parties for services and have not been recognised as the amounts involved are not significant.

Dividends
The directors do not recommend the payment of a dividend.

Reserves

The Group maintains reserves for the cost of issuing share options, for foreign gains and losses arising on the retranslation of foreign subsidiaries and the revaluation of available for sale financial assets.

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 2011 US$000	At 31 December 2010 US$000
Total interest bearing debt	10,000	10,000
Total equity	111,979	102,343
Debt-to-equity ratio	8.9%	9.8%

NOTE 17 LIABILITIES

Interest bearing loans

	At 31 December 2011 US$000	At 31 December 2010 US$000
Non-current liabilities		
Bank loans due after one year	-	10,000
Current liabilities		
Bank loans due within one year	10,000	-
	10,000	-

The bank loans bear interest at 3.5% over the London Interbank Offered Rate (LIBOR), are secured against the assets of the Group and are repayable on 31 December 2012.

Provisions

The Group has made a provision of US$2,443,000 against the present value of the cost of restoring the Corihuarmi site and Ollachea exploration tunnel site to its 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 2011. 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 the directors estimate that the remaining mine life is approximately 3.5 years with the approval of the new EIA in January 2012.

	Environmental provisions US$000
Balance 1 January 2010	1,463
Additional provision	176
Balance 31 December 2010	1,639
Balance 1 January 2011	1,639
Additional provision	804
Balance 31 December 2011	2,443

	2011 US$000	2010 US$000
Trade and other payables		
Current		
Trade payables	**5,274**	5,664
Other payables	**3,662**	2,156
Accrued expenses	**462**	977
	9,398	8,797

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. Some transactions are however 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:

	2011 US$000	2010 US$000
Pounds sterling	**3,206**	8,147
Australian dollars	**35**	40
Canadian dollar	**88**	16,305
Argentine pesos	**782**	381
Chilean pesos	**20**	44
Peruvian nuevo soles	**1,250**	239
United States dollars	**5,753**	9,495
	11,134	34,648

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

	2011 US$000	2010 US$000
Pounds sterling	**3,042**	7,939
Australian dollars	**(86)**	(149)
Canadian dollar	**600**	17,118
Argentine pesos	**(698)**	2,090
Chilean pesos	**6**	41
Peruvian nuevo soles	**(3,689)**	(1,245)
United States dollars	**(4,339)**	(4,225)
	(5,164)	21,569

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:

	2011 US$000	2010 US$000
10% weakening of the US dollar	**(508)**	2,579
20% weakening of the US dollar	**(1,016)**	5,158
10% strengthening of the US dollar	**508**	(2,579)
20% strengthening of the US dollar	**1,016**	(5,158)

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. Current liabilities were all due within one year.

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 16. 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 15, 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$43 million (included in investments in note C5). Provisions have been made on these balances as detailed in that note.

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 3.5% 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 2011 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 entered into agreements with Rio Tinto to make payments in connection with the Ollachea project in addition to the payments mentioned in note 18. This agreement allows for a further payment upon the successful completion of a feasibility study. Based on the project economics available, the management estimates that the payment will be approximately US$15.1 million.

NOTE 20 RELATED PARTIES

During the year ended 31 December 2011, the Company entered into the following transactions with related parties:

The Company incurred US$4,967 (GBP3,047) (2010: US$9,553 (GBP6,102)) of registrar services fees from Computershare Investor Services (Jersey) Limited, a company related through a common director. The contract for these services provides for a minimum annual charge of GBP3,500 to be paid by the Company. 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 5 March 2012, the Company completed an equity offering where the Company issued 29,260,000 ordinary shares at a price of CAD1.13 per share.

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 US$000	2010 US$000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		**200**	-
Administrative expenses		**(2,166)**	(4,981)
Exploration costs		**(53)**	(722)
Operating loss		**(2,019)**	(5,703)
Finance income		**1,202**	454
Finance expense		**(377)**	(213)
Loss before tax		**(1,194)**	(5,462)
Income tax		**(491)**	(82)
Loss for the year and total comprehensive income		**(1,685)**	(5,544)

