MINERA IRL LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

HIGHLIGHTS

- **Commenced unhedged gold production at Corihuarmi on schedule, first quarter 2008. Initial mine grades well above reserve expectations and encouraging indications of a significant mine life extension;**

- **Surface rights agreement signed on Ollachea Project and exploration commenced;**

- **Successful IPO and fundraising of £11.4m (US$22.5m) in April 2007;**

- **Admission to Lima Exchange has increased shareholder base and liquidity;**

- **Strong cash flow from Corihuarmi beginning to build cash reserves for future exploration and new projects.**

CORPORATE INFORMATION

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

COMPANY SECRETARY
Richard Michell

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CHAIRMAN'S STATEMENT

I am pleased to present the annual report and accounts to shareholders, our second as a publicly listed company. During the year, Minera IRL ("MIRL" or "the Company") has achieved a number of significant successes. In addition to the listing on the London AIM market on 12 April 2007, the Company was also listed on the Lima Ventures Exchange in December 2007 and this has proven to be an outstanding success in extending exposure to the South American market, increasing liquidity and diversifying our shareholder base. Also in December 2007, a surface rights agreement was signed with the local community at Ollachea which allowed us to start exploration at the beginning of 2008. In March 2008 we achieved our major objective of becoming a mining company with the first gold pour at Corihuarmi. This has allowed us to be promoted to a Tier 1 listing on the Lima Stock Exchange and further broadened our potential investor base. The initial success at Corihuarmi has continued with strong gold production resulting from better grades than anticipated. Indications are also encouraging for a significant extension of the mine life.

Projects

At year end we had a portfolio of projects, at various stages of evolution, and we are also appraising a number of projects that may be of interest. We continue to evaluate and rank all projects with the objective of optimizing both capital deployment and management focus and will continue to invest in existing and new projects that meet our stringent development criteria and turn over the less attractive projects.

Corihuarmi

The Environmental Impact Assessment ("EIA") on the Company's Corihuarmi Project located 160km south-east of Lima, Peru, was approved in March 2007. The project was predicated on a minable reserve of four million tonnes containing 143,000 ounces of gold. The design and construction was for a one million tonne per annum conventional open cut mining and heap leach operation, supported by projections of modest waste mining requirements and good metallurgical recovery.

The US$22.5 million raised from the AIM public listing was largely applied to the construction of the Corihuarmi Gold Mine, which commenced in June 2007. The first gold was poured only nine months later on 15 March 2008, which was within the projected time allowed for project development. Gold sales commenced at a time of strong gold prices with all production unhedged.

Initial mining has progressed well with the head grade through the end of May averaging 2.63g/t compared to the ore reserve estimate of 1.97g/t, which is 33% above expectations. This places our Company in a strong position for exceeding our budget of 35,000 ounces for 2008. Our operating cost estimate for the year remains unchanged at approximately $300 per ounce.

An intensive exploration programme has been implemented to identify additional resources within the environs of the mine. At the time of writing drilling was about to commence to test encouraging surface trench sampling over structures trending north-west from the existing ore bodies. We are hopeful of extending the current mine life through this and other exploration within the licence area.

CHAIRMAN'S STATEMENT (continued)

Ollachea

Our major exploration project is Ollachea, which is located in southern Peru. The project was acquired by competitive tender from Rio Tinto in 2006. This was a highly prized acquisition in what is widely considered to be an emerging slate belt gold district. Limited exploration in the late 1990s included five drill holes, all of which had significant intersections of elevated gold values at levels which could potentially be mined, and all holes finished in mineralization. Subsequent surface sampling by Rio Tinto defined a large area of elevated gold results.

A condition to meet the terms of the Ollachea transaction with Rio Tinto was the signing of a surface rights agreement. The Company directed a major effort throughout the year toward building strong maintainable community relations and this concluded with the signing of the surface rights agreement endorsed by majority vote of the community. With this in place, the Company committed four geological field crews at the beginning of 2008 to carry out the initial work required to commence drilling in the central zone in the middle of the year.

Oxapampa

The Oxapampa Project was acquired in October 2007. This is a remote project in central Peru recently discovered and currently being worked informally on a small scale by local people. A field visit and evaluation of the property was undertaken in April 2008. Results of this assessment indicated that the vein systems were not of sufficient potential to justify continuation of the project and the decision has been made to terminate the contract.

