

MINCO GOLD CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

This Management's Discussion and Analysis ("MD&A") of Minco Gold Corporation ("we", "our", "us", "Minco Gold" or the "Company") has been prepared on the basis of available information up to November 22, 2018, should be read in conjunction with the unaudited condensed interim financial statements and notes thereto prepared by management for the nine month ended September 30, 2018 and the audited financial statements and notes thereto for the year ended December 31, 2017. The Company's condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Except as noted, all financial amounts are expressed in Canadian dollars. All references to "\$" and "dollars" are to Canadian dollars, all references to "US\$" are United States dollars.

Additional information, including the audited consolidated financial statements for the year ended December 31, 2017, and the MD&A and annual report on Form 20-F for the same period, is available under the Company's profile on SEDAR at www.sedar.com. The Company's audit committee reviews the condensed interim financial statements and the MD&A, and recommends approval to the Company's board of directors.

Minco Gold was incorporated in 1982 under the laws of British Columbia, Canada as Caprock Energy Ltd. The Company changed its name to Minco Gold in 2007.

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 and on the Frankfurt Stock Exchange under the symbol "MI5".

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.

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 19th, 2018, which immediately suspended the Company's reporting requirements under the Exchange Act. The Company's board of directors is of the view that the costs associated with continuing the registration and reporting under the Exchange Act outweigh the benefits received by Minco Gold from maintaining its registration. Minco Gold's common shares will continue to trade on the TSX Venture Exchange, the OTCQX Market: MGHCF and on the Frankfurt Stock Exchange. The Company will continue to meet its Canadian continuous disclosure obligations through filings with applicable Canadian securities regulators. All of the Company's filings can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and also on the Company's website www.mincogold.com.

As at the date of this MD&A, the Company had 50,733,381 common shares and 7,773,334 stock options outstanding, for a total of 58,506,715 common shares outstanding, on a fully diluted basis.

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1. Highlights for the Period

During the nine month period ended September 30, 2018, the Company:

1. Acquired common shares/share purchases warrants/partnership units and convertible debentures of public companies for a total cost of \$3,002,340;
2. Disposed of common shares of public companies for proceeds of \$1,188,599 for a realized gain of \$145,586 on the cost of the investments. The net gain attributable to the current period was \$81,452, and;
3. Earned investment income of dividend, fund distribution, and interest of \$69,969 from the investments in hand.
4. Granted stock options to employees, consultants and directors for the purchase of 3,580,000 common shares at an exercise price of \$0.17 per common share. These options vest over an 18-month period from the issuance and will expire in five years if unexercised.

2. Investments at Fair Value Update

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

	Number of Shares/Units Held	Fair value
Equities of public Resource Companies:		\$
Top ten resource companies by fair value		
-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
Other Resource Companies	various	905,783

Equities of Public dividend-paying Non-Resource Companies	various	1,007,462
Equities of a Private Company (EI Olivar Imperial)	400,000	516,359
Debentures:		
-Convertible debenture: IBC Advanced Alloys 8.25%	100	102,060
Subtotal		11,488,529

Share purchase warrants:	Number held	\$
-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
Subtotal		342,000
Total investments		11,830,529

Continuity of the Company's investments is as follows:

	December 31, 2017	Additions (v)	Disposition s (v)	Unrealized gain (losses)	September 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
Total	13,614,050	3,002,340	(1,107,147)	(3,678,714)	11,830,529

(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 outstanding shares (December 31, 2017: 11,000,000 common shares or approximately 18% ownership). Minco Silver holds a 90% interest in the Fuwan silver deposit, situated along the northeast margin of the prospective Fuwan Silver Belt in Guangdong, China and 51% interest in the Changkeng gold project, located contiguous to, and part of the same mineralized system.

On September 13, 2018, Minco Silver announced that it had entered into a preliminary agreement to acquire 70 per cent of Longxin Mining, a Chinese mining company that owns a 100-per-cent interest in the Longwangshan gold mine located in Shuikuoshan mining district, Hunan, China. The Longwangshan gold mine is a fully permitted 1,000-tonne-per-day open-pit mine with a mill and smelter on site. The estimated purchase price for the 70-per-cent equity interest in Longxin Mining under the preliminary agreement is a range of 147 million to 168 million renminbi (\$28-million to \$32-million). Minco Silver is conducting a full due diligence review of Longxin Mining and the Longwangshan gold mine, including a drilling program to verify the reserves and resources of the mine.

Further information with respect to Minco Silver may be found at Minco Silver's website, www.mincosilver.ca. The Company has held its investment in Minco Silver since the spin-off of Minco Silver from the Company in 2005.

