

# **Minco Gold Corporation**

Condensed Interim Financial Statements

**For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars, unless otherwise stated)



# MINCO 明科金矿公司

## GOLD CORPORATION

### NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Minco Gold Corporation have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Minco Gold Corporation's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed interim financial statements by an entity's auditor.

Dr. Ken Cai  
Chief Executive Officer

Larry Tsang, CPA, CA  
Chief Financial Officer

Vancouver, Canada  
November 20, 2018

# Index

|   | <b>Page</b>  |
|---|--------------|
| <b>Condensed Interim Financial Statements</b> | <b>4 - 7</b> |

---

|   |   |
|---|---|
| Condensed Interim Statements of Financial Position          | 4 |
| Condensed Interim Statements of Loss and Comprehensive Loss | 5 |
| Condensed Interim Statements of Changes in Equity           | 6 |
| Condensed Interim Statements of Cash Flow                   | 7 |

|  |               |
|--|---------------|
| <b>Notes to Condensed Interim Financial Statements</b> | <b>8 - 16</b> |
|--|---------------|

---

|    |   |    |
|----|---|----|
| 1  | General information and liquidity risk                | 8  |
| 2  | Basis of preparation                                  | 8  |
| 3  | New accounting standards issued but not yet effective | 8  |
| 4  | Cash and cash equivalents                             | 9  |
| 5  | Short-term investment                                 | 9  |
| 6  | Investments at fair value                             | 9  |
| 7  | Share capital   | 11 |
| 8  | Related party transactions                            | 13 |
| 9  | Financial instrument and fair value measurements      | 14 |
| 10 | Commitments   | 16 |
| 11 | Subsequent events                                     | 16 |

# Minco Gold Corporation

## Condensed Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

|   | September 30,<br>2018 | December 31,<br>2017 |
|---|-----------------------|----------------------|
| <b>Assets</b>                                     | <b>\$</b>             | <b>\$</b>            |
| <b>Current assets</b>                             |                       |                      |
| Cash and cash equivalents (note 4)                | 1,588,743             | 3,642,328            |
| Short-term investment (note 5)                    | 20,000                | 271,455              |
| Investment at fair value (note 6)                 | 11,830,529            | 13,614,050           |
| Receivables                                       | 114,208               | 25,713               |
| Due from related parties (note 8)                 | 109,599               | 38,945               |
| Prepaid expenses and deposits                     | 89,609                | 120,921              |
|   | <hr/> 13,752,688      | <hr/> 17,713,412     |
| <b>Non-current assets</b>                         |                       |                      |
| Long-term deposit                                 | 26,295                | 26,295               |
| Property, plant and equipment                     | 38,688                | 5,197                |
| <b>Total assets</b>                               | <hr/> 13,817,671      | <hr/> 17,744,904     |
| <b>Liabilities</b>                                |                       |                      |
| <b>Current liabilities</b>                        |                       |                      |
| Accounts payable and accrued liabilities          | 243,515               | 186,635              |
|   | <hr/>                 | <hr/>                |
| <b>Shareholders' Equity</b>                       |                       |                      |
| Share capital (note 7(a))                         | 41,976,886            | 41,976,886           |
| Contributed surplus                               | 10,026,410            | 9,630,905            |
| Deficits  | (38,429,140)          | (34,049,522)         |
|   | <hr/> 13,574,156      | <hr/> 17,558,269     |
| <b>Total liabilities and shareholders' equity</b> | <hr/> 13,817,671      | <hr/> 17,744,904     |

Approved by the Board of Directors

(signed) Malcolm Clay Director

(signed) Robert Callander Director

The accompanying notes are an integral part of these condensed interim financial statements.

