

# **Minco Capital Corporation**

Condensed Interim Financial Statements

**For the three months ended March 31, 2020**

(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

Melinda Hsu, CPA, CGA  
Chief Financial Officer

Vancouver, Canada  
April 29, 2020

# Minco Capital Corporation

## Condensed Interim Statements of Financial Position

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

|   | March 31,<br>2020 | December 31,<br>2019 |
|---|-------------------|----------------------|
| <b>Assets</b>                                     | \$                | \$                   |
| <b>Current assets</b>                             |                   |                      |
| Cash and cash equivalents (note 3)                | 3,291,477         | 2,899,097            |
| Short-term investment (note 4)                    | 20,000            | 20,000               |
| Investments at fair value (note 5)                | 5,873,335         | 10,156,292           |
| Receivables                                       | 4,065             | 2,106                |
| Due from related parties (note 8)                 | 91,765            | 48,336               |
| Prepaid expenses and deposits                     | 58,670            | 52,484               |
|   | 9,339,312         | 13,178,315           |
| <b>Non-current assets</b>                         |                   |                      |
| Long-term deposit                                 | 8,765             | 8,765                |
| Property and equipment                            | 25,660            | 27,801               |
| Right-of-use assets (note 6)                      | 91,955            | 118,568              |
| <b>Total assets</b>                               | <b>9,465,692</b>  | <b>13,333,449</b>    |
| <b>Liabilities</b>                                |                   |                      |
| <b>Current liabilities</b>                        |                   |                      |
| Accounts payable and accrued liabilities          | 41,625            | 39,833               |
| Due to related party (note 8)                     | 6,721             | -                    |
| Lease obligation, current (note 6)                | 30,548            | 38,234               |
|   | 78,894            | 78,067               |
| Lease obligation, non-current (note 6)            | 74,243            | 92,832               |
|   | 153,137           | 170,899              |
| <b>Shareholders' Equity</b>                       |                   |                      |
| Share capital (note 7)                            | 39,777,711        | 40,412,683           |
| Contributed surplus                               | 10,182,186        | 10,182,186           |
| Deficits  | (40,647,342)      | (37,432,319)         |
|   | 9,312,555         | 13,162,550           |
| <b>Total liabilities and shareholders' equity</b> | <b>9,465,692</b>  | <b>13,333,449</b>    |

Approved by the Board of Directors

(signed) Malcolm Clay Director

(signed) Mike Doggett Director

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

# Minco Capital Corporation

## Condensed Interim Statements of Loss and Comprehensive Loss

### For the three months ended March 31, 2020, and 2019

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

|   | Three months ended March 31, |            |
|---|------------------------------|------------|
|   | 2020                         | 2019       |
|   | \$                           | \$         |
| <b>Dividend, fund distribution, and interest income</b>                     | 20,221                       | 25,476     |
| <b>Realized gain from investments (note 5)</b>                              | 11,903                       | 108,977    |
| <b>Net unrealized (loss) / gain from investments (note 5)</b>               | (3,762,781)                  | 669,087    |
|   | (3,730,657)                  | 803,540    |
| <b>Operating expenses</b>   |                              |            |
| Accounting and audit  | 7,032                        | 5,102      |
| Amortization  | 9,597                        | 12,366     |
| Consulting  | 23,569                       | 17,514     |
| Directors' fees (note 8)  | 10,667                       | 16,000     |
| Investor relations  | 632                          | 5,394      |
| Interest accreted   | 2,129                        | 4,594      |
| Legal and regulatory  | 17,311                       | 17,508     |
| Office and administration   | 9,004                        | 17,080     |
| Property and investment evaluation  | 20,720                       | 21,181     |
| Salaries and benefits   | 69,526                       | 66,978     |
| Share-based compensation (note 7)   | -                            | 44,575     |
| Travel  | 2,212                        | 2,795      |
| Total operating expenses  | 172,399                      | 231,087    |
| <b>Operating (loss) / income</b>  | (3,903,056)                  | 572,453    |
| Foreign exchange gain (loss)  | 116,544                      | (15,421)   |
| <b>Net (loss) / income and comprehensive (loss) / income for the period</b> | (3,786,512)                  | 557,032    |
| <b>Net (loss) / income per share</b>  |                              |            |
| Basic and diluted   | (0.08)                       | 0.01       |
| <b>Weighted average number of common shares outstanding</b>                 |                              |            |
| Basic and diluted   | 49,056,969                   | 50,688,381 |

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

# Minco Capital Corporation

## Condensed Interim Statements of Changes in Shareholders' Equity

### For the three months ended March 31, 2020, and 2019

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

|   | Number of<br>shares | Treasury<br>shares | Share<br>capital | Contributed<br>surplus | Deficits     | Subtotal    |
|---|---------------------|--------------------|------------------|------------------------|--------------|-------------|
|   |                     | \$                 | \$               | \$                     | \$           | \$          |
| <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 | -                   | -                  | -                | -                      | (5,948)      | (5,948)     |
| <b>Balance – January 1, 2019</b>              | 50,733,381          | -                  | 41,976,886       | 10,097,345             | (40,454,418) | 11,619,813  |
| Impact of adopting IFRS 16                    | -                   | -                  | -                | -                      | (123)        | (123)       |
| Net income for the period                     | -                   | -                  | -                | -                      | 557,032      | 557,032     |
| Shares cancelled (note 7)                     | (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  |
| <b>Balance - January 1, 2020</b>              | 48,842,881          | 1,182,000          | 40,412,683       | 10,182,186             | (37,432,319) | 13,162,550  |
| Net loss for the period                       | -                   | -                  | -                | -                      | (3,786,512)  | (3,786,512) |
| Shares cancelled (note 7)                     | (286,000)           | (1,182,000)        | (231,046)        | -                      | 207,946      | (23,100)    |
| Treasury shares (note 7)                      | (500,000)           | 500,000            | (403,926)        | -                      | 363,543      | (40,383)    |
| <b>Balance - March 31, 2020</b>               | 48,056,881          | 500,000            | 39,777,711       | 10,182,186             | (40,647,342) | 9,312,555   |

