Minera IRL
LIMITED

ANNUAL REPORT
2010

HIGHLIGHTS

- **Corihuarmi 2010 gold production of 32,533 ounces, 15.2% above budget but down 1.5% from 33,013 ounces in 2009**
- **2010 gold sales of 33,240 ounces, up 3.3% from 32,166 ounces in 2009 and realised gold price of $1,232 per ounce, up 24.7% from $988 per ounce in 2009**
- **Sales revenue of $41.1 million in 2010, up 29.0% from $31.9 million in 2009**
- **Gross profit of $17.8 million in 2010, up 36.2% from $13.1 million in 2009**
- **EBITDA of $13.8 million in 2010, which included the write-off of the exploration expenditure for the La Falda and Killincho exploration projects of approximately $2.7 million, up 22.0% from $11.3 million in 2009**
- **Profit before tax of $6.5 million, up 20.4.% from $5.4 million in 2009**
- **Total income after tax of $2.8 million in 2010, down from $3.0 million in 2009**
- **The Company's gold in resource increased to 1.5 million ounces in the Indicated category plus an additional 0.7 million ounces in the Inferred category**
- **The Pre-feasibility Study at Ollachea progressed toward a mid-2011 completion including a new resource estimate containing 1.2 million ounces in the Indicated category and 0.5 million ounces in the Inferred category**
- **In May 2010, a new discovery was announced at Concurayoc, located west of the Ollachea Minapampa Zone, where ongoing drilling has the immediate objective of defining an Inferred Resource**
- **The Feasibility Study on the Don Nicolas Project in Patagonia progressed with in-fill drilling being substantially completed during the 2010 year**
- **Also in Patagonia, scout drilling at Escondido has identified a new discovery with gold mineralization immediately adjacent to the Las Calandrias discovery announced by Mariana Resources Ltd**
- **In April 2010, the Company enhanced its shareholder liquidity and global market exposure by obtaining a listing on the TSX Exchange in Toronto under the trading symbol "IRL"**
- **In July 2010, the Company completed a new $20 million finance facility with Macquarie Bank Limited, of which $10 million was drawn as at 31 December 2010**
- **In November 2010, the Company completed a successful equity raising for gross proceeds of approximately C$37.5 million, or net proceeds of approximately C$35 million, by issuing 32,641,600 ordinary shares at C$1.15 per share**
- **Cash held of $34.6 million as at 31 December 2010**

CORPORATE INFORMATION

DIRECTORS
Courtney Chamberlain (Executive Chairman)
Douglas Jones (Non-Executive)
Kenneth Judge (Non-Executive)
Graeme Ross (Non-Executive)
Napoleon Valdez Ferrand (Non-Executive)

COMPANY SECRETARY
Timothy Miller

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Registered in Jersey under number 94923

CHAIRMAN'S STATEMENT

I am pleased to present the Minera IRL Limited annual report to shareholders, our fifth as a publicly listed company. Our Company had another very good year in 2010 with substantial progress made on all fronts. Of particular importance, in only two years our gold resource base has increased from a little over 100,000 ounces to 1.5 million ounces in the Measured and Indicated category plus an additional 0.7 million ounces in the Inferred category. This resource base continues to grow and substantially underpins the future of Minera IRL.

Our Corihuarmi Gold Mine continued to out-perform expectations and provides a sound financial underpinning for our business. Good progress was made on the Ollachea pre-feasibility study where in-fill drilling upgraded 1.2 million ounces of gold to the Indicated category along with another 0.5 million ounces of Inferred. The Hidefield Gold plc acquisition, completed at the end of 2009, was bedded down with substantial progress made on the Don Nicolas feasibility study. The progressive gear-up of the exploration program in Patagonia yielded a new discovery at Escondido.

On the corporate front, the Company, already trading on the London AIM and Lima Stock Exchange (BVL), was also listed on the Canadian TSX in April. This was followed by a $37.5 million fund raising which was completed in November. Growing market recognition and shareholder support led to our share price closing the year on an all-time high. Minera IRL is in a very sound position going into 2011.

Projects

Corihuarmi Gold Mine

The Corihuarmi Gold Mine continued to perform well throughout the year generating strong cash flow for the Group. A total of 32,533 ounces was produced, which was above expectations and in line with 2009 production, at a cash cost of US$383 per ounce. Gold sales, in line with Company policy of not hedging, averaged US$1,232 per ounce for 2010, which was US$244 per ounce higher than the previous year. At the end of 2010 the three year open pit mining contract expired. The Company then took over mining operations which will optimize operating cost going forward. Mine life expectations now extend to 2015 subject to certain permits being received.

Ollachea

Following completion of a positive Scoping Study predicated upon an Inferred Resource containing 1.3 million ounces in late 2009, a pre-feasibility study was commenced and continued throughout the year. A major component of this was an in-fill diamond drilling program on the central Minapampa Zone bringing the total number of holes to 88 giving a drill spacing grid of approximately 30 meters in the mineralized zone. Drilling was also extended another 200 meters to the east (Minapampa East) at which point further drilling advance from surface was precluded by the very steep mountain slope. This information allowed our consultants to upgrade the resource to 9.3 million tonnes grading 3.9g/t containing 1.2 million ounces in the Indicated category plus an additional 4.8 million tonnes grading 3.2g/t containing 0.5 million ounces in the Inferred category.

International engineering company AMEC was appointed to carry out the pre-feasibility study. The detailed design of the underground mine was commenced by Coffey Mining Pty Ltd and underpinned by a comprehensive geotechnical program. The proposal for a 1.3 kilometre production size exploration tunnel to access the mineralized zone was submitted to the authorities for permitting. Metallurgical testing was transferred to AMMTEC in Perth where further detailed work continues to demonstrate that over 90% gold extraction can be expected using conventional processing methods. Data gathering for the environmental baseline study continued throughout the year. The pre-feasibility study is expected to be completed mid-2011.

A new discovery was announced at Concurayoc where a new mineralized zone to the west of Minapampa has identified mineralization over a 600 meter strike length. Drilling at Concurayoc continues with the objective of estimating a maiden Inferred resource during mid-2011. Mineralization at Ollachea remains open ended and untested along strike both to the east and west as well as down dip.

Community relations at Ollachea remained excellent throughout the year with extensive programs in health and welfare, nutrition, education and sustainable development. The Company is also providing considerable employment to members of the community which, in turn, is making a significant contribution to the local economy.

Patagonia
Minera IRL Patagonia SA has put a great deal of effort into the new business unit in the mining friendly province of Santa Cruz, Argentina following the take-over of Hidefield Gold Plc at the end of 2009. This acquisition included the Don Nicolas Project with a resource base of 201,000 ounces in the Indicated category plus 158,400 ounces in the Inferred category. A very large exploration concession totalling some 2,700 square kilometres was also acquired. Early in the year the management team was bolstered and reorganized into two groups, one dedicated to the advancement of a feasibility study at Don Nicolas and the other focused on regional exploration.

The Don Nicolas feasibility study comprises two principal epithermal vein deposits, Sulphuro and Martinetas. During the year some 17,000 meters of in-fill drilling was carried out to improve the confidence level of the resource base. A final round of infill drilling at Martinetas was about to commence at the time of writing which is expected to provide all the information required to complete a resource re-estimation in mid-2011. Ingenieria PENTA Sur SA, an Argentina based engineering company, was appointed to produce the feasibility report. Work included additional metallurgical testing and environmental studies. The feasibility study is expected to be completed in late 2011. Assuming a successful outcome, permitting will be completed and construction started in 2012 with the objective of bringing a new mine on line by early 2013.

The Deseado Massif, the 77,000 square kilometre volcanic complex in which our leases are located, is proving an outstanding, yet under explored, precious metals district. In addition to some very good mines, a number of important discoveries have recently been made. Minera IRL Patagonia's lease holding is amongst the largest in the Deseado Massif and hosts many high quality exploration prospects. During the early part of the year, the extensive database was reviewed and this was supplemented with highly sophisticated modern geophysical technology including a 4,400 line kilometre, high intensity, heliborne magnetic and radiometric survey. The result was an outstanding image of the underlying rock characteristics which provide indications of many additional targets.

Exploration drilling commenced in August with an immediate discovery at Escondido immediately south of Mariana Resources Ltd Las Calandrias discovery. Follow-up exploration on this bulk tonnage deposit is continuing. In addition, the first round of drilling at Pan de Azucar within the Chispas vein field proved encouraging but some 8 kilometres of known outcropping veins containing elevated gold values remain to be drill tested. Other high grade epithermal vein prospects to be explored in 2011 include Microndas, Paula Andrea and Michelle, along strike from Anglo American's Cerro Vanguardia Mine, the largest gold mine in southern Argentina.

Other Projects
First round of drilling at the Bethania gold-copper porphyry, located only 10 kilometres from the Corihuarmi Gold Mine, was encouraging with long intersections of low grade gold-copper-molybdenum mineralization. Bethania is a very large system with the alteration zone extending some 3.5 kilometres by 1.5 kilometres underlain by encouraging magnetic and chargeability geophysical anomalies. The second round of drilling is scheduled to commence during the second quarter of 2011.

The Quilavira gold prospect in Southern Peru was purchased from Newcrest and surface rights agreements are being negotiated with the local communities. The Huaquira Joint Venture was successfully renegotiated on favorable terms continues with JV partner Minera Alturas Corporation. The Frontera Project in Chile continues to be managed by Teck Cominco.

On the negative side, drilling at the La Falda gold porphyry system in Chile failed to meet expectations and was written off. Likewise, the Company terminated the Killincho exploration project in southern Peru.

Financial Results

Production from the Corihuarmi Gold Mine remained steady compared to 2009 and yielded sales revenue of US$41.1 million (2009: US$31.9 million). The increase in revenue compared to 2009 was due the gold price from spot sales increasing from $988 per ounce to $1,232 per ounce. Mining and treatment of 20% more ore in 2010 contributed to an increase in the cost of sale to US$23.3 million (2009: US$18.8 million). The combined effect was an increased gross profit of US$17.8 million (2009: US$13.1 million). Administration expenses of $7.8 million were higher than the prior year (2009: US$6.6 million), with the inclusion of the administration costs relating to the Hidefield Gold Plc acquisition. Exploration expense increased to US$3.3 million (2009: US$1.7 million), largely arising from the write–offs of the La Falda Project in Chile and the Killincho Project in Peru totalling US$2.7 million. The overall result was an increased operating profit of US$7.2 million (2009: US$5.8 million). The income tax expense, which arises solely in Peru, increased to US$4.3 million (2009: US$2.5 million) with the increase in profit before tax in Peru. The Company's total income after tax was $2.8 million (2009: US$3.0 million).

The group spent a total of US$22.9 million on exploration and development during the year (2009: US$16.4 million) of which US$22.3 million of the exploration and development expenditure was capitalised to the intangible assets of the group (US$14.5 million for the Ollachea project) and US$0.6 million was recognised as a cost in the statement of comprehensive income.

At the end of 2010 the group had a cash balance of US$34.6 million, leaving the company in a strong position to continue with the program to develop the company.

Board of Directors and Executive Management

In March 2010, Mr Napoleon Valdez joined the Board of Directors. Napoleon is a successful Peruvian businessman and provides the Board with an invaluable insight and connections in the Peru mining, business and financial circles. The Company is presided over by five directors which includes four outstanding independent directors with extensive experience and diverse backgrounds.

After more than 4 years as Chief Financial Officer and Company Secretary, Richard Michell retired at the end of the year. I would like to express my appreciation for Richard's efforts and contribution during a period of strong growth in which Minera IRL was transformed into a mining company. The role of Tim Miller, Vice President of Corporate Finance, was expanded to include the role of Chief Financial Officer and Company Secretary.

Corporate Governance

Minera IRL Limited has well defined policies that govern the Company. Strict environmental guidelines are followed at all projects and the Corihuarmi Mine has been constructed under stringent environmental controls to an international standard. We have a very strong community relations team and a track record of working closely with local communities in all project areas. In addition to local employment and training, Minera IRL programmes cover other areas of social importance including health, nutrition, education and projects aimed at sustainable development.