# Minco Gold Corporation

## Condensed Interim Statements of Loss and Comprehensive Loss

### For the three and nine months ended September 30, 2018, and 2017

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

|  | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
|  | 2018                                | 2017        | 2018                               | 2017        |
|  | \$                                  | \$          | \$                                 | \$          |
| Net loss from investments (note 6)                   | (1,300,526)                         | (3,221,925) | (3,597,262)                        | (2,151,059) |
| Dividend, fund distribution,<br>and interest income  | 27,160                              | 8,276       | 69,969                             | 26,750      |
|  | (1,273,366)                         | (3,213,649) | (3,527,293)                        | (2,24,309)  |
| <b>Operating expenses:</b>                           |                                     |             |                                    |             |
| Accounting and audit                                 | 6,539                               | 17,305      | 9,320                              | 71,745      |
| Amortization   | 757                                 | 873         | 2,270                              | 2,620       |
| Consulting   | 15,786                              | 18,311      | 48,529                             | 54,429      |
| Directors' fees                                      | 12,000                              | 12,000      | 43,500                             | 42,500      |
| Investor relations                                   | 491                                 | 722         | 9,899                              | 10,507      |
| Legal and regulatory                                 | 31,095                              | 31,425      | 71,777                             | 88,323      |
| Office and miscellaneous                             | 36,820                              | 29,772      | 95,102                             | 132,455     |
| Property and investment evaluation                   | 20,704                              | 15,464      | 57,942                             | 99,095      |
| Salaries and benefits                                | 58,049                              | 72,225      | 195,904                            | 151,099     |
| Share-based compensation (note 7(b))                 | 105,577                             | 75,923      | 395,505                            | 240,286     |
| Travel and transportation                            | 3,342                               | 4,039       | 18,647                             | 17,193      |
| Total operating expenses                             | 291,160                             | 278,059     | 948,395                            | 910,252     |
| Operating loss                                       | (1,564,526)                         | (3,491,708) | (4,475,688)                        | (3,034,561) |
| Foreign exchange gain (loss)                         | (22,124)                            | (155,351)   | 96,070                             | (307,356)   |
| Net loss and comprehensive loss for the period       | (1,586,650)                         | (3,647,059) | (4,379,618)                        | (3,341,917) |
| Loss per share                                       |                                     |             |                                    |             |
| Basic and diluted                                    | (0.03)                              | (0.07)      | (0.09)                             | (0.07)      |
| Weighted average number of common shares outstanding |                                     |             |                                    |             |
| Basic and diluted                                    | 50,733,381                          | 50,733,381  | 50,733,381                         | 50,733,381  |

*The accompanying notes are an integral part of these condensed interim financial statements.*

# Minco Gold Corporation

## Condensed Interim Statements of Changes in Shareholders' Equity

### For the nine months ended September 30, 2018, and 2017

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

|                                     | Number of<br>shares | Share<br>capital  | Contributed<br>surplus | Deficits            | Subtotal          |
|-------------------------------------|---------------------|-------------------|------------------------|---------------------|-------------------|
|                                     |                     | \$                | \$                     | \$                  | \$                |
| <b>Balance - January 1, 2017</b>    | 50,733,381          | 41,976,886        | 9,322,102              | (30,751,944)        | 20,547,044        |
| Net loss for the period             | -                   | -                 | -                      | (3,341,917)         | (3,341,917)       |
| Share-based compensation            | -                   | -                 | 240,285                | -                   | 240,285           |
| <b>Balance – September 30, 2017</b> | <b>50,733,381</b>   | <b>41,976,886</b> | <b>9,562,387</b>       | <b>(34,093,861)</b> | <b>17,445,412</b> |
| <br>                                |                     |                   |                        |                     |                   |
| <b>Balance - January 1, 2018</b>    | 50,733,381          | 41,976,886        | 9,630,905              | (34,049,522)        | 17,558,269        |
| Net loss for the period             | -                   | -                 | -                      | (4,379,618)         | (4,379,618)       |
| Share-based compensation            | -                   | -                 | 395,505                | -                   | 395,505           |
| <b>Balance – September 30, 2018</b> | <b>50,733,381</b>   | <b>41,976,886</b> | <b>10,026,410</b>      | <b>(38,429,140)</b> | <b>13,574,156</b> |

The accompanying notes are an integral part of these condensed interim financial statements.

