Management's Discussion and Analysis
For the Three and Six Months Ended 30 June 2013

*The following Management's Discussion and Analysis ("MD&A"), prepared as of 14 August 2013, 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 ended 31 December 2012 and the unaudited condensed interim consolidated financial statements of the Company for the six months ended 30 June 2013 and related notes thereto (the "Quarterly Statements"), which were prepared in accordance with International Financial Reporting Standards ("IFRS"). 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. All figures are in United States ("US") dollars unless otherwise noted. References to "C$" are to Canadian dollars and to "£" are to British pound sterling.*

Background and Business of the Company

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

In Peru, the Company operates the Corihuarmi Gold Mine and has completed a feasibility study ("FS") on the Ollachea Gold Project and the Environmental and Social Impact Assessment ("ESIA") is currently in the government approval process. The Company is also exploring a number of other gold prospects. In Argentina, the Company has completed a FS, received approval of its Environmental Impact Assessment ("EIA") and has been granted a development permit at the Don Nicolas Gold Project in Patagonia. In addition, the Company continues to prospect a large land package under exploration licences.

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

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine, Peru

The Company's 100% owned Corihuarmi Gold Mine ("Corihuarmi") is located approximately 160 kilometres ("km") 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. There is no hedging in place and all the gold is sold at the spot price.

Below is a summary of the key operating statistics for Corihuarmi for the three month and six months ended 30 June 2013 and 2012:

Operating Parameters	Three Month Period Ended 30 June		Six Month Period Ended 30 June	
	2013	2012	2013	2012
Waste (tonnes)	93,929	147,993	145,171	310,592
Ore mined & stacked on heaps (tonnes)	597,774	542,786	1,166,313	1,045,706
Ore grade, mined and stacked (g/t)	0.43	0.51	0.44	0.55
Gold produced (ounces)	6,633	6,688	12,481	13,435
Gold sold (ounces)	6,949	6,889	12,609	13,404
Realized Gold Price ($ per ounce)	1,447	1,611	1,529	1,654
Site operating cash costs ($ per ounce) [1]	653	604	687	552

1. Refer to Non-IFRS Measures at the end of this MD&A.

Q2 2013

Gold production during the second quarter of 2013 was 6,633 ounces, compared to 6,688 ounces produced in the same period of the prior year. As forecasted, the average grade of crushed ore stacked on the heap was 16% lower for the quarter when compared with the same period in the prior year. The effect on gold production as a result of a reduction in grade was offset by a 10% increase in tonnes of ore stacked on the heaps. Mining was split between the Susan outcrop and broken scree material below the outcrops. Site operating cash costs per ounce of gold produced were 8% higher for the current quarter when compared to the same period in the prior year. The increase in unit costs is due to higher in costs as a result of treating significantly more tonnes of ore on the heaps.

First Half 2013

As forecasted, gold production during the first half of 2013 decreased by 7% to 12,481 ounces versus the 13,435 ounces produced in the same period of the prior year. The average grade of ore mined and stacked on the heaps was 20% lower for the first six months when compared with the same period in the prior year, resulting in lower gold production. The effect of lower grades on production was partially offset by a 12% increase in throughput. Mining was split between the Susan outcrop and broken scree material below the outcrops. The site operating cash costs per ounce of gold produced were 24% higher for the first six months of 2013 when compared to the same period in the prior year primarily due to fewer ounces being produced on a per tonne basis due to lower grade and general inflationary increases.

Ollachea Project, Peru - Development

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

Drilling commenced with two diamond rigs in October 2008, and by the end of December 2012 81,073 metres had been completed in 208 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, which was announced in July 2011. The Company released the positive results of its Feasibility Study ("FS") in November 2012.

On 14 June, 2011, the Company released an updated National Instrument 43-101 ("NI 43-101") compliant resource estimate for the Ollachea Project. The resource estimate was carried out over the Minapampa and Minapampa East Zones and was an update on the November 2010 resource 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 in ounces was also assisted by an increase in the dry in-situ bulk density from 2.80 tonnes per cubic metre to 2.83 tonnes per cubic metre.

This NI 43-101 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 metres at Minapampa and 32 diamond drill holes for 14,424 metres at Minapampa East, for a combined 120 drill holes totalling 46,404 metres. The resource estimate applies a 2 grams per tonne ("g/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 metres grading 20.7g/t gold and DDH11-152 with 3 metres grading 27.2g/t gold. This bodes well for future exploration of the eastern extension of the deposit from the underground exploration drive (see below for more details).

Management considers the drill exploration targets from underground to be highly encouraging. The gold bearing structures outcrop for approximately one kilometre to the east of the Minapampa Zones. The most easterly drilling results from surface reported strong gold intersections and demonstrates the geological continuity of the Minapampa mineralization towards the east and the zone remains open for extension along strike. Extremely steep terrain precludes further drilling from surface towards the east. The exploration tunnel, which was completed in January 2013 and is explained more fully below, was 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.

Based upon all of these positive results, the Company embarked upon a pre-feasibility study which was completed and announced on 17 July 2011. Furthermore, on 29 August 2011, the Company announced that it had committed to the construction of the 1.2 km exploration tunnel with which to access the ore body defined in the Ollachea Pre-feasibility study. A well-known and experienced underground contractor, JJC Contratistas Generales S.A., was retained to execute the underground project. Consultants TWP Sudamerica S. A. were engaged to assist Minera IRL to manage the project. A general assembly of the Ollachea community overwhelmingly endorsed the project.

On 7 September 2011, the Company announced the maiden Inferred Mineral Resource at the Concurayoc Zone, approximately 400 metres west of the Minapampa Zone, based on infill drilling completed during the second quarter of 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 NI 43-101 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 metres, was based upon 45 diamond drill holes on approximately an 80 metres grid for 16,943 metres. 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 metres.

