

MINCO PLC

20 April 2010

BUY

Stock Data

Current Price:	4.25p
Market Cap:	£12.0m
Shares Outstanding:	283.3m

Company Profile

Sector:	Resources
Ticker:	MIO.L
Exchange:	AIM London
Website:	minco.ie

Activities

Base metal and precious metals exploration and development in Ireland and Mexico.

Performance Data

1-Year Time Range:	2.38p-4.88p
5-Year Time Range:	1.37p-19.25p

Key Metrics

Net Cash estimate	
(20 Apr 2010):	£1.1m

Directors

John Kearney	Chairman
Terence McKillen	CEO
Danesh Varma	FD
Peter McParland	Non-Ex
Michael Power	Non-Ex
Bert-Ove Johansson	Non-Ex

Major Shareholders

Barclayshare Nom	5.4%
Aran Asset Mgmt	4.2%
Midlothian Ltd	4.2%
T & P O'Gorman	3.8%

INVESTMENT RECOMMENDATION

We believe the market is significantly undervaluing the potential for Minco's Pallas Green zinc resource to be moved up the mine development curve. An intensive drilling campaign is currently underway at Pallas Green under the leadership of JV partner Xstrata. Initial results from the 70,000 metre drill programme are awaited, of which we believe 13,000 metres have been drilled to date.

If Minco's stake in Canadian listed Xtierra is deducted from its market cap of £12.0m, then the Group's 23.6% stake in Pallas Green is essentially being valued by the market at only £8.7m. Considering that an initial inferred JORC resource of 11.3m tonnes at 10.22% zinc has already been defined, we believe this just seems too low. Moreover since this resource statement was announced last August the fundamental case for investing in Minco has improved on several fronts given that Xtierra's share price has risen three fold and the zinc price has increased by 38%. Financially strengthened from a recent £1m Placing at 3p and with drilling newsflow anticipated at Pallas Green, along with the potential for the resource to be upgraded beyond the threshold required to be an economic proposition, we believe the stock could move higher in the coming months. With the prospect of 2010 being a transformational year for Minco, we initiate coverage with a BUY recommendation.

KEY STRENGTHS

- ❖ Minco's valuation is underpinned to an extent by its 39.7% stake in Canadian listed Xtierra, which is worth C\$5.1m (£3.3m) to the Group at the current bid price of 17 cents. Minco is in an unusual position for a pure exploration company of holding a tangible asset that could be sold if needed.
- ❖ The Group has a solid and committed JV partner at Pallas Green in the shape of Xstrata. Very few junior resource companies can boast a global mining major as a project partner.
- ❖ All three deposits discovered so far at Pallas Green remain open and hold the potential for both tonnage and grade to be increased. Xstrata believes that only 40% of the potential resource has been explored to date.
- ❖ Pallas Green is on the cusp of becoming an economic sized resource. Steady progress has been made over the last four years, with the resource increasing in tonnage from 1.5m in 2006, to 4.1m in 2007, 8.5m in 2008 and to an initial JORC resource of 11.3m tonnes in 2009. A potential upgrade this year to 15m - 20m tonnes would move the project rapidly up the development curve.
- ❖ Ireland is an established zinc mining area and hosts two world class deposits at Navan and Lisheen. The Boliden/Tara mine at Navan is the largest zinc mine in Europe and 5th largest in the world.
- ❖ Extensive mining infrastructure and support is available in Ireland. The anticipated closure of Anglo-American's nearby Lisheen mine in 2013 could work very well for Minco. Moreover, given that Ireland is experiencing one of the deepest recessions in Europe, the local community is likely to be receptive to new mine opening proposals and the job creation opportunities it will offer.



MAIN ASSETS

Pallas Green

Minco holds a 23.6% stake in the Pallas Green lead-zinc project in County Limerick in a JV with Xstrata Zinc. The main deposit Tobermalug has a JORC inferred resource of 11.3m tonnes at a grade of 10.22% zinc and 1.91% lead, given a contained metal total of 1.15m tonnes of zinc and 0.22m tonnes of lead. To the west of Tobermalug two smaller non-JORC deposits have been discovered at Caherconlish South (1.3m tonnes at 9.21% zinc & 1.09% lead) and Srahane West (1.1m tonnes at 9.6% zinc & 1.25% lead).

An intensive 70,000 metres drilling programme in around 150 holes is underway as part of a \$10m drill programme this year using 16 drill rigs. In terms of drilling meterage this represents the largest exploration drilling campaign ever carried out in Ireland. Investors can expect a significant amount of exploration newsflow in the coming months from Pallas Green and towards the end of this year, hopefully a resource upgrade. We could then see Xstrata fast tracking the project towards potential mining in 2013. The objective ahead at Pallas Green will be to match or exceed the resource tally of nearby zinc deposits such as Lisheen's 18.9mt @ 11.5% zinc or Galmoy's 12.8mt @ 9.8% zinc.

Xtierra Inc.

A significant stake of 39.7% is held in TSX Venture Exchange listed Xtierra Inc, whose main project is a 100% interest in a silver-zinc-lead-copper-gold deposit at Bilbao in Mexico. The indicated resource estimate at Bilbao was increased by an impressive 169% to 9.68m tonnes in February 2010, at 2.09% lead, 0.21% copper, 2.43% zinc, and 59% silver. The inferred resources was increased by 68% to 4m tonnes at 1.55% lead, 0.18% copper, 1.43% zinc and 53% silver (NI 43-101 standard). The feasibility study at Bilbao is due to be completed in Q2 of 2010, with production targeted for 2012.

The most recent news came on 15 April 2010, when we learnt that Xtierra had exercised its option to acquire the El Dorado gold-silver project for an initial US\$1m following positive due diligence drilling work which helped to increase the number of identified mineralised veins to twelve. On the same day Xtierra announced it had completed the third tranche of a C\$5.2m fund raising at 20 cents, with a half warrant attached.

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