MINERA IRL LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

- **Corihuarmi gold mine commenced production on schedule with first gold pour on 15 March 2008;**

- **51,691 ounces of gold produced in 2008 exceeding budget by over 40%; cash operating cost of US$161 per ounce, 43% below budget;**

- **Investment in the Corihuarmi mine recovered within first seven months of operation;**

- **New Life of Mine Plan extends life of Corihuarmi into 2013;**

- **Significant gold discovery at the Ollachea project;**

- **Cash balance at the year end increased to US$9 million.**

CORPORATE INFORMATION

DIRECTORS
Courtney Chamberlain (Executive Chairman)
Douglas Jones (Non-Executive)
Graeme Ross (Non-Executive)
Terence Streeter (Non-Executive)

COMPANY SECRETARY
Richard Michell

REGISTERED OFFICE
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

NOMINATED ADVISOR & BROKER
Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR

BROKER
Fox-Davies Capital Limited
Whitefriars House
6 Carmelite Street
London EC4Y 0BS

AUDITORS
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

BANKERS
Macquarie Bank Ltd
Brisbane Branch
300 Queen Street
Brisbane, Queensland 4000
Australia

Royal Bank of Scotland International
Liberté House
19-23 La Motte Street
St Helier
Jersey JE4 5RL

SOLICITORS
English Law
Fasken Martineau
Stringer Saul LLP
2nd Floor
17 Hanover Square
London W1S 1HU

Jersey Law
Mourant de Feu & Jeune
PO Box 87
22 Grenville Street
St Helier
Jersey JE4 8PX
Channel Islands

Peruvian Law
Rodrigo, Elias & Medrano
Av. San Felipe 758 – Jesús Maria
Lima
Perú

Argentinean Law
Baker & McKenzie Sociedad Civil
Av. Leandro N. Alem 1110, Piso 13
C100 1AAT Buenos Aires
Agentina

REGISTRARS
Computershare Investor Services
(Channel Islands) Limited
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

Registered in Jersey under number 94923

CONTENTS

CHAIRMAN'S STATEMENT

I am pleased to present this annual report to shareholders, our third as a publicly listed company. The year 2008 was momentous with your Company joining the ranks of the gold producers and establishing growth opportunities for the future. Our Corihuarmi Gold Mine was successfully commissioned on time and performed strongly. Exploration drilling led to an exciting new gold discovery at our Ollachea Project. Minera IRL was the top mining stock performer on both the AIM and Lima Stock Exchanges for 2008.

Projects

Corihuarmi

The Corihuarmi Gold Mine was commissioned and commenced production with the first gold pour on 15 March 2008. In spite of arduous climatic conditions at an altitude of almost 5,000 metres in the Andes, the project was completed on schedule at a cost of US$20 million. The ramp up to the designed mining and heap leaching rate of one million tonnes per annum was quickly achieved. The full 2008 production of 51,691 ounces, almost all from the Diana outcrop, exceeded the budget by 40% and was mainly a result of higher grade than predicted in the feasibility study for this zone. The low cash operating cost of US$161 per ounce, approximately 43% below budget, was largely due to less waste stripping than planned and the higher gold production. Pre-tax, ex-mine cash surplus recovered the capital and prior sunk cost within the first seven months of operation. The Company policy of no gold hedging served us well with gold sales averaging US$869 per ounce for the year.

By year end haul road access to the top of the larger Susan outcrop had been achieved, a significant feat which required the team to negotiate a substantial vertical cliff face, and mining of the barren waste capping commenced. As anticipated, gold grades have fallen during the first quarter of 2009 and ore production was further adversely affected as the mining equipment was largely committed to the removal of the waste cap which is scheduled for completion during the second quarter. Production for the first quarter was 7,150 ounces at a cost of US$364 per ounce.

Both the Susan and residual Diana outcrops were re-drilled using the reverse circulation drilling process, which for this type of gold mineralization produces more accurate sampling results than diamond drilling. This database was used to estimate the new Measured and Indicated Resource, effective 1 January 2009, which contains 155,000 ounces. This is higher than the resource in the original feasibility study and more than replaces 2008 depletion. From this a new Life of Mine (LOM) plan has been developed which extends the mine life well into 2013.

We anticipate further enhancements to the LOM Plan from known mineralization and, potentially, new discoveries. Scree material, broken rock which has fallen from the mineralized cliff faces, has been quantified with 87 reverse circulation drill holes providing the database for an Inferred Resource of over 40,000 ounces. During the latter part of the year and into the first quarter of 2009, a 5,562 metre exploration diamond drilling programme consisting of 45 drill holes in the immediate mine area has identified mineralization that is expected to provide a modest addition to the Corihuarmi resource base. Further exploration is planned at the Betania Prospect, approximately 10 km southeast of Corihuarmi, where one earlier drill hole intersected 150 metres grading 0.33 g/t gold indicating a potential bulk tonnage target.

CHAIRMAN'S STATEMENT (continued)

Ollachea
At the Ollachea project, following the signing of a comprehensive surface rights agreement with the local community in late 2007, exploration commenced in January 2008. Ollachea is located in southern Peru within a recently recognised auriferous slate belt. Local artisanal miners have been active in the area for many years and the initial exploration drilling target, supported by a strong geophysical ground magnetic anomaly, was the down-dip extensions of this zone. Two diamond rigs commenced drilling in October 2008 and, at the time of writing, the results of 40 holes have been announced. To date 28 holes have been drilled along a strike of about 450 metres over the Minapampa zone. These holes result in an average gold intersection thickness of 70 metres (estimated to be 62 metres true thickness) with an average grade of 2.26 g/t gold. This represents an outstanding initial result and forms the basis for an expanded programme and data gathering for a scoping study. In addition to the Minapampa zone, there also remains much exploration potential with open ended encouraging drilling intersections yet to be followed up.