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

On 7 June 2012, the Company announced that the Ollachea Community had extended the Surface Rights Agreement for the Ollachea Gold Project, Peru, for a period of 30 years. Minera IRL will continue with the community programs commenced during the past five years. These include health, education and sustainability programs. Of particular importance, going forward, will be the provision of educational personnel and infrastructure to train local residents in specialized mining related skills to support the future mine operations. The Company will also assist in the development of community enterprises for the provision of goods and services. The new Agreement also ratifies the commitment in the original 2007 Surface Rights Agreement to grant the Community of Ollachea a 5% equity participation in the subsidiary company Minera Kuri Kullu SA, which holds the Ollachea leases, upon the commencement of commercial production.

On 18 July 2012, the Company announced that infill drilling has confirmed the resource estimate within the Minapampa Zone at the Ollachea Gold Project. The objective of this drilling program 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 within the established Minapampa zone. A total of 31 holes for 12,840 metres of infill drilling have been carried out since August 2011. This process was considered important to ensure sign-off by future third party due diligence associated with project financing.

This resource update supersedes the Minapampa resource announcement of June 2011 (note: Minapampa and Minapampa East are now reported as a single resource known as Minapampa). The Inferred Resource at the Concurayoc zone, some 400 metres to the west of Minapampa, announced in September 2011, remains unchanged.

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

Zone	**Metric tonnes (Millions)**	**Grade – g/t gold**	**Contained ounces (Millions)**
Minapampa	10.6	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	3.3	3.3	0.3
Concurayoc	10.4	2.8	0.9
Total	**13.7**	**2.9**	**1.2**

Included within the above resource envelope, the higher grade core Indicated Resource, using a 3.5g/t gold cut-off, has increased slightly to 5.1 million tonnes grading 5.3g/t gold containing 0.9 million ounces.

This NI 43-101 compliant resource estimate was carried out by consultancy Coffey Mining Pty Ltd over the Minapampa zone. The new estimate was based upon 151 diamond drill holes for 59,509 metres. The resource estimate applies a 2g/t gold bottom cut and top cutting as appropriate for each of the seven discrete gold-mineralized horizons that have been defined to date. The dry in-situ bulk density within mineralized zones remains unchanged at 2.83 tonnes per cubic metre. An enhanced assay database has been provided by the re-assaying over one metre intervals or less of all mineralized early stage two metre assay intervals.

Better intersections obtained from the infill drilling program includes drill hole DDH11-188 with 8 metres at 10.7g/t gold plus 13 metres at 9.7g/t gold, DDH11-190 which intersected 20 metres grading 10.2g/t gold including 11 metres grading 15.3g/t gold and DDH12-197 with 18 metres grading 3.9g/t gold plus 16 metres at 11.4g/t gold.

The effective true widths of mineralized intersections listed above are expected to range between 97% to 99% of the widths reported. The true width is dependent upon the variation of the angle of incidence between the trace of the Minapampa resource drill-hole(s) and the dip of the targeted mineralized horizon(s).

On 29 November 2012, the Company released the results of the Feasibility Study ("FS") on Minipampa. The FS 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. Part of the FS included limited final resource in-fill drilling with two diamond rigs which was completed in the second quarter of 2012. On 18 July 2012, the Company announced a resource update which confirmed the resource estimate within the Minapampa Zone at Ollachea based upon the results of this infill drilling program. The objective of this drilling program 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 within the established Minapampa zone. This process was considered important to ensure sign-off by future third party due diligence associated with project financing.

The FS was based on a NI 43-101 compliant Indicated Resource of 10.6 million tonnes grading 4.0g/t gold containing 1.4 million ounces. This mine design and production scheduling has resulted in a Probable Mineral Reserve of 9.3 million tonnes grading 3.4g/t gold containing 1.0 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 91%. Processing will be by way of conventional crush, grind and carbon-in-leach (CIL) technology.

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

Parameters	**Units**	**Key performance Indicator**	
Mine life	Years	9	
Tonnes	Mt	9.3	
Grade	g/t Au	3.40	
Contained ounces	Moz	1.01	
Metallurgical extraction	%	91.0	
Ounces produced	Moz	0.92	
Pre-production capital cost	$M	177.5	
Life-of-Mine cash operating cost	$/t	49.2	
Life-of-Mine cash operating cost	$/oz	499	
		Base Case Gold Price	**Upside Gold Price**
Gold price assumption	$/oz	1,300	1,600

Parameters	Units	Key performance Indicator	
Pre-tax			
Project cash flow	$M	489	749
NPV at 5% real	$M	309	497
NPV at 7% real	$M	256	422
NPV at 10% real	$M	192	331
IRR (real)	%	29.2	40.2
Payback	Years	3.2	2.5
Post-tax			
Project cash flow	$M	325	486
NPV at 5% real	$M	194	310
NPV at 7% real	$M	155	258
NPV at 10% real	$M	108	194
IRR (real)	%	22.1	30.2
Payback	Years	3.7	3.0

Note:

1. $ represents US dollars.
2. NPVs based on mid-period discounting.
3. NPVs as at commencement of construction.
4. Pre-tax is before Special Mining Tax, Workers' Participation of 8% and Income Tax of 30%.
5. Payback starts from commencement of production.
6. The financial results are on 100% Project basis and exclude the agreement with the community for a 5% participation in MKK on commencement of production and Second Additional Payment payable by MKK and due to Rio Tinto in accordance with Mining Claim Transfer Agreement dated 23 February 2007.

On 21 December 2012, the Company announced that it had submitted the Environmental Impact Assessment for the Ollachea project and thereby initiated the permitting process for the project.

In January 2013, the exploration tunnel reached its planned 1.2 kilometre objective, and did so more than a month ahead of schedule and approximately $1.1 million under budget. The speed and reduced cost associated with the completion of the drive as well as the practical experience gained indicates that assumptions used in the FS are conservative. This particularly relates to better ground conditions, a much higher advance rate and minimal water infiltration.

The Company commenced an underground drilling campaign in January 2013. The initial program consisted of three completed diamond drill holes, all of which intersected potentially ore grade gold mineralization. DDH13-T01 intersected 20 metres grading 4.48g/t gold, DDH13-T03 intersected 11 metres grading 5.47g/t gold and DDH13-T04 intersected 9 metres grading 5.45 g/t gold. The eastern-most intersection (DDH13-T03) is located approximately 320 metres east of the eastern limits of the Minapampa resource upon which the 2012 FS was based, thereby confirming significant strike extent which still remains open ended to the east.

