

19th June 2006

Minco: Full Year Results - Buy

Ahead of these results shares in Minco fell sharply on unfounded rumours that its lead project at Laguna in Mexico was about to be scrapped. The statement that accompanied the numbers made it clear that this was not the case. The positive progress made at Laguna but also at Pallas Green, Bilbao and at Minera Sisa over the past year is not reflected in the share price. We continue to value Minco on a conservative sum-of-the-parts basis at more than 30p per share and will be producing a detailed valuation in a detailed research note shortly. But at 10.5p the value is clear and our stance is **buy**.

In calendar 2005 there was a significant increase in Minco's overhead as it moved aggressively to pursue three major metals projects. The central overhead increased from 396,000 euro to 976,000 euro. However a large foreign exchange gain compared favourably with the 2004 loss and with net interest income also increasing the headline pre-tax loss fell from 793,000 euro to 468,000 euro. As with all explorers, the P&L is something of a sideshow. The key financial metric is that Minco ended the year - thanks to the issue of new shares and exercise of warrants - with net cash of just over 5.5 million Euro which covers its current needs.

The lead project remains Laguna, the Mexican silver tailings project. The company continues to re-evaluate the now complete Bankable Feasibility Study in order to see if the required capex can be reduced and if other, operational, aspects of the scheme can be improved. Clearly it will not be producing in Q1 2007 as had been hoped. The failure of Minco to set a firm timetable for production has not gone down well with investors however we believe that the first silver will be poured in 2007, albeit not until well into the second half.

Progress was also made on the company's two other projects during 2005: the Pallas Green zinc exploration project in Eire and Minera Sisa, a gold and

Key Data

EPIC	MIO
Share price	10.5p
Spread	10p -11p
NMS	800,000
Market cap.	16.7 million pounds
12 month range	10.5p -18.5p
Market	AIM
Website	www.minco.ie
Sector	Mining and Exploration
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silver project in Mexico. So far in 2006 there have also been positive drilling grades reported from the new Bilbao silver project in Mexico and Falconbridge, the operator at Pallas Green has also reported more positive grades. Drilling on both projects and at Minera Sisa will continue throughout the current year but Minco's shares will only be re-rated when a firm timetable for the development of Laguna is announced since this project accounts for the vast majority of the value in this stock. A small increase in our valuation of Pallas Green, the inclusion of Bilbao in our model and the increase in the silver price over the past year prompts us to increase our heavily risk weighted estimate of Minco's Net Present Value from 27p to 30p. Accordingly our stance is **buy**.



Year to 31 Dec	Sales (million Euro)	PTP (million Euro)	EPS (cents)
2004A	-	(0.79)	(0.79)
2005A	-	(0.47)	(0.35)
2006E	-	(0.6)	(0.38)

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