La Falda
In March 2009 a Letter of Intent (LOI) was signed with Catalina Resources as a precursor to an agreement which will allow Minera IRL to earn a 75% interest in the La Falda Project. La Falda is a new gold porphyry discovery located in Chile's gold belt, the Maricunga. Shortly after signing the LOI a strong Induced Potential (IP) geophysical anomaly was located within the largest of the porphyry systems thus far identified. Minera IRL will begin exploration drilling at this high quality project at the commencement of the southern field season once weather conditions become satisfactory, usually in September or October.

Other projects
Two projects were downgraded during the year. Following evaluation of the Oxapampa Project in March 2008 it was determined that the project did not have the potential for a Minera IRL sized deposit. The Ananea Project, located in the Puno district of Peru, was likewise downgraded following extensive surface mapping and sampling.

The Huaquirca Joint Venture continues to be managed by our partner Minera Alturas Corporation and the Frontera Project in Chile continues to be managed by Teck Cominco.

Financial Results

The production from the Corihuarmi Gold Mine yielded sales revenue of US$ 43.6 million, and after the deduction of the costs of production, administration and exploration the Group made an operating profit of US$15.6 million (2007: loss US$10.4 million). Administration expenses included a charge of US$630,000 for the notional cost of the share options issued to employees and directors of the Group, as required under International Financial Reporting Standard 2.

The Group spent a total of US$6.7 million on exploration during the year, of which US$4.5 was added to the intangible assets of the group (US$3.3 million of which was spent on the Ollachea project) and US$2.2 million was recognised as a cost in the income statement.

At the end of the year the Group had a balance of cash of US$9 million, leaving the company in a strong position to enter the next phase of development.

CHAIRMAN'S STATEMENT (continued)

Corporate Governance

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

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

Share Price Performance

The AIM IPO raising in April 2007 was priced at GBP0.45 per share giving a market capitalization of approximately GBP28 million. The listing of the Company on the Lima Ventures Exchange in December 2007 saw a commencement of an expanding retail shareholder base and increased liquidity. Shareholders increased from less than 100 to over 1,200 and approximately one third of the equity in the Company is now held through the Lima exchange. Minera IRL Limited was admitted to the main board of the Lima exchange in June 2008, the only company which has thus far been moved from the Ventures Exchange to the main board. The Company closed the year as the best mining stock performer on both the AIM and Lima exchanges for 2008. The closing price at the time of writing, GBP0.81, gives a market capitalization of GBP50 million.

Current Investment Climate and Country Outlook

Whilst the price of most metals fell sharply during the second half of the year, gold, though highly volatile, was the star performer generally trading in the band between US$800/ounce and US$1,000 ounce. There appears to be widespread confidence that the gold price will remain strong in the short to medium term.

The world economic crisis resulted in dramatic falls on most of the international stock exchanges. The Lima exchange was particularly hard hit with most mining stocks faring poorly. This is particularly true of the junior exploration companies for whom fund-raising has been difficult, if not impossible. This is in marked contrast to gold production companies which have raised considerable capital, particularly in the Canadian market.

Despite the general world downturn, Peru has continued to attract strong foreign investment both in the public and private sectors. The total of foreign investment announced in 2008 in mining alone was over US$23 billion. Economic growth has continued, and Peru is currently ranked third in Investment Grade for Latin America, behind Chile and Mexico. The government of President Alan Garcia continues to maintain political stability.

In mining, Peru remains the world's largest producer of silver, and within Latin America it is the leading producer of gold, zinc, tin and lead. Practically all of the world's major multinational

CHAIRMAN'S STATEMENT (continued)

mining companies operate in Peru, and in 2008, mining exports exceeded US$18.5 billion.

In other parts of Latin America the Company remains well disposed to opportunities in Argentina, Chile, Colombia and Mexico. In Argentina particular note is taken of the mining policies of the specific province. Chile has an extremely strong mining economy and the La Falda project will offer the Company an increased exposure there.

Once again, I wish to convey my sincere thanks to my fine Board and Management team and to all employees for their dedication and perseverance in achieving the success at Corihuarmi and the exciting new discovery at Ollachea as well as other important initiatives. I would also like to thank all shareholders for their support for our vision of building a diverse gold mining company through our own initiatives and potential new transactions.

Courtney Chamberlain
Executive Chairman
Minera IRL Limited 23 June 2009

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Minera IRL Group is exploration for and development of mines for the production of precious metals, particularly gold.

The Group has several mining properties, one of which (Corihuarmi) is in production, and a second (Ollachea) is in advanced exploration. The Group continues to evaluate the prospective quality of the other properties in its possession and to seek additional mining opportunities.

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 profit for the year after tax was US$12,523,000 (2007 loss: US$10,360,000). No dividend was paid during the year and no final dividend is proposed. A profit of US$12,523,000 (2007 loss: US$10,360,000) 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:

	Ordinary shares of no par value	
Name	31 December 2008	31 December 2007 (or date of appointment)
Courtney Chamberlain	3,430,000	3,430,000
Russell Cranswick (resigned 19 March 2008)	-	-
Douglas Jones	160,160	160,160
Graeme Ross	-	-
Terence Streeter	3,143,000	3,372,000

On 31 December 2008 the directors held the following share options under the Minera IRL Limited Incentive Stock Option Scheme:

Courtney Chamberlain	2,250,000 shares
Douglas Jones	150,000 shares
Graeme Ross	75,000 shares
Terence Streeter	150,000 shares

Details of these share options may be found in note 15 to the accounts.

