



Minera IRL (MIRL LN)

BUY

Current Price: £0.70

Target Price: £0.94

Market Cap (M): £60.0

EV (M): £52.9

Event

Minera IRL has released drilling results from the new Concurayoc Zone at the Ollachea project. The release reported five drill intersections over a length of 500m; only 300m along strike from the Minapampa zone which is currently subject to a pre-feasibility study. The results were very encouraging, reporting 20.9m @ 3.07g/t, 14m @ 2.91g/t and 8m @ 5.08g/t.

Comment

This is an interesting development which confirms our thoughts that Ollachea will be much bigger than the original 1.3M oz resource that was announced last year. It is not the gold grades that impress us, although there are some higher grade zones within the intersections released, but the widths. The effective true width of mineralized intersections as reported are expected to range between 90% to 97% of the width indicated, depending on the variation of the angle of incidence between the Concurayoc exploration drill-hole(s) and the drilled mineralized horizons. These are wide intersections and suggest that low cost bulk mining methods will be applicable.

With the Minapampa zone being extended 300m to the east and the new Concurayoc zone having a strike length of 500m but to the west, we believe that Ollachea has the potential to become significantly bigger than the current 1.3M oz. In theory this should allow for higher production than the conceptual 117k oz pa and over a longer mine life. The major advantage with this is that a modest increase in plant capacity would not increase the capital requirements significantly but bring economies of scale.

Minera stated that these results warrant a major follow-up drilling programme in this zone. In our last note on 4 May 2010, we stated that we believed the eastward extension to the Minapampa zone had the potential to add 350k oz to the resources, and remains open to the east. Now with the new Concurayoc zone, we would be surprised if the resources do not grow to greater than 2M oz.

Whilst these are excellent results, we have not changed our model. They do however indicate that there is significant upside to our target price which will only be changed once more drill results are obtained and the resource figure upgraded.

Recommendation

We retain our buy recommendation but with an unchanged target price of £0.94/share.

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