



**MINERA IRL LIMITED**  
**Interim Financial Accounts**  
**For the Second Quarter ended 30 June 2012**

**HIGHLIGHTS**

**Financial**

- Gold sales 6,889 ounces (Q2 2011: 8,688 ounces). Average realised gold price \$1,611 per ounce (Q2 2011: \$1,513 per ounce)
- Revenue \$11.1 million (Q2 2011: \$13.2 million)
- Gross Profit \$4.1 million (Q2 2011: \$6.5 million)
- EBITDA \$2.5 million (Q2 2011: \$6.7 million)
- Profit after tax \$0.1 million (Q2 2011: \$2.7 million)
- Cash balance of \$22.9 million at end of quarter (Q2 2011: \$24.6 million)

**Operational**

- Gold production from the Corihuarmi Gold Mine was ahead of management expectations at 6,889 ounces (Q2 2011: 8,688 ounces). The decline in production due to anticipated lower grade
- Corihuarmi site cash operating costs are \$604 per ounce (Q2 2011: \$392 per ounce)
- Infill drilling has confirmed the resource estimate within the Minapampa Zone at the Ollachea Gold Project
- The Surface Rights Agreement for the Ollachea Project was extended for a period of 30 years
- Permitting process commenced with the Environmental Impact Assessment (EIA) for the Don Nicolas Project, Argentina, being presented to the Secretary of Mining for the Santa Cruz Province
- A Social License Agreement was signed for a period of 10 years with the communities of Jaramillo and Fitz Roy demonstrating strong support for the Don Nicolas Project.

Note: \$ = United States dollars

## CHAIRMAN'S STATEMENT

The operational financial performance for the three months to 30 June 2012 was pleasing with our Corihuarmi Gold Mine in Peru continuing to outperform expectations. Good progress was made on the feasibility study and exploration drive at the Company's flagship project, Ollachea, in southern Peru. Permitting on the Don Nicolas Project in Patagonia commenced with the submission of the Environmental Impact Assessment ("EIA").

Sales revenue of \$11.1 million was based on an average gold spot sales price of \$1611 per ounce. Sales revenue for the period was consistent with Q1 2012. Gross profit was \$4.1 million and EBITDA was \$2.5 million. Profit before tax was \$1.2 million resulting in a profit after tax of \$0.1 million. The bottom line was impacted by several non-recurring items including the expense of stock options issued and some expenses incurred with the Company's cost reduction program. The Company had a strong cash balance at the end of the quarter totalling \$22.9 million.

Gold production at Corihuarmi of 6,688 ounces was well above the Company's budget. Nevertheless, this was 24% below production in the second quarter of 2011 which is related to the expected falling grade which averaged 0.51g/t gold compared to 0.77g/t gold in the corresponding period of 2011. Mining continued to largely focus on the Susan outcrop and the broken scree material. Site cash operating costs continued below expectations and averaged \$604 per ounce, well below the Company's budget.

It is worth taking a moment to reflect on Corihuarmi's outstanding performance since coming on stream in March 2008. The project made a return on capital in only seven months and has thus far generated over \$190 million in gold sales from approximately 164,000 ounces of gold. This compares to 111,000 ounces forecast for the life-of-mine plan in the feasibility study. Mine cash operating costs since start-up have averaged \$318/oz and the pre-tax mine gate internal rate of return, calculated from the initial expenditure in 2003, has thus far reached 62%. The site cash cost per tonne is still only approximately \$7/t ore in spite of the mine's remote location at almost 5,000 meters in the high Andes. The original mine life of 4 years has already been exceeded and, notwithstanding falling gold production as the grade drops, has at least another 3 years to go. This is a great credit to our management team and workforce, many of whom can be redeployed onto new projects such as Ollachea.

At Ollachea, a 30-year Surface Rights Agreement was signed with the local community which covers the upcoming development and production periods. This is an outstanding achievement by our community relations team and the local community, and once again demonstrating the excellent relationship and common goal of developing a major mining operation.

