

**Minco Capital Corporation**  
**(Formerly Minco Gold Corporation)**

Interim Financial Statements

**For the three months ended March 31, 2019 and 2018**

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

## **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 Capital 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 Capital 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  
May 22, 2019

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# Minco Capital Corporation (formerly Minco Gold Corporation)

## Condensed Interim Statements of Financial Position

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

|   | March 31,<br>2019 | December 31,<br>2018 |
|---|-------------------|----------------------|
| <b>Assets</b>                                     | <b>\$</b>         | <b>\$</b>            |
| <b>Current assets</b>                             |                   |                      |
| Cash and cash equivalents (note 4)                | 2,195,657         | 1,682,147            |
| Short-term investment (note 5)                    | 20,000            | 20,000               |
| Investments at fair value (note 6)                | 9,872,503         | 9,774,246            |
| Receivables                                       | 15,879            | 66,921               |
| Due from related parties (note 8)                 | 66,702            | 1,349                |
| Prepaid expenses and deposits                     | 66,023            | 90,211               |
|   | <hr/> 12,236,764  | <hr/> 11,634,874     |
| <b>Non-current assets</b>                         |                   |                      |
| Long-term deposit                                 | 8,765             | 26,295               |
| Property and equipment                            | 34,435            | 37,213               |
| Right-of-use assets                               | 156,611           | -                    |
| <b>Total assets</b>                               | <hr/> 12,436,575  | <hr/> 11,698,382     |
| <b>Liabilities</b>                                |                   |                      |
| <b>Current liabilities</b>                        |                   |                      |
| Accounts payable and accrued liabilities          | 55,145            | 72,621               |
| Lease obligation, current                         | 40,952            | -                    |
|   | <hr/> 96,097      | <hr/> 72,621         |
| Lease obligation, non-current                     | 124,568           | -                    |
|   | <hr/> 220,665     | <hr/> 72,621         |
| <b>Shareholders' Equity</b>                       |                   |                      |
| Share capital (note 7)                            | 41,971,499        | 41,976,886           |
| Contributed surplus                               | 10,141,920        | 10,097,345           |
| Deficits  | (39,897,509)      | (40,448,470)         |
|   | <hr/> 12,215,910  | <hr/> 11,625,761     |
| <b>Total liabilities and shareholders' equity</b> | <hr/> 12,436,575  | <hr/> 11,698,382     |

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 Capital Corporation (formerly Minco Gold Corporation)

## Condensed Interim Statements of Loss and Comprehensive Loss

### For the three months ended March 31, 2019, and 2018

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

|   | Three months ended March 31, |                    |
|---|------------------------------|--------------------|
|   | 2019                         | 2018               |
|   | \$                           | \$                 |
| <b>Dividend, fund distribution, and interest income</b>                 | 25,476                       | 19,800             |
| <b>Realized gain from investment (note 6)</b>                           | 108,977                      | 19,840             |
| <b>Net unrealized gain from investments (note 6)</b>                    | 669,087                      | (2,510,489)        |
|   | <u>803,540</u>               | <u>(2,470,849)</u> |
| <b>Operating expenses</b>   |                              |                    |
| Accounting and audit  | 5,102                        | 14,334             |
| Amortization  | 12,366                       | 757                |
| Consulting  | 17,514                       | 17,161             |
| Directors' fees   | 16,000                       | 17,500             |
| Investor relations  | 5,394                        | 8,975              |
| Interest accredited   | 4,594                        | -                  |
| Legal and regulatory  | 17,508                       | 15,700             |
| Office and administration   | 17,080                       | 33,136             |
| Property and investment evaluation                                      | 21,181                       | 16,688             |
| Salaries and benefits   | 66,978                       | 74,255             |
| Share-based compensation (note 7)                                       | 44,575                       | 128,968            |
| Travel  | 2,795                        | 11,799             |
| Total operating expenses  | <u>231,087</u>               | <u>339,273</u>     |
| <b>Operating income (loss)</b>  | 572,453                      | (2,810,122)        |
| Foreign exchange gain (loss)  | (15,421)                     | 87,099             |
| <b>Net income (loss) and comprehensive income (loss) for the period</b> | <u>557,032</u>               | <u>(2,723,023)</u> |
| <b>Earnings (loss) per share</b>  |                              |                    |
| Basic and diluted   | 0.01                         | (0.05)             |
| <b>Weighted average number of common shares outstanding</b>             |                              |                    |
| Basic and diluted   | 50,688,381                   | 50,733,381         |

