



MINERA IRL LIMITED

Management's Discussion and Analysis

For the Nine Month Period Ended 30 September 2012

The following Management's Discussion and Analysis ("MD&A"), prepared as of 2 November 2012, 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, 2011 and the unaudited consolidated interim financial statements of the Company for the quarter ended 30 September, 2012 and related notes thereto (the "Quarterly Statements"), 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.

Background and Business of the Company

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

In Peru the Company operates the Corihuarmi Gold Mine, is nearing completion of a definitive feasibility study ("DFS") on the Ollachea Project and is exploring a number of other gold prospects. In Argentina, the Company has completed a DFS, received approval of its Environmental Impact Assessment and has been granted a Development permit at the Don Nicolas Gold Project in Patagonia. In addition, the Company continues to prospect a large land package under exploration licences.

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

Operational, Project Development and Exploration Review

Corihuarmi Gold Mine

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 leases in 2002, and it was brought into production in March 2008.

Below is a summary of the key operating statistics for Corihuarmi for the three and nine month periods ended 30 September 2012 and 2011:

Operating Parameter	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2012	2011	2012	2011
Waste (tonnes)	162,599	118,427	404,504	219,929
Ore mined & stacked on heaps (tonnes)	535,302	542,242	1,581,008	1,529,995
Ore grade, mined and stacked (g/t)	0.47	0.66	0.52	0.76
Gold produced (ounces)	7,660	9,718	21,095	26,446
Gold sold (ounces)	7,520	9,740	20,924	26,310
Realised Gold Price (\$ per ounce)	1,667	1,683	1,658	1,539
Site operating cash costs (\$ per ounce) ¹	552	356	552	381

Current Quarter

Gold production during the third quarter of 2012 decreased by 21% to 7,660 ounces, against the 9,718 ounces produced in the same prior year period.

As expected, the grade was significantly lower for the quarter when compared with the same period in the prior year, and this resulted in lower production. Mining was split between the Susan outcrop and broken scree material below the outcrops. The site operating costs per ounce were 55% higher for the current quarter when compared to the same period in the prior year primarily due to less ounces produced but were also affected by increased waste being mined.

Year-to-Date

Gold production during the first nine months of 2012 decreased by 20% to 21,095 ounces, from 26,446 ounces in same period of 2011. As previously noted, the grade was significantly lower, for the period when compared with the prior year period, and this resulted in less gold being produced. The lower grade was in line with expectations. Site operating costs per ounce increased by 45% over the prior year period primarily due to fewer ounces produced but also due to increased waste being mined. This cost increase was partially offset by the 7.7% increase in the realised price per ounce of gold sales.

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 own the leases and manage the Ollachea Project.

Drilling commenced with two diamond rigs in October 2008, and by the end of December 2011 81,073 meters had been completed in 208 holes.

A significant gold discovery was announced in early 2009 and a Scoping Study for the Minapampa Zone, based upon 49 diamond drill holes, was completed by Coffey Mining in November 2009. With the receipt of positive results from this Scoping Study the Company undertook a Pre-feasibility Study.

On 14 June, 2011, the Company released an updated National Instrument 43-101 ("NI 43-101") compliant resources estimate for the Ollachea Project. The resources estimate was carried out over the Minapampa and Minapampa East Zones and was an update on the November 2010 resources estimate. The subsequent in-fill drilling at Minapampa East contributed to the contained ounces in the Indicated category increasing by nearly 20% to 1.4 million ounces. In the process both tonnage and grade increased. This increase was also assisted by an increase in the dry in-situ bulk density from 2.80 tonnes per cubic meter to 2.83 tonnes per cubic meter.

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

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	9.3	4.0	1.2
Minapampa East	1.4	3.9	0.2
Total	10.7	4.0	1.4

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

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	2.4	3.0	0.2
Minapampa East	0.9	3.0	0.1
Total	3.3	3.0	0.3

Included within the above resource envelope, the higher grade core Indicated Resource, using a 3.5g/t gold cut-off, has increased to 4.8 million tonnes grading 5.5g/t gold containing 0.8 million ounces.

This NI 43-101 compliant resource estimate was carried out by consultancy Coffey Mining over the Minapampa Zone and the contiguous strike extension known as Minapampa East. The estimate was based upon 88 diamond drill holes for 31,980 meters at Minapampa and 32 diamond drill holes for 14,424 meters at Minapampa East, for a combined 120 drill holes

totalling 46,404 meters. The resource 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.

Several of the most easterly holes drilled at Minapampa East, beyond which steep terrain precludes further drilling from surface, returned strong gold intersections including DDH11-148 with 7 meters grading 20.7g/t gold and DDH11-152 with 3 meters grading 27.2g/t gold. This bodes well for future exploration of the eastern extension of the deposit from the planned underground exploration drive, which the Company committed to in August 2011 (see below for more details).

On 18 July 2011, the Company released the results of the Pre-feasibility Study (“PFS”). The PFS was managed by AMEC Peru SA, which is part of the international engineering firm AMEC plc, in conjunction with Coffey Mining who has contributed the resource estimation and underground mining aspects. The PFS was based on a NI 43-101 compliant Indicated Resource of 10.7 million tonnes grading 4.0g/t gold containing 1.4 million ounces. This mine design and production scheduling has resulted in a Probable Mineral Reserve of 9.5 million tonnes grading 3.65g/t gold containing 1.1 million ounces. An underground mining and treatment rate of 1.1 million tonnes per annum has been established giving a mine life of nine years. The orebody will be accessed through a 1.2 kilometre slightly inclined tunnel from an adjacent valley. Mining of the steeply dipping lenses will utilize the sub-level open stoping method with cemented paste fill. The ore is metallurgically responsive to standard treatment techniques with a projected gold extraction of over 90%. Processing will be by way of conventional crush, grind and carbon-in-leach (CIL) technology.