In addition to providing access for underground exploration drilling, the completed drive will facilitate rapid mine development when project permitting and project financing is in place.

Final public consultation with the Ollachea community received unanimous endorsement for the ESIA and development of the Ollachea Mine. The ESIA approval process is progressing well and is expected to be completed in the second half of 2013.

Don Nicolás Project, Argentina - Development

In late 2009, Minera IRL completed the take-over of Hidefield Gold Plc ("Hidefield") via an all share transaction. This transaction enabled Minera IRL to acquire the Don Nicolás Project and an extensive exploration tenement package totalling some 2,700km² in the Patagonia region of Argentina. The project 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 Minera IRL's takeover of Hidefield, the Don Nicolás Project was based upon a NI 43-101 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 Nicolás Project was announced. This resource estimate supersedes the resource inventory inherited with the Hidefield transaction. That estimate was based upon a 1.0g/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 Nicolás 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 1.0g/t Au mineralized envelope - Therefore resources between 0.3g/t Au and 1.0g/t Au have not been estimated or included.

On 16 February 2012, Minera IRL announced the results of the Don Nicolás Feasibility Study. International engineering firm Tetra Tech 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 $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 Company believes that there is significant opportunity for enhancement of the Don Nicolás Project in the future including the following:

- The low grade resource in the Indicated category totals 6.1 million tonnes grading 0.7g/t gold and 3.3g/t silver for a total of 143,000 ounces of gold and 648,000 ounces of silver. Preliminary metallurgical testing confirms that the ores are amenable to heap leaching techniques and planning is progressing for an expanded test program during early 2013 with the objective of completing a feasibility study on heap leaching during the second half of 2013. 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 a resource already exists in the open ended high grade shoot which extends below the Sulfuro open pit;
- The 7,000 metre reverse circulation ("RC") in-fill and extension drilling program completed during 2011 at Martinetas was highly successful. A further 12,000 metre RC program commenced in March 2012 at Martinetas, and it successfully added 87,000 ounces in the Measured and Indicated category and 20,000 ounces to the Inferred category of the resource base. This in turn is expected to extend the proposed 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 0.7 metres grading 136g/t gold and 157g/t silver and 4.2 metres 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;
- The mineralized system at Choique which is located approximately 1km for the Martinetas Vein field. Additional details are disclosed below; and
- Further work is underway to investigate the potential to further reduce operating costs.

On 10 July 2012, the Company announced that it had signed a Social License Agreement for a period of 10 years with the communities of Jaramillo and Fitz Roy relating to the development of the Don Nicolás Gold Project, in the Province of Santa Cruz, Argentina. The objectives of the Social License Agreement are to jointly develop policies for local training, jobs and sustainable health programs as well as to establish supply companies to complement and diversify the provision of goods and services required by the future Don Nicolás mine. The Company views this agreement as a very important step forward in the development of the Don Nicolás Gold Project.

In early July 2012, an 18,700 metre extension drilling program was completed at the Martinetas area. The objective of this program is to increase the Don Nicolás resource base. In November 2012, the Company announced the following resource update.

			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	1.9	8.3		
		1.6						58.5	2.7	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	2.3	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, Coyote, Lucia[2]	0.3	7,002.0	1.2	270.6	3.6	812.9	2,416.8	1.1	83.4	3.8	293.1
		1.6	1,090.8	3.7	131.0	5.8	201.4	308.7	3.6	35.7	6.3	62.6
	Armadillo[1]	0.3	271.7	2.2	19.2	3.8	33.1	186.9	1.4	8.3	3.3	19.7
		1.6	111.8	4.6	16.4	5.9	21.0	45.7	4.1	6.1	5.7	8.4
	Choique[1]	0.3	84.3	1.6	4.4	17.7	48.0	389.2	1.0	11.9	6.6	82.6
		1.6	40.5	2.9	3.8	17.9	23.2	85.0	2.8	7.7	9.3	25.5
	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
TOTAL	***All Resource***	***0.3***	***8,591.1***	***1.7***	***468.6***	***5.5***	***1,515.3***	***4,017.8***	***1.3***	***164.5***	***3.9***	***505.3***
	Plus 1.6g/t Cut-off	***1.6***	***1,763.5***	***5.3***	***300.2***	***12.3***	***698.9***	***713.4***	***4.2***	***96.0***	***6.8***	***155.2***

[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.*

On 6 September 2012, the Company announced the discovery of a significant mineralized system at Choique, which is located approximately 1km from the Martinetas Vein Field at the Don Nicolás Project. Results from 35 holes totaling 2,386 metres of drilling have demonstrated substantial gold and silver intersections in a new mineralized rhyolite dome host within 50 metres of surface. Furthermore, key high grade intersections include drill holes CH-D12-015 with 6.70 metres at 10.5g/t gold and 19.8g/t silver, CH-D12-018 with 6.10 metres at 5.43g/t gold and 27.6 g/t silver and CH-D12-021 with 11.10 metres grading 5.38 g/t gold and 5.26g/t silver. (Full drill results are available at the Company's website www.minera-irl.com) Management believes that the Choique discovery not only shows immediate potential for increasing the current Don Nicolás resource base and mine life, but also provides great encouragement for more potential discoveries close to Martinetas.

On 16 October 2012, it was announced that the Company received approval of its EIA and was granted a Development Permit by the Santa Cruz government. The Company is negotiating to engage an engineering company and arranging finance to allow an early commencement of development. Mine development at Don Nicolas is expected to take approximately 12 months with target production in 2014.