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

**Minco Capital Corporation** (formerly Minco Gold Corporation)  
Condensed Interim Statements of Changes in Shareholders' Equity  
**For the three months ended March 31, 2019, and 2018**

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

|   | Number of<br>shares | Share<br>capital | Contributed<br>surplus | Deficits     | Subtotal    |
|---|---------------------|------------------|------------------------|--------------|-------------|
|   |                     | \$               | \$                     | \$           | \$          |
| <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                       |                     |                  |                        | (2,723,023)  | (2,723,023) |
| Share-based compensation                      | -                   | -                | 128,968                | -            | 128,968     |
| <b>Balance - March 31, 2018</b>               | 50,733,381          | 41,976,886       | 9,759,873              | (36,772,545) | 14,964,214  |
| <b>Balance – December 31, 2018</b>            | 50,733,381          | 41,976,886       | 10,097,345             | (40,448,470) | 11,625,761  |
| Impact of adopting IFRS 16 on January 1, 2019 |                     |                  |                        | (6,071)      | (6,071)     |
| Balance – January 1, 2019                     | 50,733,381          | 41,976,886       | 10,097,345             | (40,454,541) | 11,619,690  |
| Net income for the period                     | -                   | -                | -                      | 557,032      | 557,032     |
| Share repurchased for cancellation            | (45,000)            | (5,387)          | -                      | -            | (5,387)     |
| Share-based compensation                      | -                   | -                | 44,575                 | -            | 44,575      |
| <b>Balance - March 31, 2019</b>               | 50,688,381          | 41,971,499       | 10,141,920             | (39,897,509) | 12,215,910  |

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

# Minco Capital Corporation (formerly Minco Gold Corporation)

## Condensed Interim Statements of Cash Flow

### For the three months ended March 31, 2019, and 2018

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

|   | Three months ended March 31, |                  |
|---|------------------------------|------------------|
|   | 2019                         | 2018             |
| Cash flow provided by (used in)                                     | \$                           | \$               |
| <b>Operating activities</b>   |                              |                  |
| Net income (loss) for the period                                    | 557,032                      | (2,723,023)      |
| Items not affecting cash and cash equivalent:                       |                              |                  |
| Amortization  | 12,366                       | 757              |
| Foreign exchange loss (gain)  | 15,421                       | (87,099)         |
| Interest accredited   | 4,594                        | -                |
| Net unrealized loss (gain) from investments                         | (669,087)                    | 2,510,489        |
| Realized gain from investments                                      | (108,978)                    | (19,840)         |
| Share-based compensation  | 44,575                       | 128,968          |
| Purchase of short-term investment                                   | -                            | (384,821)        |
| Redemption of short-term investment                                 | -                            | 251,455          |
| Purchase of investments   | (186,015)                    | (1,071,448)      |
| Disposition of investments  | 865,822                      | 569,256          |
| Changes in items of working capital:                                |                              |                  |
| Accounts payable and accrued liabilities                            | (17,475)                     | (71,049)         |
| Due from (to) related parties                                       | (47,823)                     | (35,537)         |
| Prepaid expenses and deposits                                       | 24,188                       | 17,176           |
| Receivables   | 51,042                       | (10,468)         |
| <b>Net cash generated from (used in) operating activities</b>       | <b>545,662</b>               | <b>(925,184)</b> |
| <b>Financing activities</b>   |                              |                  |
| Purchase of shares for cancellation                                 | (5,387)                      | -                |
| Repayment of lease obligation                                       | (11,344)                     | -                |
| <b>Net cash used in financing activities</b>                        | <b>(16,731)</b>              | <b>-</b>         |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | <b>(15,421)</b>              | <b>87,099</b>    |
| Increase (decrease) in cash and cash equivalents                    | 513,510                      | (838,085)        |
| <b>Cash and cash equivalents- Beginning of period</b>               | <b>1,682,147</b>             | <b>3,642,328</b> |
| <b>Cash and cash equivalents- End of period</b>                     | <b>2,195,657</b>             | <b>2,804,243</b> |

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

# Minco Capital Corporation (formerly Minco Gold Corporation)

## Condensed Interim Statements of Cash Flow

### For the three months ended March 31, 2019, and 2018

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

#### 1. General information

Minco Capital Corp., formerly Minco Gold Corporation, (“Minco Capital” or the “Company”) is an investment Company whose objective is to generate income and achieve long term capital appreciation by investing in public and private companies and assets.