DIRECTORS' REPORT (continued)

There have been no other movements in any of the directors' interests in the share capital of the Company between 1 January 2009 and 19 June 2009.

Mr Chamberlain and Mr Streeter 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 19 June 2009 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
Funds managed by BlackRock Investment Management (UK) Limited	7,998,933	12.9
Midas Capital plc	4,700,000	7.6
Shairco for Trading, Industry and Contracting	4,160,000	6.7
Resource Capital Fund III LP	2,770,174	4.5

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 number of 11,324,846 shares. 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 11,324,846 shares, representing 15% of the issued share capital of the Company after the General Meeting on 6 July 2009 and subject to the approval of the resolutions to be proposed at that meeting. 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.

DIRECTORS' REPORT (continued)

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

Richard Michell
Company Secretary 23 June 2009

DIRECTORS' REMUNERATION REPORT

This report, which has been prepared in accordance with the provisions of the revised Combined Code, has been approved by the Board of Directors for submission to the shareholders for approval at the forthcoming Annual General Meeting.

Remuneration Committee

The Board of Directors is responsible for establishing the remuneration policy for the Company as a whole. The Remuneration Committee meets regularly to review the level of remuneration of the directors and senior management of the Company and make the appropriate recommendations to the Board. The committee is composed of the Executive Chairman and two non-executive directors, Terence Streeter and Douglas Jones. Terence Streeter is also Chairman of the Committee.

Remuneration Policy

The objective of the remuneration policy is to ensure that the Company is able to attract, motivate and retain executives of the quality necessary to ensure the successful management of the Group. The remuneration of directors and senior management is decided having regard to their performance and experience, and to the level of remuneration of individuals with the same responsibilities in other companies of similar size and type. All directors and senior management have share options and some have significant shareholdings. The Company's remuneration policy is therefore based on the principle that the fortunes of the directors and the senior management are aligned with those of shareholders. Changes in the remuneration of directors and senior management are decided by the committee. There are no plans to make changes to this procedure.

Components of Remuneration

The sole executive director is the Executive Chairman, who receives a basic salary. There is no provision in his contract for a pension to be paid. The Executive Chairman is also granted share options from time to time as the Remuneration Committee sees fit.

The remuneration of non-executive directors consists of fees for their services in connection with Board and Board Committee meetings. Their fees, which are reviewed from time to time, are determined having regard to the level of fees paid by similar sized companies and the demands made on their time for the proper discharge of their duties.

Directors' Remuneration

Details of directors' remuneration for the year are as follows:

	Basic Salary & Fees US$'000	Bonus US$'000	Other Emoluments US$'000	2008 Total US$'000	2007 Total US$'000
Courtney Chamberlain	238	50	13	301	226
Russell Cranswick	6	-	-	6	31
Douglas Jones	25	-	-	25	31
Graeme Ross	18	-	-	18	30
Terence Streeter	25	-	-	25	31
Total	312	50	13	375	349

DIRECTORS REMUNERATION REPORT (continued)

In addition, the directors were granted share options during the year, the details of which are shown in the Directors' Report of this document.

Share Option Schemes

The Company has a share option scheme which comprises two share option plans, one for the benefit of executive directors and the employees of the Group, the other for the benefit of non-executive directors, consultants or providers of services to the Group. The purpose of these plans is to provide incentives to those who are most important to the success of the Company. These options are not subject to any performance criteria and the committee believes that this is appropriate because of the uncertainty and risks associated with a mining Company in the early stages of development.

Directors' Contracts of Service

There are Service Contracts for all directors. None of these contracts provide for a notice period or for compensation for loss of office except that of Mr Chamberlain, who is entitled to payment for one year of service on termination of his contract. The Company is not obliged to give Mr Chamberlain any notice of such termination.

Pension Schemes

The Company makes no contributions to the pensions of its directors.

Terence Streeter
Chairman of the Remuneration Committee
On behalf of the Board 23 June 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Jersey Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, prepared the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the company financial statements in accordance with those standards.

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 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 and the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' 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 2008, which comprise the consolidated and parent company income statements, balance sheets, cash flow statements and statements of changes in equity, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with article 110 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 auditors' 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 auditors

The directors' responsibilities for preparing the annual report and the group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the chairman's statement, the directors' report and the directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the company's affairs as at 31 December 2008 and of the group's profit and the company's loss for the year then ended;

- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

PKF (UK) LLP
London, UK

23 June 2009

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2008

	Notes	2008	2007 Restated
		US$000	US$000
Revenue		**43,568**	-
Cost of sales		**(17,344)**	-
Gross profit		**26,224**	-
Administrative expenses		**(8,447)**	(6,262)
Exploration costs written off		**(2,185)**	(4,104)
Operating profit/ (loss)		**15,592**	(10,366)
Finance income	**7**	**151**	578
Finance expense	**7**	**(657)**	(572)
Profit/ (loss) before tax	**4**	**15,086**	(10,360)
Income tax	**8**	**(2,563)**	-
Profit/ (loss) for the year		**12,523**	(10,360)

Earnings/ (loss) per ordinary share (US cents)			
- Basic	**9**	**20.2**	(19.1)
- Diluted	**9**	**18.0**	(19.1)