The Board of Directors maintains audit and compensation committees which further assist in the governance of the Company. Public and investor relations management have been developed in line with the move into the public arena.

Share Price Performance

There was a significant realignment of the Minera IRL Limited share trading profile in 2010. Following several years of the Lima Stock Exchange dominating the turnover of the Company's shares, trading in London on AIM increased to the point where it surpassed Lima. Initially there was poor liquidity in Canada following listing on the TSX in April but this improved later in the year following the equity raising when a significant portion of the $37.5 million was subscribed by North American institutions.

The share price performance was lackluster during the first 8 months of the year but recovered strongly following the announcement of the Escondido discovery in September. This placed the Company in a strong position for the November fundraising which was well over subscribed. The share price closed at £0.9375 at the end of 2010, an increase of 49% from the first of the year. The market capitalization of the company at the end of the year was £112 million (pounds sterling).

Current Investment Climate and Country Outlook

With a few notable exceptions, Latin America continues to forge ahead with strong growth, improved standards of living and vast expenditure on infrastructure. Peru's economy is strongly underpinned by an outstanding mining industry. In terms of metal production, the country ranks first in silver and zinc, second in copper, third in tin, fourth in lead and sixth in gold. Peru hosts some of the most prospective geology in the world with high quality new discoveries continuing to be made such as the 5 million plus ounce Chucapaca gold discovery by the Gold Fields Ltd/Cia. De Minas Buenaventura SAA Joint Venture not far from Minera IRL's Ollachea Gold Project. The involvement and support of local communities remains a key component of successful Peruvian mining projects which have a major impact on the local economy, skills, employment, infrastructure and standard of living. Minera IRL, through its local subsidiary Minera Kuri Kullu SA, has been a trend setter by granting the local community a 5% equity participation in the Ollachea Project at the start of production. Whilst controversial in some circles, this model is receiving wide interest as a means of forming true and enduring partnerships with local communities.

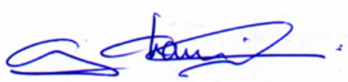
Paving the way for a pending merger of the Lima, Santiago and Bogota stock exchanges, the capital gains tax which was discriminatory to foreign companies was amended by the Peruvian congress at the end of the year. An across-the-board 5% capital gains tax now applies. The union of these three South American exchanges promises to create a powerful trading block which should prove particularly beneficial to Minera IRL in extending its investor base.

The Peruvian presidential elections are scheduled for 10 April 2011. President Dr Alan Garcia, who has done an admirable job in presiding over Peru during the past 5 years, is not eligible for a consecutive 5 year term and will stand down. It appears highly likely that the new president elect will maintain policies supportive to the mining industry.

The economy in Argentina is less robust with the official inflation at about 10%, although it is widely believed that the actual inflation is significantly higher, and the Peso continues to weaken. Support for mining is heavily dependent upon the specific province. Santa Cruz, the province in which Minera IRL Patagonia is active, strongly supports mining and we have received every encouragement from the government authorities. Other mining companies are experiencing the same positive working relationships in that province with a high level of exploration and development underway in the Deseado Massif. Elections in Argentina are scheduled for October 2011 but we see no reason not to expect strong ongoing government support for our program in Patagonia.

The Gold price continued its strong upward trend increasing from US$1,122 per ounce at the beginning of 2010 to close the year at US$1,406 per ounce, an increase of over 25%. At the time of writing the gold price appears to have consolidated around the US$1,400 per ounce mark. With the outlook for a continuing weak US dollar and sectors of weakness in the world economy, we are optimistic that gold will test new price barriers in the short to medium term.

I wish to convey my sincere appreciation to our fine Board of Directors, Management Team and all employees for their loyalty, dedication and hard work in building the Company. I would also like to thank our long term shareholders for their continuing support and to welcome those that have joined our company during the past year. I feel very confident that our growing resource base, quality of assets and exploration potential, managed by an excellent team, places Minera IRL in a very strong position to continue building a mid-tier mining company.



Courtney Chamberlain
Executive Chairman
Minera IRL Limited

31 March 2011

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2010.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Minera IRL Group is the development and operation of gold mines in Latin America.

The Group operates the Corihuarmi Gold Mine, has two projects in differing stages of feasibility evaluation, as well as a number of exploration projects.

A full review of the business and plans for its future development are contained in the Chairman's Statement. A summary of the financial risk management policies and objectives is contained in the notes to the financial statements.

RESULTS AND DIVIDENDS

The total income for the year after tax was US$2,847,000 (2009: US$2,971,000). No dividend was paid during the year and no final dividend is proposed. A profit of US$2,847,000 (2009: US$2,971,000) is to be transferred to reserves.

DIRECTORS

The names of the directors who served during the year and their interests in the share capital of the Company at the start and the end of the year are:

Director	Ordinary shares of no par value	
	31-Dec-2010	31-Dec-2009 (or date of appointment)
C Chamberlain	3,492,692	3,472,692
D Jones	292,936	204,936
K Judge [(1)]	1,389,062	1,389,062
G Ross	5,000	5,000
N Valdez Ferrand (appointed 2 March 2010)	44,000	44,000

Note: (1) Hamilton Capital Partners is the direct or indirect holder of these Ordinary Shares, an associate company of Mr Judge.

On 31 December 2010 the directors who served during the year held the following share options under the Minera IRL Limited Incentive Stock Option Scheme:

Director	No. Held 31-Dec-2009	Granted	Exercised	Expired or cancelled	No. Held 31-Dec-2010	Exercise price (£)	Expiry Date
C Chamberlain	2,000,000	-	-	-	2,000,000	0.45	12-Apr-2012
	250,000	-	-	-	250,000	0.62	18-Mar-2013
	750,000	-	-	-	750,000	0.9125	17-Nov-2014
	-	500,000	-	-	500,000	1.08	17-Nov-2015
D Jones	100,000	-	-	-	100,000	0.45	12-Apr-2012
	50,000	-	-	-	50,000	0.62	18-Mar-2013
	100,000	-	-	-	100,000	0.9125	17-Nov-2014
	-	120,000	-	-	120,000	1.08	17-Nov-2015
K Judge	-	50,000	-	-	50,000	0.8875	26-Jan-2015
	-	120,000	-	-	120,000	1.08	17-Nov-2015
G Ross	50,000	-	-	-	50,000	0.45	12-Apr-2012
	25,000	-	-	-	25,000	0.62	18-Mar-2013
	50,000	-	-	-	50,000	0.9125	17-Nov-2014
	-	120,000			120,000	1.08	17-Nov-2015
N Valdez Ferrand	-	50,000	-	-	50,000	0.725	01-Jul-2015
	-	120,000	-	-	120,000	1.08	17-Nov-2015

Details of these share options may be found in note 17 to the accounts.

On 4 January 2010 Courtney Chamberlain bought a further 20,000 shares in the company. On 10 November 2010 Douglas Jones bought a further 88,000 shares in the company via the equity offering completed in November 2010. There have been no other movements in any of the directors' interests in the share capital of the Company between 1 January 2011 and 31 March 2011.

Mr Chamberlain and Mr Judge retire by rotation and offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains appropriate insurance to cover directors' and officers' liability in the course of discharging their duties to the Company. This insurance does not provide cover where a director or an officer has acted dishonestly or fraudulently.

DONATIONS

The Company made no charitable donations outside of the areas in which it hopes to establish mines. However, extensive work is done to help the local communities of the Andean Cordillera where the Company is mining or is intending to establish mines, and where the relationship with the local communities is extremely important.

No political donations were made during the past year or the previous year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011 the Company has been notified of the following substantial shareholdings in addition to those of the directors:

	Number of Shares	Percentage of Issued Share Capital
Midas Capital plc	11,036,900	9.2
BlackRock Investment Management (UK) Limited managed funds	9,205,994	7.7
JP Morgan Asset Management (UK) Limited	8,608,000	7.2
Sentry Select	5,300,000	4.4
Shairco for Trading, Industry and Contracting	4,705,000	3.5

SPECIAL BUSINESS AT FORTHCOMING ANNUAL GENERAL MEETING

An ordinary resolution will be proposed at the forthcoming Annual General Meeting to give the directors the authority to allot the Company's Ordinary shares up to a maximum of approximately 40% of shares in issue at the time of the Annual General Meeting. This authority is being sought to give the Company flexibility to make further issues of shares.

Subject to the passing of this ordinary resolution a special resolution will be proposed to renew the directors' power to disapply the pre-emption rights specified in the Articles of Association of the Company in respect to the allotment of the same approximately 40% of shares in issue. These authorities, if granted, would be valid from the date of the passing of the resolutions until the date of the next Annual General Meeting.

DISCLOSURE OF INFORMATION

So far as the directors are aware, there is no information needed by the Group's auditors in connection with the preparation of their report, which they have not been made aware of, and the directors have taken all the steps that they ought to have taken to discover any relevant audit information and to establish that the Group's auditors have been made aware of that information.

By order of the Board

Signed
Timothy W. Miller
Company Secretary

31 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations. Company law in Jersey requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and to prepare the parent company financial statements on the same basis.

The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Jersey governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINERA IRL LIMITED

We have audited the group and parent company financial statements ("the financial statements") of Minera IRL Limited for the year ended 31 December 2010 which comprise consolidated and company statements of total comprehensive income, balance sheets, statements of changes in equity, cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's and the group's affairs as at 31 December 2010 and of the group's profit and the company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Separate opinion in relation to IFRSs

As explained in Note 1 to the group financial statements, the group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- proper returns adequate from our audit have not been received from branches not visited by us; or
- the company's accounts are not in agreement with its accounting records; or
- we have not received all the information and explanations which are necessary for the purposes of our audit.

Signed
Nicole Kissun
For and on behalf of
PKF (UK) LLP
London, UK

31 March 2011

Independent Auditor's Report to the Directors of MINERA IRL LIMITED in respect of Compatibility with Canadian GAAS

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards (''Canadian GAAS'') and International Standards on Auditing (UK and Ireland).

We conducted our audit for the year ended 31 December 2010 in accordance with International Standards on Auditing (UK and Ireland). There are no material differences in the form or content of our audit report, and as compared to an auditor's report prepared in accordance with Canadian GAAS it would not contain a modified audit opinion.

PKF (UK) LLP
London, UK 31 March
2011

MINERA IRL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 31 DECEMBER 2010
(expressed in United States dollars, unless otherwise noted)

*The following Management's Discussion and Analysis ("MD&A"), prepared as of 31 March 2011 and 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 end 31 December, 2010 and the comparative period ended December 31, 2009, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts are stated in United States dollars, unless otherwise indicated. Additional information about Minera IRL, including the Company's most recently filed Annual Information Form and the risks and uncertainties discussed therein, may be found at the Company's website at www.minera-irl.com and within the Company's SEDAR profile at www.sedar.com.*

2010 Financial, Operational and Development Highlights

- **Corihuarmi 2010 gold production of 32,533 ounces, 15.2% above budget but down 1.5% from 33,013 ounces in 2009**
- **2010 gold sales of 33,240 ounces, up 3.3% from 32,166 ounces in 2009, and realised gold price of $1,232 per ounce, up 24.7% from $988 per ounce in 2009**
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- **Gross profit of $17.8 million in 2010, up 36.2% from $13.1 million in 2009**
- **EBITDA of $13.8 million in 2010, which included the write-off of the exploration expenditure for the La Falda and Killincho exploration projects of approximately $2.7 million, up 22.0% from $11.3 million in 2009**
- **Profit before tax of $6.5 million, up 20.4.% from $5.4 million in 2009**
- **Total income after tax of $2.8 million in 2010, slightly lower than the $3.0 million in 2009**
- **The Company's gold in resource increased to 1.5 million ounces in the Measured and Indicated category plus an additional 0.7 million ounces in the Inferred category**
- **The Pre-feasibility Study at Ollachea progressed toward a mid-2011 completion including a new resource estimate containing 1.2 million ounces in the Indicated category and 0.5 million ounces in the Inferred category**
- **In May 2010, a new discovery was announced at Concurayoc, located west of the Ollachea Minapampa Zone, where ongoing drilling has the immediate objective of defining an Inferred Resource**

- **The Feasibility Study on the Don Nicolas Project in Patagonia progressed with in-fill drilling being substantially completed during the 2010 year**

- **Also in Patagonia, scout drilling at Escondido has identified a new discovery with gold mineralization immediately adjacent to the Las Calandrias discovery announced by Mariana Resources Ltd**

- **In April 2010, the Company enhanced its shareholder liquidity and global market exposure by obtaining a listing on the TSX Exchange in Toronto under the trading symbol "IRL"**

- **In July 2010, the Company completed a new $20 million finance facility with Macquarie Bank Limited, of which $10 million was drawn as at 31 December 2010**

- **In November 2010, the Company completed a successful equity raising for gross proceeds of approximately C$37.5 million, or net proceeds of approximately C$35 million, by issuing 32,641,600 ordinary shares at C$1.15 per share**

- **Cash held of $34.6 million as at 31 December 2010**

Background and Business of the company

Minera IRL Limited is a Jersey registered company and together with its subsidiaries (the "Group" or "Company") is a Latin American precious metals mining, development and exploration company. The Company was privately funded from inception in 2000 until an initial public offering and admission of its ordinary shares on the AIM Market of the London Stock Exchange plc ("AIM") in April 2007, and subsequently listed on the Lima Stock Exchange in Peru, Bolsa de Valores Lima ("BVL"), in December 2007 both under the symbol of "MIRL". Most recently the shares were approved for listing on Toronto Stock Exchange ("TSX"), in April 2010 under the symbol "IRL".