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 Capital Corp on February 25, 2019. 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 October 16, 2018 the Company announced its intention 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"). Form 15 was filed with the SEC on October 19th, 2018, which immediately suspended the Company’s reporting requirements under the Exchange Act. Termination became effective 90 days after the date of filing. The Company’s common shares continue to trade on the TSX Venture Exchange and the OTCQX Market: MGHCF.

#### 2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements were approved by the board of directors for issue on May 22, 2019.

The accounting policies applied in these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the recent year ended December 31, 2018 except the adoption of IFRS 16-Leases. Details are as follows:

IFRS 16, "Leases" ("**IFRS 16**"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees, thereby removing the distinction between operating and finance leases. IFRS 16 requires a lessee to recognize an asset (right-to-use the leased item) and a financial liability to pay rentals on the consolidated balance sheets with terms of more than 12-months, unless the underlying asset is of low value.

The Company adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparative information, as permitted under the specific transitional provisions in the standard in accordance with the modified retrospective approach for adoption. The reclassifications and the adjustments arising from the new leasing standard are therefore recognized in the opening balance sheet on January 1, 2019.



# Minco Capital Corporation (formerly Minco Gold Corporation)

## Condensed Interim Statements of Cash Flow

### For the three months ended March 31, 2019, and 2018

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

#### 2. Basis of preparation (continued)

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard: [i] The transition application practical expedient allowing the standard to only be applied to contracts that were previously identified as leases applying IAS 17, [ii] the transition application practical expedient to elect to not apply IFRS 16 to leases that expired within 12 months following the adoption date of January 1, 2019; [iii] the recognition exemption to not apply IFRS 16 to lease contracts for which the underlying asset is of low value, and [iv] the recognition exemption to not apply IFRS 16 to lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17, “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8.00%.

|   |    |         |
|---|----|---------|
| Operating lease commitments as at December 31, 2018   | \$ | 205,594 |
| Lease liability recognized as at January 1, 2019 being the operating lease commitments discounted using the Company's incremental borrowing rate on January 1, 2019 |    | 172,270 |
| Lease obligation, current   |    | 40,952  |
| Lease obligation, non-current   |    | 131,318 |
| Total   | \$ | 172,270 |

The associated right-of-use assets for all leases were measured on a retrospective basis as if the new rules had always been applied. As at March 31, 2019, the Company’s recognized right-of-use assets was comprised of a shared office lease in Vancouver, Canada.

The change in accounting policy affected the following items in the consolidated balance sheet on January 1, 2019:

|  |          |
|--|----------|
|  | Increase |
|  | \$       |
| Right-of-use-asset                         | 166,199  |
| Lease obligation (current and non-current) | 172,270  |
| Deficit                                    | 6,071    |
| Continuity is as follow:                   |          |
| Right-of-use assets, January 1, 2019       | 166,199  |
| Amortization                               | (9,588)  |
| Right-of-use assets, March 31, 2019        | 156,611  |

|                                   | Non-current | Current | Total    |
|-----------------------------------|-------------|---------|----------|
|                                   | \$          | \$      | \$       |
| Lease obligation, January 1, 2019 | 131,318     | 40,952  | 172,270  |
| Interest accredited               | 4,594       | -       | 4,594    |
| Lease payment made                | (11,344)    | -       | (11,344) |
| Lease obligation, March 31, 2019  | 124,568     | 40,952  | 165,520  |

# Minco Capital Corporation (formerly Minco Gold Corporation)

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2019, and 2018

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

#### 4. Cash and cash equivalents

As at March 31, 2019, the Company had cash on hand of \$2,195,657 (December 31, 2018 - \$1,682,147) and did not hold any cash equivalents on March 31, 2019 and December 31, 2018.