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

Parameter	Units	Key performance Indicator	
		Base Case Gold Price	Upside Gold Price
Mine life	Years	9	
Tonnes	Mt	9.5	
Grade	g/t Au	3.65	
Contained ounces	Moz	1.11	
Metallurgical extraction	%	91.3	
Ounces produced	Moz	1.01	
Pre-production capital cost	\$M	170	
Life-of-Mine cash operating cost	\$/t	46.6	
Life-of-Mine cash operating cost	\$/oz	436	
		Base Case Gold Price	Upside Gold Price
Gold price assumption	\$/oz	1,100	1,500
Pre-tax			
Project cash flow	\$M	419	808
NPV at 5% real	\$M	271	561
NPV at 7% real	\$M	226	486
NPV at 10% real	\$M	170	393
IRR (real)	%	28.1	46.5
Payback	Years	3.1	1.9

Parameter	Units	Key performance Indicator	
Post-tax			
Project cash flow	\$M	280	531
NPV at 5% real	\$M	167	354
NPV at 7% real	\$M	133	301
NPV at 10% real	\$M	91	235
IRR (real)	%	20.5	34.1
Payback	Years	3.8	2.5
Note:			
1. \$ represents US dollars			
2. Costs are in 2Q 2011 \$.			
3. NPV as at commence of construction.			
4. Pre-tax is before Workers' Participation of 8% and Income Tax of 30% and Post-tax is after Workers' Participation Profit and Income Tax.			
5. Payback starts from commencement of production.			

The NI 43-101 report for the Ollachea Project Pre-feasibility Study was filed on 1 September 2011. Based upon these positive results, the Company has embarked upon a feasibility study.

On 29 August 2011, the Company announced that it had committed to the construction of a 1.2 kilometer exploration tunnel which will access the ore body defined in the Ollachea Pre-feasibility study. Following a comprehensive tendering process, a contract was signed in August 2011 with well-known and experienced underground contractor, JJC, to execute the underground project. Consultants TWP Sudamerica S. A. have been engaged to assist Minera IRL to manage the project. A general assembly of the Ollachea community has also overwhelmingly endorsed the project. The drive is scheduled to be completed over a 15 month time frame with a budget of US\$14.9 million which includes a contingency of 10%. On 17 February 2012 the excavation of the exploration tunnel commenced following the establishment of access to the portal site. The slightly inclined exploration drive is from a portal site located in a deeper valley across the ridge from the outcropping mineralization at the Minapampa Zone. The Minapampa orebody will be accessed approximately 350 meters down-dip from the surface outcrop.

Drill exploration targets from underground are compelling. The gold bearing structures outcrop for approximately one kilometer to the east of the Minapampa Zones where 1.4 million ounces of gold (10.6 million tonnes at 4.0g/t Au) in the Indicated Resource category has been drill defined from surface. The most easterly drilling from surface recorded strong gold intersections and supports geological continuity of the open-ended Minapampa mineralization towards the east. Extremely steep terrain precludes further drilling from surface towards the east. The tunnel track has been designed parallel to this eastern strike extension to provide suitable locations for underground diamond drilling from cuddies, or chambers, at regular intervals as the drive advances.

As at 31 October 2012, the exploration tunnel had advanced to 669 meters from the portal. Ground conditions in the slate rock type which hosts the orebody have proven to be very satisfactory and are providing much practical mining and geotechnical experience which is

already being applied to mine design and production schedules. It is anticipated that the tunnel will reach its objective of 1,200 meters during the first quarter 2013.

On 7 September 2011, the Company announced the maiden Inferred Mineral Resource at the Concurayoc Zone, approximately 400 meters west of the Minapampa Zone, based on infill drilling completed during the second quarter of 2011.

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

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Concurayoc	10.4	2.8	0.9

This NI 43-101 compliant mineral resource estimate was carried out by consultancy Coffey Mining Pty Ltd. The new estimate at the Concurayoc Zone, which covers a strike length of 700 meters, was based upon 45 diamond drill holes on approximately an 80 meter grid for 16,943 meters. The mineral resource estimate, reported at a 2g/t gold bottom cut-off, includes top cutting as appropriate for each of the six broad gold-mineralized horizons, or “lenses”, that have been quantified in the estimate. The total mineral resource at Ollachea is based upon 165 diamond drill holes for 63,347 meters.

The dip and spatial orientation of the mineralized zones at Concurayoc are broadly similar to the mineralized zones hosted within the Minapampa zones. Within the six horizons identified at Concurayoc, mineral resource modelling has additionally identified seven discrete higher grade lenses. Examples of higher grade intersections include drill hole DDH10-130 which intersected 33 meters grading 4.57g/t gold including 12 meters grading 8.66g/t gold, DDH10-135 with 7 meters at 4.03g/t gold plus 4 meters at 8.68g/t gold, DDH11-168 with 9 meters grading 3.38g/t gold plus 4 meters at 22.0g/t gold and DDH11-171 with 7 meters at 17.6g/t gold. The effective true width of mineralized intersections is expected to range between 67% to 98% of the width reported, with the majority of the drill holes reporting around 92% true width. The true width is dependent upon the variation of the angle of incidence between the trace of the Concurayoc exploration drill-hole(s) and the dip of the targeted mineralized horizon(s). The Ollachea Feasibility Study is predicated upon the Indicated Mineral Resource at Minapampa and Minapampa East which is only 400 meters from Concurayoc. As a result, the Company believes that the Concurayoc mineral resource has the potential to substantially enhance the life of mine of the Ollachea mine development.

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

The Ollachea Project DFS commenced in the fourth quarter of 2011. AMEC Peru SA was contracted to carry out this study in conjunction with Coffey Mining who is responsible for the resource estimation and underground mining aspects. This DFS is well advanced and is scheduled for completion in the fourth quarter of 2012.