The Ollachea bankable feasibility study progressed throughout the quarter including a major review with project managers AMEC (Peru) S.A. and Coffey Mining Pty Ltd ("Coffey Mining"). Most of the metallurgical testwork has been completed with circuit selection and plant layouts nearly finalized, hydro-geological drilling completion and plant and tailings geotechnical drilling well advanced. Archaeological clearance of the required sites is continuing. The feasibility study is scheduled for completion in the fourth quarter of 2012. A contract was also awarded for compilation of the EIA which will follow shortly behind the feasibility study.

An upgraded resource estimate was completed by Coffey Mining based upon the results of the final 31 hole, 12,840 meter in-fill drilling program on the Minapampa Zone which hosts the mineralization subject to the Ollachea feasibility study. The objective was to increase the confidence level in the Indicated Resource estimate by confirming continuity of gold bearing horizons and gold content through carefully targeted in-fill drill holes. This was a very

important exercise to ensure sign-off by future third party due diligence associated with project financing. Results were most pleasing and demonstrated excellent predictability with the upgraded Indicated Resource estimate of 10.6 million tonnes grading 4.0g/t gold containing 1.4 million ounces confirming the 2011 estimate.

The momentum continued to build on driving the 1.2 kilometre exploration tunnel. Ground conditions near the portal have been poor but are improving, and as the rock becomes fresher daily advance rates are continuing to increase. At the time of writing, the tunnel had advanced 205 meters with completion expected in the first quarter of 2013. We continue to plan exploration drilling of the eastern strike extension of Minapampa from underground, and this is scheduled to commence in the fourth quarter of 2012.

Following completion of the Feasibility Study on our Don Nicolas Project in Argentina in the first quarter of 2012, the EIA was finalized and submitted to the Santa Cruz provincial authorities and thus commenced the project permitting process. As we anticipate a rapid granting of the development permit, we are investigating financing options and have received expressions of interest on the EPCM contract from a number of engineering consortiums. Of particular note, Minera IRL Patagonia SA has signed a 10 year Social License Agreement with the local communities of Jaramillo and Fitz Roy. A 189 hole, 18,700 meter drill program on the Martinetas vein field, with the objective of providing additional open pit resources to extend the Don Nicolas mine life, has reached completion. An upgraded resource estimate will be completed by Coffey Mining early in the fourth quarter of 2012. The Company's objective remains to bring Don Nicolas into production before the end of 2013.

On the exploration front in Patagonia, a 3,400 meter diamond drill program has been completed on the Michelle Project, immediately along strike from AngloGold Ashanti Limited's majority owned Cerro Vanguardia gold/silver mine. Assay results are pending from this program.

In spite of strong progress on all fronts, Minera IRL's share price continues to languish which is, of course, a disappointment and concern to us all. This has a lot to do with the depressed international gold equity markets but further exacerbated by country risk perceptions, particularly related to Argentina. In contrast, Minera IRL continues to receive excellent support and encouragement by government officials, federal and provincial, in both Peru and Argentina. Further, the Company is implementing a number of marketing strategies to assist with improving awareness of the Minera IRL story.

Once again, I would like to extend my appreciation to our team for their outstanding efforts. I also thank our loyal shareholders for their ongoing patience and support as we build the Company.

Courtney Chamberlain  
Executive Chairman  
Minera IRL Limited

10 August 2012

# Minera IRL Limited

## Consolidated Interim Statements of Comprehensive Income

(Unaudited – Prepared by Management)