Cushuro

The Cushuro project was acquired as a 65% joint venture in 2004. MIRL has carried out limited drilling and considerable surface exploration since that time. In April 2008 a major review of all information led to the conclusion that the defined drill targets did not merit the advancement of the project and the decision has been made to return the property to the original vendors.

Huaquirca Joint Venture

The project formerly known as Chama was combined in March 2008 with the neighbouring property, owned by Minera Alturas Corporation ("Alturas"), into the Huaquirca Joint Venture. Alturas will earn 80% of the combined property, while MIRL will retain the remaining 20%. Alturas, in order to retain its interest, must finance and complete 20,000 metres of drilling on the JV property and conduct a scoping study at its own expense. Thereafter both parties will contribute in accordance with their respective percentage interests, subject to the usual dilution clauses applicable in agreements of this nature within the mining and exploration industry. In the event that MIRL dilutes to 5% or less, a 2% net smelter return (NSR) clause may be applied. MIRL believes that this is an excellent joint venture in which there are quality targets for copper gold mineralization.

Trish

Exploration on the Trish property has failed to identify targets of interest and these tenements will be allowed to lapse.

CHAIRMAN'S STATEMENT (continued)

Frontera

The Frontera Project in Chile remains under the management of Teck Cominco who are currently exploring for a major porphyry system.

Jagüelito

In October 2007 the Jagüelito Project in San Juan Province, Argentina, was terminated. This silver-gold project had been explored by Mexico based Minera Peñoles SA, a large diversified mining company, who drilled 23,000 meters which culminated in a positive Scoping Study. During the first half of 2007, Minera IRL carried out an in-fill drilling programme comprising over 5,700 metres in 52 drill-holes and a metallurgical testwork programme. Unfortunately, the ensuing pre-feasibility study did not provide a result consistent with the Company's objectives. Relationships with the authorities remain good, and this will assist in any future transactions.

Financial Results

The loss for 2007 has increased to US$9,987,000 (2006: US$3,400,000). This increase has been due partly to increases in exploration expenditure and the write-off of deferred exploration costs, principally of the Jagüelito project in Argentina. In addition there was a significant increase in administration costs, most of which was due to the US$2 million cost of launching the Company's shares on AIM.

As mentioned above, the US$22.5 million raised at the time of the AIM listing was largely applied to the construction of the Corihuarmi mine and by 31 December 2007 US$11.6 million had been spent on the project, leaving a cash balance of US$5.2 million.

Board of Directors

Russell Cranswick retired from the Board of Directors in March 2008 after four years of valuable service. I wish to thank Russ for his guidance and advice during his term of service on the Board.

Lima Stock Exchange

The Company listed on the Lima Ventures Exchange ("LVE") in December 2007 and this has proven to be an outstanding success in extending exposure to the South American market, increasing liquidity and diversifying our shareholder base. In June 2008, the Company's listing was promoted to the main board (regular market) of the LVE on the basis that MIRL had become a mining company and has joined the ranks of the Peruvian mining industry. This promotion will allow certain Peruvian institutions to invest in MIRL shares, which would have been prohibited by the regulatory authorities had MIRL remained on the junior board of the LVE.

The Lima Stock Exchange has been, in recent years, the best performing bourse in Latin America. There are more than 200 companies currently traded on the exchange with a significant component of mining stocks. Total capitalization of the market exceeds US$100 billion. Trading volume has increased five fold since 2004 and currently stands at approximately US$12 billion per annum.

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 Mine has been constructed under stringent environmental controls which conform to international standards. We have a very strong community relations team and a proven track record of working closely with local communities in all project areas. In addition to local employment and training, our 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 to coincide with the move into the public area.

Outlook

Precious metal prices continued to strengthen during 2007 and into 2008 with the gold price going over $1,000 per ounce in March 2008. There appears to be widespread confidence that gold and silver prices will remain strong in the short to medium term. Notwithstanding generally strong metal prices across the board, this has not been reflected in support for the international junior mining companies, who have been experiencing difficulty in raising new funds on the equity markets. There does however, appear to be more appeal for shares in producing companies and MIRL is well poised to take advantage of this. It also places the Company in a much stronger position for possible corporate transactions.