Part of the DFS included limited final resource in-fill drilling with two diamond rigs which was completed in the second quarter of 2012. On 18 July 2012, the Company announced a resource update which confirmed the resource estimate within the Minapampa Zone at Ollachea based upon the results of this infill drilling program. The objective of this drilling program was to increase the confidence level in the Indicated Resource estimate by confirming continuity of gold bearing horizons and gold content through carefully targeted in-fill drill holes within the established Minapampa zone. This process was considered important to ensure sign-off by future third party due diligence associated with project financing.

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

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

Zone	Metric tonnes (Millions)	Grade - g/t gold	Contained ounces (Millions)
Minapampa	10.6	4.0	1.4

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

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

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

This NI 43-101 compliant resource estimate was carried out by consultancy Coffey Mining Pty Ltd over the Minapampa zone. The new estimate was based upon 151 diamond drill holes for 59,509 meters. The resource estimates apply a 2g/t gold bottom cut and top cutting as appropriate for each of the seven discrete gold-mineralized horizons that have been defined to date. The dry in-situ bulk density within mineralised zones remains unchanged at 2.83 tonnes per cubic meter. An enhanced assay database has been provided by the re-assaying over one meter intervals or less of all mineralized early stage two meter assay intervals. Better intersections obtained from the infill drilling program includes drill hole DDH11-188 with 8 meters at 10.7g/t gold plus 13 meters at 9.7g/t gold, DDH11-190 which intersected 20 meters grading 10.2g/t gold including 11 meters grading 15.3g/t gold and DDH12-197 with 18 meters

grading 3.9g/t gold plus 16 meters at 11.4g/t gold. The effective true widths of mineralized intersections listed above are expected to range between 97% to 99% of the widths reported. The true width is dependent upon the variation of the angle of incidence between the trace of the Minapampa resource drill-hole(s) and the dip of the targeted mineralized horizon(s).

In terms of exploration, Ollachea remains highly prospective. The Minapampa Zone remains open along strike in both directions and down dip.

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

Don Nicolas Project - Development

In late 2009, Minera IRL completed the take-over of Hidefield Gold Plc ("Hidefield") via an all share transaction. This transaction enabled Minera IRL to acquire the Don Nicolas Project and an extensive exploration tenement package totalling some 2,700km² in the Patagonia region of Argentina. The project is located within a large geological complex known as the Deseado Massif. This geological formation hosts existing gold and silver mines and a number of recently discovered low sulphidation, epithermal gold deposits.

At the time of Minera IRL's takeover of Hidefield, the Don Nicolas Project was based upon a NI 43-101 compliant Indicated resource of 1.078 million tonnes grading 5.8g/t gold containing 201,000 ounces plus an Inferred resource of 1.075 million tonnes grading 4.6g/t gold containing 158,400 ounces. A Scoping Study completed in 2008 provided the basis for Minera IRL to embark on a full feasibility study. A substantial component of this study has included in-fill and extension drilling both to increase the confidence levels of the Measured and Indicated Resource and to also attempt to increase the number of ounces. On 29 August 2011, an updated resource estimate for the Don Nicolas Project was announced. This resource estimate supersedes the resource inventory inherited with the Hidefield transaction. That estimate was based upon a 1g/t gold lower cut-off grade so the new Minera IRL estimate is not directly comparable. However, a relatively small portion of the 89% increase in gold in the overall Measured and Indicated category is related to reducing the gold lower cut-off grade to 0.3g/t.

There are two vein field districts that make up the Don Nicolas Project, La Paloma and Martinetas. The reported resource is made up of nine vein systems (refer to the table below). At La Paloma, resources have been defined at the Sulfuro, Arco Iris, Ramal Sulfuro and Rocio Veins. Martinetas consists of five vein swarms contained in the Coyote, Cerro Oro, Armadillo, Lucia and Calafate deposits. The resource estimation methodology that was applied to each system was appropriate for the particular mineralized deposit. For Sulfuro, Arco Iris, Ramal Sulfuro, Rocio, Armadillo and Calafate the Ordinary Kriging ("OK") technique was used and, using this method, no mine dilution was included in the resource estimate for these deposits. For Coyote, Cerro Oro and Lucia, the Multiple Indicator Kriging ("MIK") method was considered more appropriate and this method includes dilution for an assumed mining scenario and Selective Mining Unit ("SMU").

District	Deposit	Lower Au Cutoff (g/t)	Measured + Indicated Resource					Inferred Resource				
			Tonnes (kT)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)	Tonnes (kT)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)
La Paloma	Sulfuro ¹	0.3	1,192.3	4.5	171.9	16.1	617.3	535.0	1.2	20.6	5.4	92.5
		1.6	498.4	9.2	147.2	28.1	450.2	47.3	7.0	10.7	18.7	28.4
	Ramal Sulfuro ³	0.3						134.8	2.3	8.3		
		1.6						58.5	3.0	5.1		
	Rocio ³	0.3						89.2	4.1	11.9		
		1.6						89.2	4.1	11.9		
	Arco Iris ¹	0.3	36.8	1.7	2.1	2.2	2.6	262.4	2.4	19.4	2.1	17.5
		1.6	18.0	2.4	1.4	2.8	1.6	164.0	3.0	15.7	2.5	13.2
Martinetas	Cerro Oro ²	0.3	2,528.5	1.1	85.6	3.9	316.5	995.8	1.0	32.9	4.1	130.7
		1.6	378.3	3.3	39.9	6.1	73.8	144.4	3.4	15.9	7.0	32.7
	Lucia ²	0.3	94.1	1.3	4.1	0.8	2.3	225.5	1.1	7.9	2.1	15.3
		1.6	18.3	3.9	2.3	0.7	0.4	38.1	3.4	4.1	4.4	5.4
	Coyote ²	0.3	1,603.4	1.9	99.7	3.5	179.5	612.6	1.6	30.5	3.1	60.9
		1.6	440.8	5.1	72.4	5.8	82.5	132.6	4.7	20.2	5.6	23.8
	Calafate ¹	0.3	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
		1.6	4.0	3.2	0.4	10.8	1.4	3.4	5.8	0.6	11.7	1.3
	Armadillo ¹	0.3	179.0	3.1	17.6	4.7	27.0	209.7	1.9	12.6	4.2	28.4
		1.6	102.7	4.9	16.1	6.2	20.5	66.0	5.0	10.6	6.9	14.6
TOTAL	All Resource	0.3	5,638.1	2.1	381.4	6.3	1,146.5	3,068.5	1.5	144.8	3.5	346.6
	High Grade	1.6	1,460.5	6.0	279.8	13.4	630.3	743.5	4.0	94.9	5.0	119.4