	Three Month Period Ended		Six Month Period Ended	
	30 June 2012 US\$'000	30 June 2011 US\$'000	30 June 2012 US\$'000	30 June 2011 US\$'000
Revenue	11,111	13,161	22,184	24,090
Cost of sales	(7,052)	(6,660)	(12,762)	(13,120)
<b>Gross profit</b>	<b>4,059</b>	<b>6,501</b>	<b>9,422</b>	<b>10,970</b>
Administration expenses	(2,122)	(1,727)	(4,212)	(3,798)
Exploration costs	(83)	(180)	(178)	(402)
Share based payments – note 4	(565)	-	(565)	-
Gain on disposal of available for sale investments	4	15	4	401
<b>Operating profit</b>	<b>1,293</b>	<b>4,609</b>	<b>4,471</b>	<b>7,171</b>
Finance income	46	17	59	37
Finance expenses	(97)	(94)	(193)	(188)
<b>Net finance expense</b>	<b>(51)</b>	<b>(77)</b>	<b>(134)</b>	<b>(151)</b>
<b>Profit before tax</b>	<b>1,242</b>	<b>4,532</b>	<b>4,337</b>	<b>7,020</b>
Income tax	(1,127)	(1,796)	(2,526)	(3,031)
<b>Profit for the period attributable to the equity shareholders of the parent</b>	<b>115</b>	<b>2,736</b>	<b>1,811</b>	<b>3,989</b>
Retranslation of foreign operations	(931)	-	(824)	-
(Loss) gain on valuation of available for sale investments	(142)	(125)	(253)	(6)
Recycled on disposal of available for sale investments	(24)	(17)	(24)	(277)
<b>Total Comprehensive Income</b>	<b>(982)</b>	<b>2,594</b>	<b>710</b>	<b>3,706</b>
<b>Earnings per share (US cents)</b>				
Basic	0.1	2.3	1.2	3.3
Diluted	0.1	2.2	1.2	3.3

The accompanying notes are an integral part of these consolidated interim financial statements

**Minera IRL Limited**  
**Consolidated Interim Statements of Financial Position**  
(Unaudited – Prepared by Management)

	As at 30 June 2012 US\$'000	As at 31 December 2011 US\$'000
<b>Assets</b>		
Property, plant and equipment	18,833	19,989
Intangible assets	109,541	88,474
Available for sale investments	235	547
Deferred tax asset	574	574
Other receivables	8,366	7,253
<b>Total non-current assets</b>	<b>137,549</b>	<b>116,837</b>
Inventory	2,796	2,809
Other receivables and prepayments	4,761	5,330
Cash and cash equivalents	22,943	11,134
<b>Total current assets</b>	<b>30,500</b>	<b>19,482</b>
<b>Total assets</b>	<b>168,049</b>	<b>136,110</b>
<b>Equity</b>		
Share capital – note 4	134,170	100,752
Foreign currency reserve	(593)	231
Share option reserve – note 4	1,573	1,917
Revaluation reserve	51	328
Accumulated profits	11,471	8,751
<b>Total equity attributable to the equity shareholders of the parent</b>	<b>146,672</b>	<b>111,979</b>
<b>Liabilities</b>		
Provisions	2,515	2,443
<b>Total non-current liabilities</b>	<b>2,515</b>	<b>2,443</b>
Interest bearing loans	10,000	10,000
Current tax	744	2,290
Trade and other payables	8,118	9,398
<b>Total current liabilities</b>	<b>18,862</b>	<b>21,688</b>
<b>Total liabilities</b>	<b>21,377</b>	<b>24,131</b>
<b>Total equity and liabilities</b>	<b>168,049</b>	<b>136,110</b>

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**Minera IRL Limited**  
**Consolidated Interim Statements of Changes in Equity**  
(Unaudited – Prepared by Management)