President Alan Garcia's programme in Peru continues to be well received. The Company considers Peru to be a very attractive country in which to work and invest. Investment in Argentina, to which the Company remains well disposed on a geographically selective basis, is dependent upon the mining policies of each province. Chile also remains an attractive investment target.

I wish to convey my sincere thanks to my Board and Management team, and all employees of the Company, for their dedication and perseverance in working together to grow Minera IRL and bring our first gold mine into production. I would also like to take this opportunity to thank all shareholders for their support during the past year.

The initial success of Corihuarmi, combined with the progress made at Ollachea and upside potential from our other portfolio assets place the Company in a good position moving forward. With the strong cash flow from Corihuarmi the Company has stepped up its mergers and acquisition efforts and the prospect for new opportunities are manifest. Our prime objective is to grow and prosper as a Company, thus adding value to our shareholders' interests.

Courtney Chamberlain
Executive Chairman
Minera IRL Limited

26 June 2008

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Minera IRL Group is exploration for and development of mines for the extraction of precious metals.

The Group has several mining properties, one of which (Corihuarmi) is in production, a second (Ollachea) has begun advanced exploration. The Group continues to evaluate the prospective quality of the other properties in its possession and continues to look for 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 loss for the year after tax was US$9,987,000 (2006: US$3,400,000). No dividend was paid during the year and no final dividend is proposed. A loss of US$9,987,000 (2006: US$3,400,000) 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 2007	31 December 2006 (or date of appointment)
Courtney Chamberlain	3,430,000	3,250,000
Russell Cranswick (resigned 19 March 2008)	-	-
Douglas Jones	160,160	154,000
Graeme Ross	-	-
Terence Streeter	3,372,000	3,372,000

Russell Cranswick is a partner of RCF Management LLC, which owned 2,763,788 shares in the share capital of the Company on 31 December 2007.

On 31 December 2007 the directors held the following share options under the Minera IRL Limited Incentive Stock Option Scheme:

Courtney Chamberlain	2,000,000 shares
Russell Cranswick	100,000 shares
Douglas Jones	100,000 shares
Graeme Ross	50,000 shares
Terence Streeter	100,000 shares

Details of these share options may be found in note 14 to the accounts.

DIRECTORS' REPORT (continued)

In addition, on 18 March 2008 the directors were granted further options under the same scheme as follows:

Courtney Chamberlain	250,000 shares
Russell Cranswick	-
Douglas Jones	50,000 shares
Graeme Ross	25,000 shares
Terence Streeter	50,000 shares

There have been no other movements in any of the directors' interests in the share capital of the Company between 1 January 2008 and 23 June 2008.

Mr Jones and Mr Ross 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.

CREDITORS PAYMENT POLICY

It is the policy of the Company in the year to 31 December 2008 to pay all suppliers according to the terms agreed. At the year end trade creditors were on average 37 days old (2006: 53 days).

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 23 June 2008 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	9,188,361	14.9
Caystar Holdings Limited	5,012,800	8.1
Midas Capital plc	4,700,000	7.6
Shairco for Trading, Industry and Contracting	4,160,000	6.7
Resource Capital Fund III LP	2,763,377	4.5
Macquarie Bank Limited	1,790,048	2.9

DIRECTORS' REPORT (continued)

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 3,094,171 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 3,094,171 shares representing 5% of the current issued share capital of the Company. These authorities, if granted, would be valid from the date of the passing of the resolutions until the date of the next Annual General Meeting.

DISCLOSURE OF INFORMATION

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

By order of the Board

Richard Michell
Company Secretary 26 June 2008

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 either a bonus or a pension to be paid. The Executive Chairman also receives share options.