**Minco Gold Corporation**  
**Condensed Interim Statements of Cash Flow**  
**For the nine months ended September 30, 2018, and 2017**

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

|   | <b>Nine months ended September 30,</b> |                  |
|---|--|------------------|
|   | <b>2018</b>                            | <b>2017</b>      |
| Cash flow provided by (used in)                                     | \$                                     | \$               |
| <b>Operating activities</b>   |  |                  |
| Net loss for the period   | (4,379,618)                            | (3,341,917)      |
| Items not affecting cash and cash equivalent:                       |  |                  |
| Amortization  | 2,270                                  | 2,620            |
| Foreign exchange loss (gain)  | (96,070)                               | 307,356          |
| Realized gain from investments                                      | (81,452)                               | (46,991)         |
| Net unrealized loss from investments                                | 3,678,714                              | 2,198,050        |
| Share-based compensation  | 395,505                                | 240,285          |
| Purchase of short-term investment                                   | (384,821)                              | (1,049,468)      |
| Redemption of short-term investment                                 | 636,275                                | 3,409,575        |
| Purchase of investments   | (3,002,340)                            | (2,387,333)      |
| Disposition of investments  | 1,188,599                              | 131,224          |
| Changes in items of working capital:                                |  |                  |
| Accounts payable and accrued liabilities                            | 56,880                                 | (113,377)        |
| Due from (to) related parties                                       | (33,874)                               | 187,150          |
| Prepaid expenses and deposits                                       | 31,312                                 | 13,559           |
| Receivables   | (125,275)                              | 144,179          |
| <b>Net cash used in operating activities</b>                        | <b>(2,113,895)</b>                     | <b>(305,088)</b> |
| <b>Investing activities</b>   |  |                  |
| Purchase of property, plant, and equipment                          | (35,760)                               | -                |
| <b>Net cash used in investing activities</b>                        | <b>(35,760)</b>                        | <b>-</b>         |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> |  |                  |
|   | 96,070                                 | (307,356)        |
| Decrease in cash and cash equivalents                               | (2,053,585)                            | (612,444)        |
| <b>Cash and cash equivalents- Beginning of period</b>               | <b>3,642,328</b>                       | <b>4,575,119</b> |
| <b>Cash and cash equivalents- End of period</b>                     | <b>1,588,743</b>                       | <b>3,962,675</b> |

*The accompanying notes are an integral part of these condensed interim financial statements.*

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and nine months ended September 30, 2018, and 2017

---

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

#### 1. General information

Minco Gold Corporation (“Minco Gold” or the “Company”) was incorporated in 1982 under the laws of British Columbia, Canada as Cap Rock Energy Ltd. The Company changed its name to Minco Gold in 2007. The registered office of the Company is 2060 - 1055 West Georgia Street, British Columbia, Canada. The Company’s common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “MMM and on the OTC Market in the USA (“OTCQX”) under the symbol MGHCF.

On August 14, 2018, the Company was informed by the OTC Markets that Minco Gold’s OTCQX bid price and market capitalization had closed below US\$0.10 and US\$5 million, respectively, for more than 30 consecutive calendar days. Consequently, Minco Gold no longer meets the Standards for Continued Qualification for the OTCQX International tier as per the OTCQX Rules for International Companies section 3.2.b.1. A cure period of 180 calendar days to regain compliance expires on February 11, 2019. During this period, the Company must meet the applicable criteria for 10 consecutive trading days or the security will be moved from OTCQX International to OTC Pink.

Also see note 10 for details of the Company’s plan to terminate the registration with the United States Securities and Exchange Commission (the “SEC”).

#### 2. Basis of preparation

Minco Gold is an investment Company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities.

