



52-wk Range: £0.57-0.86
12 month target £1.28

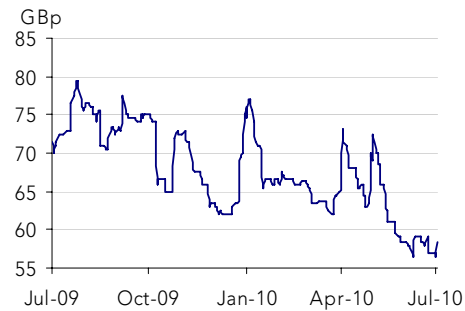
Market Cap (M): £50.8
EV (M): £45.9

Mining

June quarter gold production 10% above budget

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: 6.1
Shares Outstanding (M): 86.8
Current Price (GBP): £0.59
Fully Diluted Shares (M): 99.0

Event

Minera IRL released its June quarter production figures as well as announcing the acquisition of an option on the Killincho gold project, an update on the Ollachea pre-feasibility study and encouraging results from the Bethania Gold-Copper porphyry project in Peru.

Comment

During the quarter, 351,952t were mined and placed on the heap with a head grade of 0.81g/t producing 8,098oz of gold. The cash operating cost was \$365/oz. 8,253oz of gold were sold at an average price of \$1,201/oz, generating revenues of \$9.9M.

These figures were very close to the figures in our model, 363kt grading 0.9g/t to produce 7,878oz of gold with 8,000oz being sold. Our forecast average cash cost was \$357/oz. The major difference between our forecast and the actual numbers was that we used too low a recovery. This is an excellent result for the quarter, being 10% above budget.

Minera also released details of its latest exploration results and an update on the Ollachea feasibility study. Please see page 2 for details.

Recommendation

We retain our buy recommendation but with an unchanged target price of £1.28/share.

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FYE Dec	2008	2009	2010E	2011E	2012E
Revenue (US\$M):	43.6	31.9	36.7	42.8	76.4
EBITDA (US\$M):	21.0	11.3	14.9	22.1	52.4
NPAT (inc significant items):	12.5	3.0	6.6	12.0	29.7
EPS (USc):	20.2	4.2	7.7	13.8	34.3
Cash Flow/Share (USc):	35.7	11.1	15.4	23.2	48.3
Gold Price (US\$/oz):	872.6	973.7	1217.0	1400.0	1520.0
Ozs production/'000 shares	0.78	0.34	0.30	0.31	0.5
Ozs resources/'000 shares	2.3	13.4	16.5	16.1	15.5

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Ollachea Payments

Minera has announced that it has made a \$3.8M payment to Rio, pursuant to the option agreement between Minera and Rio. The payment to Rio Tinto is based upon US\$7 per ounce for 70% of the ounces in excess 500,000 ounces based upon the 1.277 million ounces of Inferred Resource estimated in the November 2009 Scoping Study. This amounted to US\$3,807,300. MIRL is required to make total option and staged payments of US\$6.25 million, of which there are two staged payments remaining totalling US\$3.5M by the end of 2011. A final NPV related payment is due six months after completion of a Bankable Feasibility Study. Rio Tinto will retain a 1% net smelter royalty.

Ollachea Feasibility Study Update

The Ollachea feasibility study remains on track for completion during the first quarter of 2011 and the recent payment to Rio is seen as Minera expressing confidence that it has a viable project. 32 of the 39 infill diamond drill holes have now been completed. This will close down the grid to 35m by 35m. The results of this infill drilling are inline with expectations, and several recent holes have returned excellent results. Metallurgical work confirms that conventional processing will extract the gold, with work by AMMTEC in Australia confirming recoveries estimated to be 91%. Progress is being made on the 1.3k exploration tunnel survey. All approvals and permits are expected to be in place by the first quarter of 2011 when the tunnel will be driven from surface to the mineralised zone. The infill drilling excludes the recently recognised eastern extension and Fox-Davies is confident that the size of the ore body will be upgraded with time. No changes have been made to our Ollachea model.

Bethania Gold-Copper Porphyry Update

The Bethania gold –copper porphyry project is located only 10km away from the Corihuarmi mine. Six drill holes have intersected broad zones of gold copper molybdenum mineralisation from the surface. The initial drilling indicates a potentially wide spaced disseminated gold and copper system. Further exploration is planned.

Killincho Gold Project Option

Minera has announced it has entered into option agreements to purchase the Killincho Gold Exploration Project from Ingerieria y Tecnologia Minero-Metalurgica SA ("ITMM"). The Agreements consolidates eight properties, totalling 3,317ha, into one high quality gold exploration project in southern Peru. Killincho is located within the same gold-bearing Sandia geological formation which hosts Minera IRL's 1.3m oz Ollachea Project (inferred resource). Field reconnaissance and surface sampling has commenced and there is a history of local artisanal gold production. (This is also the case at Ollachea).

The addition of Killincho to Minera IRL's inventory of exploration projects is a further step toward consolidation of a highly prospective land position associated within the gold-bearing Sandia formation in southern Peru." said Courtney Chamberlain, Executive Chairman of Minera IRL. "This is the same slate belt formation which hosts our flagship one-million-plus ounce resource at Ollachea 150 kilometres north west of Killincho. The Sandia Formation is emerging as a major new district which hosts a number of impressive gold deposits including Untuca, La Rinconada, Winchomayo and Santa Domingo."

Research Disclosures

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 14 July 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	HOLD	05.07.10	£6.16	£6.05
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.06
Antofagasta	ANTO LN Equity	BUY	28.05.10	£10.33	£9.17
Atlantic Coal	ATC LN equity	BUY	21.01.10	£0.025	£0.004
Discovery Metals	DME LN Equity	BUY	07.07.10	£0.90	£0.41
EMED Mining	EMED LN Equity	BUY	05.07.10	£0.34	£0.08
Exco Resources	EXS AU Equity	BUY	05.07.10	A\$0.77	A\$0.26
Gippsland Limited	GIP LN Equity	BUY	06.10.09	£0.02	NA
Hambledon Mining	HMB LN Equity	BUY	09.07.10	£0.18	£0.07
Highland Gold	HGM LN Equity	BUY	05.07.10	£1.71	£1.28
Hochschild Mining	HOC LN Equity	BUY	05.07.10	£3.68	£3.05
KEFI Minerals	KEFI LN Equity	Spec. BUY	06.10.09	NA	£0.01
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.14	£0.13
Lydian International	LYD CN Equity	BUY	05.07.10	C\$1.5	C\$1.31
Minera IRL	MIRL LN Equity	BUY	14.07.10	£1.28	£0.59
Oxus Gold	OXS LN Equity	BUY	21.04.10	£0.30	£0.07
Randgold Resources	RRS LN equity	BUY	05.07.10	£74.65	£62.10
Stratex International	STI LN Equity	BUY	03.03.10	£0.07	£0.03

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