1 - Ordinary Kriged Estimate

2 - Multiple Indicator Kriged Estimate -with a Change of Support to an SMU block (5mE x 2mN x 2.5mRL)

3 - Rocio and Ramal were not estimated by Coffey Mining. This Inferred Resource (gold only) is as previously reported by Hidefield in 2009 as estimated by Runge. Ramal was estimated by Runge but not included in the Hidefield estimate.

Note: Arco Iris and Calafate estimates were based within a notional 1 g/t Au mineralised envelope - Therefore resources between 0.3g/t Au and 1.0g/t Au have not been estimated or included

On 16 February 2012, Minera IRL announced the results of the Don Nicolas Feasibility Study. International engineering firm Tetra Tech has managed the Feasibility Study, with the resource estimate compiled by Coffey Mining Pty Ltd. The high grade Measured and Indicated Resource formed the basis for the Feasibility Study. Mine design and production scheduling on this resource resulted in Proven and Probable Mineral Reserves of 1.2 million tonnes grading 5.1g/t gold and 10g/t silver containing 197,000 ounces gold and 401,100 ounces silver (contained within the reported Measured and Indicated Resource). An all open pit mining scenario was adopted for the Feasibility Study, with ore production from the two vein fields, Martinetas and La Paloma (location of the Sulfuro Vein). The conventional crush, grind and carbon-in-leach (CIL) treatment plant at Martinetas is planned to have a rate of 350,000 tonnes per annum providing initial expected mine life of 3.6 years. An average annual steady-state gold and silver

production of 52,400 ounces and 56,000 ounces respectively at a cash operating cost of US\$528 per ounce after silver credits is expected. From the reserves outlined to date, peak production is scheduled to occur in Year 2 of operation at 63,800 ounces of gold and 92,200 ounces of silver. The Project's logistics are excellent, with close proximity to a major highway, and an adequate supply of ground water has been defined.

Key performance and economic indicators are shown in following table:

Parameter	Units	Key Performance Indicator			
Mine life	Years	3.6			
Tonnes	Mt	1.2			
Grade - gold	g/t	5.1			
Grade - silver	g/t	10			
Gold Metallurgical extraction	%	92.1%			
Silver Metallurgical extraction	%	47.4%			
Gold produced	koz	181.0			
Silver produced	koz	190.2			
Pre-production capital cost	\$M	55.5			
Sustaining capital cost	\$M	7.3			
Life-of-Mine site cash operating cost	\$/t	82.5			
Life-of-Mine total cash operating cost (after silver credit) excluding royalties	\$/oz	528			
Gold price	\$/oz	Base Case \$1,250		Upside \$1,500	
		Pre Tax	Post Tax	Pre Tax	Post Tax
Project cash flow	\$M	58.7	36.1	101.6	62.2
NPV at 5% real	\$M	44.7	25.1	82.2	48.0
NPV at 7% real	\$M	39.9	21.6	75.6	43.7
NPV at 8% real	\$M	37.6	19.8	72.4	41.4
IRR (real)	%	34.6%	22.8%	56.3%	38.1%
Payback period	Years	1.8	2.0	1.5	1.7
Note:					
1. \$ represents US dollars					
2. Costs are in 4Q 2011\$					
3. Silver price of \$25/oz assumed					
4. NPV as at commencement of construction					
5. Initial Capital Cost excludes IGV (general sales tax), which is recovered once in production					
6. Pre-tax is before other taxes (5% export duty and 0.6% debit & 0.6% credit tax) and Corporate Income Tax of 35%					
7. Post-tax includes tax deduction for prior expenditure and a deduction for allowable prior tax losses					

The Company believes that there is significant opportunity for enhancement of the Don Nicolas Project in the future including the following:

- The low grade resource in the Indicated category totals 4.2 million tonnes grading 0.8g/t gold and 4g/t silver for a total of 102,000 ounces of gold and 516,000 ounces of silver. Studies are underway to test the application of heap leaching to treat this resource, and they are due for completion during the second half 2012. During the mining operation outlined in the Feasibility Study, 2.1 million tonnes of low grade material, included in the above resource, grading 0.7g/t gold and 3g/t silver containing 49,000 ounce of gold and 215,000 ounces of silver will be stockpiled. This can be readily reclaimed if heap leaching proves practical;
- Potential exists for a future underground mine at La Paloma where a resource already exists in the open ended high grade shoot which extends below the Sulfuro open pit;
- The 7,000 meter RC in-fill and extension drilling program completed during 2011 at Martinetas was highly successful. A further 12,000 meter RC program commenced in March 2012 at Martinetas, and the Company believes that this program will add significantly to the resource base which, if achieved, will extend the mine life;
- Potential to outline high grade gold and silver resources which may be defined from exploration prospects within trucking distance and treated at the Martinetas plant. Examples of planned follow-up exploration include reported intersections of 0.7m grading 136g/t gold and 157g/t silver and 4.2m grading 1.63g/t gold and 663g/t silver that have already been reported in separate systems at the Escondido discovery, approximately 35 kilometres from Martinetas;
- The newly discovered mineralized system at Choique which is located approximately 1km for the Martinetas Vein field. Additional details are disclosed below; and
- Further work is underway to investigate the potential to further reduce operating cost.