These financial statements were approved by the board of directors for issue on November xx, 2018.

The accounting policies applied in these condensed interim financial statements are consistent with those applied in the preparation of the financial statements for the year ended December 31, 2017 except the adoption of IFRS 9 commencing January 1, 2018. Certain prior period financial information has been reclassified to conform to the presentation in the current period.

IFRS 9, Financial Instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

There are no impacts to the Company’s financial statements for the adoption of IFRS 9 (note 9).

#### 3. New accounting standards and amendments issued but not yet effective

IFRS 16, Leases, replaces the previous leases standard IAS 17, *Leases and Related Interpretations*, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 is effective January 1, 2019. The adoption of IFRS 16 may increase the leased assets and liabilities of the Company recorded in the statement of financial position.



# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and nine months ended September 30, 2018, and 2017**

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

## 4. Cash and cash equivalent

Cash and cash equivalents comprise cash at banks, financial institutions, and on hand and guaranteed investment certificates with initial maturities of ninety days or less. The Company did not hold any cash equivalents as at September 30, 2018 and December 31, 2017.

## 5. Short-term investment

As at September 30, 2018, short-term investment consist of one \$20,000 cashable guaranteed investment certificates. The yields on these short-term investment is 1.05% per annum.

As at December 31, 2017, short-term investments consist of \$271,455 cashable guaranteed investment certificates. The yield on this investment was 1.05% per annum.

## 6. Investments at fair value

The Company has the following investments as at September 30, 2018:

|  | Number of Shares/Units Held | Fair value        |
|--|-----------------------------|-------------------|
| <b>Equities of public Resource Companies:</b>                    |                             | \$                |
| <b>Top ten resource companies by fair value</b>                  |                             |                   |
| -Minco Silver Corp.  | 11,000,000                  | 6,270,000         |
| -Hudson Resources Inc.   | 2,142,857                   | 942,857           |
| -Equinox Gold Corp.  | 324,600                     | 311,616           |
| -Labrador Iron Ore Royalty                                       | 9,000                       | 253,080           |
| -RoxGold Inc.  | 306,800                     | 251,576           |
| -Continental Gold Inc.   | 90,025                      | 236,766           |
| -Amarillo Gold   | 715,000                     | 189,475           |
| -FMC Inc.  | 1,600                       | 180,065           |
| -Amerigo Resources   | 209,000                     | 160,930           |
| -Cobalt 27 Capital   | 25,000                      | 160,500           |
| <b>Other Resource Companies</b>                                  | various                     | 905,783           |
| <b>Equities of Public dividend-paying Non-Resource Companies</b> | various                     | 1,007,462         |
| <b>Equities of a Private Company (EI Olivar Imperial)</b>        | 400,000                     | 516,359           |
| <b>Debentures:</b>   |                             |                   |
| -Convertible debenture: IBC Advanced Alloys 8.25%                | 100                         | 102,060           |
| <b>Subtotal</b>  |                             | <b>11,488,529</b> |
| <b>Share purchase warrants</b>                                   | <b>Number held</b>          | <b>\$</b>         |
| - Almaden Minerals Ltd.  | 50,000                      | 13,000            |
| - Amarillo Gold  | 357,500                     | 50,000            |
| - EI Olivar  | 600,000                     | -                 |
| - IBC Advanced Alloys  | 230,000                     | 63,000            |
| -Mexican Gold  | 335,000                     | 49,000            |
| -Hudson Resources Inc.   | 1,071,428                   | 167,000           |
| <b>Subtotal</b>  |                             | <b>342,000</b>    |
| <b>Total investments</b>   |                             | <b>11,830,529</b> |

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and nine months ended September 30, 2018, and 2017