In Peru the Company operates the Corihuarmi Gold Mine, is conducting a Pre-feasibility study on the Ollachea Project and exploring a number of gold prospects. In Argentina, the Company is undertaking a feasibility study at the Don Nicolas gold project in Patagonia and is prospecting a large land package under exploration licences held by the Company.

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

Selected Annual Information

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

Financial Data	2010	2009	2008
Revenue ($'000)	41,082	31,856	43,568
Total income/(loss) after tax ($'000)	2,847	2,971	12,523
Earnings/(loss) per share			
Basic (cents)	2.5	4.3	12.5
Diluted (cents)	2.4	4.3	12.5
Total assets ($'000)	124,516	82,446	54,688
Total liabilities ($'000)	22,173	18,570	13,982

The decrease in total income from 2008 to 2009 was mainly the result of lower production from the Corihuarmi operation. This is reflected in the lower revenue for 2009 compared with 2008. The lower production was in line with the Corihuarmi mine plan and was due to the mining of higher grade zones in 2008, the first year of operation. The increase in total assets from 2008 to 2009 primarily relates to the capitalisation of exploration expenditure and the acquisition of Hidefield Gold plc, which held the Don Nicolas Project and a large prospective land package in Patagonia. Total liabilities increased between 2008 and 2009 due to an increase in payables with an additional payment of $3.8 million becoming due to Rio Tinto Mining and Exploration SAC in June 2010 for the Ollachea Project. This was partly offset by the $2.5 million repayment of the Macquarie Bank Limited finance facility.

Revenue in 2010 was significantly higher than 2009, due to a higher realised gold price. The total income for 2010 was slightly lower than 2009, with the higher revenue offset by the write-off of two exploration projects, higher Corihuarmi site operating costs and higher income tax. Total assets increased significantly with the continued capitalisation of exploration and development expenditure and the increase in cash from the equity raising completed in November 2010. Total liabilities increased in 2010 primarily due to the refinancing and additional drawdown of a new Macquarie Bank finance facility.

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine

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

Below is a summary of the key operating statistics for Corihuarmi for the financial year ended 31 December 2010 compared with the financial year ended 31 December 2009:

Operating Parameter	2010	2009
Waste (tonnes)	43,981	423,914
Ore mined & stacked on heaps (tonnes)	1,455,500	1,216,845
Ore grade, mined and stacked (g/t)	0.87	1.13
Gold produced (ounces)	32,533	33,013
Gold sold (ounces)	33,240	32,166
Realised Gold Price ($ per ounce)	1,232	988
Site operating cash costs ($ per ounce) [1]	383	341

Gold production for 2010 decreased slightly by 1.5% to 32,533 ounces, against the 33,013 ounces produced in the same prior year period. However, 2010 production was approximately 15.2% above budget.

Although the grade was significantly lower, this was mainly compensated for by the higher tonnes mined and crushed for 2010, compared to 2009, resulting in similar levels of production. Mining was as per plan and predominantly on the Susan outcrop. The benches mined contained a low proportion of waste whereas during 2009 more waste mining was required to establish mining in that ore zone. The site operating costs per ounce increased by 15.8% due to higher ore mining and treatment tonnes, and increased costs associated with operating the new elution train of tanks. The price received from spot gold sales increased 24.7% giving Corihuarmi a substantially increased margin.

Work continued during the year on plans to treat the 3.8 million tonnes of broken scree material below the outcrops. This material currently contains 55,000 ounces of gold in the Inferred Resource category (3.77 million tonnes at 0.45 g/t Au). An Environmental Impact Assessment required to permit mining and treatment rates to increase to 2 million tonnes per annum in 2011 has been submitted to the authorities. It is expected that this will allow additional low grade material to be profitably treated and a gold production level of approximately 30,000 ounces per annum to be maintained in 2011 at a site operating cash cost of $400 – 500 per ounce.

Ollachea Project - Development

Minera IRL's flagship Ollachea Gold Project is located in southern Peru, approximately 250 km north of Lake Titicaca, on the eastern escarpment of the Andes Mountains. The project was acquired from Rio Tinto in 2006. A surface rights agreement was signed with the local community in late 2007. The 100% owned company, Minera Kuri Kulla SA, was registered to manage the Ollachea Project.

Diamond drilling with 2 rigs commenced in October 2008 and by end-December 2010, over 54,000 meters have been completed in 138 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. The Scoping Study was based upon a NI43-101 compliant inferred resource of 9 million tonnes grading 4.5 grams per tonne containing 1.3 million ounces of gold. The Scoping Study indicates the potential for a viable underground mine with an average production rate of 117,000 ounces per year at a cash operating cost of approximately $400 per ounce. The indicative feasibility and development schedule indicated that production could be achieved by late 2014.

Based upon the positive Scoping Study, a pre-feasibility study was commenced at the beginning of 2010 and is due for completion by mid-2011. This study is being managed by international engineering and construction company AMEC. Two rigs completed 39 additional in-fill drill holes at the Minapampa Zone. This program was designed to provide sufficient drill density to allow a substantial portion of the Inferred Resource to be reclassified as Measured and Indicated. Drilling was also extended 200 meters along strike to the east in the zone termed Minapampa East. Ongoing metallurgical testwork continued at the AMMTEC laboratory in Perth, Western Australia. Testwork continues to confirm that the Ollachea mineralization responds well to conventional gold recovery methods. Geotechnical studies, derived from oriented drill core, are being used to fine tune underground mining studies. A detailed study has been completed to commence a 1.3 kilometre long production size exploration tunnel into the deposit. This study was submitted in order to permit the tunnel and it is expected to be granted during the second quarter of 2011.

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

Many community development and assistance programs are in progress including health, educational and sustainable programs. Minera IRL is already a substantial employer in the local Ollachea community and a strong contributor to the local economy.

In terms of exploration, Ollachea remains highly prospective. The Minapampa Zone remains open along strike in both directions and down dip. A new discovery, known as Concurayoc, was announced during the second quarter. This zone is approximately 500 metres west of the Minapampa Zone. With the completion of the in-fill drilling at Minapampa, drilling recommenced at Concurayoc with the objective of generating sufficient drill definition for an Inferred resource to be estimated in mid-2011.

On 30 November, 2010, the Company released an updated NI 43-101 compliant resources estimate for the Ollachea Project. The resources estimate was carried out by consultancy Coffey Mining Pty Ltd over the Minapampa and Minapampa East Zones. The estimate was based upon 88 diamond drill holes for 31,980 meters at Minapampa and 19 diamond drill holes for 8,420 meters at Minapampa East, for a combined 107 drill holes totalling 40,400 meters. The estimates apply a 2g/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.

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

Zone	Metric tonnes (Millions)	Grade – g/t gold	Contained ounces (Millions)
Minapampa	9.1	3.9	1.1
Minapampa East	0.2	2.9	0.02
Total	**9.3**	**3.8**	**1.1**

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

Zone	Metric tonnes (Millions)	Grade – g/t gold	Contained ounces (Millions)
Minapampa	2.6	3.3	0.3
Minapampa East	2.2	3.0	0.2
Total	**4.8**	**3.2**	**0.5**

The Inferred resource reported as part of the Scoping Study in November 2009 totalled 8.9 million tonnes grading 4.5g/t gold containing 1.3 million ounces based upon a 2.5g/t cut-off. The current resource upgrade has applied a 2.0g/t gold cut-off largely because of the consistent geological and grade-continuity confirmed in the resource drillhole data and, to some extent, the higher prevailing gold price. Within the upgraded resource a higher grade gold zone, based upon a 3.5g/t gold bottom cut, provided an estimated Indicated resource of 4.0 million tonnes grading 5.3g/t gold containing 0.7 million ounces plus an Inferred resource of 0.91 million tonnes grading 5.5g/t containing 0.2 million ounces.

The Company received a NI 43-101 compliant technical report, with an effective date of 14 January 2011, compliant with NI 43-101, for the Ollachea project prepared by Doug Corley, MAIG, an employee of Coffey Mining Pty Ltd, and Donald McIver, FAusIMM, an employee of Minera IRL Limited. Both are considered Qualified Persons ("QPs") and Doug Corley independent under NI 43-101. The report is available for viewing on SEDAR at www.sedar.com.

Don Nicolas Project - Development

In late 2009 Minera IRL completed the take-over of Hidefield Gold Plc via an all share transaction. This transaction enabled Minera IRL to acquire the Don Nicolas Project and an extensive exploration tenement package totalling some 2,700 square kilometres in the Patagonia region of Argentina. The new business unit is located within a large geological complex known as the Deseado Massif. This geological formation hosts existing gold and silver mines and a number of recently discovered low sulphidation, epithermal gold deposits.

The Don Nicolas Project is based upon an NI43-101 compliant Indicated resource of 201,000 ounces plus an Inferred resource of 158,400 ounces of gold. Most of the resource is located in two principal deposits, the Sulfuro Vein and Martinetas. A Scoping Study completed in 2008 provided the basis for Minera IRL embarking on a full feasibility study. A substantial component of this study includes in-fill and extension drilling to both increase the confidence levels to Measured and Indicated and also to attempt to increases the number of ounces. This drilling program has been completed on the Sulfuro Vein with 96 holes for approximately 13,000 meters of drilling. In-fill drilling with 29 holes for approximately 2,377 meters was also carried out on the deeply oxidized Martinetas deposit which occurs as a swarm of narrow, but high grade, veins. An updated resource estimate is expected by mid-2011. Other studies include metallurgical testing, infrastructure studies, environmental studies and capital and operating cost projections. The Argentina based engineering company, Ingenieria PENTA Sur SA, was engaged to manage the feasibility study which is due for completion in 2011. The objective is to construct and commission a new gold mine by the end of 2012 or early 2013.

Exploration Projects

Patagonia Regional Exploration

In addition to the Don Nicolas Project, the Company advanced a number of exploration projects in Argentina's Patagonia region, including Escondido and Pan de Azucar. A 4,400 line kilometre heli-borne magnetic and radiometric geophysical survey was commissioned over four project sites. This program was completed early in the third quarter 2010.