Exploration Projects

Patagonia Regional Exploration

In addition to the Don Nicolás 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 late 2009, the Company has carried out extensive airborne and ground geophysical surveys. During the second quarter of 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 metres wide with anomalous gold and silver values over a strike length of some 700 metres. 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 metres averaging 1.45g/t gold and 9.62g/t silver**, including 13.75 metres grading 2.39g/t gold and 14.56g/t silver
- E-D10-03 **100.0 metres averaging 1.19g/t gold and 7.77g/t silver**, including 48.00 metres grading 1.71g/t gold and 9.18g/t silver
- E-D10-07 **120.40 metres averaging 0.65g/t gold and 5.70g/t silver**, including 14.70 metres grading 1.30g/t gold and 11.86g/t silver and 8.40 metres grading 2.45g/t gold and 8.31g/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 metres 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	Metres	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 metres 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 metres, 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	Metres	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 metres. This program probed a 950 metre strike length with staggered holes which targeted the vein structure between 30 and 160 metres 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	Metres	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 metre, 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 143km² 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 1g/t gold, of which 16 were above 5g/t gold. Eleven samples analyzed also assayed above 30g/t silver including one sample of 1,460g/t silver. A 27 hole diamond drilling program totalling 4,698 metres was carried out in late 2011. Results were of sufficient encouragement to justify a further diamond drilling program in 2012, where the Company completed 16 trenches for a total of 1,405m followed by a 3,180m, 23 hole diamond drilling program testing targets on 7 vein structures. Four holes returned assay results greater than 1g/t gold. Best results from the 2012 drill program included:

- MI-D12-038 0.70m @ 1.22g/t gold, 159g/t silver from 36.00m
- MI-D12-040 0.75m @ 0.13g/t gold, 569g/t silver from 72.00m

MI-D12-038 and MI-D12-040 both tested the Paris structure which has surface channel results of >1,000g/t silver. Many of the other drill holes intersected significant wide zones of gold anomalism (between 0.1g/t gold - < 1g/t gold). Overall, the 2012 assay results did not identify economically significant mineralization but many vein targets remain to be tested in future drilling campaigns.

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 ("Monterrico") to acquire 100% ownership for a total holding of 3,294 hectares. Limited exploration had previously been carried out by Newcrest in 1998. Bethania is located only 10km from the Minera IRL's 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 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 undertook an additional drill program in 2011. The 2011 Bethania Project drill program was carried out in two stages. The first stage of exploration drilling included 7 diamond drill holes for a total of 2,099 metres. The second stage of drilling, completed during October 2011, included 6 drill holes totalling 723 metres. Confirmation drilling in the mineralized zone drilled in 2010 was positive, but drilling at the other targets failed to intersect significant mineralization. The Company has identified additional prospective targets that have yet to be drill tested.

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

- There was a 9% increase in gold grade between the twinned diamond drill hole and the RC drill hole in this instance.
- The mineralization of interest in DDH11-BET01 continues down vertically for 100 metres from surface (i.e., 100 metres at 0.64 g/t gold and 0.13% copper).
- 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 kilometres along the Central Andean trend.

There was no exploration activity at Bethania during the current period, however, the Company did enter into an amended agreement with Minera Monterrico Peru SAC to provide for a 5-year extension. Under the terms of the amended agreement:

- Minera will pay $1 million at the end of year 3;
- Minera will pay $10 per ounce of gold contained in Proven and Probable Mineral Reserves as defined in a FS;
- In the event that a FS has not been completed by the end of year 5, then Minera will pay $2 per ounce of gold contained in the Measured and Indicated Mineral Resource. This payment will be deductible against future payments for gold in Mineral Reserves as described above;
- The term of the agreement can be extended for up to an additional 5 years with annual payments of $1 million; and
- Minera has the right to terminate the agreement at any time without further obligation, and accordingly the El Alcatraz 12 property will revert back to Monterrico.

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 ("Huaquirca JV").

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

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 15km to the west.

In accordance with the amended agreement, Alturas has the option to acquire an 80% interest in the Huaquirca JV by starting drilling on the property no later than June 30, 2011, completing a minimum 15,000 metres of drilling on the Chapi-Chapi Property and completing a scoping study on any potential discovery before 31 December 2012. Once Alturas has fulfilled its obligations and has earned an 80% interest in the Huaquirca 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%, then it has the option to convert that part of its interest to a 2% Net Smelter Royalty ("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 $5M at Alturas' option. Alturas is the operator of the exploration program on the Huaquirca JV and is responsible for all community and environmental issues during the drilling and Scoping Study phases.

On 30 June 2011, Alturas initiated a first phase of drilling, and it 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 10 May 2012, Alturas announced encouraging assay results from its first phase diamond drill program. The program was comprised of 16 diamond holes for 5,498 metres drilled over the central part of the 4.5-by-2.5km mineralized area. The strong metal values intersected have confirmed a large copper-gold-molybdenum system, and highlight the need of a follow-up drilling program to define possible extensions of the intersected mineralized bodies and to explore numerous additional untested drill targets. Full program results can be viewed in the Alturas press release issued on 10 May 2012.

On 15 January 2013, it was announced that the Company had granted Alturas extensions of the terms within which to complete its exploration commitments at the Huaquirca property. Under the amended agreement Alturas has the option to earn an 80% interest in the Huaquirca Joint Venture by resuming exploration drilling no later than June 30, 2013 and completing a further 9,502 metres of drilling on the Chapi Chapi Property and completing a Scoping Study on any potential discovery before 31 December 2013.

Frontera Joint Venture

The Frontera project is a 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 the period.

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

No exploration activity was conducted on this property during the period. 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 Sep. '11	Q4 Dec. '11	Q1 Mar. '12	Q2 Jun. '12	Q3 Sep. '12	Q4 Dec. '12	Q1 Mar. '13	Q2 Jun. '13
Total revenue	16,436	12,476	11,073	11,111	12,549	11,255	9,241	10,073
Profit (loss) after-tax	3,585	2,185	1,696	115	1,710	(188)	(1,106)	(250)
Total comprehensive income (loss)	3,530	2,355	1,692	(982)	2,108	207	(1,126)	(250)
Net earnings (loss) per share								
Basic (US cents)	3.0	1.8	1.3	0.1	1.1	(0.1)	(0.7)	(0.1)
Diluted (US cents)	2.9	1.8	1.3	0.1	1.1	(0.1)	(0.7)	(0.1)

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.