CONSOLIDATED BALANCE SHEET as at 31 December 2008

	Notes	2008 US$000	2007 Restated US$000
Assets			
Property, plant and equipment	10	**26,249**	19,617
Intangible assets	11	**10,504**	6,043
Total non-current assets		**36,753**	25,660
Other receivables and prepayments	13	**8,170**	3,550
Inventory		**773**	28
Cash and cash equivalents	14	**8,992**	5,241
Total current assets		**17,935**	8,819
Total assets		**54,688**	34,479
Equity			
Share capital	15	**41,459**	41,423
Foreign currency reserve		**129**	129
Share option reserve	15	**1,173**	543
Profit and loss account		**(6,371)**	(18,894)
Total equity		**36,390**	23,201
Liabilities			
Interest bearing loans	16	**-**	3,000
Provisions	16	**1,235**	500
Other long term liabilities	16	**3,081**	3,805
Total non-current liabilities		**4,316**	7,305
Interest bearing loans	16	**6,000**	-
Trade and other payables	16	**7,982**	3,973
Total current liabilities		**13,982**	3,973
Total liabilities		**18,298**	11,278
Total equity and liabilities		**54,688**	34,479

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 23 June 2009.

Courtney Chamberlain
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2008

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Profit and loss account US$000	Total US$000
Balance at 1 January 2007		14,363	129	-	(8,534)	5,958
Loss for the year		-	-	-	(10,360)	(10,360)
New share capital subscribed		28,550	-	-	-	28,550
Cost of raising share capital		(1,490)	-	-	-	(1,490)
Reserve for share option costs		-	-	543	-	543
Balance 31 December 2007 Restated		**41,423**	**129**	**543**	**(18,894)**	**23,201**

	Note	Share capital US$000	Foreign currency reserve US$000	Share option reserve US$000	Profit and loss account US$000	Total US$000
Balance at 1 January 2008		**41,423**	**129**	**543**	**(18,894)**	**23,201**
Profit for the year		**-**		**-**	**12,523**	**12,523**
New share capital subscribed	**15**	**36**	**-**	**-**	**-**	**36**
Reserve for share option costs		**-**	**-**	**630**	**-**	**630**
Balance 31 December 2008		**41,459**	**129**	**1,173**	**(6,371)**	**36,390**

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2008

	Note	2008 US$000	2007 US$000
Cash flows from operating activities			
Operating profit/(loss)		15,592	(10,366)
Depreciation	**10**	5,394	53
Impairment of exploration assets	**11**	51	2,944
Provision for share option costs	**15**	630	543
Provision for mine closure costs		233	-
Loss on disposals of assets		64	31
Increase in inventory		(745)	(28)
Increase in other receivables and prepayments		(4,620)	(2,193)
Increase in trade and other payables		1,289	2,131
Corporation tax paid		(887)	-
Net cash flow from operations		**17,001**	**(6,885)**
Interest received		151	578
Interest paid		(337)	(199)
Net cash outflow from operating activities		**16,815**	**(6,506)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(11,588)	(13,553)
Acquisition of intangible assets (exploration expenditure)		(4,512)	(3,162)
Net cash outflow from investing activities		**(16,100)**	**(16,715)**
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		36	28,550
Cost of raising share capital		-	(1,490)
Receipt of loans		3,000	-
Net cash inflow from financing activities		**3,036**	**27,060**
Net increase in cash and cash equivalents		**3,751**	**3,839**
Cash and cash equivalents at beginning of period	**14**	5,241	1,402
Cash and cash equivalents at end of period	**14**	**8,992**	**5,241**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

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 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 23 June 2009.

Statement of Compliance

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The Group and Company has not adopted any standard in advance of the required implementation date. It is not expected that the adoption of any standards or interpretations which have been issued by the International Accounting Standards Board, but not yet been adopted, will have a material effect on the financial statements.

Basis of Preparation

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 activities in discrete tranches to finance itself for limited periods only. Further funding is raised as and when required, the most recent being in February 2008 (note 16).

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

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 are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries. The subsidiaries' details appear in note C5 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 deferred exploration and development costs- accounting policies h, i and j
- Estimation of share based payments – accounting policy o
- Environmental provisions – accounting policy n

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

Sales 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 Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts.

(g) Accounts Receivable

Accounts receivable are not interest bearing and are stated at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, other equipment 10 years. Mining assets are depreciated on a straight-line basis over the expected life of the mine. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

(l) Trade and other payables

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

(m) Segment reporting

A segment is a component of the Group distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Issued IFRS that are not yet effective

The Group has not adopted any standards or interpretations in advance of the required implementation dates. There has been no significant impact on the consolidated financial statements from new standards or interpretations effective in 2008.

International Financial Reporting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 31 December 2008, but which are expected to have an impact on the financial statements in future periods are detailed below:

IFRS/Amendment	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
IFRS 8	Operating segments	No change to accounting policy, therefore no impact	Supersedes IAS 14 from 1 January 2009	1 January 2009
IAS 23 amendment	Borrowing costs	Finance costs directly related to non-current assets will be capitalised	1 January 2009	1 January 2009
IFRS 3/IAS 27 revised	Business combinations/ consolidated and separate financial statements	Acquisition costs for business combinations will be expensed	1 July 2009	1 January 2010
IFRIC 16	Hedges of a net investment in a foreign operation	No change to accounting policy, therefore no impact	1 October 2008	1 January 2009

NOTE 2 PRIOR PERIOD ADJUSTMENT

During the year the directors undertook a review of the agreements relating to the acquisition of mining concessions for the Ollachea project. As a result of this review, it was identified that there were contractual obligations at the year ended 31 December 2007 for the payment of US$5.5 million to Rio Tinto Mining and Exploration Limited over a period of five years. The 2007 comparative figures for the consolidated financial statements have therefore been restated for a prior period adjustment to recognise this obligation.