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

In early July 2012, an 18,700 meter extension drilling program was completed at the Martinetas area. The objective of this program is to increase the Don Nicolas resource base. An updated resource is scheduled to be completed in the fourth quarter of 2012.

On 6 September 2012, the Company announced the discovery of a significant mineralized system at Choique, which is located approximately 1km from the Martinetas Vein Field at the Don Nicolas Project. Results from 35 holes totaling 2,386 meters of drilling have demonstrated substantial gold and silver intersections in a new mineralized rhyolite dome, host within 50 metres of surface. Furthermore, key high grade intersections include drill holes CH-D12-015 with 6.70 meters at 10.5 g/t gold and 19.8 g/t silver, CH-D12-018 with 6.10 meters at 5.43 g/t

gold and 27.6 g/t silver and CH-D12-021 with 11.10 meters grading 5.38 g/t gold and 5.26 g/t silver. (Full drill results are available at the Company's website www.minera-irl.com) Management believes that the Choique discovery not only shows immediate potential for increasing the current Don Nicolas resource base and mine life, but also provides great encouragement for more potential discoveries close to Martinetas.

On 16 October 2012, it was announced that the Company received approval of its Environmental Impact Assessment and was granted a Development permit by the Santa Cruz government. The Company is negotiating to engage an engineering company and arranging finance to allow an early commencement of development. Mine development at Don Nicolas is expected to take approximately 12 months with target production in late 2013 or early 2014.

Exploration Projects

Patagonia Regional Exploration

In addition to the Don Nicolas Project, the Company is advancing a number of exploration projects in Argentina's Patagonia region, including Escondido, Michelle and Chispas. Since Minera IRL's takeover of Hidefield late 2009, the Company has carried out extensive airborne and ground geophysical surveys. During the second quarter 2011, a second heli-borne magnetic and radiometric geophysical survey totalling 5,374 line kilometres was completed over four project sites. This is in addition to the 4,400 line kilometres completed in 2010. The database generated by these programs is of exceptional quality and resolution and is of marked assistance to the geologists in identifying targets and fine tuning drill site locations.

The Escondido Project is contiguous to the Las Calandrias discovery first announced by Mariana Resources Limited in late 2009. Extension of the Las Calandrias mineralization into the Escondido property was confirmed by mapping and surface sampling conducted by Minera IRL, which identified a breccia zone in excess of 100 meters wide with anomalous gold and silver values over a strike length of some 700 meters. This was followed up by geophysical studies which identified structural and conductivity anomalies in several areas. The first phase of scout drilling was undertaken during the third quarter of 2010. Of the 11 holes drilled, 10 intersected gold mineralization demonstrating that a significant portion of the deposit lies within the Minera IRL Patagonia license.

On 15 September 2010, the results of the scout drilling were announced. Best intersections are:

- E-D10-02 **25.38 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.

An extended IP Gradient Array geophysical survey carried out in late 2010 showed 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 was identified. This led to a Phase 3 drilling in which 59 additional drill holes, for a total of 7,104 meters, was completed during the second quarter.

In July 2011, results from un-reported Phase 2 and the first 20 holes of Phase 3 Escondido drilling were reported. These results continued to confirm the low grade, bulk tonnage potential to the North West but also, for the first time at this project, reported high grade intersections. Selected intercepts are tabulated below:

Zone	Type	Hole Number	Intercept			Assay - g/t		Gold Equivalent g/t*
			From	To	Meters	Au	Ag	
NW	Vein	E-D10-026	89.30	90.00	0.70	136	157	139
NW	Bulk	E-D11-052	24.80	41.00	16.20	2.05	7.4	2.20
		including	38.35	40.30	1.95	10.0	14.4	10.3
NW	Bulk	E-D11-053	38.95	58.60	19.65	2.43	10.4	2.64
		including	38.95	41.50	2.55	9.55	51.6	10.6
NW	Bulk	E-D11-055	42.80	67.00	24.20	1.16	6.1	1.28
		Including	48.80	54.10	5.30	2.48	8.1	2.64
NW	Bulk	E-D11-057	28.40	72.00	43.60	0.84	6.8	0.98
SE	Vein	E-D11-036	68.70	78.90	10.20	0.17	76.1	1.69
SE	Vein	E-D11-037	54.00	58.20	4.20	1.63	663	14.9
		Including	56.00	56.55	0.55	4.16	1,250	29.2
SE	Vein	E-D11-039	37.60	41.00	3.40	0.71	193	4.57
		Including	40.00	41.00	1.00	1.19	509	11.4
SE	Bulk	E-D11-058	130.00	146.00	16.00	0.28	63.7	1.55

*Gold equivalent grade is calculated by dividing the silver value by 50 and adding this to the gold value.

At Pan de Azucar, part of the Chispas vein field, scout drilling was completed in the fourth quarter of 2010. The assay results were announced on 22 February 2011 from the first pass diamond drilling program at Pan de Azucar, one of many prospects within Minera IRL's 2,700 square kilometres of exploration licences in the Deseado Massif in Patagonia. Twenty seven holes were drilled for a total of 3,976 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 12km of other outcropping epithermal veins within the Chispas Vein Field.

Selected intercepts for the Pan de Azucar drilling are shown in the table below:

Hole PDA-D10	Intercept			Assay - g/t		Host
	From	To	Meters	Au	Ag	
001	68.4	69.5	1.1	5.10	650	Fault structure
005 including	48.0	51.25	3.25	5.81	5.55	Vein
	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 and	78.02	80.00	1.98	3.51	8.28	Vein
	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 and	131.45	131.85	0.4	21.5	2.6	Splay
	135.0	137.0	2.0	2.67	37.1	Vein

This drilling indicated that the Pan de Azucar vein is relatively deeply eroded. However, other veins, with a surface expression of some 11 kilometres within the Chispas project areas, appear to be largely un-eroded. Of particular interest is the Veta Sur vein which outcrops over a strike length of some 4km. The outcrop of this vein appears to be high in the system and, if this is correct, the vein can be expected to be largely intact. A 3,240 meter, 16 hole diamond drilling program was carried out in late 2011 to test other veins in the area. No significant intersections were recorded.