Over the last eight quarters, the Company has experienced diminishing grades from production leading to correspondingly lower gold production resulting in higher operating costs on a per ounce basis. The effects of lower gold production on financial results have been substantially offset by an increasing realized gold price over the past two years. However, during the second quarter of 2013, the gold price decreased significantly with the average London P.M. Fix declining to $1,415 per ounce from $1,632 per ounce in the first quarter of 2013.

Note – All of the results presented are prepared under IFRS and are in United States dollars, which is the Company's functional currency as well.

Overview of Financial Results

Data	Three Month Period Ended 30 June		Six Month Period Ended 30 June	
	2013	2012	2013	2012
Corihuarmi				
Waste (tonnes)	93,929	147,993	145,171	310,592
Ore mined & stacked on heaps (tonnes)	597,774	542,786	1,166,313	1,045,706
Ore grade, mined and stacked (g/t)	0.43	0.51	0.44	0.55
Gold produced (ounces)	6,633	6,688	12,481	13,435
Gold sold (ounces)	6,949	6,889	12,609	13,404
Realized gold price ($ per ounce)	1,447	1,611	1,529	1,654
Site operating cash costs ($ per ounce) [1]	653	604	687	552
Financial				
Revenue ($'000)	10,073	11,111	19,314	22,184
Gross profit ($'000)	2,624	4,059	5,120	9,422
EBITDA ($'000) [2]	2,228	2,518	4,088	6,851
Profit before tax ($'000)	518	1,242	695	4,337
Profit (loss) after-tax ($'000)	(250)	115	(1,356)	1,811
Comprehensive income (loss) ($'000)	(250)	(982)	(1,376)	710
Earnings (loss) per share				
Basic (cents)	(0.1)	0.1	(0.8)	1.2
Diluted (cents)	(0.1)	0.1	(0.8)	1.2

[1, 2] Refer to Non-IFRS Measures at the end of this MD&A.

<u>Results of Operations</u>

The Company reported an after-tax loss of $250,000 for the second quarter of 2013, compared with a profit of $115,000 in the same period in the prior year. During the six months ended 30 June 2013, the Company reported an after-tax loss of $1,356,000, compared with earnings of $1,811,000 during the first six months of 2012. The decline, for both the second quarter and six months year-to-date periods, was due to decreased revenue resulting from a lower gold price, increased cost of sales and increased finance expenses. This was partially offset by lower administration expenses and share based payments, along with a lower income tax provision.

During the second quarter of 2013, sales revenue decreased by 9% compared to the same quarter in 2012. The decrease was attributed to a 10% decrease in the average realized gold price for the period, partially offset by a small increase in the number of ounces sold. During the quarter, the Company realized an average gold price of $1,447 per ounce, compared with an average London PM Fix during the quarter of $1,415 per ounce. During the second quarter of 2012, the Company realized a gold price of $1,611 per ounce, compared with an average London PM Fix of $1,609 per ounce.

During the six months ended 30 June 2013, sales revenue decreased by 13% over the same period in 2012. The decrease was attributed to an 8% decrease in the average realized gold price for the period and a 6% decrease in the number of ounces sold. During the first six months of 2013, the Company realized an average gold price of $1,529 per ounce, compared with an average London PM Fix of $1,523 per ounce. During the same period in 2012, the Company realized a gold price of $1,654 per ounce, compared with an average London PM Fix of $1,651 per ounce.

Cost of sales increased by 6% during the current quarter to $7,449,000, compared with $7,052,000 in the second quarter of 2012. Year-to-date, cost of sales increased by 11% to $14,194,000, compared with $12,762,000 over the same period in 2012. The increase in the costs of sales was the result of higher site operating costs associated with higher costs due to an increase in the tonnes of ore mined and stacked to the heaps and increased depreciation and amortization expenses. These cost increases were partially offset by lower community and environmental costs, royalty expense, taxes and workers' profit participation provision. A period-over-period comparison for the cost of sales is provided in the table below. The lower royalties and taxes, and lower workers' profit participation provision is largely related to Corihuarmi's reduced profitability to date in 2013 versus the comparative periods in 2012, largely due to lower gold production, lower realized gold prices and increased operating costs.

Breakdown of Cost of Sales

	Three Months Ended 30 June			Six Months Ended 30 June		
	2013 ($'000s)	**2012 ($'000s)**	**Change (%)**	**2013 ($'000s)**	**2012 ($'000s)**	**Change (%)**
Site operating costs	4,656	3,825	22%	8,792	7,408	19%
Community and environmental costs	666	1,032	(35%)	1,295	1,443	(10%)
Depreciation and amortization	1,413	1,101	28%	2,720	2,210	23%
Selling expense	62	53	17%	124	125	(1%)
Royalties and taxes	479	787	(39%)	921	1,119	(18%)
Workers' profit participation provision	173	254	(32%)	342	457	(25%)
Total	7,449	7,052	6%	14,194	12,762	11%

Administration expenses decreased by 19% during the current quarter to $1,721,000 compared with $2,122,000 in the second quarter of 2012. Year-to-date, administrative expenses decreased by 12% to $3,725,000 from $4,212,000 over the same period in 2012. A period-over-period comparison for administration expenses is provided in the table below. The reduced administration costs were the largely the result of cost cutting initiatives undertaken in 2013.

Breakdown of Administration Expenses

	Three Months Ended 30 June			Six Months Ended 30 June		
	2013 ($'000s)	2012 ($'000s)	Change (%)	2013 ($'000s)	2012 ($'000s)	Change (%)
Depreciation	37	42	(12%)	74	79	(6%)
Director fees	23	45	(49%)	46	90	(49%)
Foreign exchange	62	(67)	193%	185	(4)	4,725%
Investor relations	61	97	(37%)	167	181	(8%)
Nomad and exchange fees	108	89	21%	245	176	39%
Office rent and administration	44	161	(73%)	249	473	(47%)
Professional and consulting fees	397	495	(20%)	768	830	(7%)
Salaries and wages	835	995	(16%)	1,731	1,824	(5%)
Telecommunication	66	88	(25%)	144	172	(16%)
Travel	101	161	(37%)	185	288	(36%)
Workers' profit participation	22	21	5%	44	90	(51%)
Other	(35)	(5)	(600%)	(113)	13	(969%)
Total	1,721	2,122	(19%)	3,725	4,212	(12%)

During the three and six months ended 30 June 2013, the Company recorded share based payments expense of $33,000, compared with $565,000 during the same period in 2012. On 17 May 2013, the Company granted a total 425,000 incentive stock options at an exercise price of £0.25 (25% above the prevailing market price on the date of grant, as per Company policy) for a period of 5 years. The options vested immediately upon grant and were fair valued with a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 46%; risk-free interest rate of 0.48%; and, an expected average life of 3.5 years.