In accordance with IFRS 39- Financial Instruments: Recognition and Measurement, a liability and deferred exploration intangible asset have been recognised at the present value of contractual payments as at the date of the agreement.

The 2007 comparative amounts for the Group have been restated as follows:

- finance expenses have increased by US$373,000 to reflect the unwinding of the discount on the liability over the course of the year ended 31 December 2007;
- additional intangible assets of US$4,389,000 have been recognised to represent the present value of mining licences acquired;
- current liabilities of US$1,000,000 and long term liabilities of US$3,762,000 have been recognised, representing the present value of the contractual obligation as at the year ended 31 December 2007;
- as a result of the adjustment to finance expenses, the basic and diluted loss per share for the year ended 31 December 2007 has increased from 18.4 to 19.1 US cents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 3 SEGMENT REPORTING

Business segments
The Group's only business segment is the exploration for and development of mines for the extraction of precious metals.

Geographical segments
The Group confines its activity to the Andean Cordillera of South America with support functions in Europe. The geographical segments for the Group's sales revenue, operating expenditure, assets and capital expenditure are as follows:

	2008				2007 Restated			
	Peru US$000	Argentina US$000	Other US$000	Total US$000	Peru US$00	Argentina US$000	Other US$000	Total US$000
Revenue	43,568	-	-	43,568	-	-	-	-
Operating expenditure	25,727	87	2,162	27,976	3,483	2,457	4,426	10,366
Assets	48,165	19	6,504	54,688	28,831	1,429	4,219	34,479
Liabilities	12,063	8	6,227	18,298	8,059	36	3,183	11,278
Net assets / (liabilities)	36,102	11	277	36,390	20,772	1,393	1,036	23,201
Capital expenditure	16,602	-	-	16,602	19,758	1,747	99	21,604
Impairment	51	-	-	51	425	2,400	119	2,944
Depreciation	5,363	5	26	5,394	42	11	-	53

NOTE 4 PROFIT/LOSS BEFORE TAX

	2008 US$000	2007 US$000
Profit/loss is stated after charging:		
Auditors' remuneration:		
Audit fee	**80**	**52**
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	**37**	**26**
Corporate finance services	**-**	**393**
Share based payments	**630**	**543**
Foreign exchange gains	**(36)**	**(453)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

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 2008	Number of employees 2007
Corporate finance and administration	**33**	32
Technical	**21**	7
Construction and production	**142**	79
	196	118

The aggregate payroll costs of these persons were as follows:

	2008 US$000	2007 US$000
Wages and salaries	**3,551**	2,526
Social security	**591**	415
Share based payments	**630**	543
	4,772	3,484

NOTE 6 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	2008 Total Remuneration US$000	2007 Total Remuneration US$000
2008						
Directors:						
Non-executive	74	-	-	68	142	178
Executive	238	50	13	298	599	541
Non-Directors	836	50	221	191	1,298	1,130
TOTAL	1,148	100	234	557	2,039	1,849

NOTE 7 FINANCE INCOME/ (EXPENSE)

	2008 US$000	2007 Restated US$000
Interest income	**151**	578
Interest expense	**(337)**	(199)
Reversal of discount on contractual liabilities	**(320)**	(373)
Net finance income/(expense)	**(506)**	6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 8 INCOME TAX EXPENSE

	2008 US$000	2007 US$000
Current tax		
Domestic	**-**	-
Foreign	**2,563**	-
Tax attributable to the Company and its subsidiaries	**2,563**	-

The tax charge for the year is lower than the charge on the profit before tax at the standard rate of corporation tax- 30% (2007: 30%). The differences are explained below:

	2008 US$000	2007 Restated US$000
Tax reconciliation		
Profit/(loss) before tax	**15,086**	(10,360)
Tax at 30% (2007: 30%)	**4,526**	(3,108)
Effects (at 30%) of:		
Expenses not deductible for tax purposes	**578**	1,228
Difference in tax rates	**(3)**	(122)
Tax losses utilised	**(2,696)**	
Tax losses carried forward	**158**	1,890
Tax on profit	**2,563**	-

NOTE 9 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of US$12,523,000 (2007 loss: US$10,360,000) and the weighted average number of ordinary share outstanding during the year ended 31 December 2008 of 61,869,000 (2007: 54,218,000).

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

	2008 Profit US$'000	2008 Number of shares '000	2008 Earnings per share US cents	2007 Restated Loss US$'000	2007 Number of shares '000	2007 Restated Loss per share US cents
Basic earnings/(loss)	**12,523**	**61,869**	**20.2**	10,360	54,218	19.1
Dilutive effects- options	**452**	**10,197**		-	-	
Diluted earnings	**12,975**	**72,066**	**18.0**	10,360	54,218	19.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 10 PROPERTY, PLANT and EQUIPMENT