COMPANY BALANCE SHEET

As at 31 December 2011

	Note	2011 US$000	2010 US$000
Assets			
Property, plant and equipment	*C3*	**39**	63
Investments available for sale	*12*	**36**	-
Intangible assets	*C4*	**5,662**	2,219
Investments in subsidiary undertakings	*C5*	**85,182**	65,668
Total non-current assets		**90,919**	67,950
Other receivables and prepayments	*C6*	**50**	13
Cash and cash equivalents	*C7*	**3,681**	28,554
Total current assets		**3,731**	28,567
Total assets		**94,650**	96,517
Equity			
Issued share capital	*16*	**100,752**	100,707
Share option reserve	*16*	**1,917**	1,938
Accumulated losses		**(18,481)**	(16,817)
Total equity		**84,188**	85,828
Liabilities			
Interest bearing loans	*C9*	**-**	10,000
Total non-current liabilities		**-**	10,000
Interest bearing loans	*C9*	**10,000**	-
Trade and other payables	*C8*	**462**	689
Total current liabilities		**10,462**	689
Total liabilities		**10,462**	10,689
Total equity and liabilities		**94,650**	96,517

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29 March 2012.

Courtney Chamberlain
Executive Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Share Capital US$000	Share option reserve US$000	Retained earnings/ (losses) US$000	Total equity US$000
Balance at 1 January 2010		**65,784**	**1,363**	**(11,395)**	**55,752**
Loss for the year		-	-	(5,544)	(5,544)
Total comprehensive income for the year		-	-	(5,544)	(5,544)
New share capital subscribed	*16*	37,987	-	-	37,987
Cost of raising share capital		(3,064)	-	-	(3,064)
Credit on share option issue	16	-	697	-	697
Exercise of options		-	(122)	122	-
Balance at 31 December 2010		**100,707**	**1,938**	**(16,817)**	**85,828**
Balance at 1 January 2011		**100,707**	**1,938**	**(16,817)**	**85,828**
Loss for the year		-	-	(1,685)	(1,685)
Total comprehensive income 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**

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 US$000	2010 US$000
Cash flows from operating activities			
Operating loss from continuing operations		**(2,019)**	(5,703)
Depreciation of deferred development costs	*C3*	**27**	26
Impairment of exploration assets		**-**	722
Impairment of available for sale investments		**64**	-
Share option costs		**-**	697
Foreign exchange losses		**(467)**	147
Provision for investment in subsidiary		**-**	1,945
Increase in other receivables and prepayments		**(37)**	(13)
Decrease in trade and other payables		**(227)**	(468)
Foreign tax paid		**(491)**	(82)
Cash used in operations		**(3,150)**	(2,729)
Interest received		**1,202**	454
Interest paid		**(377)**	(213)
Net cash outflow from operating activities		**(2,325)**	(2,488)
Cash flows from investing activities			
Acquisition of property, plant & equipment	*C3*	**(3)**	-
Acquisition of investment		**(100)**	-
Acquisition of intangible assets	*C4*	**(3,442)**	(1,269)
Amounts remitted to existing subsidiary undertakings	*C5*	**(19,514)**	(20,016)
Net cash outflow from investing activities		**(23,059)**	(21,285)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**45**	36,987
Cost of raising share capital		**-**	(3,064)
Receipt of loans		**-**	10,000
Repayment of loans		**-**	(2,500)
Net cash inflow from financing activities		**45**	41,423
Net (decrease)/ increase in cash and cash equivalents		**(25,339)**	17,650
Cash and cash equivalents at beginning of period		**28,554**	11,051
Exchange rate movements		**466**	(147)
Cash and cash equivalents at end of period		**3,681**	28,554

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
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**

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	Total Remuneration US$000
2010					
Directors:					
C Chamberlain	202	-	-	163	365
D Jones	25	-	-	29	54
K Judge	34	-	-	22	56
G Ross	23	-	-	23	46
N Valdez Ferrand	21	-	-	21	42
Directors Total	305	-	-	258	563
Non-Directors	352	-	68	78	498
TOTAL	657	-	68	336	1,061

C3. Property, plant and equipment

	Deferred development costs US$000
Carrying value at 1 January 2010	**89**
Depreciation	**(26)**
Carrying value at 31 December 2010	**63**
Carrying value at 1 January 2011	**63**
Additions	**3**
Depreciation	**(27)**
Carrying value at 31 December 2011	**39**

C4. Intangible assets

	Deferred exploration costs US$000
Cost and carrying value at 1 January 2010	**1,672**
Additions	**1,269**
Impairment	**(722)**
Cost and carrying value at 31 December 2010	**2,219**
Cost and carrying value at 1 January 2011	**2,219**
Additions	**3,442**
Cost and carrying value at 31 December 2011	**5,661**