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 breccias zone in excess of 100 meters wide with anomalous gold and silver values over a strike length of some 700 meters. This was followed up by geophysical studies which have identified structural and conductivity anomalies in several areas. The first phase of scout drilling was undertaken during the third quarter. 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 meters averaging 1.45 g/t gold and 9.62 g/t silver**, including 13.75 meters grading 2.39 g/t gold and 14.56 g/t silver
- E-D10-03 **100.0 meters averaging 1.19 g/t gold and 7.77 g/t silver**, including 48.00 meters grading 1.71 g/t gold and 9.18 g/t silver
- E-D10-07 **120.40 meters averaging 0.65 g/t gold and 5.70 g/t silver**, including 14.70 meters grading 1.30 g/t gold and 11.86 g/t silver and 8.40 meters grading 2.45 g/t gold and 8.31 g/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 meters 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	Meters	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.

The results had also been received from an extended IP Gradient Array geophysical survey which shows a wide resistivity anomaly over the remaining 900 meters of untested ground between the current drilling and the eastern boundary of the Escondido tenement block. A substantial, chargeability anomaly coincident with the resistivity has also been identified. The extended geophysics provides another excellent drill target for the next round of drilling in 2011.

At Pan de Azucar, further mapping and sampling has confirmed an outcropping epithermal vein with elevated gold and silver values over a strike length of some 1,300 meters. In addition, a gold anomalous breccias envelope has been mapped over a 300 meter portion of the vein. Scout drilling 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 meters. This program probed a 950 meter strike length with staggered holes which targeted the vein structure between 30 and 160 meters below surface. This drilling at the Pan de Azucar prospect is the first step in a much larger program to explore more than 8 kilometres 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 From	To	Meters	Assay – g/t Au	Ag	Host
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

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 to acquire 100% ownership for a total holding of 3,294 hectare. Limited prior exploration had been carried out by Newcrest in 1998. Bethania is located only 10km from the MIRL Corihuarmi Gold Mine in the high Andes of central Peru. The target is a large porphyry gold or gold/copper deposit. An extensive alteration zone, measuring approximately 3.5km by 1.2km, is associated with an Induced Polarization chargeability/resistivity anomaly indicating the presence of extensive disseminated sulphide mineralization.

On 5 July 2010, the Company announced an update on the phase 1 exploration program. The program consisted of a 12 hole, 4,856 metre reverse circulation ("RC") drilling program. The drilling program encountered substantial intersections of low grade gold, copper and molybdenum in a porphyry setting. Six drill holes intersected broad zones of gold copper molybdenum mineralization, characteristic of the targeted porphyry system. The best drill hole results, from RC10-BET10 intersected 276m from surface averaging 0.38g/t gold, 0.09% copper and 30ppm molybdenum including, also from surface, 72m at 0.66g/t gold, 0.13% copper and 40ppm molybdenum. Hole RC10-BET07 averaged 0.32g/t gold, 0.09% copper and 32ppm molybdenum over the entire 426m of the hole and included a better zone of 124m at 0.39g/t gold, 0.10% copper and 22ppm molybdenum from 260m down hole. Drill hole RC10-BET09 recorded two intersections, 90m from surface at 0.46g/t gold, 0.15% copper and 54ppm molybdenum plus 64m from 216m down hole grading 0.41g/t gold, 0.11% copper and 25ppm molybdenum. Drill hole RC10-BET11 averaged 0.29g/t gold, 0.10% copper and 30ppm molybdenum for 424m from surface.

The Company believes the drilling demonstrates significant presence of gold and copper in this large system warranting a next phase of exploration. The Company is currently evaluating all information and intends to conduct a second phase of exploration drilling commencing in the second quarter of 2011 upon the abatement of the wet season.

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 Company's 6,903 hectare Chapi-Chapi project, located in the department of Apurimac in southern Peru. The Chapi-Chapi property block is immediately adjacent to Alturas's 5,276 hectare Utupara property, both which lie within the Huaquirca copper-gold district. Together the two projects now comprise a larger joint venture area denominated as the "Huaquirca Joint Venture"

On 13 January 2011, it was announced that Alturas and Minera IRL had entered into an amendment of the Letter Agreement regarding Huaquirca JV. The amendment modifies an earlier letter agreement announced on June 2, 2010 and grants Alturas an extension within which to execute drilling at Huaquirca.

The Chapi-Chapi property hosts a large copper-gold-molybdenum skarn system (the +3 km long "Chapi Chapi Corridor") within Cretaceous limestone and cut by dioritic and monzonitic stock-work. In addition, the property hosts a large "gold-in-soils" geochemical anomaly located within fractured Cretaceous sandstones. The limestone in the Huaquirca District is part of the same unit that hosts large skarn deposits in the Apurimac-Cusco porphyry-skarn belt, such as the Tintaya and Las Bambas copper-gold skarn projects of Xstrata. The quartzite unit also hosts a significant copper oxide resource at the nearby Antilla project of Panoro Minerals, situated some 15 kilometres to the west.

Alturas has the option to gain an 80% interest in the Huaquirca Joint Venture by starting drilling on the JV property no later than June 30, 2011 and must complete at least 15,000 meters of drilling on the Chapi-Chapi Property and completing a scoping study on any potential discovery before December 31, 2012. In consideration for granting Alturas the terms extensions, Alturas has paid Minera IRL US$ 200,000, made up of US$100,000 in cash and US$100,000 in shares. Once Alturas has fulfilled its obligations and has earned an 80% interest in the JV, both parties would contribute pro-rata according to their percentage interests, subject to usual dilution. If Minera IRL were to dilute below 20% interest it could convert that part of its interest to a 2% NSR. If Minera IRL were to further dilute its interest to below 10%, it would be entitled to an additional 1% NSR. The NSR is subject to a total buyout for US$ 5m at Alturas's option.

Alturas will be operator of the exploration program on the JV Property and will be responsible for all community and environmental issues during the drilling and Scoping Study phases.

Killincho prospect
The Killincho Project was relinquished to the vendors during the September 2010 quarter. Whilst the Minera IRL exploration team identified a number of gold areas, the potential was deemed insufficient to justify a development in this relatively remote area of southern Peru. Exploration expenditure on this project was written off in 2010.

La Falda Prospect
After evaluating the results of 14 diamond holes for a total of 5,174 meters drilled in late 2009 and early 2010, the Company determined that the project was not likely to generate an economic deposit. As a result, the Agreement with Catalina Resources Plc was terminated at the end of September 2010 and the exploration expenditure was written off.

Frontera Joint Venture
The Frontera project is 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.

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

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

Known gold mineralization is mostly restricted to high-sulphidation vuggy silica alteration and locally to silica-alunite zones. Drilling conducted by then joint venture partner Hochschild (MHC) in 2005, indicates that the gold mineralization on the Frontera property is mainly found within hydrothermal breccias characterized by abundant iron oxide cement and to a lesser degree to oxides disseminated in silica and silica alunite alteration.

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

No exploration activity was conducted on this property during 2010.

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

Exploration activities are planned following the negotiation and signing of a surface rights agreement with the local community.

Summary of Quarterly Results

(tabular data in thousands of US dollars, except per share amounts)

	Q1 Mar. '09	Q2 Jun. '09	Q3 Sep. '09	Q4 Dec. '09	Q1 Mar. '10	Q2 Jun. '10	Q3 Sep. '10	Q4 Dec. '10
Total Revenue	6,708	6,610	7,844	10,694	8,356	9,963	11,176	11,587
Total income/(loss) after tax	293	234	1,007	1,437	242	1,571	(1,719)	2,753
Net earnings/(loss) per share								
Basis (US cents)	0.5	0.4	1.3	1.9	0.3	1.8	(2.0)	2.4
Diluted (US cents)	0.5	0.4	1.2	1.9	0.3	1.8	(2.0)	2.3

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.

Overview of Fourth Quarter

Data	Three months December 31	
	2010	2009
Corihuarmi		
Waste (tonnes)	8,245	0
Ore mined & stacked on heaps (tonnes)	333,497	252,444
Ore grade, mined and stacked (g/t)	0.77	1.78
Gold produced (ounces)	8,615	10,260
Gold sold (ounces)	8,393	9,655
Realised Gold Price ($ per ounce)	1,367	1,107
Site operating cash costs ($ per ounce) [1]	366	249
Financial		
Revenue ($'000)	11,587	10,694
Total Income/(loss) after tax ($'000)	2,753	1,437
Earnings/(loss) per share		
Basic (cents)	2.4	1.9
Diluted (cents)	2.3	1.9

For the fourth quarter of 2010, revenue increased by 8.4% or $0.89 million over the fourth quarter of 2009. This increase was attributed to a higher realised gold price offsetting lower production.

The company reported a total income after tax of $2.75 million for the fourth quarter of 2010, compared with an income of $1.44 million in the same prior year period.

Liquidity and Capital Resources

As at 31 December 2010, the Company had cash and cash equivalents of $34.6 million, compared with $14.2 million as at 31December 2009. The Company's cash and cash equivalents are invested in highly liquid, low risk, interest-bearing investments with maturities of 90 days or less from the original date of investment.

As at 31 December 2010, the Company had the following contractual obligations outstanding:

$'000	Total	Less than 1 year	Year 2	Year 3	Year 4	Year 5	After Year 5
Long Term Debt Repayments	10,000	-	10,000	-	-	-	-
Property Purchase Payments	2,000	2,000	-	-	-	-	-
Asset Retirement Obligation	2,670	609	848	848	71	71	213

In July 2010, the Company negotiated a new $20 million finance facility with Macquarie Bank Limited, with $10 million committed and $10 million uncommitted. During the quarter, the Company drew down $10.0 million of the debt facility, of which $2.5 million was used to refinance the existing outstanding debt facility with Macquarie Bank Limited. The debt facility is repayable on 31 December 2012.

In November 2010, the Company completed a successful equity raising for gross proceeds of approximately C$37.5 million or net proceeds of approximately C$35 million, by issuing 32,641,600 ordinary shares at C$1.15 per share.

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 to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, loans and accounts payable and accrued liabilities. The carrying value of the financial instruments approximate fair value, because of the short-term maturity of those instruments.

Liquidity risk
Liquidity risk is managed by maintaining sufficient cash balances to meet current working capital requirements and access to lines of credit with certain banking institutions. The Company is in the production and development stage and for the latter depends on obtaining regular funding in order to continue its programs. There is no guarantee that additional funding will be obtained. The Company's cash is invested in business accounts with high-credit quality financial institutions in Jersey and are available on demand.

Credit risk
The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash with high-credit quality financial institutions for which management believes the risk of loss to be minimal. Management believes that the credit risk concentration with respect to receivables is minimal.

Currency risk
The Company operates in Jersey, Peru, Argentina, and Chile and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of local currencies in relation to the US dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge any currency exposures.

Interest rate risk
The Company invests its cash in instruments with maturities of 90 days or less from the original date of investment, thereby reducing its exposure to interest rate fluctuations. Debt obligations are exposed to interest rate variations. Debt interest rate periods normally have maturities of 90 days or less. Other interest rate risks arising from the Company's operations are not considered material.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to mine, develop and explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals, 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 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 year ended 31 December, 2010, the Company entered into the following transactions with related parties:

The Company incurred $9,553 (GBP6,102) (2009: $8,857 (GBP5,479)) of registrar services from Computershare Investor Services (Jersey) Limited, a company related through a common director. The contract for these services provides for a minimum annual charge of GBP3,000 to be paid by the Company.

In addition the Company incurred $9,393 (GBP 6,000) of consultancy services from Hamilton Capital Partners Limited for whom a director acts as a senior consultant adviser.

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 2010 that was filed on SEDAR on March 31, 2011.

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.

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.

Changes in Accounting Policies including Initial Adoption

The Company has not and does not expect to adopt any new accounting policies subsequent to the end of the most recently completed financial year. The Company also did not adopt any new accounting policies during the most recently completed financial year.