	Mining assets US$000	Deferred development costs US$000	Motor vehicles US$000	Computers and office equipment US$000	Total US$000
Cost					
Balance at 1 January 2007	-	5,497	87	90	5,674
Additions	12,114	1,617	95	227	14,053
Disposals	-	-	(31)	(8)	(39)
Balance 31 December 2007	12,114	7,114	151	309	19,688
Balance at 1 January 2008	12,114	7,114	151	309	19,688
Additions	11,008	-	362	720	12,090
Disposals	-	-	(78)	(7)	(85)
Balance 31 December 2008	23,122	7,114	435	1,022	31,693
Depreciation and impairment losses					
Balance at 1 January 2007	-	-	10	16	26
Depreciation charge for the year	-	-	23	30	53
Disposals	-	-	(7)	(1)	(8)
At 31 December 2007	-	-	26	45	71
Balance at 1 January 2008	-	-	26	45	71
Depreciation charge for the year	3,800	1,473	47	74	5,394
Disposals	-	-	(19)	(2)	(21)
At 31 December 2008	3,800	1,473	54	117	5,444
Carrying amounts					
At 1 January 2007	-	5,497	77	74	5,648
Balance 31 December 2007	12,114	7,114	125	264	19,617
At 1 January 2008	12,114	7,114	125	264	19,617
Balance 31 December 2008	19,322	5,641	381	905	26,249

Deferred development costs relate to the Corihuarmi mine, which started production in the first quarter of the year. The discounted projected cash flows from the mine are in excess of the carrying value of these costs and the directors therefore believe that no provision for impairment is required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 11 INTANGIBLE ASSETS

	Deferred exploration costs US$000
Carrying value 1 January 2007	**1,436**
Additions	**7,551**
Impairment	**(2,944)**
Balance 31 December 2007	**6,043**
Carrying value 1 January 2008	**6,043**
Additions	**4,512**
Impairment	**(51)**
Balance 31 December 2008	**10,504**

During 2008 and 2007 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 have been charged to the income statement within exploration costs written off.

The carrying value of the remaining deferred exploration costs for the other projects have been assessed for 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

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following potential amounts which have been calculated based on a future tax rate of 35%. This is because of uncertainty about the extent and timing of the use of these assets.

	2008 US$000	2007 US$000
Tax losses	**1,066**	3,420
Accelerated capital allowances	**-**	(390)
	1,066	3,030

The tax losses relate to Peru and Argentina and expire after 4 and 5 years respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 13 OTHER RECEIVABLES AND PREPAYMENTS

	2008 US$000	2007 US$000
Non current assets		
Other receivables	-	-
Current assets		
Other receivables	8,125	3,509
Prepayments	45	41
	8,170	3,550

Included in other receivables is an amount of US$7,313,000 (2007: US$3,429,000) relating to sales tax paid on the purchase of goods and services. US$6,647,000 of this balance was recovered from the Peruvian tax authority in February 2009 and the remainder is expected to be fully recovered in due course.

NOTE 14 CASH AND CASH EQUIVALENTS

	2008 US$000	2007 US$000
Bank balances	3,992	54
Term deposits	5,000	5,187
Cash and cash equivalents in the statement of cash flows	8,992	5,241

NOTE 15 CAPITAL AND RESERVES

As at 31 December 2008 and 31 December 2007 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 2008	61,827,036
Shares issued 2 April 2008 for a total consideration of US$ 35,946	56,386
Total	61,883,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

Potential issues of ordinary shares
Options

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 31 December 2008	Number at 31 December 2007
17 August 2006	17 August 2006	30 June 2009	US$1.05	1,904,800	**1,904,800**	1,904,800
6 October 2006	6 October 2006	30 June 2009	US$1.05	952,400	**952,400**	952,400
5 April 2007	5 April 2007	12 April 2011	GBP0.45	308,904	**308,904**	308,904
12 April 2007	12 April 2008	12 April 2012	GBP0.45	3,440,000	**3,290,000**	3,340,000
19 February 2008	19 February 2008	30 June 2009	US$1.0148	2,956,248	**2,956,248**	-
18 March 2008	18 March 2009	18 March 2013	GBP0.62	785,000	**785,000**	-
Total contingently issuable shares					**10,197,352**	6,506,104

The Company has a share option scheme for the benefit of directors, employees and consultants of the Company. The purpose of the scheme is to provide incentives to those people whose efforts and skills are most important to the success of the Company, and to ensure that the interests of the management of the Company are fully aligned with the interests of shareholders. The terms of the scheme allow for the exercise, without performance conditions, of half of the options after one year from the date of grant and half after two years. The options lapse on the fifth anniversary of the date of grant. As at 31 December 2008 the total options granted under this scheme were 4,225,000, of which 3,440,000 were issued on 12 April 2007 at an exercise price of GBP0.45 and 785,000 were issued on 18 March 2008 at an exercise price of GBP0.62. At the year end the number outstanding were 4,075,000 and none had been exercised.

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	12 April 2007	18 March 2008
Share price on date of grant	**GBP0.45**	**GBP0.62**
Exercise price	**GBP0.45**	**GBP0.62**
Expected volatility	**35%**	**60%**
Expected option life	**3.5 years**	**3.5 years**
Risk free rate of return	**5%**	**5%**
Expected dividends	**0%**	**0%**
Expected rate at which holders will leave without exercising	**10%**	**10%**
Fair value	**GBP0.15**	**GBP0.29**

The other share options were granted to third parties for services and have not been valued using the Black-Scholes model as the amounts involved are not significant.

Dividends

The directors do not recommend the payment of a dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

Reserves

The Company maintains reserves for the cost of issuing share options and for foreign gains and losses arising on the retranslation of foreign subsidiaries.

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 loans for the purpose of funding working capital requirements.

