

MINESITE

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More Profits For Minera IRL As Corihuarmi Delivers Again.

By Alastair Ford

Things are ticking along nicely up at Corihuarmi, the flagship gold mine owned by **MINERA IRL** up in the mountains of the Central Andes in Peru. Minera has just put out its latest set of interims, and these showed that Corihuarmi produced just over 15,000 ounces for the six months to June.

During the most recent quarter Corihuarmi produced just over 8,000 ounces, which was some way ahead of budget, and represents, says Minera executive chairman Courtney Chamberlain, “a good result”. Or, to put it in even easier language: on sales of US\$10 million for the latest quarter, Minera IRL delivered after tax profits of US\$1.6 million.

Corihuarmi's been such a gem of a mine for so long now that investors are liable to splutter over their cornflakes if it ever reverts back to being merely average. But for now, though it's still looking pretty tasty.

The average selling price of ounces of gold produced by Corihuarmi during the second quarter topped US\$1,200, while costs dropped to US\$365 per ounce. For the six month period costs were marginally higher, at US\$396 per ounce. With that margin, it's only a shame that Corihuarmi will never get over its one weakness – its short life. But, as Courtney says: “We don't expect Corihuarmi to be a world-beater, and we can't ask for anything more”.

What the company can do, though, is look to the next project, and indeed the one after that. And that is a process that is now well advanced. “We're getting the next generation of mines up and running”, says Courtney. “We want to convert the focus of the market from Corihuarmi onto what's coming next.”

The company's profile page on Minesite certainly reflects that new reality. Corihuarmi may have been in production for a few years now, but it's only third on the list of the company's projects, after Ollachea, the million ounce gold target in southern Peru currently at the pre-feasibility stage, and the Don Nicolas gold project in Argentina, which came into Minera IRL when it took over Hidefield late last year.

Work at Ollachea is ongoing, says Courtney, and he has every reason to be encouraged. On the basis of a scoping study completed by Coffey back in November 2009, the project looks capable of supporting production of 117,000 ounces per year over a nine year life at a cash operating cost of under US\$400 per ounce. The stumbling block, as always, will be finding the necessary capital to get the project built. At the moment it looks like Ollachea will require around US\$156 million to get into production, which will be something of a stretch for a company with a market capitalisation of just shy of £55 million.

On the other hand, the internal rate of return stands at a reasonable enough 22.4 per cent, using the current standard, but conservative, assumption of US\$850 gold. And if, as some analysts are now suggesting, we're likely to see US\$1,500 gold by Christmas, the economics of Ollachea may start to look so compelling that financing it will become a walk in the park. That remains to be seen, and first production won't, on the current timetable, be until mid 2014, so it's still some way away.

Still, it's worth noting that Macquarie Bank has recently provided Minera with a US\$20 million facility to help it progress with Ollachea and Don Nicolas. Macquarie has, says Courtney, been a long-standing and supportive shareholder, so clearly there are some useful relationships in place for the company to fall back on when necessary.

Over at Don Nicolas, the drill rigs are working away too, looking to add to the 350,000 ounces that were already booked at the time of the Hidefield deal. This is going well too, reports Courtney, as is exploration drilling across the wider expanse of Patagonia over which Minera now holds rights. He's waiting for the drill results to come in before he really goes to town on that. But talking of going to town, the company will be at the Denver gold show in September. It's not clear if any of the exploration drill results will be in by then, but if they are there could be a real buzz around the Minera stand. Having said that, there probably will be anyway.