



**MINERA IRL LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE QUARTER ENDED 30 JUNE 2010**  
*(expressed in United States dollars, unless otherwise noted)*

*The following Management's Discussion and Analysis ("MD&A"), prepared as of August [13]<sup>th</sup> 2010 and should be read together with the audited consolidated financial statements (the "Financial Statements") of Minera IRL Limited ("**Minera IRL**", the "**Group**" or the "**Company**") for the fiscal year end December 31 2009 and related notes thereto and the unaudited consolidated financial statements of the Company for the quarter ended June 30<sup>th</sup>, 2010 and related notes thereto (the "Quarterly Statements"), 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](http://www.minera-irl.com) and within the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

***Second Quarter 2010 Financial, Operational and Development Highlights***

- Corihuarmi second quarter gold production of 8,098 ounces, up 4.5% from 7,753 ounces in the same period in 2009.
- Second quarter gold sales of 8,253 ounces, up 13.8% from 7,115 ounces in the same period in 2009.
- Second quarter realised gold price of \$1,201 per ounce, up 29.3% from \$929 per ounce in the same period in 2009.
- Sales Revenue of \$9.96 million, up 50.7% from \$6.61 million in the same period in 2009.
- Net profit after tax of \$1.57 million, up 571% from \$0.234 million in the same period in 2009
- The Pre-feasibility Study on the 1.3 million ounce Minapampa Zone gold inferred resource at the Ollachea Project progressed with in-fill drilling, geotechnical, metallurgical and environmental studies.

- The new Concurayoc discovery at Ollachea, located 500 meters west of the Minapampa Zone, has identified potentially economic grade gold mineralization over a strike length of approximately 500 meters.
- The Feasibility Study on the Don Nicolas Project in Patagonia progressed with in-fill drilling, metallurgical, hydrological and geotechnical studies.
- Also in Patagonia, a large breccia body named Escondido has been identified immediately adjacent to the Las Calandria discovery announced by Mariana Resources Ltd. Surface sampling on Escondido has returned anomalous gold values over a strike length of some 700 meters and over 100 meters wide. Scout drilling is planned for the third quarter.
- Minera IRL listed on the Toronto Stock Exchange ("TSX") on 29 April 2010 under the symbol "IRL".
- A purchase option to acquire the gold exploration project in Southern Peru called Killincho was signed.
- Debt-for-equity swap of \$1.0 million for 1,111,111 ordinary shares at \$0.90 per share.
- Negotiation of a \$20 million facility (\$10 million committed and \$10 million uncommitted) with Macquarie Bank Limited.
- Cash and cash equivalents held as at June 30, 2010 of \$6.6 million.

### ***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 approved for listing on Toronto Stock Exchange ("TSX"), in April 2010 under the symbol "IRL".

In Peru the Company operates the Corihuarmi Gold Mine, is conducting a Pre-feasibility study on the Ollachea Project and exploring a number of gold prospects. In Argentina the company is undertaking a feasibility study at the Don Nicolas gold project in Patagonia and is prospecting a large land package under licence by the Company. In Chile the Company is prospecting a Cu-Au porphyry target in the Maricunga district.

Details of the Company's corporate structure can be found on the web site [www.minera-irl.com](http://www.minera-irl.com).

## ***Overview of Second Quarter Financial Results***

| <b>Financial Data</b>         | <b>Three months end June 30</b> |             | <b>Six months end June 30</b> |             |
|-------------------------------|---------------------------------|-------------|-------------------------------|-------------|
|                               | <b>2010</b>                     | <b>2009</b> | <b>2010</b>                   | <b>2009</b> |
| Revenue (\$'000)              | 9,963                           | 6,610       | 18,319                        | 13,318      |
| Net Profit after tax (\$'000) | 1,571                           | 234         | 1,813                         | 527         |
| Earnings per share            |                                 |             |                               |             |
| Basic (cents)                 | 1.8                             | 0.4         | 2.1                           | 0.9         |
| Diluted (cents)               | 1.8                             | 0.4         | 2.1                           | 0.9         |

For the second quarter of 2010, revenue increased by 50.7% or \$3.35 million over the second quarter of 2009. This increase was attributed to a higher realised gold price and an increase in gold sold.

The company reported a net profit after tax of \$1.57 million for the second quarter of 2010, compared with \$0.234 million in the same prior year period, an increase of 571% over the second quarter of 2009. The increase in net profit after tax was mainly due to higher revenue, offset partially by an increase in administration costs.