Exploration has identified approximately 22km of cumulative vein strike length at its 143km² Michelle Project, located immediately adjacent to AngloGold Ashanti Limited's majority owned and operated multimillion-ounce Cerro Vanguardia Gold-Silver Mine in Santa Cruz Province, Argentina. Many of the veins, which can be traced at surface from Cerro Vanguardia into Minera IRL's property, are Au-Ag bearing with classic low sulphidation epithermal textures that indicate significant depth potential. Of the 51 surface rock samples taken from the Michelle and Jackpot veins, 33 returned values above 1 g/t gold, of which 16 were above 5 g/t gold. Eleven samples analyzed also assayed above 30g/t silver including one sample of 1,460g/t Ag. A 27 hole diamond drilling program totalling 4,698 meters was carried out in late 2011. Results were of sufficient encouragement to justify a further diamond drilling program, which commenced in the second quarter of 2012. This involved a 3,200 meter drilling program for a

total of 23 holes. Assay results did not identify economically significant mineralization but many vein targets remain to be tested in future drilling campaigns.

Bethania Prospect

The Bethania Project comprises three exploration licenses held for some years by Minera IRL plus an additional 942 hectare lease under option from Minera Monterrico Peru SAC to acquire 100% ownership for a total holding of 3,294 hectares. Limited exploration had previously been carried out by Newcrest in 1998. Bethania is located only 10km from the 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.

Based upon the encouraging results from the 2010 Bethania exploration program, the Company undertook an additional drill program in 2011. The 2011 Bethania Project drill program was carried out in two stages. The first stage of exploration drilling included 7 diamond drill holes for a total of 2,099 meters. The second stage of drilling, completed during October 2011, included 6 drill holes totalling 723 meters. Confirmation drilling in the mineralized zone drilled in 2010 was positive, but drilling at the other targets failed to intersect significant mineralization. The Company has identified additional prospective targets that have yet to be drill tested.

Although this gold-copper system is yet to be fully understood, the results received thus far indicate that potentially economic gold/copper porphyry style mineralization might be present in this large mineralized system.

For example, drill hole DDH11-BET01 obtained an intersection of 72 meters at 0.72g/t Au and 0.14% Cu. This hole was designed to twin hole RC drill hole RC10-BET10 which intersected 72 meters at 0.66g/t Au and 0.13% Cu. This indicated:

- There was a 9% increase in gold grade between the twinned diamond drill hole and the RC drill hole in this instance.

- The mineralization of interest in DDH11-BET01 continues down vertically for 100 meters from surface (i.e. 100 meters at 0.64 g/t Au and 0.13% Cu).
- It has been recognized that gold and copper content is associated with the intensity of quartz-magnetite-sulphide stockwork veinlets within magnetite-feldspar-biotite-silica potassic alteration zones.

The tenor and consistency of grade distribution that has been intersected from surface justifies continued exploration interest in this mineralized gold porphyry system, which has been interpreted to form a minor part of a far larger hydrothermally altered lithocap which is known to extend for more than 15 kilometers along the Central Andean trend.

There was no activity at Bethania during the current period.

Huaquirca Joint venture

Minera IRL entered into a Letter Agreement in June, 2010 with Alturas Minerals Corp (“Alturas”) providing the opportunity for the latter to earn up to an 80% interest in the Company’s 6,903 hectare Chapi-Chapi project, located in the department of Apurimac in southern Peru. The Chapi-Chapi property block is immediately adjacent to Alturas’s 5,276 hectare Utupara property, both which lie within the Huaquirca copper-gold district. Together the two projects now comprise a larger joint venture area designated the Huaquirca Joint Venture (“Huaquirca JV”).

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

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

In accordance with the amended agreement, Alturas has the option to acquire an 80% interest in the Huaquirca JV by starting drilling on the property no later than June 30, 2011, completing a minimum 15,000 meters of drilling on the Chapi-Chapi Property and completing a scoping study on any potential discovery before 31 December 2012. Once Alturas has fulfilled its obligations and has earned an 80% interest in the Huaquirca JV, both parties would contribute pro-rata according to their percentage interests, subject to usual dilution. If Minera IRL were to dilute its interest below 20%, then it has the option to convert that part of its interest to a 2% 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’ option. Alturas will be operator of the exploration program on the Huaquirca JV and will be responsible for all community and environmental issues during the drilling and Scoping Study phases.

On 30 June 2011, Alturas initiated a first phase of drilling, and it signed a new 2-year agreement with the Huaquirca community that gives Alturas access to community land for its planned exploration program.

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

Full program results can be viewed in the Alturas press release issued on 10 May 2012.

Alturas has stated that a second phase drill program consisting of 10,000 meters of diamond drilling is planned during the second half of 2012.

Frontera Joint Venture

The Frontera project is a 35/65 joint venture with Teck Cominco, which is managed by the latter. The property consists of a 1,200 hectare package of tenements located in region I of northern Chile, on the north-western border with Peru and close to the eastern border with Bolivia.

No exploration activity was conducted on this property during the period.

Quilavira Project

The Company signed an option agreement in February 2010 to acquire the Quilavira Gold Project from Newcrest. The 5,100 hectare tenement package is in the Tacna district of Southern Peru. The transaction was conducted through a surrogate local Peruvian company authorized to work within the Strategic Frontier Zone facing Chile. The Peruvian company acquired the property from Newcrest on behalf of the Company. Once permission is granted to the Company to work in the Frontier Zone, the properties will be transferred at nominal cost.

The main exploration target at Quilavira is an alteration zone approximately 1200m x 300m in size. Sampling by Newcrest identified a 200m x 200m zone of anomalous gold mineralization (>1g/t Au rock chip samples) within the western part of the alteration zone.