	At 31 December 2008 US$000	At 31 December 2007 US$000
Total interest bearing debt	6,000	3,000
Total equity	36,390	23,201
Debt-to-equity ratio	16.5%	12.9%

NOTE 16 LIABILITIES

Interest bearing loans

In August and October 2006 respectively, the Company agreed separate debt facilities with Macquarie Bank Limited and Resource Capital Fund III LP in a total amount of US$3 million. In February 2008 the Company agreed an increase of the Macquarie Bank facility for a further amount of US$3 million. These facilities bear interest at 2% over the London Interbank Offered Rate (LIBOR) and are secured against the assets of the Group. They have been drawn in full. The Resource Capital facility of US$1 million is repayable on 30 June 2009. One half of the Macquarie Bank facility, of a total amount of US$5 million, was repaid on 30 January 2009 and the remainder is due to be repaid on 30 June 2009. These facilities are being renegotiated.

Provisions

The Group has made a provision of US$1,235,000 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 2008. 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 2007	**-**
Additions	**500**
Balance 31 December 2007	**500**
Balance 1 January 2008	**500**
Additional provision	**735**
Balance 31 December 2008	**1,235**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

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$1.5 million had been paid as at 31 December 2008. Of the remaining balance of US$4.5 million, US$1 million has been included in current liabilities and a balance of US$3,081,000, which has been discounted in accordance with IFRS 39, has been included under long term liabilities. See note 2.

	2008 US$000	2007 Restated US$000
Trade and other payables		
Current		
Trade payables	**2,714**	3,320
Other payables	**4,636**	448
Accrued expenses	**632**	205
	7,982	3,973

It is the directors' opinion that the carrying values of the Group's and the Company's financial assets and liabilities at 31 December 2008 are not materially different from their fair values. They have therefore not been shown separately.

NOTE 17 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The Group's principal financial assets comprise cash and cash equivalents, and other receivables. The Company also has amounts due from subsidiaries. All of the Group's and the Company's financial assets are considered to be loans and receivables. The Group's and the Company's financial liabilities are considered to be categorised as financial liabilities measured at amortised cost. It is the directors' opinion that the carrying values of the Group's and the Company's financial assets and liabilities at 31 December 2008 are not materially different from their fair values. They have therefore not been shown separately.

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. These currencies have a close relationship to the US dollar and the management believes that changes in the exchange rates will not have a significant effect on the Group's financial statements. The balances of cash and cash equivalents held in various currencies were:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

	2008 US$000	2007 US$000
Pounds sterling	**214**	(3)
Australian dollars	**32**	25
Argentine pesos	**4**	8
Peruvian nuevo soles	**92**	19
United States dollars	**8,650**	5,192
	8,992	5,241

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 other long term liabilities representing the discounted value of the non-current part of US$4.5 million owed to Rio Tinto are due as to US$1.5 million in November 2010 and US$2 million in 2011. The amount of US$1 million included in current liabilities is due in November 2009. 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 effect the recoverability of the Group's investments in its mine, exploration assets and mining rights. 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. However the banks used are international institutions of the highest standing. Nevertheless, the Group has taken steps to minimise these risks by distributing its deposits among more than one of its banks.

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 2% 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.

NOTE 18 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 notes 2, 16 and 17. These payments are based upon a formula. During the year the Group has completed the construction of the Corihuarmi mine. Further works will be undertaken to maintain the mine and extend its productive capacity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

NOTE 19 RELATED PARTIES

The Company had expenses paid for it by IRL South America Limited, a shareholder until 30 October 2006, under the terms of a service agreement whereby IRL South America Limited holds and administers cash funds on behalf of the Company. The balance of the funds held by IRL South America Limited on behalf of the Company on 31 December 2008 was US$26,000 (2007: $29,000). The service agreement was ended on 30 June 2007 and the balance of the cash held will be returned once all liabilities incurred on behalf of the Company have been settled.

During the period, the Company has obtained registrar services from Computershare Investor Services (Channel Islands) Limited, a company related through a common director. The contract for these services provides for a minimum annual charge of £3,000 (2007: £3,000) to be paid by the Company.

During a prior period a Working Capital Facility was entered into between the Company and Resource Capital Fund III L.P. Under this agreement the latter agreed to provide the Company with a Working Capital Facility of US$1 million to be repaid on 30 June 2009. Resource Capital Fund III L.P. is related through a common director, who resigned during the year. This amount was outstanding at 31 December 2008 and 31 December 2007. Interest paid for the period amounted to US$52,000 (2007: US$73,000).

NOTE 20 SUBSEQUENT EVENTS

On 9 June 2009 the Company issued a Notice of General Meeting to shareholders, which advised that 13,615,556 new shares in the Company had been conditionally placed at a price of GBP0.67 per share. This placing will raise approximately US$15 million, subject to the approval of shareholders at the General Meeting, which will take place at 11 am on 6 July 2009.

COMPANY FINANCIAL STATEMENTS

COMPANY INCOME STATEMENT for the year ended 31 December 2008

	Notes	2008 US$000	2007 US$000
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Other income		**-**	-
Administrative expenses		**(2,151)**	(6,301)
Exploration costs written off		**(99)**	(800)
Operating loss		**(2,250)**	(7,101)
Finance income		**831**	805
Finance expense		**(284)**	(199)
Loss before and after tax		**(1,703)**	(6,495)
Loss for the year		**(1,703)**	(6,495)

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY BALANCE SHEET at 31 December 2008

	Note	2008 US$000	2007 US$000
Assets			
Property, plant and equipment	*C3*	**114**	140
Intangible assets	*C4*	**250**	250
Investments in subsidiary undertakings	*C5*	**32,811**	33,089
Total non-current assets		**33,175**	33,479
Other receivables and prepayments	*C6*	**26**	29
Cash and cash equivalents	*C7*	**6,114**	3,800
Total current assets		**6,140**	3,829
Total assets		**39,315**	37,308
Equity			
Issued share capital	*15*	**41,459**	41,423
Share option reserve		**1,173**	543
Profit and loss account		**(9,544)**	(7,841)
Total equity		**33,088**	34,125
Liabilities			
Interest bearing loans	*16*	**-**	3,000
Total non-current liabilities		**-**	3,000
Interest bearing loans	*16*	**6,000**	-
Trade and other payables	*C8*	**227**	183
Total current liabilities		**6,227**	183
Total liabilities		**6,227**	3,183
Total equity and liabilities		**39,315**	37,308

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 23 June 2009.