## ***Operational, Project Development and Exploration Review***

### **Corihuarmi Gold Mine**

The Company's 100% owned Corihuarmi Gold Mine ("Corihuarmi") is located approximately 160km south east of Lima, Peru, in the Central Andes at an altitude of almost 5,000 metres. The Company acquired the Corihuarmi project in 2002 and was brought into production in March 2008.

Below is a summary of the key operating statistics for Corihuarmi for the quarter:

| <b>Operating Parameter</b>                       | <b>June Quarter<br/>2010</b> | <b>June Quarter<br/>2009</b> |
|--|------------------------------|------------------------------|
| Waste (tonnes)                                   | 4,832                        | 182,118                      |
| Ore mined & stacked on heaps (tonnes)            | 351,952                      | 389,162                      |
| Ore grade, mined and stacked (g/t)               | 0.80                         | 0.81                         |
| Gold produced (ounces)                           | 8,098                        | 7,753                        |
| Gold sold (ounces)                               | 8,253                        | 7,115                        |
| Realised Gold Price (\$ per ounce)               | 1,201                        | 929                          |
| Operating cash costs (\$ per ounce) <sup>1</sup> | 365                          | 393                          |

Gold production for the second quarter of 2010 increased by 4.4% to 8,098 ounces, over the 7,753 ounces produced in the same prior year period.

Although less ore was mined and crushed for the quarter, compared to the corresponding quarter in 2009, production was slightly higher due to better leaching characteristics. Mining

was as per plan and predominantly on the Susan outcrop. The benches mined contained minimal waste whereas during the corresponding period in 2009 more waste mining was required in establishing mining in that ore zone. The combined effect, in the June quarter of 2010, of higher gold production and cost reductions due to less waste mining resulted in the cost per ounce reducing by 7.1%. At the same time the price received from spot gold sales increased 29.3% giving Corihuarmi a substantially increased margin.

Work continued on plans to treat the 3.8 million tonnes of broken scree material below the outcrops. This material currently contains 55,000 ounces of gold in the Inferred Resource category. Work is proceeding on an amended Environmental Impact Assessment required to permit mining and treatment rates to increase to 2 million tonnes per annum in 2011. It is expected that this will allow additional low grade material to be profitably treated and a gold production level of approximately 30,000 ounces per annum to be maintained.

### **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 Minera Kuri Kulla SA was registered to manage the affairs of this venture

Diamond drilling with 2 rigs commenced in October 2008 and by end-June 2010, over 42,000 meters have been completed in more than 110 holes.

A significant gold discovery was announced in early 2009 and a Scoping Study for the Minapampa Zone was completed by Coffey Mining in November 2009. The Scoping Study was based upon a NI43-101 compliant inferred resource of 9 million tonnes grading 4.5 grams per tonne containing 1.3 million ounces. The Scoping Study indicates the potential for a viable underground mine with an average production rate of 117,000 ounces per year at a cash operating cost of below US\$400 per ounce. The project is now advancing through the pre-feasibility study stage. The objective is to commission a new gold mine during 2014.

The Pre-feasibility study, due for completion during the first half of 2011, progressed well. Two rigs continued on the in-fill drilling of the Minapampa Zone throughout the period. This program, entailing 40 holes to be completed during the third quarter of 2010, is designed to provide sufficient drill density allow a substantial portion of the Inferred Resource to be reclassified as Measured and Indicated. Additional studies included ongoing metallurgical testwork which is being carried out at the AMMTEC laboratory in Perth, Western Australia. Testwork continues to confirm that the Ollachea mineralization responds well to conventional gold recovery methods. Geotechnical studies, derived from oriented drill core, are being used to fine tune underground mining studies. A detailed study is underway to commence a 1.3 kilometre long production size exploration tunnel into the deposit. This study will form the basis for permitting the tunnel during the fourth quarter of 2010.

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

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.

In terms of exploration, Ollachea remains highly prospective. The Minapampa Zone remains open along strike in both directions and down dip. A new discovery, known as Concurayoc, was announced during the second quarter. This zone is approximately 500 meters west of the Minapampa Zone. Five drill holes intersected significant thickness of potentially ore grade gold mineralization over a 500 meter strike length. Follow up drilling is planned once the in-fill program is completed at Minapampa.

## **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 2,600 square kilometres 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.