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$'000	Other Emoluments US$'000	2007 Total US$'000	2006 Total US$'000
Courtney Chamberlain	226	-	226	125
Russell Cranswick	31	-	31	-
Douglas Jones	31	-	31	-
Graeme Ross	30	-	30	-
Terence Streeter	31	-	31	-
Total	349	-	349	125

DIRECTORS REMUNERATION REPORT (continued)

In addition, the directors were granted share options during the year and have been granted further options after the year end, 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 26 June 2008

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 elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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 2007, 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 2007 and of their loss for the year then ended;

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

PKF (UK) LLP
Registered Auditors
London, UK

26 June 2008

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2007

	Notes	2007 US$000	2006 US$000
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Other income		**-**	171
Administrative expenses		**(6,262)**	(2,768)
Exploration costs written off		**(4,104)**	(747)
Operating loss		**(10,366)**	(3,344)
Net finance income/ (expense)	**6**	**379**	(56)
Loss before tax	**3**	**(9,987)**	(3,400)
Income tax	**7**	**-**	-
Loss for the period		**(9,987)**	(3,400)

Loss per ordinary share (US cents)			
- Basic and diluted	**8**	**(18.4)**	(13.8)

CONSOLIDATED BALANCE SHEET as at 31 December 2007

	Notes	2007 US$000	2006 US$000
Assets			
Property, plant and equipment	9	**19,617**	5,648
Intangible assets	10	**1,654**	1,436
Trade and other receivables	12	**-**	1,059
Total non-current assets		**21,271**	8,143
Other receivables and prepayments	12	**3,550**	298
Inventory		**28**	-
Cash and cash equivalents	13	**5,241**	1,402
Total current assets		**8,819**	1,700
Total assets		**30,090**	9,843
Equity			
Share capital	14	**41,423**	14,363
Foreign currency reserve		**129**	129
Share option reserve		**543**	-
Profit and loss account		**(18,521)**	(8,534)
Total equity		**23,574**	5,958
Liabilities			
Interest bearing loans	15	**3,000**	3,000
Provisions	15	**500**	-
Other long term liabilities		**43**	-
Total non-current liabilities		**3,543**	3,000
Trade and other payables	15	**2,973**	885
Total current liabilities		**2,973**	885
Total liabilities		**6,516**	3,885
Total equity and liabilities		**30,090**	9,843

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 26 June 2008.

Courtney Chamberlain
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2007

	Note	Share capital US$000	Share premium 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 2006		**55**	**8,799**	**129**	**-**	**(5,134)**	**3,849**
Loss for the period		-	-	-	-	(3,400)	(3,400)
New share capital subscribed		19	5,490	-	-	-	5,509
Transfer share premium to share capital		14,289	(14,289)	-	-	-	-
Balance 31 December 2006		**14,363**	**-**	**129**	**-**	**(8,534)**	**5,958**

	Note	Share capital US$000	Share premium 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 period		**-**	**-**		**-**	**(9,987)**	**(9,987)**
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		**41,423**	**-**	**129**	**543**	**(18,521)**	**23,574**

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2007

	Note	2007 US$000	2006 US$000
Cash flows from operating activities			
Operating loss		(10,366)	(3,344)
Depreciation		53	21
Impairment of exploration assets		2,944	84
Provision for share option costs		543	-
Loss on disposals of assets		31	36
Increase in inventory		(28)	-
Increase in other receivables and prepayments		(2,193)	(545)
Increase in trade and other payables		2,131	54
Cash used in operations		**(6,885)**	**(3,694)**
Interest received/(paid)		379	(56)
Net cash outflow from operating activities		**(6,506)**	**(3,750)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(13,553)	(122)
Acquisition of intangible assets (exploration expenditure)		(3,162)	(3,435)
Net cash outflow from investing activities		**(16,715)**	**(3,557)**
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		28,550	5,509
Cost of raising share capital		(1,490)	-
Receipt of loans		-	3,000
Net cash inflow from financing activities		**27,060**	**8,509**
Net increase in cash and cash equivalents		**3,839**	**1,202**
Cash and cash equivalents at beginning of period		1,402	200
Cash and cash equivalents at end of period		**5,241**	**1,402**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007

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 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 26 June 2008.

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, and have been prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied.

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 19).

Having taken into account the balance of cash at the year end, the further finance raised since 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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

(c) Revenue Recognition

During the exploration and development phase, any revenue generated from incidental sales is treated as a contribution towards previously incurred costs and offset accordingly.

(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 2007 (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 and mining assets 5 years.

Mining assets have not yet been depreciated because these assets have not yet been employed in production.