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 2010	50,385
Additions	20,016
Balance at 31 December 2010	**70,401**
Balance at 1 January 2011	70,401
Additions	19,514
Balance at 31 December 2011	**89,915**
Amortisation and impairment losses	
Balance at 1 January 2010	2,788
Impairment	1,945
Balance at 31 December 2010	**4,733**
Balance at 1 January 2011	4,733
Impairment	-
Balance at 31 December 2011	**4,733**
Carrying amounts	
At 1 January 2010	47,597
At 31 December 2010	**65,668**
At 1 January 2011	65,668
At 31 December 2011	**85,182**

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

	Country of Incorporation and operation	Principal activity	Minera IRL Limited effective interest 2011	2010
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%
Hidefield International Gold Holdings Ltd *	British Virgin Islands	Mining and exploration	100%	100%

Note: * Controlling interest held indirectly through other subsidiary.

C6. Other receivables and prepayments

	2011 US$000	2010 US$000
Other receivables	**50**	13

C7. Cash and cash equivalents

	2011 US$000	2010 US$000
Bank balances	**3,681**	5,650
Term deposits	**-**	22,904
Cash and cash equivalents in the statement of cash flows	**3,681**	28,554

C8. Trade and other payables

	2011 US$000	2010 US$000
Current		
Other payables	**-**	45
Accrued expenses and deferred income	**462**	644
	462	689

C9. Interest bearing loans

	At 31 December 2011 US$000	At 31 December 2010 US$000
Non-current liabilities		
Bank loans due after one year	**-**	**10,000**
Current liabilities		
Bank loans due within one year	**10,000**	**-**

The bank loans bear interest at 3.5% over the London Interbank Offered Rate (LIBOR), are secured against the assets of the Group and are repayable on 31 December 2012.

C10. Related parties

The Company has a related party relationship with its subsidiaries (see note C5), directors and other key management personnel (see note 5).

The following table details transactions carried out with subsidiary undertakings:

	2011 US$000	2010 US$000
Transfer of cash to subsidiaries	**19,514**	20,016

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.

CORPORATE INFORMATION

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

COMPANY SECRETARY
Timothy Miller

REGISTERED OFFICE
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

NOMINATED ADVISOR & BROKER
Canaccord Genuity Limited
88 Wood Street
London EC3V 7QR

CO-BROKER (UK)
finnCap Limited
60 New Broad Street
London EC2M1JJ

GLOBAL BROKER
Royal Bank of Canada Europe Limited
71 Queen Victoria Street
London EC4V 4DE

AUDITOR
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

BANKERS
Macquarie Bank Ltd
Brisbane Branch
300 Queen Street
Brisbane, Queensland 4000
Australia

Royal Bank of Scotland International Ltd
Royal Bank House
71 Bath Street
St Helier
Jersey JE4 8PJ

SOLICITORS
English Law
Fasken Martineau LLP
2nd Floor
17 Hanover Square
London W1S 1HU

Canadian Law
Fasken Martineau Du Moulin LLP
333 Bay Street, Suite 2400
Toronto, ON M5M 2T6
Canada

Jersey Law
Mourant Ozannes
PO Box 87
22 Grenville Street
St Helier
Jersey JE4 8PX
Channel Islands

Peruvian Law
Rodrigo, Elias & Medrano
Av. San Felipe 758 – Jesús Maria
Lima
Perú

Argentinean Law
Baker & McKenzie Sociedad Civil
Av. Leandro N. Alem 1110, Piso 13
C100 1AAT Buenos Aires
Agentina

REGISTRARS
Computershare Investor Services
(Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES

Canadian Transfer Agent
Computershare Investor Services Inc.
University Avenue
Toronto, Ontario
M5J 2Y1
Canada

Registered in Jersey under number 94923

For more information contact:

Courtney Chamberlain
Executive Chairman

Timothy Miller
Chief Financial Officer & Company Secretary

Diego Benavides
President of Minera IRL S.A.

Patricia Kent
Vicepresident Corporate Relations

Advisors

London

RBC Europe Ltd (Global Broker, London)	+44 (0) 20 7653 4000
Canaccord Genuity Limited (Nominated Adviser & Broker, London)	+ 44 (0) 20 7523 8350
finnCap (Co Broker)	+ 44 (0) 20 7600 1658
Buchanan (Financial PR, London)	+44 (0) 20 7466 5000