Outstanding Share Data

The Company has an authorised share capital of an unlimited number of no par Ordinary Shares, of which 119,582,884 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 17,733,431 options issued and outstanding, of which 9,155,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's Share Option Plans and the balance was issued in connection with a finance facility. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. Options outstanding
Share Option Plans Issued Options				
12 April 2007	12 April 2008 [1]	12 April 2012	£0.45	3,060,000
18 March 2008	18 March 2009 [1]	18 March 2013	£0.62	790,000
17 November 2009	17 November 2009	17 November 2014	£0.9125	2,300,000
25 January 2010	25 January 2010	25 January 2015	£0.8875	275,000
2 July 2010	2 July 2010	2 July 2015	£0.7250	50,000
17 November 2010	17 November 2010	17 November 2015	£1.08	2,680,000
Other Issued Options				
7 July 2010	7 July 2010	28 June 2013	US$1.08	6,944,444
30 September 2010	30 September 2010	28 June 2013	US$1.53	1,633,987
Total				**17,733,431**

1. 50% of the options were exercisable after one year of grant and the remaining 50% after two years.

Risks

The Company operates in the resource industry, which is highly speculative, and has certain inherent operating, development and exploration risks which could have a negative effect on the Company's operations.

Significant risk factors for the Company include operating, land title, environmental regulations and compliance, litigation, surface rights, health & safety, the ability to obtain additional financing, metal prices, Mineral Reserves and Resources estimates, insurance coverage, infrastructure, key management and staff, legal climate considerations, changes in government policy, geopolitical climate government, currency, economic, local community, geological, competition, and general business risk. For details of risk factors, please to the Company's Annual Information Form filed on SEDAR at www.sedar.com.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the accounting principles under which the Company's financial statements are prepared. As required under Multilateral Instrument 52-109, management advises that there have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period, being the three months ended 31 December 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management Changes

On 31 December 2010, the Company's Chief Financial Officer and Company Secretary, Richard Michell, retired. Accordingly, Tim Miller, the Company's Vice President Corporate Finance, has assumed the role as Chief Financial Officer and Company Secretary of the Company.

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended December 31, 2010 is available on the Company's website at www.minera-irl.com.au 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.

End Note

1. "Cash operating cost" figures are calculated in accordance with standards developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented in this short form prospectus may not be comparable to other similarly titled measures of other companies. Cash operating costs include mine site operating costs such as mining, processing and administration, but are exclusive of royalties, 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 which 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 Canadian GAAP or IFRS, and is not necessarily indicative of operating costs presented under Canadian GAAP or IFRS.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Notes	2010 US$000	2009 US$000
Revenue		**41,082**	31,856
Cost of sales		**(23,302)**	(18,804)
Gross profit		**17,780**	13,052
Administrative expenses		**(7,755)**	(6,637)
Exploration costs		**(3,321)**	(1,739)
Gains on disposal of available for sale investments		**468**	-
Excess of fair value of assets acquired over consideration	**2**	**-**	1,134
Operating profit		**7,172**	5,810
Finance income	**7**	**95**	36
Finance expense	**7**	**(731)**	(402)
Profit before tax	**4**	**6,536**	5,444
Income tax	**8**	**(4,287)**	(2,473)
Profit for the year attributable to the equity shareholders of the parent		**2,249**	2,971
Gain on valuation of available for sale investments		**598**	-
Total comprehensive income for the year attributable to the equity shareholders of the parent		**2,847**	2,971

Earnings per ordinary share (US cents)			
- Basic	**9**	**2.5**	4.3
- Diluted	**9**	**2.4**	4.3

There are no other elements of comprehensive income.

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Notes	2010 US$000	2009 US$000
Assets			
Property, plant and equipment	**10**	**24,443**	25,390
Intangible assets	**11**	**53,746**	34,197
Available for sale investments	**13**	**1,014**	1,567
Deferred tax asset	**12**	**77**	426
Other receivables	**15**	**4,735**	2,808
Total non-current assets		**84,015**	64,388
Inventory	**14**	**2,508**	1,526
Other receivables and prepayments	**15**	**3,345**	1,714
Cash and cash equivalents	**16**	**34,648**	14,218
		40,501	17,458
Non-current assets held for sale	**2**	**-**	600
Total current assets		**40,501**	18,058
Total assets		**124,516**	82,446
Equity			
Share capital	**17**	**100,707**	65,784
Foreign currency reserve		**129**	129
Share option reserve	**17**	**1,938**	1,363
Revaluation reserve		**598**	-
Accumulated losses		**(1,029)**	(3,400)
Total equity attributable to the equity shareholders of the parent		**102,343**	63,876
Liabilities			
Interest bearing loans	**18**	**10,000**	-
Provisions	**18**	**1,639**	1,463
Other long term liabilities	**18**	**-**	1,843
Total non-current liabilities		**11,639**	3,306
Interest bearing loans	**18**	**-**	3,511
Current tax		**1,737**	951
Trade and other payables	**18**	**8,797**	10,802
Total current liabilities		**10,534**	15,264
Total liabilities		**22,173**	18,570
Total equity and liabilities		**124,516**	82,446

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 31 March 2011.

Courtney Chamberlain
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Accumulated losses US$000	Total US$000
Balance at 1 January 2009		**41,459**	**129**	**1,173**	**(6,371)**	**36,390**
Total comprehensive income for the year		-	-	-	**2,971**	**2,971**
New share capital subscribed	**17**	**25,166**	**-**	**-**	**-**	**25,166**
Cost of raising share capital		**(841)**	-	-	-	**(841)**
Reserve for share option costs		**-**	**-**	**190**	**-**	**190**
Balance 31 December 2009		**65,784**	**129**	**1,363**	**(3,400)**	**63,876**

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Revaluation reserve US$000	Accumulated losses US$000	Total US$000
Balance at 1 January 2010		**65,784**	**129**	**1,363**	**-**	**(3,400)**	**63,876**
Profit for the year		**-**	**-**	**-**	**-**	**2,249**	**2,249**
Gain on available for sale financial assets		**-**	**-**	**-**	**598**	**-**	**598**
Total comprehensive income		**-**	**-**	**-**	**598**	**2,249**	**2,847**
New share capital subscribed	**17**	**37,987**	**-**	**-**	**-**	**-**	**37,987**
Cost of raising share capital		**(3,064)**	-	-	-	-	**(3,064)**
Reserve for share option costs		**-**	**-**	**697**	**-**	**-**	**697**
Exercise of share options		**-**	**-**	**(122)**	**-**	**122**	**-**
Balance 31 December 2010		**100,707**	**129**	**1,938**	**598**	**(1,029)**	**102,343**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	2010 US$000	2009 US$000
Cash flows from operating activities			
Operating profit		**7,172**	5,810
Depreciation	**10**	**6,689**	5,509
Impairment of exploration assets	**11**	**2,766**	-
Provision against non-current assets		**600**	-
Share option costs	**17**	**697**	190
Provision for mine closure costs		**176**	228
Profit on disposal of available for sale investments		**(468)**	-
Loss on disposals of assets		**101**	28
Excess of fair value of assets acquired over consideration		**-**	(1,134)
Foreign exchange losses relating to non-operating items		**147**	250
Increase in inventory		**(982)**	(753)
(Increase)/decrease in other receivables and prepayments		**(3,558)**	5,097
(Decrease/increase in trade and other payables		**(4,005)**	709
Corporation tax paid		**(3,152)**	(4,473)
Net cash flow from operations		**6,183**	11,461
Interest received		**95**	36
Interest paid		**(574)**	(140)
Net cash flow from operating activities		**5,704**	11,357
Cash flows from investing activities			
Sale of available for sale investments		**1,619**	-
Acquisition of subsidiaries net of cash received	**2**	**-**	(1,843)
Acquisition of property, plant and equipment	**10**	**(5,843)**	(3,581)
Acquisition of intangible assets (exploration expenditure)		**(22,315)**	(12,416)
Net cash outflow from investing activities		**(26,539)**	(17,840)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**36,987**	15,300
Cost of raising share capital		**(3,064)**	(841)
Receipt of loans		**10,000**	-
Repayment of loans		**(2,511)**	(2,500)
Net cash inflow from financing activities		**41,412**	11,959
Net increase in cash and cash equivalents		**20,577**	5,476
Cash and cash equivalents at beginning of period	**16**	**14,218**	8,992
Exchange rate movements		**(147)**	(250)
Cash and cash equivalents at end of period	**16**	**34,648**	14,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Minera IRL Limited (the "Company") is registered in Jersey and its registered office is at Ordnance House, 31 Pier Road, St. Helier, Jersey.

The principal activity of the Company and its subsidiaries is the exploration for and development of mines for the extraction of metals.

The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 31 March 2011.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted for use within the European Union and with IFRS and their interpretations adopted by the IASB.

There has not been any significant impact on the financial statements, other than as mentioned in note 2, from new Standards or Interpretations which became effective during the year.

No Standards and Interpretations that have been issued but are not yet effective, and that are available for early application, have been applied by the group in these financial statements. There are no Standards or Interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future.

Basis of Preparation and Going Concern

The financial statements are presented in United States dollars, rounded to the nearest thousand.

In common with many exploration and mining companies, the Company raises finance for its exploration activities in discrete tranches to finance itself for limited periods only. Further funding is raised as and when required, the most recent being in November 2010 (note 17).

Having taken into account the balance of cash at the year end and the fact that the Corihuarmi mine has a positive cash flow, the Directors of the Company consider that it will have sufficient funds to continue as a going concern for the foreseeable future.

Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Consolidation

The consolidated financial statements incorporate the statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recognised as goodwill. Any excess of the fair value of assets acquired over the cost of acquisition is recognised directly in the consolidated statement of comprehensive income.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Capitalisation and impairment of mining assets, deferred exploration and development costs - accounting policies h, i and j
- Estimation of share based payments – accounting policy o
- Environmental provisions – accounting policy n
- Fair value of assets and liabilities acquired in a business combination - accounting policy a
- Estimation of recoverable gold contained on the leach pads- accounting policy k.

The depreciation of the mining assets of the group is calculated on a straight-line basis over the expected life of the mine (accounting policy hiii). This calculation requires regular estimates to be made of the remaining reserves of ore in the mine, and will be subject to revision as further information about the size of the resource becomes available.

(c) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The sale of gold is recognised when the significant risks and rewards of ownership are transferred to the buyer.

(d) Income Tax

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation. Deferred tax is expected to be payable or recoverable on differences between the carrying value amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(e) Foreign Currency

The Group's functional and presentational currency is United States dollars (US$).

Foreign currency transactions are brought to account using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits, and money market investments readily converted to cash. Bank overdrafts are shown within borrowings in current liabilities. For the purposes of the Cash Flow Statements, cash includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts.

(g) Trade and Other Receivables

Trade and other receivables are not interest bearing and are stated at their original invoiced value less an appropriate provision for irrecoverable amounts.

(h) Property, plant and equipment

(i) Owned asset

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy j below).

(ii) Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation on these assets is calculated by the straight-line method to allocate their cost over their estimated useful lives, as follows:

- vehicles 5 years;
- computer equipment 4 years;
- furniture and fixtures, and other equipment 10 years;
- buildings 25 years;
- land is not depreciated.

The residual values and useful economic lives of all assets are reviewed annually.

Mining assets are depreciated on a straight-line basis over the expected life of the mine, which is presently 64 months. The amount of ore remaining and the expected future life of the mine are reviewed each year.

(iv) Deferred development costs

When the technical and commercial feasibility of an area of interest has been demonstrated and the appropriate mining licence has been issued, the area of interest enters its development phase. The accumulated costs are transferred from exploration and evaluation expenditure and reclassified as development expenditure.

Once mining commences the asset is amortised on a straight line basis over the expected life of the mine. Provision is made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

(i) Intangible assets

Deferred exploration costs

Once legal title is obtained, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against the result in the year in which the decision to abandon the area is made.

The recoverability of the deferred exploration cost is dependent upon the discovery of economically recoverable ore reserves, continuing compliance with the terms of relevant agreements, the ability of the Group to obtain the necessary financing to complete the development of ore reserves, and the future profitable production or profitable disposal of the area of interest.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(j) Impairment

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value, less costs to sell, and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- Unexpected geological occurrences that render the resource uneconomic;
- Title to the asset is compromised;
- Variations in metal prices that render the project uneconomic; and
- Variations in the currency of operation.