(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 2007 (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 an 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 is valued at the lower of cost and net realisable value.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 2 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. There was no sales revenue for the period. The geographical segments for the Group's operating expenditure, assets and capital expenditure are as follows:

	2007				2006			
	Peru US$000	Argentina US$000	Other US$000	Total US$000	Peru US$000	Argentina US$000	Other US$000	Total US$000
Operating expenditure	3,483	2,457	4,426	10,366	2,445	611	288	3,344
Assets	24,442	1,429	4,219	30,090	7,425	2,216	202	9,843
Liabilities	3,297	36	3,183	6,516	526	176	3,183	3,885
Net assets / (liabilities)	21,145	1,393	1,036	23,574	6,899	2,040	(2,981)	5,958
Capital expenditure	15,369	1,747	99	17,215	2,864	693	-	3,557
Impairment	425	2,400	119	2,944	84	-	-	84
Depreciation	42	11	-	53	18	3	-	21

NOTE 3 LOSS BEFORE TAX

	2007 US$000	2006 US$000
Loss is stated after charging:		
Auditors' remuneration:		
Audit fee	**52**	17
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	**26**	36
Corporate finance services	**393**	-
Share based payments	**543**	-
Foreign exchange gains	**(453)**	(101)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 4 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 2007	Number of employees 2006
Corporate finance and administration	**32**	11
Technical	**7**	7
Construction and production	**79**	-
	118	18

The aggregate payroll costs of these persons were as follows:

	2007 US$000	2006 US$000
Wages and salaries	**2,526**	802
Social security	**415**	31
	2,941	833

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary US$000	Other Benefits US$000	Share Based Payments US$000	2007 Total Remuneration US$000	2006 Total Remuneration US$000
2007					
Directors:					
Non-executive	123	-	55	178	-
C Chamberlain	226	-	315	541	125
Non-Directors	775	211	144	1,130	606
TOTAL	1,124	211	514	1,849	731

NOTE 6 NET FINANCE INCOME/ (EXPENSE)

	2007 US$000	2006 US$000
Interest expense	**199**	85
Interest income	**578**	29
Net finance income/(expense)	**379**	(56)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 7 INCOME TAX EXPENSE

Factors affecting the tax charge for the current period

The tax credit for the period is lower than the credit resulting from the loss before tax at the standard rate of corporation tax - 30% (2006: 30%). The differences are explained below.

	2007 US$000	2006 US$000
Tax reconciliation		
Loss before tax	**(9,987)**	(3,400)
Tax at 30% (2006: 30%)	**(2,996)**	(1,020)
Effects (at 30%) of:		
Expenses not deductible for tax purposes	**1,228**	261
Difference in tax rates	**(122)**	13
Tax losses carried forward	**1,890**	746
Tax on loss	**-**	-

Factors that may affect future tax charges

The Group has tax losses of US$10,930,000 (2006: 5,570,000) carried forward which may be deductible from future taxable profits (Note 11).

NOTE 8 LOSS PER SHARE

The calculation of the basic loss per share is based on losses attributable to ordinary shareholders of US$9,987,000 (2006: US$3,400,000) and the weighted average number of ordinary share outstanding during the year ended 31 December 2007 of 54,218,000 (2006: 24,775,000). There are no equity instruments in issue that would have a dilutive effect on the loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 9 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 2006	-	-	49	43	92
Additions	-	-	68	54	122
Disposals	-	-	(30)	(7)	(37)
Transfers from deferred exploration costs	-	5,497	-	-	5,497
Balance 31 December 2006	-	5,497	87	90	5,674
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
Depreciation and impairment losses					
Balance at 1 January 2006	-	-	-	6	6
Depreciation charge for the year	-	-	10	11	21
Disposals	-	-	-	(1)	(1)
At 31 December 2006	-	-	10	16	26
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
Carrying amounts					
At 1 January 2006	-	-	49	37	86
Balance 31 December 2006	-	5,497	77	74	5,648
At 1 January 2007	-	5,497	77	74	5,648
Balance 31 December 2007	12,114	7,114	125	264	19,617

Deferred development costs relate to the Corihuarmi mine, which started production after the year end. 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 2007 (continued)

NOTE 10 INTANGIBLE ASSETS

	Deferred exploration costs US$000
Carrying value 1 January 2006	**3,582**
Additions	**3,435**
Transferred to deferred development costs	**(5,497)**
Impairment	**(84)**
Balance 31 December 2006	**1,436**
Carrying value 1 January 2007	**1,436**
Additions	**3,162**
Impairment	**(2,944)**
Balance 31 December 2007	**1,654**

An external feasibility study of the Corihuarmi project was completed in April 2006 and determined that the prospect represented an economically viable mine project. The deferred cost was therefore transferred from exploration to development (note 9).