During the second quarter of 2012, the Company granted 3,685,000 incentive stock options at an average exercise price £0.80. The options vested immediately upon being granted, and they were fair valued with a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; average expected volatility of 30%; average risk-free interest rate of 0.75%; and, an expected average life of 3.5 years.

The Company recorded finance expense of $293,000 and $564,000 during the three and six months ended 30 June 2013, respectively, compared with $97,000 and $193,000 during the same periods in 2012. The increase in finance expense during the quarter and year-to-date in 2013 was due to increased debt outstanding at a higher interest rate. The finance expense is largely related to the Company's credit facility provided by Macquarie Bank. In November 2012, the second $10,000,000 tranche under the credit facility was drawn down bringing the total outstanding to $20,000,000. In addition, the term of the credit facility was extended from 31 December 2012 to 30 June 2014 and the interest rate increased to LIBOR plus 5.0% (from LIBOR plus 3.5%).

During the second quarter of 2013, the Company recorded an income tax provision of $768,000, versus an income tax provision of $1,127,000 in the second quarter of 2012. During the six months ended 30 June 2013, an income tax provision of $2,051,000 was recorded, compared with $2,526,000 during the same period in 2012. The income tax provision is largely the result of the income tax exposure on the Company's Corihuarmi operation in Peru, which has a corporate income tax rate of 30%. The decrease during the current year compared with the comparative periods in 2012 was largely due to the reduced profit from operations. This was partially offset by reassessments received in Peru from the audit of prior years' tax returns.

Cash Flow

Cash provided by operating activities was $3,438,000 in the second quarter of 2013, compared with $4,090,000 in the second quarter of 2012. Reduced earnings during the second quarter in 2013 were partially offset by changes in non-cash working capital and higher corporation taxes paid in 2012.

During the six months ended 30 June 2013, the Company's operating activities used $3,107,000, compared with $1,467,000 provided by operating activities in the comparative period in 2012. The change in cash flow from operation is the result of reduced earnings, changes in non-cash working capital and higher finance expense, partially offset by lower corporation taxes paid.

Investing activities during the three months ended 30 June 2013 used $4,937,000, compared with $12,694,000 in the second quarter of 2012. During the six months ended 30 June 2013, the Company used $12,087,000, compared with $22,252,000 in the same six month period in 2012. Expenditures largely related to deferred exploration and development expenditures at the Company's Ollachea and Don Nicolás Gold Projects and property, plant and equipment at Corihuarmi.

Financing activities during the three months ended 30 June 2013 used $45,000 which were costs related to the equity financing the Company completed in the first quarter of 2013. On 7 February 2013, the Company completed an offering of 21,775,000 ordinary common shares at C$0.71 per share for gross proceeds of $15,504,000. Total cash costs related to the equity raising was $1,631,000. Additional details on the 7 February 2013 equity financing are provided below under the sections entitled, "Liquidity and Capital Resources".

During the six months ended 30 June 2012, the Company issued 29,260,000 ordinary shares at a price of C$1.13 per share for gross proceeds of $33,363,000. Total cash costs in connection with this placement were $2,146,000. In addition, during the first half of 2012, a total of 3,060,000 options at £0.45 were exercised for proceeds of $2,201,000.

Selected Annual Information

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

Financial Data	2012	2011	2010
Revenue ($'000)	45,988	53,002	41,082
Total after-tax income ($'000)	3,333	9,759	2,249
Earnings per share			
Basic (cents)	2.3	8.2	2.5
Diluted (cents)	2.3	8.0	2.4
Total assets ($'000)	204,097	136,110	124,516
Total liabilities ($'000)	55,097	24,131	22,173

Revenue in 2012 was down when compared to 2011 due primarily to a 17% decline in gold produced during the year. This resulted in a significantly lower after-tax profit for the year as well. The Company continued to expend the vast majority of its resources on the development of the Ollachea and Don Nicolás Projects which is evident in the Company's asset base.

Revenue in 2011 was significantly higher than 2010, due also to a higher realized gold price plus slightly higher gold sales. This contributed to a higher total income for 2011, offsetting 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 Nicolás Projects, was capitalized.

Outlook

The Company continues to target production of 24,000 ounces of gold from its Corihuarmi Gold Mine in 2013.

Mining at Corihuarmi is currently scheduled to continue until early-2015; however, the Company is currently carrying out a feasibility study on its Cayhua prospect with the objective of extending the mine life to mid-2016. The feasibility study for the Cayhua prospect is expected to be completed during 2013. There are also other areas of interest that will be subject to exploration activities in the near future that may result in further potential extensions to the life of the Corihuarmi Gold Mine.

At 30 June 2013, the Company had $4,925,000 in cash. Following the high expenditure levels of 2012 and early 2013 in which all objectives were achieved, including a Feasibility Study and Environmental and Social Impact Assessment at Ollachea, discretionary spending has been scaled back to reduce the Company's cash burn rate to conserve cash. The priority use of funds at Ollachea is to complete the permitting process and arrange project financing during the second half of 2013 to allow for the commencement of development.

In Argentina, the focus is being directed toward financing the Don Nicolas Project from sources within Argentina. The exploration program in Patagonia has been scaled back and is being directed toward generative work to define future drill targets.

Given the Company's current cash position, exploration activities at Don Nicolas and on the Company's large exploration tenement in the Patagonia region have been significantly reduced, with no drilling currently planned until financing for Don Nicolas is secured.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its mineral properties, acquire additional exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. In the management of capital, the Company includes its cash and cash equivalent balances, interest bearing loans and components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is not currently subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

Liquidity and Capital Resources

As at 30 June 2013, the Company had cash of $4,925,000, compared with $6,246,000 as at 31 December 2012.