(k) Inventory

Inventory of consumables is valued at the lower of cost and net realisable value. The value of metal on the leach pads is calculated by applying the estimated cost of production incurred to place the metal on the leach pads to the number of ounces estimated to remain on the leach pads. The value of metal in process is calculated by applying the total cost of production per ounce to the number of ounces which have been extracted from the ore, but not yet been converted into doré bars.

As noted in 1 b), the estimation of gold remaining on the leach pads is an area which involves a high degree of judgement when preparing the financial statements. Previously no amounts had been recognised as the directors estimated, based on historic mining data from the Corihuarmi mine, that these amounts were immaterial. The directors have reviewed the valuation of this based on further data available from the operation of this mine and have recognised an asset in respect of this. The effect of this change in estimate is to increase inventories and profit by $1,117,000.

(l) Trade and other payables

Trade and other payables are not interest bearing and are stated at amortised cost.

(m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of operating segments, has been identified as the Executive Chairman together with the Board of Directors.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated.

(o) Share based payments

The Group rewards directors, senior executives and certain consultants with share options. These instruments are stated at fair value at the date of grant, using the Black-Scholes valuation model, and are expensed to the income statement over the vesting period of the options. The valuation model requires assumptions to be made about the future, including the length of time the options will be held before they are exercised, the number of option holders who will leave the Company without exercising their options, the volatility of the share price, the risk free interest rate and the dividend yield on the Company's shares. The resulting valuation does not necessarily reflect the value attributed to the options by the option holders.

(p) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value, less attributable transactions costs. Subsequent to initial recognition they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(q) Available-for-sale financial assets

Available-for-sale financial assets comprise equity investments. Subsequent to initial recognition these assets are stated at fair value. Movements in fair value are taken directly to equity, with the exception of impairment losses which are recognised in the income statement. Fair values are based on prices quoted in an active market if such a market is available. If an active market is not available, the Group establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis. When an investment is disposed of, any cumulative gains and losses previously recognised in equity are recognised in profit or loss. Dividends are recognised as profit or loss when the right to receive payments is established.

(r) Non-current assets held for resale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

NOTE 2 ACQUISITION OF A SUBSIDIARY

On 21 December 2009 the group acquired 100% of the share capital of Hidefield Gold PLC, which subsequently became Hidefield Gold Limited. The consideration for the acquisition was predominately through the issue of 9,767,291 shares. The fair value of these shares by reference to the market price was US$9,866,000. In addition to the shares a convertible loan note was also provided to Hidefield Gold of US$1,213,000 with further costs of US$1,037,000 also being capitalised. The revised requirements of IFRS 3 do not permit the capitalisation of expenses related to the acquisition. However, this can be applied prospectively and as a result has no impact on the reported transactions. The fair value of the consideration is therefore US$12,116,000.

The fair value of assets acquired and liabilities assumed on that date were as follows:

	US$'000
Cash	407
Property plant and equipment	1,097
Intangible assets	8,977
Available-for-sale financial assets	1,567
Other receivables	1,449
Non-current assets held for sale	600
Loans	(11)
Trade payables	(696)
Tax payables	(140)
Total net assets	13,250
Total fair value of consideration paid	12,116
Excess of fair value of assets acquired over consideration	1,134

	US$'000
Total consideration	12,116
Fair value of shares issued	9,866
Cash	2,250
Less cash of subsidiary Hidefield Gold Limited	407
Cash flow on acquisition net of cash acquired	(1,843)

The non-current asset held for sale represents the Brazilian operations of the acquired group for which a sale agreement has been signed. This was initially measured at the fair value less costs of sale. This balance had not been received by 31 December 2010 and a bad debt provision has been made for the full amount outstanding. This provision is contained within administrative costs.

Since the date of the acquisition was so close to the end of the previous accounting period, the impact of the post acquisition results on the group was not material. Had the business combination occurred at the beginning of the accounting period the profit for the prior year would have decreased by US$1,281,000.

NOTE 3 SEGMENT REPORTING

IFRS 8 requires operating segments to be identified on the basis of internal reports on the performance of the managerial units of the Group to the chief operating decision maker, in this case the Executive Chairman and the Board of Directors. The Group identifies these units primarily according to the country of operations. Within the countries of operation the managerial functions are divided into mining operations, the exploration activities related to the individual properties which the Group has the rights to explore, the activities related to the acquisition of properties and the administration of the Group. The assessment of exploration activities is dependent principally on non-financial data.

The Group has only one customer (2009: one). The following table sets out the income and expenditure of the Group according to these reporting segments:

2010	Peru US$000	Argentina US$000	Chile US$000	Other US$000	Total US$000
Mining Revenue	41,082	-	-	-	41,082
Mining cost of sales	(17,322)	-	-	-	(17,322)
Mining gross profit	23,760	-	-	-	23,760
Exploration of properties acquired	(13,491)	(7,128)	(1,696)	-	(22,315)
Capital expenditure	(5,280)	(563)	-	-	(5,843)
Acquisition of properties	(555)	-	-	-	(555)
Administration	(3,808)	(619)	(215)	(3,113)	(7,755)
Net income/(expenditure)	626	(8,310)	(1,911)	(3,113)	(12,708)
Reconciliations					
Revenue					
Segmental revenues	41,082	-	-	-	41,082
Group revenues	41,082		-	-	41,082
Segment Result					
Segmental net income/(expenditure)	626	(8,310)	(1,911)	(3,113)	(12,708)
Exploration costs deferred	13,491	7,128	1,696	-	22,315
Impairment of exploration assets	(363)	-	(2,403)	-	(2,766)
Depreciation	(5,980)	-	-	-	(5,980)
Capital expenditure	5,280	563	-	-	5,843
Gain on disposal of available for sale investments	-	-	-	468	468
Group operating profit/(loss)	13,054	(619)	(2,618)	(2,645)	7,172
Net finance income/(expense)	(291)	-	-	(345)	(636)
Group profit before tax	12,763	(619)	(2,618)	(2,990)	6,536
Group assets (not allocated for internal reporting)					
Non-current assets	61,441	19,277	-	3,297	84,015
Inventory	2,508	-	-	-	2,508
Other receivables and prepayments	2,924	403	-	18	3,345
Cash and cash equivalents	4,469	382	41	29,756	34,648
Group total assets	71,342	20,062	41	33,071	124,516

2009	Peru US$000	Argentina US$000	Chile US$000	Other US$000	Total US$000
Mining Revenue	31,856	-	-	-	31,856
Mining cost of sales	(13,630)	-	-	-	(13,630)
Mining gross profit	18,226	-	-	-	18,226
Exploration of properties acquired	(14,009)	-	(707)	-	(14,716)
Capital expenditure	(3,581)	-	-	-	(3,581)
Acquisition of properties	(1,646)	-	-	(93)	(1,739)
Administration	(4,878)	(34)	-	(1,725)	(6,637)
Net income/(expenditure)	(5,888)	(34)	(707)	(1,818)	(8,447)
Reconciliations					
Revenue					
Segmental revenues	31,856	-	-	-	31,856
Group revenues	31,856	-	-	-	31,856
Segment Result					
Segmental net income/(expenditure)	(5,888)	(34)	(707)	(1,818)	(8,447)
Exploration costs deferred	14,009	-	707	-	14,716
Depreciation	(5,174)	-	-	-	(5,174)
Capital expenditure	3,581	-	-	-	3,581
Impairment of exploration costs deferred	-	-	-	1,134	1,134
Group operating profit/(loss)	6,528	(34)	-	(684)	5,810
Net finance income/(expense)	(292)	-	-	(74)	(366)
Group profit before tax	6,236	(34)	-	(758)	5,444
Group assets					
(not allocated for internal reporting)					
Non-current assets	50,670	11,444	707	1,567	64,388
Inventory	1,526	-	-	-	1,526
Other receivables and prepayments	1,633	81	-	-	1,714
Cash and cash equivalents	2,754	211	-	11,253	14,218
Non-current assets held for sale	-	-	-	600	600
Group total assets	56,583	11,736	707	13,420	82,446

NOTE 4 PROFIT BEFORE TAX

	2010 US$000	2009 US$000
Profit is stated after charging/(crediting):		
Auditors' remuneration:		
Audit of group financial statements	**74**	72
Fees payable to the Company's auditor and its associates in respect of :		
The auditing of accounts of associates of the Company pursuant to legislation	**111**	79
Corporate finance services	**53**	45
Share based payments	**697**	190
Foreign exchange (gains)/ losses	**(405)**	694

NOTE 5 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2010	Number of employees 2009
Corporate finance and administration	**48**	46
Technical	**83**	24
Construction and production	**225**	151
	356	221

The aggregate payroll costs of these persons were as follows:

	2010 US$000	2009 US$000
Wages and salaries	**6,559**	5,489
Social security	**1,125**	881
Share based payments	**697**	190
	8,381	6,560

NOTE 6 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	2010 Total Remuneration US$000
2010					
Directors:					
C Chamberlain	258	23	17	163	**461**
D Jones	25	-	-	29	**54**
K Judge	34	-	-	22	**56**
G Ross	23	-	-	23	**46**
N Valdez Ferrand	21	-	-	21	**42**
Non-Directors:	796	40	251	209	**1,296**
TOTAL	1,157	63	268	467	**1,955**

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	2009 Total Remuneration US$000
2009					
Directors:					
C Chamberlain	258	6	16	71	**351**
D Jones	25	-	-	9	**34**
K Judge	-	-	-	-	**-**
G Ross	18	-	-	5	**23**
T Streeter	12	-	-	2	**14**
Non-Directors	781	78	228	57	**1,144**
TOTAL	1,094	84	244	144	**1,566**

NOTE 7 FINANCE INCOME/ (EXPENSE)

	2010 US$000	2009 US$000
Interest income	**95**	**36**
Interest expense	**(574)**	**(140)**
Unwinding of discount on contractual liabilities (note 18)	**(157)**	**(262)**
Total interest expense	**(731)**	**(402)**
Net finance expense	**(636)**	**(366)**

NOTE 8 INCOME TAX EXPENSE

	2010 US$000	2009 US$000
Current tax-foreign	**4,364**	2,899
Deferred tax	**(77)**	(426)
Income tax expense	**4,287**	2,473

The income tax expense charge for the year is higher than the charge on the profit before tax at the standard rate of corporation tax of 30% (2009: 30%). The differences are explained below:

	2010 US$000	2009 US$000
Tax reconciliation		
Profit before tax	**6,536**	5,444
Tax at 30% (2009: 30%)	**1,961**	1,633
Effects (at 30%) of:		
Expenses not deductible for tax purposes	**1,526**	963
Excess of fair value of assets acquired over consideration not taxable	**-**	(340)
Difference in tax rates	**-**	(2)
Tax losses carried forward	**800**	155
Adjustment to tax charge in respect of prior years	**-**	260
Withholding tax suffered	**-**	230
Origination of timing differences	**-**	(426)
Income tax expense	**4,287**	2,473

NOTE 9 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of US$2,249,000 (2009: US$2,971,000) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 90,913,000 (2009: 68,998,000).