Courtney Chamberlain
Executive Chairman

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Share capital	Share option reserve	Profit and loss account	Total equity
		US$000	US$000	US$000	US$000
Balance at 1 January 2007		**14,363**	**-**	**(1,346)**	**13,017**
Loss for the year		**-**	**-**	**(6,495)**	**(6,495)**
New share capital subscribed		**28,550**	**-**	**-**	**28,550**
Cost of raising share capital		**(1,490)**	**-**	**-**	**(1,490)**
Reserve for share option costs	*15*	-	**543**	**-**	**543**
Balance at 31 December 2007		**41,423**	**543**	**(7,841)**	**34,125**
Loss for the year		**-**	**-**	**(1,703)**	**(1,703)**
New share capital subscribed	*15*	**36**	**-**	**-**	**36**
Reserve for share option costs	*15*	-	**630**	**-**	**630**
Balance at 31 December 2008		**41,459**	**1,173**	**(9,544)**	**33,088**

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY CASH FLOW STATEMENT for the year ended 31 December 2008

	Note	2008 US$000	2007 US$000
Cash flows from operating activities			
Operating loss from continuing operations		**(2,250)**	(7,101)
Depreciation of deferred development costs		**26**	-
Impairment of exploration assets		**-**	677
Provision for share option costs		**630**	543
Provision for investment in subsidiary		**89**	2,674
Decrease in other receivables and prepayments		**3**	173
Increase/(Decrease) in trade and other payables		**44**	(1)
Cash used in operations		**(1,458)**	(3,035)
Interest received		**831**	805
Interest paid		**(284)**	(199)
Net cash outflow from operating activities		**(911)**	(2,429)
Cash flows from investing activities			
Acquisition of tangible assets	*C3*	**-**	(65)
Acquisition of intangible assets	*C4*	**-**	(35)
Repayments from/(investment in) subsidiary undertakings	*C5*	**189**	(20,731)
Net cash inflow/(outflow) from investing activities		**189**	(20,831)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**36**	28,550
Cost of raising share capital		**-**	(1,490)
Receipt of loans		**3,000**	-
Net cash inflow from financing activities		**3,036**	27,060
Net increase in cash and cash equivalents		**2,314**	3,800
Cash and cash equivalents at beginning of period		**3,800**	-
Cash and cash equivalents at end of period		**6,114**	3,800

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

	Basic Annual Salary US$000	Bonus US$000	Other Benefits US$000	Share Based Payments US$000	2008 Total Remuneration US$000	2007 Total Remuneration US$000
2008						
Directors:						
Non-executive	74	-	-	68	142	178
Executive	238	50	13	298	599	541
Non-Directors	190	15	14	35	254	211
TOTAL	502	65	27	401	995	930

C3. Property, plant and equipment

	Deferred development costs US$000
Cost and carrying value at 1 January 2007	**75**
Additions	65
Cost and carrying value at 31 December 2007	**140**
Cost and carrying value at 1 January 2008	**140**
Additions	-
Depreciation	(26)
Cost and carrying value at 31 December 2008	**114**

C4. Intangible assets

	Deferred exploration costs US$000
Carrying value at 1 January 2007	**892**
Additions	35
Impairment	(677)
Carrying value at 31 December 2007	**250**
Carrying value at 1 January 2008	**250**
Additions	-
Impairment	-
Carrying value at 31 December 2008	**250**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

C4. Intangible assets (continued)

The carrying value of the deferred exploration costs for the other projects have been assessed for 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 2007	15,032
Additions	20,731
Balance at 31 December 2007	**35,763**
Balance at 1 January 2008	35,763
Net repayments	189
Balance at 31 December 2008	**35,574**
Amortisation and impairment losses	
Balance at 1 January 2007	-
Impairment	2,674
Balance at 31 December 2007	**2,674**
Balance at 1 January 2008	2,674
Impairment	89
Balance at 31 December 2008	**2,763**
Carrying amounts	
At 1 January 2007	**15,032**
At 31 December 2007	**33,089**
At 1 January 2008	33,089
At 31 December 2008	**32,811**

The impairment loss relates to the investment in Minera IRL Argentina SA. During 2007 this subsidiary company decided to close its project in Argentina 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	
			2008	2007
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%

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

C6. Other receivables and prepayments

	2008 US$000	2007 US$000
Other receivables	**26**	29

C7. Cash and cash equivalents

	2008 US$000	2007 US$000
Bank balances	**1,114**	22
Term deposits	**5,000**	3,778
Cash and cash equivalents in the statement of cash flows	**6,114**	3,800

C8. Trade and other payables

	2008 US$000	2007 US$000
Current		
Other payables	**-**	-
Accrued expenses and deferred income	**227**	183
	227	183

C9. 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:

	2008 US$000	2007 US$000
Transfer of cash to/(from) subsidiaries	**(189)**	20,731

Other related parties
Transactions with other related parties are detailed in note 19.

C10. Financial risk management

The Company has the same exposure to financial risks as the Group, details of which are shown in note 17.