



52-wk Range: £0.62-0.86  
12 month target £0.94

Market Cap (M): £60.0  
EV (M): £52.9

## Mining

## More excellent drill results from Ollachea

### Summary

AIM-listed Minera IRL Limited is a mining group focused on precious metals mining, development and exploration in the Andean cordillera of South America. The company's flagship, Corihuarmi, is an operating gold mine and is complimented by the Ollachea project and two exploration projects situated in Chile and Peru. Minera are also listed on the Lima stock exchange. Minera recently took over Hidefield and acquired the Don Nicolas project in Argentina.



### Key Metrics

EV/EBITDA: 7.02  
Shares Outstanding (M): 85.6  
Current Price (GBP): £0.70  
Fully Diluted Shares (M): 97.8

### Event

Minera IRL has released drilling results from the new Concurayoc Zone at the Ollachea project. The release reported five drill intersections over a length of 500m; only 300m along strike from the Minapampa zone which is currently subject to a pre-feasibility study. The results were very encouraging, reporting 20.9m @ 3.07g/t, 14m @ 2.91g/t and 8m @ 5.08g/t.

### Comment

This is an interesting development which confirms our thoughts that Ollachea will be much bigger than the original 1.3M oz resource that was announced last year. It is not the gold grades that impress us, although there are some higher grade zones within the intersections released, but the widths. The effective true width of mineralized intersections as reported are expected to range between 90% to 97% of the width indicated, depending on the variation of the angle of incidence between the Concurayoc exploration drill-hole(s) and the drilled mineralized horizons. These are wide intersections and suggest that low cost bulk mining methods will be applicable.

With the Minapampa zone being extended 300m to the east and the new Concurayoc zone having a strike length of 500m but to the west, we believe that Ollachea has the potential to become significantly bigger than the current 1.3M oz. In theory this should allow for higher production than the conceptual 117k oz pa and over a longer mine life. The major advantage with this is that a modest increase in plant capacity would not increase the capital requirements significantly but bring economies of scale.

Minera stated that these results warrant a major follow-up drilling programme in this zone. In our last note on 4 May 2010, we stated that we believed the eastward extension to the Minapampa zone had the potential to add 350k oz to the resources, and remains open to the east. Now with the new Concurayoc zone, we would be surprised if the resources do not grow to greater than 2M oz.

Whilst these are excellent results, we have not changed our model. They do however indicate that there is significant upside to our target price which will only be changed once more drill results are obtained and the resource figure upgraded.

### Recommendation

We retain our buy recommendation but with an unchanged target price of £0.94/share.

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FYE Dec	2008	2009	2010E	2011E	2012E
Revenue (US\$M):	43.6	31.9	36.9	35.4	46.9
EBITDA (US\$M):	21.0	11.3	16.7	15.8	25.2
NPAT (inc significant items):	12.5	3.0	8.3	7.1	10.2
EPS (USc):	20.2	4.2	9.7	8.3	11.9
Cash Flow/Share (USc):	35.7	13.0	15.7	16.8	24.5
Gold Price (US\$/oz):	872.6	973.7	1179.7	1325.0	1100.0
Ozs production/'000 shares	0.72	0.34	0.31	0.27	0.44
Ozs resources/'000 shares	2.1	13.5	16.7	16.3	15.8

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### Peter Rose

Peter Rose has 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 12 May 2010

Company Name	Disclosure
Minera IRL (MIRL)	1, 2, 7, 8

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Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	SELL	27.04.10	£4.26	£6.04
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.07
Antofagasta	ANTO LN Equity	HOLD	06.05.10	£9.90	£9.44
Atlantic Coal	ATC LN equity	BUY	21.01.10	£0.025	£0.006
Discovery Metals	DME LN Equity	BUY	09.04.10	£0.65	£0.45
EMED Mining	EMED LN Equity	BUY	12.04.10	£0.62	£0.10
Exco Resources	EXS AU Equity	BUY	09.04.10	A\$0.67	A\$0.24
Gippsland Limited	GIP LN Equity	BUY	06.10.09	£0.02	NA
Hambledon Mining	HMB LN Equity	HOLD	19.04.10	£0.15	£0.05
Highland Gold	HGM LN Equity	BUY	05.05.10	£1.46	£1.35
Hochschild Mining	HOC LN Equity	HOLD	21.04.10	£3.11	£2.68
KEFI Minerals	KEFI LN Equity	Spec. BUY	06.10.09	NA	£0.01
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.14	£0.11
Lydian International	LYD CN Equity	BUY	18.03.10	C\$1.22	C\$1.27
Minera IRL	MIRL LN Equity	BUY	12.05.10	£0.94	£0.70
Oxus Gold	OXS LN Equity	BUY	21.04.10	£0.30	£0.06
Stratex International	STI LN Equity	BUY	03.03.10	£0.07	£0.04

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