Diluted earnings per share assumes that dilutive options have been converted into ordinary shares. The calculation is as follows:

	2010 Profit US$000	2010 Number of shares '000	2010 Earnings per share US cents	2009 Profit US$000	2009 Number of shares '000	2009 Earnings per share US cents
Basic earnings	**2,249**	**90,913**	**2.5**	**2,971**	**68,998**	**4.3**
Dilutive effects- options	**-**	**1,241**		**-**	**600**	
Diluted earnings	**2,249**	**92,154**	**2.4**	**2,971**	**69,598**	**4.3**

NOTE 10 PROPERTY, PLANT and EQUIPMENT

	Mining assets & deferred development costs US$000	Land & buildings US$000	Motor Vehicles US$000	Computers & other equipment US$000	Total US$000
Cost					
Balance at 1 January 2009	**30,236**	**-**	**435**	**1,022**	**31,693**
Additions	**3,078**		**12**	**491**	**3,581**
Disposals	-	**-**	**(41)**	**-**	**(41)**
Acquired through business combination	-	**1,000**	**16**	**81**	**1,097**
Balance 31 December 2009	**33,314**	**1,000**	**422**	**1,594**	**36,330**
Balance at 1 January 2010	**33,314**	**1,000**	**422**	**1,594**	**36,330**
Additions	**2,260**	**339**	**2,364**	**880**	**5,843**
Disposals	**(161)**	**-**	**-**	**-**	**(161)**
Balance 31 December 2010	**35,413**	**1,339**	**2,786**	**2,474**	**42,012**
Depreciation and impairment losses					
Balance at 1 January 2009	**5,273**	**-**	**54**	**117**	**5,444**
Depreciation charge for the year	**5,174**	**-**	**83**	**252**	**5,509**
Disposals	**-**	**-**	**(13)**	**-**	**(13)**
At 31 December 2009	**10,447**	**-**	**124**	**369**	**10,940**
Balance at 1 January 2010	**10,447**	**-**	**124**	**369**	**10,940**
Depreciation charge for the year	**5,980**	**30**	**162**	**517**	**6,689**
Disposals	**(60)**	**-**	**-**	**-**	**(60)**
At 31 December 2010	**16,367**	**30**	**286**	**886**	**17,569**
Carrying amounts					
At 1 January 2009	**24,963**	**-**	**381**	**905**	**26,249**
Balance 31 December 2009	**22,867**	**1,000**	**298**	**1,225**	**25,390**
At 1 January 2010	**22,867**	**1,000**	**298**	**1,225**	**25,390**
Balance 31 December 2010	**19,046**	**1,309**	**2,500**	**1,588**	**24,443**

Mining assets and deferred development costs relate to the Corihuarmi Gold Mine.

NOTE 11 INTANGIBLE ASSETS

	Deferred exploration costs US$000
Carrying value 1 January 2009	**10,504**
Additions	**14,716**
Acquired through business combination (note 2)	**8,977**
Balance 31 December 2009	**34,197**
Carrying value 1 January 2010	**34,197**
Additions	**22,315**
Impairment	**(2,766)**
Balance 31 December 2010	**53,746**

During 2010 the Group wrote off expenditure relating to a number of mining concessions. The impairment occurred due to unfavourable results from the exploration activities in the individual concessions. These amounts were charged to the income statement within exploration costs written off in that year.

The carrying values of the remaining deferred exploration costs at the year end have been assessed for indications of impairment and the results of these assessments have been sufficiently encouraging to justify the retention of the deferred exploration assets in the balance sheet.

NOTE 12 DEFERRED TAXATION

Recognised deferred tax assets

	2010 US$000	2009 US$000
Temporary differences	**77**	426

Unrecognised deferred tax assets

The Group has estimated tax losses of approximately US$13.4 million (2009: US$10.7 million) available to carry forward for offset against future profits. At the year end the potential deferred tax asset of US$4.5 million (2009: US$3.5 million) has not been recognised because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

NOTE 13 AVAILABLE FOR SALE INVESTMENTS

These securities have been valued at the market price quoted on the Toronto Stock Exchange on 31 December 2010.

NOTE 14 INVENTORY

	2010 US$000	2009 US$000
Gold in process	1,858	1,076
Mining materials	650	450
	2,508	1,526

NOTE 15 OTHER RECEIVABLES AND PREPAYMENTS

	2010 US$000	2009 US$000
Non current assets		
Other receivables	4,735	2,808
Current assets		
Other receivables	2,628	1,531
Prepayments	717	183
	3,345	1,714

Included in other receivables is an amount of US$6,660,000 (2009: US$3,898,000) relating to sales tax paid on the purchase of goods and services. This balance is expected to be fully recovered in due course against the revenue earned from exploitation of the respective projects. Included within this is a total of US$4,735,000 relating to purchases for the Ollachea and the Don Nicolas projects, which will not be recovered in the next accounting period and has therefore been included in non-current assets.

NOTE 16 CASH AND CASH EQUIVALENTS

	2010 US$000	2009 US$000
Bank balances	11,744	11,718
Term deposits	22,904	2,500
Cash and cash equivalents in the statement of cash flows	34,648	14,218

NOTE 17 CAPITAL AND RESERVES

As at 31 December 2010 and 31 December 2009 the Company had an authorised share capital of no par shares of an unlimited value.

Issued share capital	Ordinary shares
Shares in issue 1 January 2009	**61,883,422**
Shares issued 6 July 2009 for total cash consideration of US$15,070,241	**13,615,556**
Shares issued 20 July 2009 for total cash consideration of US$229,640	**308,904**
Shares issued 21 December 2009 for acquisition of Hidefield Gold valued at US$9,866,185 (note 2)	**9,767,291**
Shares in issue 1 January 2010	**85,575,173**
Shares issued 8 February 2010 for total cash consideration of US$71,964	**100,000**
Shares issued 24 June 2010 as a result of a debt for equity swap of US$1,000,000	**1,111,111**
Shares issued 5 October 2010 for total cash consideration of US$35,570	**50,000**
Shares issued 10 November 2010 for total cash consideration of US$36,843,390	**32,641,600**
Shares issued 25 November 2010 for total cash consideration of US$36,099	**50,000**
Total	**119,527,884**

Potential issues of ordinary shares

The Company has a share option scheme for the benefit of directors, employees and consultants of the Group. The purpose of the scheme is to provide incentives to those people whose efforts and skills are most important to the success of the Group, and to ensure that the interests of the management of the Group are fully aligned with the interests of shareholders. The terms of the scheme allow the directors to decide at the date of grant when the option becomes exercisable. Options granted before 17 November 2009 allow for the exercise of half of the options after one year from the date of grant and half after two years. Options granted on or after 17 November 2009 allow immediate exercise. The options lapse on the fifth anniversary of the date of grant and have no performance conditions.

	2010		2009	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	**6,405,000**	**0.6377**	4,155,000	0.4900
Granted during the year	**3,005,000**	**1.0565**	2,300,000	0.9125
Exercised during the year	**(200,000)**	**0.4500**	-	-
Lapsed during the year	**-**	**-**	(50,000)	0.6200
Outstanding at the end of the year	**9,210,000**	**0.7784**	6,405,000	0.6377
Exercisable at the end of the year	**9,210,000**	**0.7784**	3,697,500	0.4687

The average remaining contractual life of the outstanding options as at 31 December 2010 was 3.2 years (2009: 3.3 years)

For the purpose of calculating the fair value of the options granted under the share option scheme the directors have used the Black-Scholes model and the following information:

Date of grant	2010	2009
Share price on date of grant	GBP0.85	GBP0.73
Exercise price	GBP1.0565	GBP0.9125
Expected volatility	30%	30%
Expected option life	2.25 years	3.5 years
Risk free rate of return	0.5%	0.5%
Expected dividends	0%	0%
Expected rate at which holders will leave without exercising	10%	10%
Fair value	GBP0.09	GBP0.11

Where more than one set of options has been issued during a year a weighted average of the prices has been used. The volatilities used in this calculation have been derived from an analysis of the share price over the two years before the issue of the options.

Other share options	Exercisable from	Exercisable to	Exercise price	Number Granted	Number at 31 December 2010	Number at 31 December 2009
17 August 2006	17 August 2006	30 June 2010	US$1.05	1,904,800	-	1,904,800
6 October 2006	6 October 2006	30 June 2010	US$1.05	952,400	-	952,400
19 February 2008	19 February 2008	30 June 2010	US$1.0148	2,956,248	-	2,956,248
7 July 2010	7 July 2010	28 June 2013	US$1.08	6,944,444	**6,944,444**	-
30 September 2010	30 September 2010	28 June 2013	US$1.53	1,633,987	**1,633,987**	-
					8,578,431	5,813,448

The other share options were granted to third parties for services and have not been recognised as the amounts involved are not significant.

Dividends
The directors do not recommend the payment of a dividend.

Reserves

The Group maintains reserves for the cost of issuing share options, for foreign gains and losses arising on the retranslation of foreign subsidiaries and the revaluation of available for sale financial assets.

Capital Maintenance

The directors manage the capital resources of the Company to ensure that there are sufficient funds available to continue in business. Share capital is generally raised for the purpose of funding capital developments and significant exploration programmes, and loans for the purpose of funding working capital requirements.

	At 31 December 2010 US$000	At 31 December 2009 US$000
Total interest bearing debt	10,000	3,511
Total equity	102,678	63,876
Debt-to-equity ratio	9.7%	5.5%

NOTE 18 LIABILITIES

Interest bearing loans

	At 31 December 2010 US$000	At 31 December 2009 US$000
Non-current liabilities		
Bank loans due after one year	10,000	-
Current liabilities		
Bank loans due within one year	-	3,500
Other loans	-	11
	-	3,511

The bank loans bear interest at 3.5% over the London Interbank Offered Rate (LIBOR), are secured against the assets of the Group and are repayable on 31 December 2012.

Provisions

The Group has made a provision of US$1,639,000 against the present value of the cost of restoring the Corihuarmi site to its original condition. This provision is an estimate of the cost of reversing the alterations to the environment which had been made up until 31 December 2010. The timing and cost of this rehabilitation is uncertain and depend upon the duration of the mine life and the quantity of ore which will be extracted from the mine.

	Environmental provisions US$000
Balance 1 January 2009	1,235
Additional provision	228
Balance 31 December 2009	1,463
Balance 1 January 2010	1,463
Additional provision	176
Balance 31 December 2010	1,639

Other long term liabilities

The Group has entered into an agreement with Rio Tinto under which it has been granted the right to explore and develop the Ollachea property in Peru. Under this agreement the Group has an obligation to pay a total of US$6 million of which US$4.0 million had been paid as at 31 December 2010 (2009: US$2.5 million). The remaining balance of US$2.0 million (2009: US$3.5 million), has been included under current liabilities in trade and other payables.

	2010 US$000	2009 US$000
Trade and other payables		
Current		
Trade payables	**5,664**	3,339
Other payables	**2,156**	6,529
Accrued expenses	**977**	934
	8,797	10,802

NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The Group's principal financial assets comprise available for sale financial assets, cash and cash equivalents, and other receivables. The Company also has amounts due from subsidiaries. With the exception of available for sale financial assets, which are recorded at fair value, all of the Group's and the Company's financial assets are classified as loans and receivables and are measured at amortised cost.

The Group's and the Company'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.

Risk management

The Group is exposed to certain financial risks due to its business activities. The potential adverse effects of these risks are constantly assessed by the management of the Group with a view to minimising them, and the directors consider whether it is appropriate to make use of financial instruments for this purpose. The following are major financial risks which the Group is exposed to:

Exchange rate risk
The functional currency of the Group is deemed to be the US dollar because the revenues from the sale of minerals are denominated in US dollars and the costs of the Group are likewise predominantly in US dollars. Some transactions are however denominated in currencies other than US dollars. These transactions comprise operating costs and capital expenditure in the local currencies of the countries in which the Group works.

The balances of cash and cash equivalents held in various currencies were:

	2010 US$000	2009 US$000
Pounds sterling	**8,147**	8,581
Australian dollars	**40**	28
Canadian dollar	**16,305**	22
Argentine pesos	**381**	207
Chilean pesos	**41**	-
Peruvian nuevos soles	**239**	26
United States dollars	**9,495**	5,354
	34,648	14,218

The table below shows an analysis of net monetary assets and liabilities:

	2010 US$000	2009 US$000
Pounds sterling	**7,939**	7,599
Australian dollars	**(149)**	(18)
Canadian dollar	**17,118**	22
Argentine pesos	**2,090**	734
Chilean pesos	**41**	-
Peruvian nuevos soles	**(1,245)**	(243)
United States dollars	**(4,225)**	(7,324)
	21,569	770

The table below shows the profit/(loss) effect on the Group's results of a 10% and 20% weakening or strengthening of the US dollar against the net monetary assets shown in the table above:

	2010 US$000	2009 US$000
10% weakening of the US dollar	**2,579**	809
20% weakening of the US dollar	**5,158**	1,619
10% strengthening of the US dollar	**(2,579)**	(809)
20% strengthening of the US dollar	**(5,158)**	(1,619)

Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents as well as an adequate amount of committed credit facilities. The management of the Group safeguards its cash resources and makes regular forecasts of the requirements to use those resources. If necessary the management adapt their plans to suit the resources available. The amount of US$2 million owed to Rio Tinto is due in November 2011 and is included within current liabilities. Current liabilities were all due within one year.