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

#### 6. Investments at fair value (continued)

The Continuity of the Company's investments is as follows:

|                                      | December<br>31, 2017 | Additions<br>(v) | Dispositions<br>(v) | Unrealized<br>gain (losses) | September<br>30, 2018 |
|--------------------------------------|----------------------|------------------|---------------------|-----------------------------|-----------------------|
| Investment in public entities:       |                      |                  |                     |                             |                       |
| - Shares and partnership units (i)   | 12,866,912           | 2,798,740        | (1,107,147)         | (3,664,002)                 | 10,894,503            |
| - Share purchase warrants (ii)       | 245,000              | 103,600          | -                   | (6,600)                     | 342,000               |
| Investment in a EI Olivar Imperial   |                      |                  |                     |                             |                       |
| - Shares and warrants (iii)          | 502,138              | -                | -                   | 14,221                      | 516,359               |
| Investment in convertible debenture: |                      |                  |                     |                             |                       |
| - IBC Advanced Alloys Corp. (iv)     | -                    | 100,000          | -                   | 2,060                       | 102,060               |
| <b>Total</b>                         | <b>13,614,050</b>    | <b>3,002,340</b> | <b>(1,107,147)</b>  | <b>(3,678,714)</b>          | <b>11,830,529</b>     |

During the nine month ended September 30, 2018, the Company acquired common shares/share purchases warrants/partnership units and convertible debentures of public companies for a total cost of \$3,002,340. The Company disposed of common shares of public companies for proceeds of \$1,107,147.

(i) On September 30, 2018, the Company held 11,000,000 common shares of Minco Silver Corporation ("Minco Silver"), which was approximately 18% of Minco Silver number of outstanding shares (December 31, 2017 : 11,000,000 common shares or approximately 18% ownership).

(ii). The Company considers the closing share price of investments issued by public entities at each reporting date as the fair value. The Company applies the Black Scholes option pricing model to value public company's share purchase warrants at the reporting date.

(iii). On December 22, 2016, the Company acquired 5.90% or 400,000 units ("Unit") of El Olivar Imperial SAC ("El Olivar"), a privately held Peruvian corporation, at US\$1.00 per unit through a private placement. Each Unit consists of one Class A voting preferred share and 1.5 Class A share purchase warrants (the "EI Warrant"), with each full warrant entitling the holder to purchase one additional Class A voting share at a price of US\$1.00. The expiry date of the EI Warrant, initially set on July 18, 2017, was subsequently revised to the date that is twenty business days following notification in writing by EI Olivar that all permits necessary to build its mining facilities have been received. As of the date of this report, the Company had not yet received this notification.

As part of the consideration for the investment in El Olivar, Minco Gold shall receive an annual cash dividend in U.S. dollars equal to 6% of the total invested amount, calculated from the closing date of investment (December 22, 2016) and payable starting on June 22, 2018. The Company has not accrued the dividend receivable (US\$42,000) due to a lengthy delay in securing the final permits required to complete development of the project and the inability of El Olivar to pay any dividends until there is cash flow from operations. El Olivar has informed the Company that it will be proposing a form of compensation to offset the delay in dividend payments.

One director of the Company is also a director, an officer, and a controlling shareholder of EI Olivar.

The cost of the investment in EI Olivar was USD\$400,000, which approximated its fair value as at June 30, 2018, since EI Olivar did not have any significant changes that may cause a material change to El Olivar's fair value after the Company's acquisition of their shares. The carrying value

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and nine months ended September 30, 2018, and 2017

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

#### 6. Investments at fair value (continued)

has changed due to the appreciation of the U.S. Dollar against the Canadian Dollar during the nine months ended September 30, 2018.

(iv) The Company invested \$100,000 in a Convertible Debenture (“CD”) issued by IBC Advanced Alloys, a beryllium and copper advanced alloys company serving a variety of industries such as defense, aerospace, automotive, telecommunications and precision manufacturing with shares listed on the TSX Venture Exchange. Details of the investment follow:

The Company acquired 100 units of 5-year convertible debentures units at \$1,000 per unit. Each unit consists of one \$1,000 principal amount convertible debenture and 2,300 common share purchase warrants. The debentures are convertible into shares of IBC Advanced Alloys at any time prior to the maturity date (June 23, 2023) at a conversion price of \$0.31 per share, have an interest of 8.25% per annum payable semi-annually either in cash or shares of IBC Advance Alloys.