No exploration activity was conducted on this property during the period. Exploration activities are planned following the negotiation and signing of a surface rights agreement with the local community.

Summary of Quarterly Results

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

	Q4 Dec. '10	Q1 Mar. '11	Q2 Jun. '11	Q3 Sep. '11	Q4 Dec. '11	Q1 Mar. '12	Q2 Jun. '12	Q3 Sep. '12
Total Revenue	11,587	10,969	13,161	16,436	12,476	11,073	11,111	12,549
Profit after tax	2,155	1,254	2,735	3,585	2,185	1,696	115	1,710
Total comprehensive income/(loss)	2,753	1,113	2,593	3,530	2,355	1,692	(982)	2,108
Net earnings/(loss) per share								
Basis (US cents)	2.3	1.0	2.3	3.0	1.8	1.3	0.1	1.1
Diluted (US cents)	2.2	1.0	2.2	2.9	1.8	1.3	0.1	1.1

The business of the Company is not generally subject to seasonal influences. The variation in revenues and net profit are due to a number of factors, among which are the market price of gold, the grade of the ore extracted from the mine and therefore the cost of production, the impairment of exploration assets, and the incidence of corporation tax in Peru.

Over the last eight quarters, the Company has experienced diminishing grades from production, but this has been offset by increased gold prices. The Company did experience a net loss during the third quarter of 2010, but this anomalous loss can be attributed to a write-off of exploration expenditures on the La Falda and Killincho projects totalling approximately \$2.9M.

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

Overview of Financial Results

Data	Three Month Period Ended 30 September		Nine Month Period Ended 30 September	
	2012	2011	2012	2011
Corihuarmi				
Waste (tonnes)	162,599	118,427	404,504	219,929
Ore mined & stacked on heaps (tonnes)	535,302	542,242	1,581,008	1,529,995
Ore grade, mined and stacked (g/t)	0.47	0.66	0.52	0.76
Gold produced (ounces)	7,660	9,718	21,095	26,446
Gold sold (ounces)	7,520	9,740	20,924	26,310
Realised Gold Price (\$ per ounce)	1,667	1,683	1,658	1,539
Site operating cash costs (\$ per ounce) ¹	552	356	552	381
Financial				
Revenue (\$'000)	12,549	16,436	34,733	40,526
Gross Profit (\$'000)	5,783	9,095	15,205	20,066
EBITDA (\$'000) ²	4,848	8,561	11,699	20,016
Profit/(loss) before tax (\$'000)	3,542	6,197	7,879	13,216
Profit/(loss) after tax (\$'000)	1,710	3,585	3,521	7,573
Comprehensive Income/(loss) (\$'000)	2,108	3,530	2,818	7,235
Earnings/(loss) per share				
Basic (cents)	1.1	3.0	2.4	6.3
Diluted (cents)	1.1	2.9	2.4	6.2

Quarter

During the third quarter of 2012, sales revenue decreased by 24% over the same quarter in 2011. This decrease was attributed to lower gold production for the period, but it was partially offset by an increase the realised gold price on sales.

The Company reported a profit after tax of \$1.7 million for the third quarter of 2012, compared with a profit of \$3.6 million in the same prior year period. Decreased production coupled with increasing production costs were the fundamental reason behind the decline.

Cash flow from operating activities decreased by \$3.7 million from \$7.2 million in the third quarter of 2011 to \$3.5 million in the current period.

Year-to-date

During the nine month period ended 30 September 2012, revenue decreased by 14% as compared to the prior year period. This decrease was attributed to a lower grade ore being mined and accordingly less gold produced. This was partially offset by an improved gold sales price per ounce. The Company continues to take advantage of high spot prices and does not employ a hedging program.

The Company reported a profit after tax of \$3.5 million for the nine month period ended 30 September 2012, compared with a profit of \$7.6 million in the same prior year period. As stated for the quarter, decreased production coupled with increasing production costs and some non-

recurring expenses, including stock based compensation totalling \$0.6 million, attributed to the decline.

Cash flow from operating activities declined by \$5.9 million from \$10.9 million in the first nine months of 2011 to \$5.0 million in the current period.

Selected Annual Information

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

Financial Data	2011	2010	2009
Revenue (\$'000)	53,002	41,082	31,856
Total income/(loss) after tax (\$'000)	9,591	2,847	2,971
Earnings/(loss) per share			
Basic (cents)	8.2	2.5	4.3
Diluted (cents)	8.0	2.4	4.3
Total assets (\$'000)	136,110	124,516	82,446
Total liabilities (\$'000)	24,131	22,173	18,570

Revenue in 2010 was significantly higher than 2009, due largely 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 increase in cash from the equity financing in November 2010. Within in the total assets, intangible assets increased due to the capitalisation of exploration and development expenditure mainly related to the Ollachea and Don Nicolas Projects. Total liabilities increased in 2010 primarily due to the refinancing and additional drawdown of a new Macquarie Bank finance facility.

Revenue in 2011 was significantly higher than 2010, due also to a higher realised gold price plus slightly higher gold sales. This contributed to a higher total income for 2011, offsetting the higher costs at Corihuarmi. The profit for the year gave a rise to an increase in total assets for 2011 compared with 2010. The majority of the expenditure on exploration and development, which again mainly related to the Ollachea and Don Nicolas Projects, was capitalised.

Liquidity and Capital Resources

As at 30 September 2012, the Company had cash of \$10.4 million, compared with \$11.1 million as at 31 December 2011.

As at 30 September 2012, the Company had a working capital deficit of \$2.3 million compared to \$2.4 million deficit as at 31 December 2011.

As at 30 September 2012, 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
Debt Repayments	10,000	10,000	-	-	-	-	-
Property Purchase Payments *	-	-	-	-	-	-	-
Asset Retirement Obligation +	2,844	1,584	1,015	71	71	71	142

Note:

* Excludes Ollachea "2nd Additional Payment", which is contingent on a positive Ollachea Feasibility Study. The payment is calculated by taking 30% of the NPV (at 7%) of the Project, based on the feasibility study, less 30% of sunk costs.