Market price of minerals risk

The Group's business exposes it to the effects of changes in the market price of minerals. Severe changes in the market price of minerals may affect the recoverability of the Group's investments in its mine, exploration assets and mining rights, and of the Company's intercompany receivables. However, considering the market prices in the last few years and available projections of future prices, the management believes that changes in market prices of minerals will not have a damaging impact on the Group's financial statements.

Credit risk
The Group is exposed to credit risk in so far as it deposits cash with its banks as detailed in note 16. However the banks used are international institutions of the highest standing. In addition the Group is exposed to sovereign risk in so far as it is owed recoverable sales tax, as detailed in note 15, by the governments of the Latin American countries in which it works.

The Company is exposed to credit risk on the loans it makes to subsidiaries of US$28 million (included in investments in note C5). Provisions have been made on these balances as detailed in that note.

Interest rate risk
The Company has debt denominated in US dollars and is therefore exposed to movements in US dollar interest rates. This debt bears interest at 3.5% 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. It is the policy of the Group to settle trade payables within the agreed terms and no interest is incurred on those liabilities.

Price risk
Investments by the Group in available for sale financial assets expose the Group to price risk. All of the available for sale financial assets are valued by reference to quoted market prices. The directors do not consider this risk to be material as the Group does not have a significant portfolio of available for sale financial assets.

Fair values of financial assets and liabilities
The Group has performed a review of the financial assets and liabilities as at 31 December 2010 and has concluded that the fair value of those assets and liabilities is not materially different to book value.

NOTE 20 CAPITAL COMMITMENTS

The Group has entered into agreements with Rio Tinto to make payments in connection with the Ollachea project in addition to the payments mentioned in note 18 This agreement allows for a further payment upon the successful completion of a feasibility study. Based on the project economics available, the management estimates that the payment will be approximately US$10.8 million. The Group has further capital commitments of US$2.7 million.

NOTE 21 RELATED PARTIES

During the year ended 31 December 2010, the Company entered into the following transactions with related parties:

The Company incurred US$9,553 (GBP6,102) (2009: US$8,857 (GBP5,479)) of registrar services from Computershare Investor Services (Jersey) Limited, a company related through a common director. The contract for these services provides for a minimum annual charge of GBP3,000 to be paid by the Company.

In addition, the Company incurred US$9,393 (GBP6,000) of consultancy services from Hamilton Capital Partners Limited for whom a director acts as a senior consultant adviser.

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 US$000	2009 US$000
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Other income		**-**	-
Administrative expenses		**(4,981)**	(1,725)
Exploration costs		**(722)**	(93)
Operating loss		**(5,703)**	(1,818)
Finance income		**454**	295
Finance expense		**(213)**	(98)
Loss before tax		**(5,462)**	(1,621)
Income tax		**(82)**	(230)
Loss for the year		**(5,544)**	(1,851)

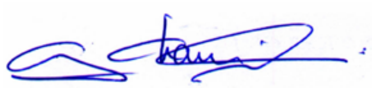
There are no other elements of comprehensive income.

COMPANY BALANCE SHEET

As at 31 December 2010

	Note	2010 US$000	2009 US$000
Assets			
Property, plant and equipment	C3	**63**	89
Intangible assets	C4	**2,219**	1,672
Investments in subsidiary undertakings	C5	**65,668**	47,597
Total non-current assets		**67,950**	49,358
Other receivables and prepayments	C6	**13**	-
Cash and cash equivalents	C7	**28,554**	11,051
Total current assets		**28,567**	11,051
Total assets		**96,517**	60,409
Equity			
Issued share capital	17	**100,707**	65,784
Share option reserve	17	**1,938**	1,363
Accumulated losses		**(16,817)**	(11,395)
Total equity		**85,828**	55,752
Liabilities			
Interest bearing loans	C9	**10,000**	-
Total non-current liabilities		**10,000**	-
Interest bearing loans	C9	**-**	3,500
Trade and other payables	C8	**689**	1,157
Total current liabilities		**689**	4,657
Total liabilities		**10,689**	4,657
Total equity and liabilities		**96,517**	60,409

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 31 March 2011.



Courtney Chamberlain
Executive Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Note	Share Capital US$000	Share option reserve US$000	Accumulated losses US$000	Total equity US$000
Balance at 1 January 2009		**41,459**	**1,173**	**(9,544)**	**33,088**
Total comprehensive income for the year		**-**	**-**	**(1,851)**	**(1,851)**
New share capital subscribed	*17*	**25,166**	**-**	**-**	**25,166**
Cost of raising share capital		**(841)**	**-**	**-**	**(841)**
Reserve for share option costs	*17*	-	**190**	**-**	**190**
Balance at 31 December 2009		**65,784**	**1,363**	**(11,395)**	**55,752**
Balance at 1 January 2010		**65,784**	**1,363**	**(11,395)**	**55,752**
Total comprehensive income for the year		**-**	**-**	**(5,544)**	**(5,544)**
New share capital subscribed	*17*	**37,987**	**-**	**-**	**37,987**
Cost of raising share capital		**(3,064)**	**-**	**-**	**(3,064)**
Reserve for share option costs	*17*	-	**697**	**-**	**697**
Exercise of share options		-	**(122)**	**122**	**-**
Balance at 31 December 2010		**100,707**	**1,938**	**(16,817)**	**85,828**

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	2010 US$000	2009 US$000
Cash flows from operating activities			
Operating loss from continuing operations		**(5,703)**	(1,818)
Depreciation of deferred development costs		**26**	25
Impairment of exploration assets		**722**	-
Share option costs		**697**	190
Foreign exchange losses		**147**	250
Provision for investment in subsidiary		**1,945**	25
(Increase)/decrease in other receivables and prepayments		**(13)**	26
(Decrease)/increase in trade and other payables		**(468)**	930
Foriegn tax paid		**(82)**	(230)
Cash used in operations		**(2,729)**	(602)
Interest received		**454**	295
Interest paid		**(213)**	(98)
Net cash outflow from operating activities		**(2,488)**	(405)
Cash flows from investing activities			
Acquisition of subsidiaries	2	**-**	(2,250)
Acquisition of intangible assets	*C4*	**(1,269)**	(1,422)
(Investments in)/repayments from existing subsidiary undertakings	*C5*	**(20,016)**	(2,695)
Net cash inflow/(outflow) from investing activities		**(21,285)**	(6,367)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**36,987**	15,300
Cost of raising share capital		**(3,064)**	(841)
Receipt of loans		**10,000**	-
Repayment) of loans		**(2,500)**	(2,500)
Net cash inflow from financing activities		**41,423**	11,959
Net increase in cash and cash equivalents		**17,650**	5,187
Cash and cash equivalents at beginning of period		**11,051**	6,114
Exchange rate movements		**(147)**	(250)
Cash and cash equivalents at end of period		**28,554**	11,051

NOTES TO THE COMPANY FINANCIAL STATEMENTS

The accounting policies in the Group accounts also form part of the Company accounts

C1. Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the addition of the following:-

Subsidiary investments
Investments in subsidiary undertakings are stated at cost less impairment losses.

C2. Remuneration of directors and key management personnel

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	2010 Total Remuneration US$000
2010					
Directors:					
C Chamberlain	202	-	-	163	**365**
D Jones	25	-	-	29	**54**
K Judge	34	-	-	22	**56**
G Ross	23	-	-	23	**46**
N Valdez Ferrand	21	-	-	21	**42**
Non-Directors	352	-	68	78	**498**
TOTAL	657	-	68	336	**1,061**

	Salary & fees US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	2009 Total Remuneration US$000
2009					
Directors:					
C Chamberlain	202	-	-	71	**273**
D Jones	25	-	-	9	**34**
K Judge	-	-	-	-	**-**
G Ross	18	-	-	5	**23**
T Streeter	12	-	-	2	**14**
Non-Directors	155	-	-	14	169
TOTAL	412	-	-	101	513

C3. Property, plant and equipment

	Deferred development costs US$000
Carrying value at 1 January 2009	**114**
Depreciation	**(25)**
Carrying value at 31 December 2009	**89**
Carrying value at 1 January 2010	**89**
Depreciation	**(26)**
Carrying value at 31 December 2010	**63**

C4. Intangible assets

	Deferred exploration costs US$000
Cost and carrying value at 1 January 2009	**250**
Additions	**1,422**
Cost and carrying value at 31 December 2009	**1,672**
Cost and carrying value at 1 January 2010	**1,672**
Additions	**1,269**
Impairment	**(722)**
Cost and carrying value at 31 December 2010	**2,219**

The carrying value of the deferred exploration costs at the year end have been assessed for indications of impairment and the results of these assessments have been sufficiently encouraging to justify the retention of the deferred exploration assets in the balance sheet.

C5. Investments in subsidiary undertakings

	Investments in Group undertakings US$000
Cost	
Balance at 1 January 2009	35,574
Additions	14,811
Balance at 31 December 2009	**50,385**
Balance at 1 January 2010	50,385
Additions	20,016
Balance at 31 December 2010	**70,401**
Amortisation and impairment losses	
Balance at 1 January 2009	2,763
Impairment	25
Balance at 31 December 2009	**2,788**
Balance at 1 January 2010	2,788
Impairment	1,945
Balance at 31 December 2010	**4,733**
Carrying amounts	
At 1 January 2009	32,811
At 31 December 2009	**47,597**
At 1 January 2010	47,597
At 31 December 2010	**65,668**

The impairment loss relates to the investment in Minera IRL Chile Ltda. During 2010 this subsidiary company decided to close its project in Chile and the amounts written off represent the amount of the investment less the balance of net assets which is expected to be returned to the parent company.

The Company has a controlling interest in the following subsidiary undertakings:

	Country of Incorporation and operation	Principal activity	Minera IRL Limited effective interest	
			2010	2009
Minera IRL SA	Peru	Mining and exploration	100%	100%
Minera IRL Argentina SA	Argentina	Mining and exploration	100%	100%
Minera Kuri Kullu SA	Peru	Mining and exploration	100%	100%
Hidefield Gold Limited	United Kingdom	Mining and exploration	100%	100%
Minera IRL Patagonia SA	Argentina	Mining and exploration	100%	100%
Hidefield International Gold Holdings Ltd	British Virgin Islands	Mining and exploration	100%	100%
Minera IRL Chile Limitada	Chile	Mining and exploration	100%	100%

C6. Other receivables and prepayments

	2010 US$000	2009 US$000
Other receivables	**13**	-

C7. Cash and cash equivalents

	2010 US$000	2009 US$000
Bank balances	**5,650**	8,551
Term deposits	**22,904**	2,500
Cash and cash equivalents in the statement of cash flows	**28,554**	11,051

C8. Trade and other payables

	2010 US$000	2009 US$000
Current		
Other payables	**45**	222
Accrued expenses and deferred income	**644**	935
	689	1,157

C9. Interest bearing loans

	At 31 December 2010 US$000	At 31 December 2009 US$000
Non-current liabilities		
Bank loans due after one year	**10,000**	**-**
Current liabilities		
Bank loans due within one year	**-**	**3,500**

The bank loans bear interest at 3.5% over the London Interbank Offered Rate (LIBOR), are secured against the assets of the Group and are repayable on 31 December 2012.

C10. Related parties

The Company has a related party relationship with its subsidiaries (see note C5), directors and other key management personnel (see note 6).

The following table details transactions carried out with subsidiary undertakings:

	2010 US$000	2009 US$000
Transfer of cash to/(from) subsidiaries	**20,016**	2,695

Other related parties
Transactions with other related parties are detailed in note 21.

C11. Financial risk management

The Company has the same exposure to financial risks as the Group, details of which are shown in note 19.

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