The Don Nicolas Project is based upon an NI43-101 compliant Indicated resource of 201,000 ounces plus an Inferred resource of 158,400 ounces of gold. Most of the resource is located in two principal deposits, the Sulfuro Vein and Martinetas. A Scoping Study completed in 2008 provided the basis for Minera IRL embarking on a full feasibility study. A substantial component of this study includes in-fill and extension drilling to both increase the confidence levels to Measured and Indicated and also to increase the number of ounces. This drilling program continued with 2 rigs throughout most of the period on the Sulfuro Vein; drilling in this area will be completed early in the third quarter. Thereafter the focus will shift to in-fill drilling on the deeply oxidized Martinetas deposit which occurs as swarm of narrow, but high grade, veins. Other studies include metallurgical testing, infrastructure studies, environmental studies and capital and operating cost projections. The feasibility study is due for completion in 2011. The objective is to construct and commission a new gold mine by the end of 2012.

## **Exploration Projects**

### *Patagonia Regional Exploration*

In addition to the Don Nicolas Project, the Company advanced a number of exploration projects in Argentina's Patagonia region, including Escondido and Pan de Azucar. A 4,500 line kilometre heli-borne magnetic and radiometric geophysical survey was commissioned over four project sites. This program was completed early in the third quarter.

The Escondido Project is contiguous to the Las Calandria discovery announced by Mariana Resources Limited in late 2009. Extension of the Las Calandria mineralization into the Escondido property has been confirmed by mapping and surface sampling conducted by

Minera IRL, which has identified a breccias 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 have identified structural and conductivity anomalies in several areas. Scout drilling was programmed at Escondido during the third quarter.

At Pan de Azucar, further mapping and sampling has confirmed an outcropping epithermal vein with elevated gold and silver values over a strike length of some 1,300 meters. In addition, a gold anomalous breccias envelope has been mapped over a 300 meter portion of the vein. Scout drilling is planned for the fourth quarter of 2010.

### ***Bethania Prospect***

The Bethania Project comprises three Exploration Licenses held for some years by Minera IRL plus an additional 942Ha lease under option from Minera Monterrico Peru SAC to acquire 100% ownership for a total holding of 3,294Ha. 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<sup>th</sup> 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.

The Company believes the drilling demonstrates significant presence of gold and copper in this large system warranting a next phase of exploration. The Company is currently evaluating all information and intends to conduct a second phase of exploration drilling in late 2010 or early 2011.

### ***Huaquirca Joint venture***

Minera IRL entered into an agreement in June, 2010 with Alturas Minerals providing the opportunity for the latter to earn up to an 80% interest in 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 denominated "Huaquirca Joint Venture"

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.

The terms of the earn-in require Alturas to start drilling on the joint venture property no later than November 30, 2010 in order to complete at least 15,000 additional meters of drilling on the Chapi-Chapi Property by September 30, 2012 and to complete a scoping study on any potential discovery before September 30, 2012.

If Minera IRL does not contribute pro-rata and its percentage interest in the Huaquirca Joint Venture should be diluted below the initial 20%, IRL shall have the right to convert its joint venture interest to a 2% NSR on the JV Property. If Minera IRL’s percentage interest in the Huaquirca Joint Venture dilutes below 10%, Minera IRL shall have the right to receive an additional 1% NSR on the JV Property (for a total NSR of 3%). The NSR shall be subject to a total buyout for US\$ 5 million at the option of Alturas.

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.

#### ***Killincho prospect***

In July 2010 the Company signed a purchase option with a local Peruvian company who has purchase agreements with underlying property owners to acquire the Killincho Gold Project located in Southern Peru. The land package contains 8 properties with a combined extension of 3,317 hectares.

Killincho is located within the same gold-bearing Sandia geological formation which hosts the Company’s 1.3m oz Ollachea Project. Three principal gold mineralization styles have been recognized to date. These include gold mineralization in breccia and/or shear zones, intrusive - sedimentary rock contacts and quartz veins that are being selectively mined by artisanal miners on a modest, but high grade basis.

The option agreement contemplates staged payments to the underlying property owners and to the Peruvian company who also holds a number of exploration concessions, constituting the third property component of the transaction over an adjoining block with geologically prospective, and apparently contiguous, exploration features.

### ***La Falda Prospect***

A definitive agreement was signed with Catalina Resources in September 2009 which provides an earn-in opportunity for the Company to gain a 75% vested interest in the La Falda property subject to certain work commitments and property payment to the underlying owner

The La Falda Project comprises mining and exploration permits totalling 14,387.5Ha in the Maricunga Belt (III Region), in north-central Chile. In addition to a number of epithermal gold targets La Falda hosts a series of mineralized porphyry intrusive discovered by Catalina Resources, where surface sampling has recorded elevated gold values associated with veins of multiple banded light and dark grey quartz. This style of mineralization is strongly characteristic of other gold porphyries in the Maricunga belt such as Kinross' Maricunga Mine and Andina Minerals' Volcan deposit.