+ This cost relates to the Corihuarmi rehabilitation costs and with the approval of a new EIA in January 2012 this expenditure will be delayed compared with this current schedule based on the completion of a revised mine closure plan this year.

The Company completed an equity offering on 5 March 2012. The Company issued 29,260,000 ordinary shares at a price of CAD1.13 per share for gross proceeds of approximately CAD33.1 million.

Additionally, the Company filed a base shelf prospectus with Canadian Securities Regulators on 12 July 2012. This base shelf prospectus will allow the Company to make offerings of ordinary shares, debt securities, warrants to purchase ordinary shares, warrants to purchase debt securities, and securities convertible into or exchangeable for ordinary shares (collectively, the "Securities") or any combination thereof up to an aggregate initial offering price of CAD\$80,000,000 during the 25-month period that the final short form base shelf prospectus, including any amendments thereto, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying shelf prospectus supplement and, subject to applicable regulations, may include 'at-the-market' transactions, private placements, public offerings or strategic investments. Unless otherwise specified in a shelf prospectus supplement, the net proceeds from the sale of the Securities will be used for general corporate purposes including capital expenditures and working capital. The Company has no immediate plans to issue securities covered by the shelf prospectus.

On 2 November 2012, the Macquarie Bank Finance Facility dated 7 July 2010 was amended to make available the \$10 million Tranche 2 Facility and extend the Facility Repayment Date from 31 December 2012 to 30 June 2014. The Amendment Agreement is subject to customary Condition Precedents including the amendment of existing options on issue to Macquarie Bank of 6,944,444 at \$1.08 per share and 1,633,987 at \$1.53 per share with expiry on 28 June 2013 to 6,944,444 at \$1.08 per share and 1,633,987 at \$1.08 per share plus the issue of additional options of 680,828 at \$1.08 all with expiry on 31 December 2014. The Facility interest rate is LIBOR plus 5.0% margin.

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

The consolidated financial statements have been prepared on a going concern basis. The Company's future plans and expectations are based on the assumption that the Company will be able to continue in operation for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to generate sufficient cash from operations or 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, accounts receivable, marketable securities, loans and accounts payable and accrued liabilities. The carrying value of the financial instruments approximate their fair value because of the short-term nature of their maturity.

Liquidity risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash with high-credit quality financial institutions, as determined by rating agencies, for which management believes the risk of loss to be minimal. Management believes that the credit risk concentration with respect to receivables on sales is minimal.

Currency risk

Foreign currency risk is the risk that the fair value of assets and future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company operates in Jersey, Peru and Argentina and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of local currencies in relation to

the US dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge any currency exposures.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests its cash in instruments with maturities of 180 days or less from the original date of investment, thereby reducing its exposure to interest rate fluctuations. Debt obligations are exposed to interest rate variations. 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.

Commodity Price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The commodity price for gold is impacted by world economic events that dictate the levels of supply and demand. The ability of the Company to mine, develop and explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals, specifically gold. The Company monitors commodity prices to determine appropriate actions to be undertaken. The Company has not entered into any agreements or purchased any instruments to hedge possible commodity price risk. The Company is also exposed to the risk that the cost of mining, development or construction activities for its planned activities might increase and cause some elements to be uneconomic.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the three and nine month periods ended 30 September 2012, the Company had no transactions with related parties.

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 2011 that was filed on SEDAR on 30 March 2012.

Critical Accounting Estimates

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

Intangible Assets

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or impaired, where appropriate. The Company's accounting policy is to capitalize exploration costs, which is consistent with IFRS, and the policy is consistent with other resource companies which are similar to Minera IRL. An alternative policy would be to expense these costs until a feasible mineral resource has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down is charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Asset Retirement Provisions

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

Depreciation Rate

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

Management's Responsibility for Financial Statements

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

Outstanding Share Data

The Company has an authorised share capital of an unlimited number of no par Ordinary Shares, of which 151,902,884 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 18,308,431 options issued and outstanding, of which 9,580,000 options were issued for the benefit of directors, employees and consultants of the Group under the Company's Share Option Plans and the balance were issued in connection with a finance facility. Each option entitles the holder to acquire one Ordinary Share at exercise prices detailed below.

Date of grant	Exercisable from	Exercisable to	Exercise prices	No. Options outstanding
Share Option Plan Issued Options				
18 March 2008	18 March 2009 ¹	18 March 2013	£0.6200	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	125,000
2 July 2010	2 July 2010	2 July 2015	£0.7250	50,000
17 November 2010	17 November 2010	17 November 2015	£1.0800	2,630,000
3 April 2012	3 April 2012	3 April 2017	£0.8063	3,485,000
14 May 2012	14 May 2012	14 May 2017	£0.5875	200,000
4 September 2012	4 September 2012	4 September 2017	£0.5250	150,000
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				18,308,431

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

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.

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 material weaknesses identified and no changes in the Company's internal control over financial reporting that occurred during the most recent period, being the six months ended 30 June 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As required under Multilateral Instrument 52-109, management advises that there have been no material weaknesses identified and no changes in the Company's internal control over financial reporting that occurred during the most recent period, being the nine months ended 30 September 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Designated Foreign Issuer

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

Additional Information

Additional information regarding Minera IRL, including Minera IRL's Annual Information Form for the year ended 31 December 2011 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 nuevo 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. "Site 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 MD&A 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.
2. The term EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is used, which are financial measures used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA is used because Minera IRL's net income alone does not give an accurate picture of its' cash-generating potential. Management believes that EBITDA is an important measure in evaluating performance and in determining whether to invest in Minera IRL. However, EBITDA is not a recognized earnings measure under Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of Minera IRL's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.