

Minco plc Acquires Gold & Silver Mining Property in Mexico

Monday, 24th January 2005

LONDON: Jan 24th 2005: AIM listed precious metals explorer and developer Minco plc (Code: MIO) today announces that it has signed an agreement for the acquisition of a 50% interest in Minera Sisa SA de CV (Sisa). Sisa's principal assets are high grade gold and silver mining properties in the Sierra Madre Mountains, 170 kilometres from Durango in Mexico. The agreement gives Minco a 50% interest for US\$2.4 million and a commitment to invest a further US\$2.0 million into the exploration and development of the property. It also gives Minco immediate control of the board of Sisa.

Strategic Location

The Sisa mining concessions cover an area of some 450 hectares and are located within the famous Sierra Madre Gold and Silver Belt of central Mexico, which has recorded production of over 40 million ounces of gold and one billion ounces of silver. Epithermal-style mineralization is found over an extensive area of 7 by 3 kilometres and has a known vertical extent of more than 600 metres down dip. There are 6 known zones of mineralization on the Sisa property, associated with ENE and NNW trending quartz vein systems containing bonanza grade silver and gold values. No systematic modern exploration work has ever been carried out.

Long History of Small Underground Mining

Small scale underground mines have been operated on the Sisa property for over 100 years. Since 1967, a small family owned mine has operated at intervals producing gold, silver and copper. The property also contains the Zambranena mine, which produced gold and silver during the 18th century. From 1908 to 1914, the Santa Cruz Mining Company operated a mine on the property until the Mexican Revolution curtailed operations.

Existing Small Underground Mine

Access to the current underground mine is via a 220 metre deep near-vertical shaft accessing 17 levels. The mine is equipped with a 100 tonne a day process plant and trackless mining equipment, together with office, warehouse, dormitory and canteen facilities. The mine is not currently in production and studies to assess the economics of reopening it and potentially expanding output will be undertaken.

Substantial Inferred Resources

An independent assessment of the property, carried out in 2002, indicated a resource potential of 10 million tonnes at average grades of 480 grammes per tonne of silver and 4.2 grammes per tonne gold, and with copper credits equivalent to over 12 grammes per tonne gold. Within this resource are zones showing grades in excess of 1,000 grammes per tonne silver and 30 grammes per tonne gold. Resource tonnages and grade estimates cannot currently be classified to JORC standards and may change when classified to these standards.

The Acquisition Agreement

The remaining 50% interest in Sisa will continue to be held by the Salas family, which has been involved with the property since 1967. Following Minco's investment of US\$2.0 million in exploration and development of the property, further funding will be provided by the partners on a pro rata basis to their shareholding.

In the event one party elects not to, or fails to, contribute its pro rata share of funding, the interest of the other party will increase by 1% for every US\$160,000 contributed. Upon achieving 60% ownership in Sisa, Minco will issue 1,000,000 shares in Minco and make a cash payment of US\$100,000 to the other shareholder. Subsequently, for each US\$240,000 invested in the project, 1% of additional equity in Sisa will be issued to the investing party.

If Minco's interest increases to 70% a further payment of US\$150,000 cash and 1,000,000 Minco shares will be made. Likewise at 80% interest - US\$200,000 cash plus 1,000,000 Minco shares; 90% interest - US\$250,000 cash plus 1,000,000 Minco shares; and 100% interest - US\$250,000 cash plus 1,000,000 Minco shares. The contract is conditional, inter alia, upon the transfer of certain properties from the joint venture partners into Minera Sisa.

Matthew Dorman, CEO, stated

“We have been evaluating a number of possible acquisitions in Mexico to add to our portfolio of precious metal projects but the potential to develop a major ore body at the Minera Sisa properties is well ahead of anything else we have seen. Only small scale mining has been undertaken on the Sisa properties since the 1914 Mexican Revolution with no systematic exploration, using modern techniques, carried out. Our initial field studies already show that the area has excellent potential to host a large scale open pit operation in addition to the bonanza grade vein systems. Sisa now has three immediate objectives; carry out programmes to qualify the resources, regional exploration programmes looking for major open pit deposits, and studies for the rehabilitation and expansion of the underground mine. Minco's technical personnel are already active on site. Our £4.5 million funding in December will allow us to develop Sisa rapidly while enabling us to complete the bankable feasibility study at the Laguna Silver tailings project during the second quarter.”

For further information

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