Each warrant entitles holder to acquire one common share at \$0.37 at any time up to 60 months (June 23, 2023).

(v) Details of the Companys’ net gain (loss) on investments are as follows:

| Nine months ended September 30,                        | 2018                  | 2017                |
|--|-----------------------|---------------------|
| Net realized gain on investments                       | \$ 145,586            | \$ -                |
| Previously recorded unrealized gain on investments     | (64,134)              | -                   |
| <u>Change in unrealized gain (loss) on investments</u> | <u>(3,678,714)</u>    | <u>1,070,866</u>    |
| <u>Net gain (loss) from investments</u>                | <u>\$ (3,597,262)</u> | <u>\$ 1,070,866</u> |

Refer to note 11 for the investments acquired and disposed of after the period ended September 30, 2018.

#### 7. Share capital

##### a. Common shares and contributed surplus

Authorized: 100,000,000 common shares without par value

##### b. Stock options

Minco Gold may grant options to its directors, officers, employees and consultants under its stock option plan (the “Stock Option Plan”). The Company’s board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options are granted. These options are equity-settled.

The current Stock Option Plan that was adopted and approved on June 27, 2017 provides that options may be granted to directors, employees and consultants or any of its affiliates of the Company on terms determined within the limitations set out in the Option Plan. The Company has implemented a fixed plan whereby it has reserved 10,152,976 shares for issuance under the Plan.

During the nine months ended September 30, 2018, the Company granted stock options to purchase 3,580,000 common shares to employees, consultants and directors at an exercise price of \$0.17 per common share. These options vest over an 18-month period from the issue date and will expire five years after issuance if unexercised. A continuity of options is as follow:

# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and nine months ended September 30, 2018, and 2017**

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

## 7. Share capital (continued)

|                             | Number outstanding | Weighted<br>average exercise<br>price<br>\$ |
|-----------------------------|--------------------|---|
| January 1, 2017             | 5,243,334          | 0.43  |
| Granted                     | 2,400,000          | 0.23  |
| Forfeited                   | (10,000)           | 0.26  |
| Expired                     | (2,255,000)        | 0.57  |
| Balance, December 31, 2017  | <u>5,378,334</u>   | <u>0.28</u>                                 |
| Granted                     | 3,580,000          | 0.17  |
| Forfeited                   | (95,000)           | 0.23  |
| Expired                     | (1,090,000)        | 0.46  |
| Balance, September 30, 2018 | <u>7,773,334</u>   | <u>0.21</u>                                 |

The Company charged \$395,505, and \$240,286 share-based compensation for the nine months ended September 30, 2018 and 2017, respectively. As at September 30, 2018, there was \$120,991 (2017 - \$133,528) of unrecognized compensation cost relating to unvested stock options.

| <u>Options outstanding</u>           |                       |   | <u>Options exercisable</u>                     |                       |  |
|--------------------------------------|-----------------------|---|--|-----------------------|--|
| Range of<br>exercise<br>prices<br>\$ | Number<br>outstanding | Weighted<br>average<br>remaining<br>contractual<br>life (years) | Weighted<br>average<br>exercise<br>price<br>\$ | Number<br>exercisable | Weighted<br>average<br>exercise<br>price<br>\$ |
| 0.17 – 0.19                          | 4,035,000             | 4.26  | 0.17   | 1,528,331             | 0.17   |
| 0.20 – 0.24                          | 2,893,334             | 2.91  | 0.24   | 2,893,334             | 0.24   |
| 0.25 – 0.26                          | 845,000               | 0.30  | 0.26   | 845,000               | 0.26   |
|                                      | <u>7,773,334</u>      | <u>3.32</u>   | <u>0.21</u>                                    | <u>5,266,665</u>      | <u>0.22</u>                                    |