#### 5. Short-term investment

As at March 31, 2019, short-term investments consist of \$20,000 (December 31, 2018 - \$20,000) cashable guaranteed investment certificates. The yields on this investments are is 0.9% per annum (2018 - 0.9%).

#### 6. Investments at FVTPL

The Company has the following investments as at March 31, 2019:

|  | 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                  | 5,280,000        |
| -Hudson Resources Inc.   | 2,142,857                   | 857,143          |
| -Equinox Gold Corp.  | 324,600                     | 405,750          |
| -RoxGold Inc.  | 406,800                     | 374,256          |
| -Continental Gold Inc.   | 120,025                     | 346,872          |
| -Amerigo Resources   | 209,000                     | 229,900          |
| -Amarillo Gold   | 715,000                     | 193,050          |
| -Cobalt 27 Capital   | 35,000                      | 148,050          |
| - Global X Lithium & Battery ETF   | 3,500                       | 132,268          |
| -Neo Performance Materials Inc.  | 11,000                      | 129,360          |
| <b>Other resource companies and funds</b>                                  | various                     | 479,159          |
| <b>Equities of public dividend-paying non-resource companies and funds</b> | various                     | 442,550          |
| <b>Equities of a private company (EI Olivar Imperial)</b>                  |                             | 534,145          |
| <b>Debentures:</b>   |                             |                  |
| -Convertible debenture:IBC Advanced Alloys 8.25%                           | 100                         | 99,000           |
| <b>Subtotal</b>  |                             | <b>9,651,503</b> |
| <b>Warrants</b>  | Number held                 | \$               |
| - Almaden Minerals Ltd.  | 50,000                      | 9,000            |
| - Amarillo Gold  | 357,500                     | 41,000           |
| - EI Olivar  | 600,000                     | -                |
| - IBC Advanced Alloys  | 230,000                     | 47,000           |
| - Mexican Gold   | 335,000                     | 21,000           |
| - Hudson Resources Inc.  | 1,071,428                   | 103,000          |
| <b>Subtotal</b>  |                             | <b>221,000</b>   |
| <b>Total investments</b>   |                             | <b>9,872,503</b> |

# Minco Capital Corporation (formerly Minco Gold Corporation)

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2019, and 2018

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

#### 6. Investments at FVTPL (continued)

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

|                                      | December<br>31, 2018 | Additions      | Dispositions     | Realized<br>Gains | Unrealized<br>gain (losses) | March 31,<br>2019 |
|--------------------------------------|----------------------|----------------|------------------|-------------------|-----------------------------|-------------------|
| Investment in public entities:       |                      |                |                  |                   |                             |                   |
| - Shares and partnership units (i)   | 8,760,539            | 186,015        | (865,822)        | 108,977           | 700,214                     | 8,889,923         |
| - Share purchase warrants (ii)       | 246,330              |                |                  |                   | (25,330)                    | 221,000           |
| Investment in EI Olivar Imperial     |                      |                |                  |                   |                             |                   |
| - Shares and warrants (iii)          | 545,293              | -              | -                | -                 | (11,148)                    | 534,145           |
| Investment in other                  |                      |                |                  |                   |                             |                   |
| - Platinum                           | 123,084              | -              | -                | -                 | 5,351                       | 128,435           |
| Investment in convertible debenture: |                      |                |                  |                   |                             |                   |
| - IBC Advanced Alloys Corp.          | 99,000               | -              | -                | -                 | -                           | 99,000            |
| <b>Total</b>                         | <b>9,774,246</b>     | <b>186,015</b> | <b>(865,822)</b> | <b>108,977</b>    | <b>669,087</b>              | <b>9,872,503</b>  |

During the three months ended March 31, 2019, the Company acquired common shares of public companies for a total cost of \$186,015. The Company disposed of common shares of public companies for proceeds of \$865,822 and a realized gain of \$108,977.

(i) On March 31, 2019, 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, 2018 : 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. The Company received written notification of the warrant exercise from EI Olivar on February 28, 2019; the Company elected not to exercise the warrants.