(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. El Olivar's principal asset is the wholly owned Planta Sol de Oro gold tailings and processing project located near Nasca, Peru, 445 kilometers south of Lima. 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 processing 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 El Olivar.

The cost of the investment in El Olivar was USD\$400,000, which approximated its fair value as at September 30, 2018, since El 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 has changed due to the appreciation of US dollars against Canadian dollars during the nine months ended September 30, 2018.

(iv) The Company invested 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 and bear an interest rate 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).

Other than purchase and disposition of common share of public companies through the open market, the Company acquired units issued by public companies through three private placement financings for a total cost of \$400,700 as follows:

- (i) Amarillo Gold - 715,000 units at a price of 28 cents per unit. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of 38 cents

for a period of 24 months following the date of issue. The closing price of Amarillo Gold common share was \$0.26 on September 30, 2018.

- (ii) Mexican Gold - 335,000 units at a price of 30 cents per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of 60 cents for a period of 36 months following the date of issue. The closing price of Mexican Gold common share was \$0.205 on September 30, 2018.
- (iii) Almaden Minerals Ltd. - 100,000 units at \$1.00 per unit with each unit including a share and a one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$1.35 for a period of 48 months following the date of issue. The closing price of Almaden Minerals Ltd. common share was \$0.83 on September 30, 2018.

Details of the Company's net gain (loss) on investments are as follows:

	Nine months ended September 30,	
	2018	2017
	\$	\$
Net realized gain on investments	145,586	-
Reversal of previously recognized unrealized gain	(64,134)	-
Change of unrealized gain (loss) on investments	(3,678,714)	1,070,866
Net gain (loss) from investments	(3,597,262)	1,070,866

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

3. Results of Operations

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

Nine months ended September 30,	2018	2017	Change over
	\$	\$	periods
			\$
Net loss from investments	(3,597,262)	(2,151,059)	(1,446,203)
Dividend, fund distribution, and interest income	69,969	26,750	43,219
Operating expenses	(948,395)	(910,252)	(38,143)
Foreign exchange gain (loss)	96,070	(307,356)	403,426
Net loss for the period	(4,379,618)	(3,341,917)	(1,037,701)

The amount of gain and loss of the investments depends on the performance of the entities the Company invests in and will fluctuate from time to time depending on many factors, including but not limited to the overall economy, foreign exchange rate, metal prices, which are not controlled by the Company.

The amount of dividend, fund distribution, and interest income increased in 2018 as the Company had more investment in dividend paying equities in the current nine-month period.

The movement in connection with the operating loss and foreign exchange gain (loss) are discussed in section 3.1.1 and 3.1.2.

3.1.1 Operating Expenses for the nine months ended September 30, 2018 and 2017

The Company's operating expenses for the nine months ended September 30, 2018 and 2017 are as follow:

Nine months ended September 30,	ref	Period to period change		
		2018	2017	2018 – 2017
		\$	\$	\$
Accounting and audit	a	9,320	71,745	(62,425)
Amortization		2,270	2,620	(350)
Consulting		48,529	54,429	(5,900)
Directors' fees		43,500	42,500	1,000
Investor relations		9,899	10,507	(608)
Legal and regulatory		71,777	88,323	(16,546)
Office administration expenses	b	95,102	132,455	(37,353)
Property and investment evaluation	c	57,942	99,095	(41,153)
Salaries and benefit	c	195,904	151,099	44,805
Share-based compensation	d	395,505	240,286	155,219
Travel		18,647	17,193	1,454
		948,395	910,252	38,143

Significant changes are as follows:

(a) Accounting and audit fees decreased as actual audit fees were lower than estimated in 2017. The excess was reversed during the nine months ended September 30, 2018.

(b) In 2018, the Company entered into a new office shared expense agreement with Minco Silver Corp. and Minco Base Metals Corp., under which the Company's share of office and administrative expense decreased.

(c) The Company engaged Ken Leigh as a consultant to look for the new properties and investment opportunities in late 2015. Mr. Leigh was hired as the President of the Company in June 2017, resulting in a re-classification of his remuneration to Salaries and Benefits thereafter. As a result, the Company's property and investment evaluation expenditures during the nine-month period of 2018 were lower while salaries and benefits increased compared to the same period in 2017.

(d) Share-based compensation fluctuate from time to time depending on the timing and fair value of options vested in each period.