	Share capital US\$'000	Foreign currency reserve US\$'000	Share Option reserve US\$'000	Reval- uation reserve US\$'000	Profit and loss account US\$'000	Total US\$'000
<b>Balance 1 January 2011</b>	<b>100,707</b>	<b>129</b>	<b>1,938</b>	<b>598</b>	<b>(1,029)</b>	<b>102,343</b>
Profit for the period to 30 June 2011	-	-	-	-	3,989	3,989
Loss on available for sale investments	-	-	-	(6)	-	(6)
Recycled on disposal of available for sale investments	-	-	-	(277)	-	(277)
<b>Total Comprehensive income</b>				<b>(283)</b>	<b>3,989</b>	<b>3,706</b>
New share capital subscribed	44	-	-	-	-	44
Exercise of share options	-	-	(20)	-	20	-
<b>Balance 30 June 2011</b>	<b>100,751</b>	<b>129</b>	<b>1,918</b>	<b>315</b>	<b>2,980</b>	<b>106,093</b>
<b>Balance 1 July 2011</b>	<b>100,751</b>	<b>129</b>	<b>1,918</b>	<b>315</b>	<b>2,980</b>	<b>106,093</b>
Profit for the period to 31 Dec. 2011	-	-	-	-	5,770	5,770
Retranslation of foreign operations	-	102	-	-	-	102
Gain on available for sale financial assets	-	-	-	24	-	24
Recycled on disposal of available for sale investments	-	-	-	(11)	-	(11)
<b>Total Comprehensive Income</b>	-	-	-	<b>13</b>	<b>5,770</b>	<b>5,783</b>
New share capital subscribed	1	-	-	-	-	1
Exercise of share options	-	-	(1)	-	1	-
<b>Balance 31 December 2011</b>	<b>100,752</b>	<b>231</b>	<b>1,917</b>	<b>328</b>	<b>8,751</b>	<b>111,979</b>
<b>Balance 1 January 2012</b>	<b>100,752</b>	<b>231</b>	<b>1,917</b>	<b>328</b>	<b>8,751</b>	<b>111,979</b>
Profit for the period to 30 June 2012	-	-	-	-	1,811	1,811
Loss on available for sale financial assets	-	-	-	(277)	-	(277)
Retranslation of foreign operations	-	(824)	-	-	-	(824)
<b>Total Comprehensive Income</b>	-	<b>(824)</b>	-	<b>(277)</b>	<b>1,811</b>	<b>710</b>
New share capital subscribed	33,363	-	-	-	-	33,363
Cost of raising share capital	(2,146)	-	-	-	-	(2,146)
Exercise of share options	2,201	-	(909)	-	909	2,201
Issuance of share options	-	-	565	-	-	565
<b>Balance 30 June 2012</b>	<b>134,170</b>	<b>(593)</b>	<b>1,573</b>	<b>51</b>	<b>11,471</b>	<b>146,672</b>

The accompanying notes are an integral part of these consolidated interim financial statements

**Minera IRL Limited**  
**Consolidated Interim Statements of Cash Flows**  
(Unaudited – Prepared by Management)

	Three Month Period Ended		Six Month Period Ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cash flows from operating activities</b>				
Operating profit	1,293	4,608	4,470	7,171
Depreciation	1,225	2,138	2,380	4,283
Share option costs	565	-	565	-
Provision for mine closure costs	51	58	72	810
Loss on disposal of available for sale investments	(22)	(15)	(22)	(401)
Available for sale investments impairment	8	-	18	-
Foreign exchange (gains) losses relating to non-operating items	-	(156)	-	(469)
Decrease (increase) in inventory	(129)	18	13	263
Decrease (increase) in other receivables and prepayments	1,076	(3,466)	(543)	(4,728)
Increase (decrease) in trade and other payables	2,371	503	(1,247)	(1,350)
Corporation tax paid	(2,264)	(48)	(4,072)	(1,692)
<b>Net cash flow from operations</b>	<b>4,174</b>	<b>3,640</b>	<b>1,634</b>	<b>3,887</b>
Interest received	13	18	26	37
Interest paid	(97)	(94)	(193)	(188)
<b>Net cash flow from operating activities</b>	<b>4,090</b>	<b>3,564</b>	<b>1,467</b>	<b>3,736</b>
<b>Cash flows from investing activities</b>				
Disposal of available for sale investment	39	22	39	664
Acquisition of property, plant and equipment	(850)	(1,022)	(1,254)	(2,027)
Acquisition of intangible assets (exploration expenditure)	(11,883)	(8,871)	(21,037)	(12,951)
<b>Net cash outflow from investing activities</b>	<b>(12,694)</b>	<b>(9,871)</b>	<b>(22,252)</b>	<b>(14,314)</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of ordinary share capital	-	-	33,363	44
Cost of raising share capital	(8)	-	(2,146)	-
Share options exercised	2,201	-	2,201	-
<b>Net cash inflow from financing activities</b>	<b>(2,193)</b>	<b>-</b>	<b>33,418</b>	<b>44</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,411)</b>	<b>(6,307)</b>	<b>12,633</b>	<b>(10,534)</b>
Cash and cash equivalents at beginning of the period	30,285	30,734	11,134	34,648
Exchange rate movements	(931)	156	(824)	469
<b>Cash and cash equivalents at end of the period</b>	<b>22,943</b>	<b>24,583</b>	<b>22,943</b>	<b>24,583</b>