As part of the consideration for the investment in El Olivar, Minco Capital 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. Due to delays in permitting and project construction, no dividends have been paid. The Company has not accrued the dividend receivable (US\$36,000) given EI Olivar has not started its operations and the timing and structure of the initial dividend payment is uncertain. As of the date of this report, El Olivar had received the permits to commence construction on the processing plant for the project. El Olivar also reported that it had successfully exercised the majority of the EO Warrants to complete construction.

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

# Minco Capital Corporation (formerly Minco Gold Corporation)

Notes to the Condensed Interim Financial Statements

**For the three months ended March 31, 2019, and 2018**

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

## 6. Investments at FVTPL (continued)

The cost of the investment in EI Olivar was USD\$400,000, which approximated its fair value as at December 31, 2018 and March 31, 2019. In spite of the delays, EI Olivar continues to develop in accordance with its business plan. The carrying value has changed due only to the appreciation of the U.S. Dollar against the Canadian Dollar during three months ended March 31, 2019.

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

|   | Three months ended March 31, |             |
|---|------------------------------|-------------|
|   | 2019                         | 2018        |
|   | \$                           | \$          |
| Net realized gain on investments                          | 61,172                       | 64,500      |
| Previously recorded unrealized gain (loss) on investments | 47,805                       | (44,660)    |
| Realized gain   | 108,977                      | 19,840      |
| Change in unrealized gain (loss) on investments           | 669,087                      | (2,510,489) |
| Net gain (loss) from investments                          | 778,064                      | (2,490,649) |

## 7. Share capital

### a. Common shares and contributed surplus

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

During three months ended March 31, 2019, the Company commenced a normal course issuer bid ("NCIB") to purchase the common shares of the Company for cancellation, during the 12-month period starting February 1, 2019, up to 2,538,244 or 5% of the current issued and outstanding common shares of the Company. The program will end on January 31, 2020 unless the maximum amount of common shares is purchased before then or the Company provides earlier notice of termination.

As at March 31, 2019, the Company has acquired 45,000 common shares of the Company for a total cost of \$5,387 at an average price of \$0.12 per share.

### Stock options

The Company has implemented a fixed stock option plan whereby it has reserved 10,152,976 shares for issuance. The Company's board of directors may grant such options to its directors, officers, employees and consultants 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.

During three months ended March 31, 2019, no options were granted.

# Minco Capital Corporation (formerly Minco Gold Corporation)

Notes to the Condensed Interim Financial Statements

**For the three months ended March 31, 2019, and 2018**

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

## 7. Share capital (Continued)

A continuity of options is as follow:

|                            | Number outstanding | Weighted average<br>exercise price<br>\$ |
|----------------------------|--------------------|--|
| January 1, 2018            | 5,378,334          | 0.28                                     |
| Granted                    | 3,580,000          | 0.17                                     |
| Forfeited                  | (95,000)           | 0.23                                     |
| Expired                    | (1,090,000)        | 0.46                                     |
| Balance, December 31, 2018 | <u>7,773,334</u>   | <u>0.21</u>                              |
| Expired                    | (845,000)          | 0.26                                     |
| Balance, March 31, 2019    | <u>6,928,334</u>   | <u>0.20</u>                              |

The Company charged \$44,575 and \$128,968 share-based compensation for the three months ended March 31, 2019 and 2018, respectively. As at March 31, 2019, there was \$30,865 (2018 - \$337,866) 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                          | 3,560,000             | 3.84  | 0.17   | 2,373,332                  | 0.17   |
| 0.20 – 0.24                          | 475,000               | 3.16  | 0.19   | 475,000                    | 0.19   |
| 0.25 – 0.26                          | 2,893,334             | 2.41  | 0.24   | 2,893,334                  | 0.24   |
|                                      | <u>6,928,334</u>      | <u>3.20</u>   | <u>0.20</u>                                    | <u>5,741,666</u>           | <u>0.21</u>                                    |

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

|                          | <b>2019</b> | <b>2018</b> |
|--------------------------|-------------|-------------|
| Risk-free interest rate  | 2.07%       | 2.07%       |
| Dividend yield           | 0%          | 0%          |
| Volatility               | 97%         | 97%         |
| Forfeiture rate          | 18%         | 18%         |
| Estimated expected lives | 5 years     | 5 years     |

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.