As at 30 June 2013, the Company had a working capital deficit of $23,020,000, compared to a working capital deficit of a $5,270,000 as at 31 December 2012. The increase in the working capital deficit is the largely the result of the reclassification of the $20,000,000 outstanding under the Macquarie Bank Finance Facility that is due 30 June 2014. As of 30 June 2013, the Macquarie Bank Finance Facility has been reclassified from a non-current liability to a current liability.

<u>Ollachea Property Payment Due to Rio Tinto Plc</u>

Current liabilities also include $7,310,000 due to Rio Tinto Plc. The amount due to Rio Tinto Plc may be settled through a combination of cash and the issuance of ordinary shares of Minera IRL. Subsequent to 30 June 2013, the Company and Rio Tinto Plc agreed to an amount of $21,500,000 as the amount due by the Company to Rio Tinto Plc in connection with the second and final additional payment under the Mining Right Transfer Contract for the Ollachea property. The payment was calculated by taking 30% of the NPV (at 7%) of the Project, based on the feasibility study, less 30% of sunk costs. The Company had previously estimated the liability at $21,000,000, which had been accrued on the consolidated statements of financial position at 31 December 2012 and 31 March 2013. The payment will be made in three separate instalments. The first instalment, representing 34% of the amount due ($7,310,000), is payable within 90 days of agreeing to the amount due (October 2013); the second instalment, representing 33% of the amount due ($7,095,000), is payable within 12 months of agreeing to the amount due (July 2014); and, the third and final instalment, representing 33% of the amount due ($7,095,000) is payable within 24 months of agreeing to the amount due (July 2015). The second and third instalments accrue interest at an annual rate of 7% and are secured against the Ollachea mining tenements. Under the Mining Right Transfer Contract, up to 80% of the payment can be settled in ordinary shares of Minera IRL at the Company's election. The Company is currently in discussion with Rio Tinto Plc to restructure the payment terms of the $21,500,000.

As at 30 June 2013, the Company had the following undiscounted future contractual obligations outstanding:

$'000	Total	Less than 1 year	Year 2	Year 3	Year 4	Year 5	After Year 5
Debt repayments	20,000	20,000	-	-	-	-	-
Property payments–Rio Tinto	21,500	7,310	7,095	7,095	-	-	-
Asset retirement obligation +	5,086	205	205	205	2,661	1,147	663
Note: + This cost relates to the Corihuarmi mine rehabilitation costs and Ollachea exploration tunnel rehabilitation cost.							

On February 7, 2013, the Company completed an offering of 21,775,000 ordinary common shares at C$0.71 per share for gross proceeds of $15,504,000. The offering was completed under a base shelf prospectus that was filed with Canadian Securities Regulators on 12 July 2012. This base shelf prospectus allows the Company to make offerings of ordinary shares, debt securities, warrants to purchase ordinary shares, warrants to purchase debt securities, and securities convertible into or exchangeable for ordinary shares (collectively, the "Securities") or any combination thereof up to an aggregate initial offering price of C$80,000,000 during the 25-month period that the final short form base shelf prospectus, including any amendments thereto, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying shelf prospectus supplement and, subject to applicable regulations, may include 'at-the-market' transactions, private placements, public offerings or strategic investments. Unless otherwise specified in a shelf prospectus supplement, the net proceeds from the sale of the Securities will be used for general corporate purposes including capital expenditures and working capital.

In addition, the Company completed an equity offering on 5 March 2012. The Company issued 29,260,000 ordinary shares at a price of C$1.13 per share for gross proceeds of approximately C$33,063,800.

<u>Macquarie Bank Finance Facility</u>

On 2 November 2012, the Macquarie Bank Finance Facility (the "Facility") dated 7 July 2010 was amended to make available the $10,000,000 Tranche 2 and extend the Facility Repayment Date from 31 December 2012 to 30 June 2014. The Facility was subject to customary condition precedents including the amendment of existing options on issue to Macquarie Bank of 6,944,444 at $1.08 per share and 1,633,987 at $1.53 per share with expiry dates of 28 June 2013 to 6,944,444 at $1.08 per share and 1,633,987at $1.08 per share plus the issue of 680,828 additional

options at $1.08 all with expiry dates of 31 December 2014. The Facility interest rate is LIBOR plus a 5.0% margin (up from LIBOR plus 3.5%). In December 2012, the second Tranche of $10,000,000 was drawdown in two separate $5,000,000 draws, in consideration 4,672,897 options at $1.07 per share and 4,854,369 options at $1.03 per share all with expiry dates of 31 December 2014 were issued to Macquarie Bank.

Subsequent to June 30, 2013, the Facility was amended to increase the amount available by $10,000,000, in two separate $5,000,000 tranches (Tranche 3 and Tranche 4), increasing the total amount available under the Facility to $30,000,000. The Facility interest rate remains LIBOR plus a 5.0% margin; however, as a condition of drawing down on each $5,000,000 tranche a 0.5% gross revenue royalty on gold production from the Company's Ollachea gold project for the life of mine will be granted to Macquarie Bank ("Macquarie Royalty"). Once granted, the Company would have the right to buyback and cancel each tranche of the Macquarie Royalty by paying a buyback fee (the "Buyback Fee"). The Buyback Fee would be calculated as the amount required to generate an internal rate of return ("IRR") to Macquarie Bank of 25% for each tranche, but shall not be less than $2,500,000 for each 0.5% gross revenue royalty. The IRR is to be calculated using the actual drawdown and actual repayment of each tranche, the upfront fee paid (1.5% of each tranche, payable on drawdown), the interest payments associated with each tranche paid and any payments made under the Macquarie Royalty.

A condition precedent to the second $5,000,000 tranche (Tranche 4) being made available is the receipt by the Company of the environmental permit required for the development of the Ollachea gold project. This permit is expected during the second half of 2013. The $10,000,000 available under Tranches 3 and 4 are subject to an undrawn line fee of 2% per annum.