3.1.2 Foreign exchange gain (loss)

The Company had foreign exchange gain of \$96,070 for the nine months ended September 30, 2018 and a loss of \$307,356 for the same period in 2017. The Company had cash and short term investment denominated in USD of US\$ 1 million on September 30, 2018 (September 30, 2017: US\$3 million). USD appreciated against Canadian dollars of roughly 3% during the nine months ended September 30, 2018 compared to a depreciation of 3% during the same period in 2017. As a result, the Company had a foreign exchange gain compared to a loss in the same period of last year.

3.2 For the three months ended September 30, 2018 and 2017

Three months ended September 30,	2018	2017	Change period over period
	\$	\$	\$
Net loss from investments	(1,300,526)	(3,221,925)	1,921,399
Dividend, fund distribution, and interest income	27,160	8,276	18,884
Operating expenses	(291,160)	(278,059)	(13,101)
Foreign exchange loss	(22,124)	(155,351)	133,227
Net loss for the period	<u>(1,586,650)</u>	<u>(3,647,059)</u>	<u>2,060,409</u>

3.2.1 Operating Expenses for the three months ended September 30, 2018 and 2017

The Company's operating expenses for the three months ended September 30, 2018 and 2017 are as the follow"

Three months ended September 30,	ref	Period to period change		
		2018	2017	2018 – 2017
		\$	\$	\$
Accounting and audit	a	6,539	17,305	(10,766)
Amortization		757	873	(116)
Consulting		15,786	18,311	(2,525)
Directors' fees		12,000	12,000	-
Investor relations		491	722	(231)
Legal and regulatory		31,095	31,425	(330)
Office administration expenses		36,820	29,772	7,048
Property and investment evaluation	b	20,704	15,464	5,240
Salaries and benefit	b	58,049	72,225	(14,176)
Share-based compensation	c	105,577	75,923	29,654
Travel		3,342	4,039	(697)
		<u>304,160</u>	<u>278,059</u>	<u>13,101</u>

a, b, and c, have been presented in the section 3.1.1

3.2.2 Foreign exchange gain (loss)

The Company had foreign exchange loss of \$22,124 for the three months ended September 30, 2018 and a loss of \$155,351 for the same period of 2017. US dollars depreciated against Canadian dollars of 1.5 % during the three months ended September 30, 2018 compared to a depreciation of 3.8 % during the same period in 2017. As a result, the Company had a foreign exchange gain in the current three-month period compared to a loss in the same period in 2017.

4. Summary of Quarterly Results

Period ended	Net income (loss) attributable to shareholders	Income (loss) per share	
		Basic	Diluted
09-30-2018	(1,586,650)	(0.03)	(0.03)
06-30-2018	(69,945)	(0.00)	(0.00)
03-31-2018	(2,723,023)	(0.05)	(0.05)
12-31-2017	44,339	0.00	0.00
09-30-2017	(3,647,059)	(0.07)	(0.07)
06-30-2017	(3,055,295)	(0.06)	(0.06)
03-31-2017	3,360,437	0.07	0.06
12-31-2016	8,356,962	0.16	0.16

Variations in quarterly performance among recent eight quarters were mainly a combined result of the gain (loss) from investments at fair values held by the Company, the amount of share-based compensation recognized in each period, the foreign exchange gain or loss earned by the Company, and the amount of earnings or loss shared from Minco Silver (up to the quarter ended December 31, 2016). The Company's performance is not subject to seasonality.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Nine months ended September 30,	
	2018	2017
	\$	\$
Operating activities	(2,113,895)	(305,088)
Investing activities	(35,760)	-

Operating activities

During the period ended September 30, 2018, the Company used more cash in operating activities. Main components of the operating activities are as follows:

Nine months ended September 30,	2018	2017
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

5.2 Capital Resources and Liquidity Risk

As at September 30, 2018, the Company's working capital was \$13,509,173 compared to \$17,526,777 on December 31, 2017. The Company had approximately \$1.6 million cash and short term investment in hand that can be used to finance its operations and to acquire investment over the next twelve months.

The Company believes there is sufficient working capital available to meet its operational requirements.

5.3 Contractual Obligations

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

6. Off -Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

7. Related Party Transactions

Investments at fair value

Refer to the section 2 for description of the Company's relationship and transaction with its investees, El Olivar, a private company of which the Company has invested in, and Minco Silver.

Shared office expenses

Minco Gold, Minco Silver, and 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
- \$59,966 due from MBM (December 31, 2017 - \$11,422), in relation to shared office expenses

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:

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

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

8. Critical Accounting Estimates

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously

evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable in the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements:

Determination of investment entity status

The Company monitor the following from time to time to ensure the Company has met all the three criteria set forth in IFRS 10.27 as an investment entity as defined in IFRS 10:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

In addition, management considers the Company has all of the typical characteristics of an investment entity set forth in IFRS 10.28 because it:

- has more than one investment;
- has more than one investor ;
- has investors that are not related parties of the entity; and
- has ownership interests in the form of equity.

