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Minera IRL (MIRL LN), Mining - Peru, Current Price: £0.50, Target Price: £0.70

BUY, target price £0.70

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Event

Minera IRL has announced that the gold production target for 2008 of 36,797 oz has been achieved in less than 6 months. Production from the Corihuarmi Gold Mine in Peru has exceeded 36,800 oz since the first gold pour in March 2008.

Revenue from the 35,400 oz which has already been shipped, coupled with the high margins, will continue to strengthen the company's cash-rich position which stands at over \$11 million.

Comment

This is in line with comments recently made in our initiating coverage report and represents a very positive first 6 months for Minera.

The cash costs are a low \$132/ounce, far below the budgeted US\$300/oz. To date the strip ratio has been 0.3:1, compared with the feasibility study which was based on 0.7:1, and the grades have been much higher than expected. This provides Minera with an excellent base from which to support the company's exploration and development projects and take advantage of any future opportunities.

Projecting forward, we expect cash costs to increase due to a rising stripping ratio and lower grades; however, we do expect Minera to remain very profitable.

Recommendation

We maintain our Buy rating for Minera IRL Ltd with an unchanged target of £0.70/share.

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