The two previously unexplored main outcropping porphyry domes at La Falda, one of which is approximately 800 meters diameter in outcrop, were covered by a ground magnetic survey which delineated weak magnetic highs flanked and cut by strong magnetic lows, similar to the magnetic pattern displayed by other Maricunga gold porphyry systems. Subsequent to signing the LOI, MIREL conducted a large, well defined IP geophysical anomaly which supports the presence of a disseminated sulphide mineralized zone.

A drill program, which commenced in January 2010, completed 14 diamond holes for a total of 5,174 meters. Encouraging gold mineralization was encountered deeper in a number of holes which may link to a substantial, largely untested magnetic anomaly. However, further testing is beyond the current funding capacity of Minera IRL. As a result, the Agreement with Catalina Resources was extended to 30 September to allow time to seek another party for the next phase of exploration.

### ***Frontera Joint Venture***

The Frontera project is 40/60 joint venture with Teck Cominco which is managed by the latter. The property consists of a 1,200Ha package of tenements located in region I of northern Chile, on the western border with Peru as well as close to the border with Bolivia.

The Pucamarca high sulphidation Au deposit (~1.2 million oz Au resource), owned by Peruvian miner Minsur, is located in Peru only a few meters west of the Frontera property boundary. There is some evidence to show that the Pucamarca deposit and Frontera prospect might be part of one large alteration complex.

Limited work conducted by joint venture partner Teck-Cominco in 2006 confirms this complex extends over an area of some 8 x 6 km, similar to that observed around many large HS deposits in Peru and Chile. At the regional scale, the property is located at a major structural intersection. Principal structures include the north-west trending Inca Puquio fault system (said to control mineralization at several large Cu porphyries in southern Peru); and the north-north-west trending West Fisher fault system (known to control mineralization over hundreds of kilometres in northern and central Chile).

Known gold mineralization is mostly restricted to high-sulphidation vuggy silica alteration and locally to silica-alunite zones. Drilling conducted by then joint venture partner Hochschild

(MHC) in 2005, indicates that the gold mineralization on the Frontera property is mainly found within hydrothermal breccias characterized by abundant iron oxide cement and to a lesser degree to oxides disseminated in silica and silica alunite alteration.

Another style of mineralization which consists in small zones of copper enrichment characterized by chalcocite coating pyrite, is recognized on the Frontera property. This mineralization has additionally been recognized in MHC 2005 drill hole intersections. The best sampled drilling interval assayed 0.25% Cu over 18 m. Very strong Mo, up to 565ppm is reported from a surface area extending eastwards from Frontera's Cerro Vuggy (Vuggy Mountain). Combined with the presence of Chalcocite mineralization, this suggests a possible blind Cu porphyry target could underlie the advanced argillic alteration observed at surface. In 2006 Teck Cominco drilled 3 holes in this area to test this hypothesis but only intersected argillic to propylitic alteration below advanced argillic alteration. An area extending close to 2 km to the east of the main Mo anomaly remains untested.

### ***Quilavira Project***

The Company signed an option agreement in February 2010 to acquire the Quilavira Gold Project from Newcrest. The 5,100Ha tenement package is located 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.

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)*

|                             | Q3       | Q4       | Q1       | Q2       | Q3       | Q4       | Q1       | Q2       |
|-----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
|                             | Sep. '08 | Dec. '08 | Mar. '09 | Jun. '09 | Sep. '09 | Dec. '09 | Mar. '10 | Jun. '10 |
| Total Revenue               | 16,871   | 10,072   | 6,708    | 6,610    | 7,844    | 10,694   | 8,356    | 9,963    |
| Net profit after tax (loss) | 3,162    | 1,571    | 293      | 234      | 1,007    | 1,437    | 242      | 1,571    |
| Net earnings per share      |          |          |          |          |          |          |          |          |
| Basis (US cents)            | 5.1      | 2.5      | 0.5      | 0.4      | 1.3      | 1.9      | 0.3      | 1.8      |
| Diluted (US cents)          | 5.1      | 2.5      | 0.5      | 0.4      | 1.3      | 1.9      | 0.3      | 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.