The Company uses the Black-Scholes option pricing model to determine the fair value of the options with the following assumptions:

|                          | <b>2018</b>   | <b>2017</b>   |
|--------------------------|---------------|---------------|
| Risk-free interest rate  | 0.78% - 2.07% | 0.78% - 1.74% |
| Dividend yield           | 0%            | 0%            |
| Volatility               | 97%           | 97%           |
| Forfeiture rate          | 19%           | 21%           |
| Estimated expected lives | 5 years       | 5 years       |

# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and nine months ended September 30, 2018, and 2017**

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

## 7. Share capital (continued)

Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. The stock price volatility is calculated based on the Company's historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

## 8. Related party transactions

### Investments

Refer to Note 6 for description of the Company's relationship and transaction with its investees, El Olivar and Minco Silver.

### Shared office expenses

Minco Gold, Minco Silver, and Minco Base Metals Corporation ("MBM") has a common director and common CEO and CFO. The Company shared offices and certain administrative expenses in Vancouver with Minco Silver and MBM.

### Due from related parties

As at September 30, 2018, the Company had the following amounts due from related parties:

- \$49,633 due from Minco Silver (December 31, 2017 – \$27,523), in relation to shared office expenses reimbursement.
- \$59,966 due from MBM (December 31, 2017 - \$11,422), in relation to shared office expenses reimbursement.

The amounts due to and due from related parties are unsecured, non-interest bearing and payable on demand.

### Key management and director compensation

For the three and nine month ended September 30, 2018 and 2017, compensation to key management and directors are as follows:

|                          | <b>Three months ended<br/>September 30,</b> |                | <b>Nine months ended<br/>September 30</b> |                |
|--------------------------|---|----------------|---|----------------|
|                          | <b>2018</b>                                 | <b>2017</b>    | <b>2018</b>                               | <b>2017</b>    |
|                          | <b>\$</b>                                   | <b>\$</b>      | <b>\$</b>                                 | <b>\$</b>      |
| Cash remuneration        | 76,536                                      | 78,436         | 238,416                                   | 223,804        |
| Share-based compensation | 94,192                                      | 66,099         | 341,721                                   | 208,356        |
| <b>Total</b>             | <b>170,728</b>                              | <b>144,535</b> | <b>580,137</b>                            | <b>432,160</b> |

The above transactions were conducted in the normal course of business.

# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and nine months ended September 30, 2018, and 2017**

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

## 9. Financial instruments and fair value measurements

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: loans and receivables, other financial liabilities and financial assets measured at fair value through profit or loss.

The following table summarizes the carrying value of financial assets and liabilities at September 30, 2018 and December 31, 2017:

|  | <b>September 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|-------------------------------|------------------------------|
|  | \$                            | \$                           |
| <b>Fair value through profit and loss :</b>          |                               |                              |
| Investments at fair value (note 6)                   | 11,830,529                    | 13,614,050                   |
| <b>Loan and receivable (amortized cost):</b>         |                               |                              |
| Cash   | 1,588,743                     | 3,642,328                    |
| Short-term investment                                | 20,000                        | 271,455                      |
| Receivables  | 150,988                       | 25,713                       |
| Due from related parties                             | 109,599                       | 38,945                       |
| <b>Other Financial Liabilities (amortized cost):</b> |                               |                              |
| Accounts payables and accrued liabilities            | 243,515                       | 186,635                      |

As at September 30, 2018 and December 31, 2017, financial instruments that are not measured at fair value on the balance sheet are represented by cash, short-term investments, receivables, due from related parties, account payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

Financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at September 30, 2018, the Company's financial assets measured at fair values through profit or loss are as follows:

| September 30, 2018         | Level 1    | Level 2 | Level 3 |
|----------------------------|------------|---------|---------|
|                            | \$         | \$      | \$      |
| Investments at fair value, | 10,870,110 | -       | 960,419 |

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and nine months ended September 30, 2018, and 2017

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

#### 9. Financial instruments and fair value measurements (continued)

Fair value of investments classified as level 3 are reconciled as follows:

|   | December 31,<br>2017 | Additions/<br>disposition | September 30,<br>2018 | Unrealized<br>gain (loss)<br>recognized in<br>profit or loss |
|---|----------------------|---------------------------|-----------------------|--|
|   | \$                   | \$                        | \$                    | \$   |
| 400,000 units of EI Olivar  | 502,138              | -                         | 516,359               | 14,221   |
| Share purchase warrants:  |                      |                           |                       |  |
| 1,071,428 warrants of<br>Hudson Resources Inc. ("HUD")                      | 245,000              | -                         | 167,000               | (78,000)   |
| 100 units of 5-year convertible debentures<br>of IBC Advanced Alloys ("IB") | -                    | 100,000                   | 102,060               | 2,060  |
| 230,000 warrants of<br>IBC Advanced Alloys                                  | -                    | -                         | 63,000                | 63,000   |
| 50,000 warrants of<br>Almaden Mineral Ltd. ("AMM")                          | -                    | 15,000                    | 13,000                | (2,000)  |
| 335,000 warrants of<br>Mexican Gold Corp. ("MEX")                           | -                    | 42,000                    | 49,000                | 7,000  |
| 357,500 warrants of<br>Amarillo Gold Corp ("AGC")                           | -                    | 46,600                    | 50,000                | 3,400  |
|   | 747,138              | 203,600                   | 960,419               | 9,681  |

The fair value of the investment in EI Olivar on September 30, 2018 was US\$400,000 (\$516,359) which was same as December 2017 (US\$400,000 or \$502,138). The fair value of this investment on September 30, 2018 only changed as a result of movements in foreign exchange, as there are no significant events identified during 2018 resulting in a change in fair value of EI Olivar.

The principal business of EI Olivar is to construct and operate a processing manufacturing plant of gold mining ores and tailings in Peru. A change in the strength of Peru's currency relative to Canadian dollars, a change in the price of gold, and receipt of all the required permits for the construction and operation of the processing plant will impact the fair value of this investment. No significant change was noted in these areas in 2018.

The fair value of the convertible debentures (warrants inclusive) issued by IBC Advanced Alloys on September 30, 2018 included the principal plus accrued interest of \$2,062

The Company uses the Black-Scholes option pricing model to determine the fair value of those shares purchase warrants with the use of assumptions applied.

# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and nine months ended September 30, 2018, and 2017**

---

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

## 10. Commitments

The Company has commitments in respect of office leases requiring minimum payments (including a share of operating costs). A breakdown of the commitments in the next five years is as follow:

|           |    |        |
|-----------|----|--------|
| 2018      | \$ | 44,589 |
| 2019      |    | 45,311 |
| 2020      |    | 46,487 |
| 2021-2022 |    | 97,506 |

## 11. Subsequent events.

Subsequent to the period ended September 30, 2018, the Company acquired shares from the open market for net cost of \$179,057 and disposed of shares in the open market for net proceeds of \$202,142

On October 16, 2018 the Company announced its intension to voluntarily file a Form 15 with the United States Securities and Exchange Commission (the "SEC") to terminate the registration of its common shares under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The termination will become effective 90 days after the date of filing of the Form 15 with the SEC or within such shorter period as the SEC may determine. The Form 15 was filed with the SEC on October 19<sup>th</sup>, 2018, which immediately suspended the Company's reporting requirements under the Exchange Act. Minco Gold's common shares will continue to trade on the TSX Venture Exchange, the OTCQX Market: MGHCF and on the Frankfurt Stock Exchange.