Fair value of investments measured at FVTPL

The Company's investments are recorded at fair value. Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include assessing the future earnings potential of investee companies, appropriate earnings multiples to apply, adjustments to comparable multiples, liquidity and net assets. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistently and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these Financial Statements. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities.

The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets. The fair value of the other financial instruments is determined using the valuation techniques considered appropriate.

9. Change of accounting policies

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.

The Company adopted IFRS 9 commencing January 1, 2018, and there are no impacts to the Company's financial statements.

10. Financial Instruments

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.

Following is a summary of the Company's financial assets and liabilities as at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Fair value through profit and loss		
Investments	\$ 11,830,529	\$ 13,614,050
Financial assets at amortized cost		
Cash	1,588,743	3,642,328
Short-term investment	20,000	271,455
Receivables	150,988	25,713
Due from related parties	105,599	38,945
Financial liabilities at amortized cost		
Accounts payables and accrued liabilities	<u>\$ 243,515</u>	<u>\$ 186,635</u>

Fair value measurement

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

The Company's financial assets measured at fair values through profit or loss are as follows:

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

Financial risk factors

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, foreign exchange risk, currency risk, interest rate risk, and price risk. Management reviews these risks monthly and when material, they are reviewed and monitored by the Board of Directors.

Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if the counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and includes the fair value contracts with individual counterparties which are recorded in the consolidated financial statements. The Company considers the following financial assets to be exposed to credit risk:

- Cash and cash equivalents– To manage credit and liquidity risk the Company places its cash with major financial institutions in two major financial institutions in Canada (subject to deposit insurance up to \$100,000).
- Short-term investment – The Company places its short-term investment with a high creditworthy financial institution.

Foreign exchange risk

The Company's functional currency is the Canadian dollar in Canada. The foreign currency risk is related to the Company's cash and cash equivalent, marketable securities and investments that may be denominated in US dollar. The following tables present the impacts to the Company's operating results due to a change in relevant foreign currency exchange rate.

As at September 30, 2018, the Company had investments in fair value of \$1.4 million (USD\$1.1 million) and cash and cash equivalent of \$1.3 million (USD\$ 1 million) that were denominated in US dollar. A 10% change in the currency exchange rate (US\$ to C\$) will affect the Company's net loss in a given period by approximately \$0.27 million. The Company does not have currency hedge for its foreign exchange exposure.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are cash and cash equivalents and short-term investments.

The Company holds short-term investments such as guaranteed investment certificates at fixed interest rates. As a result, the Company is not exposed to significant interest rate risk. A comprehensive discussion of risk factors is included in the Company's annual report on Form 20-F for the year ended December 31, 2017, which is available on [EDGAR at www.sec.gov](http://www.sec.gov).

Price Risk

Price risk is the risk that the fair value of an investment measured at FVTPL will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk). The Company is subject to price risk through its public equity investments.

The Company's private market investments are also subject to price risk as they are impacted by many general and specific market variables.

A 10% increase/decrease in the investments held by the Company would result in an approximate an unrealized gain/loss in the amount of approximately \$1.2 million.

12. Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these consolidated financial statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings. The Board of Directors approves the consolidated financial statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

13. Cautionary Statement on Forward-Looking Information

Except for statements of historical fact, this MD&A contains certain "forward looking information" and "forward looking statements" within the meaning of applicable securities laws, which reflect management's current expectations, assumptions, and beliefs of the Company as of the date of such information or statements. Generally, forward looking statements and information can be identified by the use of forward looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof.

All such forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. These statements are, however, subject to known and unknown risks and uncertainties and other factors. As a result, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These risks, uncertainties and other factors include, among others: but are not limited to, statements with respect to: the Company's future growth, results of operations, performance and business prospects, opportunities, the Company's investment strategy, investment process, and competitive advantage, growth expectation and opportunities, the availability of future acquisition opportunities and use of the proceeds from financing. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that statements containing forward looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on statements containing forward looking information. All the forward-looking information and statements contained in this document are expressly qualified, in their entirety, by this cautionary statement. The various risks to which we are exposed are described in additional detail under the section entitled "*Item 3: Key Information – D. Risk Factors*" in the Company's annual report on Form 20-F available on SEDAR at www.sedar.com. The forward-looking information and statements are made as of the date of this document, and we assume no obligation to update or revise them except as required pursuant to applicable securities laws.