During 2007 and 2006 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 11 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 30%.

	2007 US$000	2006 US$000
Tax losses	**3,420**	1,650
Accelerated capital allowances	**(390)**	-
	3,030	1,650

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

While a considerable proportion of the losses to date will be allowable against the profits from the Corihuarmi mine, the extent and the timing of these allowances remain uncertain and therefore no deferred tax asset has been recognised in respect of this item.

NOTE 12 TRADE AND OTHER RECEIVABLES

	2007 US$000	2006 US$000
Non current assets		
Other receivables	**-**	1,059
Current assets		
Other receivables	**3,509**	212
Prepayments	**41**	86
	3,550	298

Included in other receivables is an amount of US$3,429,000 (2006: US$1,059,000) relating to sales tax paid on the purchase of goods and services. This amount is expected to be fully recovered from the Peruvian tax authority in proportion to the value of gold exported from Peru. Due to the commencement of production at Corihuarmi in March 2008 it is expected that the sales tax will be recovered within the next twelve months.

NOTE 13 CASH AND CASH EQUIVALENTS

	2007 US$000	2006 US$000
Bank balances	**54**	12
Call deposits	**5,187**	1,390
Cash and cash equivalents in the statement of cash flows	**5,241**	1,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 14 CAPITAL AND RESERVES

As at 31 December 2007 and 31 December 2006 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 2007	**29,517,600**
Shares issued 26 January 2007 for a total consideration of US$ 5,000,000	**5,714,285**
Shares issued 13 February 2007 for a total consideration of US$462,519	**625,575**
Shares issued 2 March 2007 for a total consideration of US$524,323	**590,131**
Shares issued 12 April 2007 for a total consideration of US$22,526,400	**25,333,333**
Shares issued 19 October 2007 for a total consideration of US$36,488	**46,112**
Total	**61,827,036**

Potential issues of ordinary shares

Options

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 31 December 2007	Number at 31 December 2006
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**	-
12 April 2007	12 April 2008	12 April 2012	GBP0.45	3,440,000	**3,340,000**	-
Total contingently issuable shares					**6,506,104**	2,857,200

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 2007 the total options granted under this scheme were 3,440,000, which were issued on 12 April 2007 at an exercise price of GBP0.45. At the year end the number outstanding were 3,340,000 and none had been exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

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
Share price on date of grant	GBP0.45
Exercise price	GBP0.45
Expected volatility	35%
Expected option life	3.5 years
Risk free rate of return	5%
Expected dividends	0%
Expected rate at which holders will leave without exercising	10%
Fair value	GBP0.15

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

On 18 March 2008 the Company issued options over 785,000 shares to directors and executives at a price of GBP0.62 per share. These options are exercisable as to 50% from 18 March 2009 and 50% from 18 March 2010, and expire on 18 March 2013.

On 19 February 2008 the Company issued options over 2,956,248 shares to Macquarie Bank Limited on the increase of the debt facility as detailed in note 19. The options are exercisable at a price of US$1.0148 per share at any time on or before 30 June 2009.

Dividends

The directors do not recommend the payment of a dividend.

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 2007 US$000	At 31 December 2006 US$000
Total interest bearing debt	3,000	3,000
Total equity	23,574	5,958
Debt-to-equity ratio	12.7%	50.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 15 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. The Macquarie Bank facility, of a total amount of US$5 million, is repayable 50% on 31 December 2008 and 50% on 30 June 2009.

Provisions

The Company has made a provision of US$500,000 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 2007. The timing and cost of this rehabilitation is uncertain.

	2007 US$000	2006 US$000
Trade and other payables		
Current		
Trade payables	**2,320**	269
Other payables	**448**	616
Accrued expenses	**205**	-
	2,973	885

NOTE 16 FINANCIAL RISK MANAGEMENT

The Group's principal financial assets comprise cash and cash equivalents, and other receivables and prepayments. The Company also has amounts due from subsidiaries. The Group's and the Company's financial liabilities comprise interest bearing loans, trade payables and other liabilities and accruals, which include amounts due for taxes and social security payments.