The accompanying notes are an integral part of these consolidated interim financial statements

# Minera IRL Limited

## Notes to Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

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### Note 1 - Significant Accounting Policies

The financial information contained in this Interim Report does not constitute statutory accounts as defined by the Companies (Jersey) Law 1991. No statutory accounts for the period have been delivered to the Jersey Registrar of Companies. The financial information contained in this Interim Report has neither been audited nor reviewed by the auditors.

The statutory accounts for the year ended 31 December 2011 have been filed with the Jersey Registrar of Companies. The auditors' report on these accounts was unqualified. The consolidated financial information contained in this Interim Report has been presented and prepared in accordance with interim reporting standards, in a form consistent with the annual accounts and in accordance with accounting policies and standards applicable to those annual accounts. However, these interim accounts do not include all the disclosures required for those annual accounts. Both the annual accounts and these interim accounts have been prepared in accordance with International Financial Reporting Standards. There have been no changes in the Company's accounting policies since 31 December 2011.

The consolidated interim financial statements of the Company for the period ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

This Interim Report has been approved for issue by the Board of Directors on 10 August 2012.

### Note 2 - Going Concern

Having taken into account the balance of cash at 30 June 2012 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.

### Note 3 - Earnings per share

The earnings per share for the second quarter has been calculated using the profit attributable to ordinary shareholders of US\$0.001 (second quarter 2011: US\$0.023) and the weighted average number of ordinary shares in issue during the three month period ended 30 June 2012 of 151,778,049 (second quarter 2012: 119,582,884).

### Note 4 - Issue of shares

On 5 March 2012, the Company issued 29,260,000 ordinary shares at a price of CAD\$1.13 per share (equivalent to GBP£0.72 based on exchange rate at pricing) as a private placement of shares.

In April 2012, the Company issued 3,060,000 ordinary shares at a price of £0.45 for the exercise of incentive stock options.

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

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



# Minera IRL Limited

## Notes to Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

The fair value of these option grants resulted in a share based payment expense for the period totalling \$565,000.

### Note 5 - 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.

The Group has only two customers (2011: one). The following table sets out the income and expenditure of the Group according to these reporting segments:

2012	Peru US\$'000	Argentina US\$'000	Other US\$'000	Total US\$'000
Mining Revenue	22,184	-	-	22,184
Mining cost of sales	(12,762)	-	-	(12,762)
Mining gross profit	9,422	-	-	9,422
Exploration of properties	(178)	-	-	(178)
Gain on disposal of available for sale investments	-	-	4	4
Share based payments	-	-	(565)	-
Administration	(2,216)	(638)	(1,358)	4,212
Operating profit (loss)	7,028	(638)	(1,919)	4,471
<b>Group assets</b>				
Non-current assets	84,662	52,616	271	137,549
Inventory	2,796	-	-	2,796
Other receivables and prepayments	583	3,904	274	4,761
Cash and cash equivalents	7,487	973	14,483	22,943
Group total assets	95,528	57,493	15,028	168,049

### Note 6 - Transactions of an unusual nature

There were no transactions of an unusual nature during the six month period ended 30 June 2012.

### Note 7 - Seasonal Influences

The business of the Company is not generally subject to seasonal influences.

### Note 8 - Related parties

During the six month period ended 30 June 2012 the Company had no related party transactions

### Note 9 - Subsequent events

There were no material events subsequent to the end of the reporting period.

The Directors of Minera IRL are listed in the Group's Annual report for the year ended 31 December 2011.

By order of the board

C Chamberlain  
Executive Chairman