Both the Ollachea and Don Nicolas projects will require additional financing in order to proceed with mine development, and consequently, the Company is currently evaluating financing alternatives.

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 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.

Commitments and Contingent Liabilities

The Company has entered into a contract with Generacion Electrica San Gaban SA for the supply of power for the construction and operation of the Ollachea project. In the event that certain minimum power usages are not achieved, then the Group is exposed to a maximum penalty of up to approximately $0.7 million.

Financial Instruments

The Group's principal financial assets comprise of available-for-sale financial assets, cash and other receivables. With the exception of available-for-sale financial assets, which are recorded at fair value, all of the Group's financial assets are classified as loans and receivables and are measured at amortised cost. The Group'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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining sufficient cash balances to meet current working capital requirements and access to credit facilities 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. Accordingly, the Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an on-going basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company's cash is invested in business accounts with high-credit quality financial institutions in Jersey and are available on demand.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. 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, as determined by rating agencies, for which management believes the risk of loss to be minimal. In addition, the Company is exposed to sovereign risk in so far as it is owed recoverable sales tax by the governments of the Latin American countries in which it works. Management believes that the credit risk is minimal.

Currency risk

Foreign currency risk is the risk that the fair value of assets and future cash flows will fluctuate as a result of changes in foreign currency exchange rates. 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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 as well. The Company has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 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. In addition, at 30 June 2013, the Company had three annual payments related to the Ollachea gold property totalling $21,500,000 that are due between October 2013 and July 2015. The payments due in July of 2014 and July 2015 accrue interest at an annual rate of 7%.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The commodity price for gold is impacted by world economic events that dictate the levels of supply and demand. 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 price 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 six month period ended 30 June 2013, the Company had no transactions with related parties other than with key management as disclosed in note 3 of the condensed interim consolidated financial statements.

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 2012 that was filed on SEDAR on 28 March 2013.

Critical Accounting Estimates

The preparation of consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Intangible Assets

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.

Asset Retirement Provisions

Restoration costs will be incurred by the Company at the end of the operating life of the Company's facilities and properties. The ultimate restoration liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Depreciation Rate

Mining properties are depreciated on a straight line basis over the expected life of the mine. The calculation of mine life and depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proven plus probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

Income Taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Share Based Payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Management's Responsibility for Financial Statements

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Outstanding Share Data

The Company has an authorized share capital of an unlimited number of no par Ordinary Shares, of which 173,677,884 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 28,151,525 options issued and outstanding, of which 9,365,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's Share Option Plans and the balance were issued in connection with a finance facility. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below. Additional disclosure regarding the Company's share and option data can be found in note 12 of the condensed interim consolidated financial statements for the six months ended 30 June 2013.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. Options outstanding
Share Option Plan Issued Options				
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	£1.0800	2,630,000
3 April 2012	3 April 2012	3 April 2017	£0.8063	3,485,000
14 May 2012	14 May 2012	14 May 2017	£0.5875	200,000
4 September 2012	4 September 2012	4 September 2017	£0.5250	150,000
17 May 2013	17 May 2013	17 May 2018	£0.2469	425,000
Other Issued Options				
7 July 2010 (1)	7 July 2010	31 December 2014	$1.08	6,944,444
30 September 2010 (1)	30 September 2010	31 December 2014	$1.08	1,633,987
2 November 2012	2 November 2012	31 December 2014	$1.08	680,828
4 December 2012	4 December 2012	31 December 2014	$1.07	4,672,897
24 December 2012	24 December 2012	31 December 2014	$1.03	4,854,369
Total				**28,151,525**

1. In connection with an amendment to the Macquarie Finance Facility, the expiration date of these options was extended from 28 June 2013 to 31 December 2014. Additionally, the exercise price on the 1,633,987 options issued on 30 September 2010 was changed to $1.08 from $1.53.

Changes in Accounting Policies including Initial Adoption

Other than what is disclosed in note 1 of the Company's audited annual financial statements for the year ended 31 December 2012, the Company has not and does not expect to adopt any new accounting policies during the year ended December 31, 2013. The Company also did not adopt any new accounting policies during the most recently completed financial year.

Subsequent Events

Subsequent to June 30, 2013, the Macquarie Bank Finance Facility was amended to increase the amount available by $10,000,000, in two separate $5,000,000 tranches (Tranche 3 and Tranche 4), increasing the total amount available under the Facility to $30,000,000. Details are provided above under the section entitled, "Macquarie Bank Finance Facility" within the discussion on Liquidity and Capital Resources.

Subsequent to 30 June 2013, the Company and Rio Tinto Plc agreed to an amount of $21,500,000 as the total due by the Company to Rio Tinto Plc in connection with the second and final additional payment under the Mining Right Transfer Contract for the Ollachea property. The Company had previously estimated the liability at $21,000,000, which had been accrued on the consolidated statements of financial position at 31 December 2012 and 31 March 2013. The Company is currently in discussion with Rio Tinto Plc to restructure the payment terms of the $21,500,000 due under the Mining Right Transfer Contract. Details are provided above under the section entitled, "Ollachea Property Payment Due to Rio Tinto Plc" within the discussion on Liquidity and Capital Resources.

The Company held its Annual General Meeting of shareholders on 10 July 2013, and all resolutions proposed by management were passed.

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 refer to the Company's Annual Information Form filed on SEDAR at www.sedar.com.

Designated Foreign Issuer

The Company is considered a "designated foreign issuer" as such term is defined by Canadian Securities Regulators in National Instrument 71-102 –*Continuous Disclosure and Other Exemptions Relating to Foreign Issuers,* and as such is subject to the foreign regulatory requirements of the AIM market of the London Stock Exchange plc.

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2012 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.

Non-IFRS Measures

1. "Site operating cash costs per ounce" is a non-GAAP or non-IFRS measure which does not have a standardized meaning prescribed by GAAP or IFRS and may not be comparable to other similarly titled measures of other companies. Site operating cash costs include costs such as mining, processing and administration, but are exclusive of royalties, workers' profit participation cost, 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 that 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 IFRS, and is not necessarily indicative of operating costs presented under IFRS.

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