# Minco Capital Corporation (formerly Minco Gold Corporation)

Notes to the Condensed Interim Financial Statements

**For the three months ended March 31, 2019, and 2018**

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

## 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

The Company, Minco Silver, and Minco Base Metals Corporation ("MBM") have common directors and management. All three companies shared office rental and other administration expenditures.

### Due from related parties

As at March 31, 2019, the Company had the following amounts due from related parties:

- \$3,763 due from Minco Silver (December 31, 2018 – \$1,054 due to Minco Silver ), in relation to shared office expenses reimbursement.
- \$62,939 due from MBM (December 31, 2018 - \$2,403), 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 compensation

Key management includes the Company's directors and senior management. This compensation is included in exploration costs and administrative expenses.

For the three month ended March 31, 2019 and 2018, compensation to key management are as follows:

| <b>Three months ended March 31,</b> | <b>2019</b>    | <b>2018</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>\$</b>      | <b>\$</b>      |
| Cash remuneration                   | 83,779         | 83,548         |
| Share-based compensation            | 39,782         | 114,722        |
| Total                               | <u>123,561</u> | <u>198,270</u> |

# Minco Capital Corporation (formerly Minco Gold Corporation)

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**For the three months ended March 31, 2019, and 2018**

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## 9. Financial instruments and fair value measurements

The following table summarizes the carrying value of financial assets and liabilities at March 31, 2019 and December 31, 2018:

|   | March 31,<br>2019<br>\$ | December 31,<br>2018<br>\$ |
|---|-------------------------|----------------------------|
| <b>Fair value through profit and loss :</b> |                         |                            |
| Investments at fair value                   | 9,872,503               | 9,774,246                  |
| <b>Amortized cost</b>                       |                         |                            |
| Cash  | 2,195,657               | 1,682,147                  |
| Short-term investment                       | 20,000                  | 20,000                     |
| Receivables                                 | 15,879                  | 66,921                     |
| Due from related parties                    | 66,702                  | 1,349                      |
| Accounts payables and accrued liabilities   | 55,145                  | 72,621                     |

As at March 31, 2019 and December 31, 2018, financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, short-term investment, receivables, due from related parties, account payable and accrued liabilities. The fair values of these financial instruments approximate the 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).

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

| March 31, 2019             | Level 1   | Level 2 | Level 3 |
|----------------------------|-----------|---------|---------|
|                            | \$        | \$      | \$      |
| Investments at fair value, | 9,018,358 | 320,000 | 534,145 |

Fair value of investments classified as level 2 are reconciled as follows:

|                          | December 31,<br>2018<br>\$ | Additions/<br>disposition<br>\$ | March 31,<br>2019<br>\$ | Unrealized<br>gain (loss)<br>recognized in<br>profit or loss<br>\$ |
|--------------------------|----------------------------|---------------------------------|-------------------------|--|
| Share purchase warrants: | 246,330                    | -                               | 221,000                 | (25,330)   |

# **Minco Capital Corporation (formerly Minco Gold Corporation)**

Notes to the Condensed Interim Financial Statements

**For the three months ended March 31, 2019, and 2018**

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

## **9. Financial instruments and fair value measurements (Continued)**

The fair value of US\$400,000 (\$534,145) for the Company's investment in EI Olivar on March 31, 2019 was unchanged from December 2018 (US\$400,000 or \$545,293). The fair value of this investment on March 31, 2019 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 the Canadian dollar, a change in the price of gold, and the completion of construction and operation of the processing plant will impact the fair value of this investment. The project is fully permitted and construction is underway.

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

## **10. Subsequent events.**

Subsequent to the period ended March 31, 2019:

1. The Company acquired shares from the open market for net cost of \$Nil and disposed of shares in the open market for net proceeds of \$223,210
2. The Company acquired 155,000 of its own shares (200,000 common shares since inception) under the NCIB program for a total cost of \$18,202.50 at an average cost of \$0.12 per share.