## ***Liquidity and Capital Resources***

As at June 30, the Company had cash and cash equivalents of \$6.6 million compared with \$10.9 million as at March 31, 2010. The Company's cash and cash equivalents are invested in highly liquid, low risk, interest-bearing investments with maturities of 90 days or less from the original date of investment.

During the quarter, the Company concluded a debt for equity conversion for the \$1 million outstanding debt with Resource Capital Fund III LP for 1,111,111 shares at US\$0.90 per share.

As at June 30, 2010, the Company had the following contractual obligations outstanding:

| <b>\$'000</b>               | <b>Total</b> | <b>Less than 1 year</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Year 5</b> | <b>After Year 5</b> |
|-----------------------------|--------------|-------------------------|---------------|---------------|---------------|---------------|---------------------|
| Long Term Debt Repayments   | 2,500        | 2,500                   |               |               |               |               |                     |
| Property Purchase Payments  | 6,807        | 4,307                   | 2,500         |               |               |               |                     |
| Asset Retirement Obligation | 1,577        |                         |               |               | 1,577         |               |                     |

In July 2010, \$2.807 million of the Property Purchase Payments was paid in connection to the Ollachea Project.

Also in July 2010, the Company negotiated a \$20 million debt facility with Macquarie Bank Limited, with \$10 million committed and \$10 million uncommitted. During July, the Company drew down \$7.5 million of the debt facility, of which \$2.5 million was used to repay the existing outstanding debt facility with Macquarie Bank Limited. The new debt facility is repayable on 31 December 2012.

The 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 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 financial instruments, which include cash, accounts receivable, prepaid expenses, accounts payable, loans, and accrued liabilities 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 Australia 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, Argentina, and Chile 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 possible currency.

**Interest rate risk**

The Company invests its cash in instruments with maturities of 90 days or less from the original date of investment, thereby reducing its exposure to interest rate fluctuations. Debt obligations are exposed to interest rate interest. 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. 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 period the Company has received registrar services 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 GBP3,000 to be paid by the Company.

In addition the Company has received consultancy services from Hamilton Capital Partners Limited for whom a director acts as a consultant adviser. The contract for these services provides for an annual charge of GBP24,000. The contract will end on 30 September 2010.

## ***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 continues to follow the accounting policies described in the audited consolidated financial statements for the year ended December 31, 2009 that was filed on SEDAR on April 28, 2010.

There have been no material changes to the critical accounting estimates discussed in the audited consolidated financial statements for the year ended December 31, 2009 that was filed on SEDAR on April 28, 2010.

## ***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 initially adopt any new accounting policies during the most recently completed financial year.

## ***Outstanding Share Data***

The Company is authorised to issue an unlimited number of Ordinary Shares, of which 86,786,284 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 13,574,444 options issued and outstanding, of which 6,630,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's Share Option Plans. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below.

| <b>Date of grant</b>                     | <b>Exercisable from</b>    | <b>Exercisable to</b> | <b>Exercise prices</b> | <b>No. Options outstanding</b> |
|--|----------------------------|-----------------------|------------------------|--------------------------------|
| <b>Share Option Plans Issued Options</b> |                            |                       |                        |                                |
| 12 April 2007                            | 12 April 2008 <sup>1</sup> | 12 April 2012         | £0.45                  | 3,190,000                      |
| 18 March 2008                            | 18 March 2009 <sup>1</sup> | 18 March 2013         | £0.62                  | 815,000                        |
| 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                | 275,000                        |
| 2 July 2010                              | 2 July 2010                | 2 July 2015           | £0.7250                | 50,000                         |
| <b>Other Issued Options</b>              |                            |                       |                        |                                |
| 7 July 2010                              | 7 July 2010                | 28 June 2013          | US\$1.08               | 6,944,444                      |
| <b>Total</b>                             |                            |                       |                        | <b>13,574,444</b>              |

## ***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](http://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 Corporation's financial statements are prepared. As required under Multilateral Instrument 52-109, management advises that there have been no changes in the Corporation's internal control over financial reporting that occurred during the most recent interim period, being the three months ended June 30, 2010, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## ***Management Changes***

During the second quarter ended June 30, 2010, Tim Miller was appointed as Vice President, Corporate Finance.

### *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 for the dollar (?), the US dollar, the Peruvian nuevo sol and the Argentinean peso (Chilean peso as well?), 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. "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 short form prospectus 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, amortization, reclamation, capital, development, exploration and other non site (community and environmental) costs. 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 measure which does not have any standardized meaning prescribed by GAAP. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with Canadian GAAP and is not necessarily indicative of operating costs presented under Canadian GAAP.