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 Company 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 Company is exposed to:

Exchange rate risk
The functional currency of the Company is deemed to be US$ because the future revenues from the sale of minerals will be denominated in US dollars and the costs of the Company are likewise predominately 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 Company 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 Company'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 2007 (continued)

NOTE 16 FINANCIAL RISK MANAGEMENT (continued)

	2007 US$000	2006 US$000
Pounds sterling	**(3)**	-
Australian dollars	**25**	-
Argentine pesos	**8**	3
Peruvian nuevo soles	**19**	-
United States dollars	**5,192**	1,399
	5,241	1,402

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 Company safeguards its cash resources and makes regular forecasts of the requirements to use those resources. If necessary the Company adapts its plans to suit the resources available. The long term loans of US$3 million outstanding on 31 December 2007 were repayable 30 June 2009. Current liabilities were all due within one year.

Market price of minerals risk
The Company'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 Company's investments in 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 Company's financial statements.

Credit risk
The Company 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.

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 therefore no interest is incurred on those liabilities.

NOTE 17 CAPITAL COMMITMENTS

As at the date of this report the Company has entered into agreements with Rio Tinto to make further payments in connection with the Ollachea project. The total commitment as at 31 December 2007 was US$5.5 million. In addition, under the agreement with Rio Tinto for the acquisition of the same project, the Company is required to make further payments based upon a formula. During the year the Company has been building the Corihuarmi mine. As at 31 December 2007 the balance of the cost of completing this mine was US$4.3 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2007 (continued)

NOTE 18 RELATED PARTIES

During the period, the Company has obtained management services from Investor Resources Limited, a company related through a common director, under the terms of a management services agreement for a sum of US$20,000 per annum. Additional services were received from Investor Resources Limited in connection with the listing on the Alternative Investment Market of the London Stock Exchange. The total amount paid to Investor Resources Limited during the year was US$266,000 (2006:$20,000). The Group also has 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 2007 was US$29,000 (2006: $202,000). 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 (2006: $3,000) to be paid by the Company.

During the 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. This amount was outstanding at 31 December 2007 and 31 December 2006.

NOTE 19 SUBSEQUENT EVENTS

On 19 February 2008 the Company entered into an agreement with Macquarie Bank to increase the existing facility by US$3 million to a total of US$5 million as described in note 15.

On 15 March 2008 the Company poured the first gold bar from its Corihuarmi mine.

COMPANY FINANCIAL STATEMENTS

COMPANY INCOME STATEMENT for the year ended 31 December 2007

	Notes	2007 US$000	2006 US$000
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Other income		**-**	-
Administrative expenses		**(6,301)**	(764)
Exploration costs written off		**(800)**	(81)
Operating loss		**(7,101)**	(845)
Net finance income / (expense)		**606**	(58)
Loss before and after tax		**(6,495)**	(903)
Loss for the period		**(6,495)**	(903)

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY BALANCE SHEET at 31 December 2007

	Note	2007 US$000	2006 US$000
Assets			
Property, plant and equipment	*C3*	**140**	75
Intangible assets	*C4*	**250**	892
Investments in subsidiary undertakings	*C5*	**33,089**	15,032
Total non-current assets		**33,479**	15,999
Other receivables and prepayments	*C6*	**29**	202
Cash and cash equivalents	*C7*	**3,800**	-
Total current assets		**3,829**	202
Total assets		**37,308**	16,201
Equity			
Issued share capital	*14*	**41,423**	14,363
Share option reserve		**543**	-
Profit and loss account		**(7,841)**	(1,346)
Total equity		**34,125**	13,017
Interest bearing loans	*15*	**3,000**	3,000
Total non-current liabilities		**3,000**	3,000
Trade and other payables	*C8*	**183**	184
Total current liabilities		**183**	184
Total liabilities		**3,183**	3,184
Total equity and liabilities		**37,308**	16,201

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 26 June 2008.

Courtney Chamberlain
Executive Chairman

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Share capital	Share premium	Share option reserve	Profit and loss account	Total equity
		US$000	US$000	US$000	US$000	US$000
Balance at 1 January 2006		**55**	**8,799**	**-**	**(443)**	**8,411**
Loss for the period		-	-	-	(903)	(903)
New share capital subscribed		19	5,490	-	-	5,509
Transfer share premium to share capital		14,289	(14,289)	-	-	-
Balance at 31 December 2006		**14,363**	**-**	**-**	**(1,346)**	**13,017**
Loss for the period		**-**	**-**	**-**	**(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		-	-	**543**	**-**	**543**
Balance at 31 December 2007		**41,423**	**-**	**543**	**(7,841)**	**34,125**

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 December 2007

	Note	2007 US$000	2006 US$000
Cash flows from operating activities			
Operating loss from continuing operations		**(7,101)**	(845)
Impairment of exploration assets		**677**	-
Provision for share option costs		**543**	-
Provision for investment in subsidiary		**2,674**	-
Decrease / (increase) in other receivables and prepayments		**173**	(94)
(Decrease)/ increase /) in trade and other payables		**(1)**	169
Cash used in operations		**(3,035)**	(770)
Interest received/(paid)		**606**	(58)
Net cash outflow from operating activities		**(2,429)**	(828)
Cash flows from investing activities			
Acquisition of tangible assets	*C3*	**(65)**	(75)
Acquisition of intangible assets	*C4*	**(35)**	(892))
Investment in subsidiary undertakings		**(20,731)**	(6,896)
Net cash outflow from investing activities		**(20,831)**	(7,863)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**28,550**	5,509
Cost of raising share capital		**(1,490)**	-
Receipt of loans		**-**	3,000
Net cash inflow from financing activities		**27,060**	8,509
Net increase / (decrease) in cash and cash equivalents		**3,800**	(182)
Cash and cash equivalents at beginning of period		**-**	182
Cash and cash equivalents at end of period		**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	Other Benefits US$000	Share Based Payments US$000	2007 Total Remuneration US$000	2006 Total Remuneration US$000
2007					
Directors:					
Non-executive	123	-	55	178	-
C Chamberlain	226	-	315	541	125
Non-Directors	198	-	13	211	-
TOTAL	547	-	383	930	125

C3. Property, plant and equipment

	Deferred development costs US$000
Cost and carrying value at 1 January 2006	**-**
Additions	75
Cost and carrying value at 31 December 2006	75
Cost and carrying value at 1 January 2007	**75**
Additions	65
Cost and carrying value at 31 December 2007	**140**

C4. Intangible assets

	Deferred exploration costs US$000
Carrying value at 1 January 2006	**-**
Additions	892
Carrying value at 31 December 2006	892
Carrying value at 1 January 2007	**892**
Additions	35
Impairment	(677)
Carrying value at 31 December 2007	**250**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

C4. Intangible assets (continued)

During 2007 the Company 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 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 2006	8,136
Additions	6,896
Balance at 31 December 2006	15,032
Balance at 1 January 2007	15,032
Additions	20,731
Balance at 31 December 2007	**35,763**
Amortisation and impairment losses	
Balance at 1 January and 31 December 2006	-
Balance at 1 January 2007	-
Impairment	2,674
Balance at 31 December 2007	**2,674**
Carrying amounts	
At 1 January 2006	8,136
At 31 December 2006	15,032
At 1 January 2007	15,032
At 31 December 2007	**33,089**

The impairment loss relates to the investment in Minera IRL Argentina SA. During the year this subsidiary company decided to close its project in Argentina and the amount written off represents 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 2007	2006
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

	2007 US$000	2006 US$000
Other receivables	**29**	202

C7. Cash and cash equivalents

	2007 US$000	2006 US$000
Bank balances	**22**	-
Call deposits	**3,778**	-
Cash and cash equivalents in the statement of cash flows	**3,800**	-

C8. Trade and other payables

	2007 US$000	2006 US$000
Current		
Other payables	**-**	25
Accrued expenses and deferred income	**183**	159
	183	184

C9. Related parties

The Company has a related party relationship with its subsidiaries (see note C5), directors and other key management personnel (see note 5).

The following table details transactions carried out with subsidiary undertakings:

	2007 US$000	2006 US$000
Transfer of cash to subsidiaries	**20,731**	6,896

Other related parties
Transactions with other related parties are detailed in note 18.

C10. Financial risk management

The Company has the same exposure to financial risks as the Group, details of which are shown in note 16.