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

**Minco Capital Corporation**  
**Condensed Interim Statements of Cash Flow**  
**For the three months ended March 31, 2020, and 2019**

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

|  | <b>Three months ended March 31,</b> |                  |
|--|-------------------------------------|------------------|
|  | <b>2020</b>                         | <b>2019</b>      |
| Cash flow provided by (used in)  | \$                                  | \$               |
| <b>Operating activities</b>  |                                     |                  |
| Net (loss) / income for the period   | (3,786,512)                         | 557,032          |
| Items not affecting cash and cash equivalent:                                    |                                     |                  |
| Amortization   | 9,597                               | 12,366           |
| Foreign exchange (gain) / loss   | (116,544)                           | 15,421           |
| Interest accreted  | 2,129                               | 4,594            |
| Net unrealized loss (gain) from investments                                      | 3,762,781                           | (669,087)        |
| Realized gain from investments   | (11,903)                            | (108,978)        |
| Share-based compensation   | -                                   | 44,575           |
| Purchase of investments  | (134,972)                           | (186,015)        |
| Disposition of investments   | 667,051                             | 865,822          |
| Changes in items of working capital:   |                                     |                  |
| Accounts payable and accrued liabilities   | 1,792                               | (17,475)         |
| Due from (to) related parties  | (36,708)                            | (47,823)         |
| Prepaid expenses and deposits  | (6,186)                             | 24,188           |
| Receivables  | (1,959)                             | 51,042           |
| <b>Net cash generated from operating activities</b>                              | <b>348,566</b>                      | <b>545,662</b>   |
| <b>Financing activities</b>  |                                     |                  |
| Purchase of shares for cancellation  | (63,483)                            | (5,387)          |
| Repayment of lease obligation  | (9,247)                             | (11,344)         |
| <b>Net cash used in financing activities</b>                                     | <b>(72,730)</b>                     | <b>(16,731)</b>  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>              | <b>116,544</b>                      | <b>(15,421)</b>  |
| Increase in cash and cash equivalents  | 392,380                             | 513,510          |
| <b>Cash and cash equivalents - Beginning of period</b>                           | <b>2,899,097</b>                    | <b>1,682,147</b> |
| <b>Cash and cash equivalents - End of period</b>                                 | <b>3,291,477</b>                    | <b>2,195,657</b> |
| <b>Cash and cash equivalents consist of the following:</b>                       |                                     |                  |
| Cash   | 37,212                              | 3,337            |
| Cash equivalents   | 3,254,265                           | 2,192,320        |
|  | <b>3,291,477</b>                    | <b>2,195,657</b> |
| <b>Supplemental information:</b>   |                                     |                  |
| Foreign exchange gain (loss) included in unrealized losses from investment       | 22,769                              | (5,921)          |
| Non-cash share capital adjustment related to purchase of shares for cancellation | 571,489                             | -                |

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

# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

#### 1. Nature of operations

Minco Capital Corp. (“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 (“OTCQB”) 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 19, 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-V and the OTCQB.

Since February 2020, the coronavirus (“COVID-19”) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company’s investments. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact, the Company’s investment value declined \$3,762,781 during the three months ended March 31, 2020. Should the stock prices remain at or below currently prevailing levels for an extended period, this could have a further significant adverse impact on the Company’s financial position and results of operations for future periods.

#### 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, 2019, 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 April 29, 2020.

The condensed interim financial statements have been prepared under the historical cost convention, except for financial instruments carried at fair value through profit or loss (“FVTPL”).

# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

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

In preparing these condensed interim financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values.

The Company's accounting policies and significant judgements and estimates applied in these condensed interim financial statements are consistent with those of the annual financial statements for the year ended December 31, 2019.

#### 3. Cash and cash equivalents

As at March 31, 2020, the Company had cash on hand of \$37,212 (December 31, 2019 - \$48,995) and cash equivalents of \$ 3,254,265 (December 31, 2019 - \$2,850,102).

#### 4. Short-term investment

As at March 31, 2020, short-term investments consist of \$20,000 (December 31, 2019 - \$20,000) cashable guaranteed investment certificates. The yields on this investments are 1.45% per annum (2019 - 1.45%).

#### 5. Investments at fair value

The Company has the following investments as at March 31, 2020:

|   | 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                  | 4,895,000        |
| -Labrador Iron Ore Royalty                                | 10,000                      | 168,100          |
| -Hudson Resources Inc.                                    | 2,142,857                   | 139,286          |
| -Global X Lithium & Battery ETF                           | 3,500                       | 108,148          |
| -Amarillo Gold  | 715,000                     | 85,800           |
| -Neo Performance Materials Inc.                           | 11,000                      | 67,430           |
| -Amerigo Resources  | 309,000                     | 47,895           |
| -Almaden Minerals Ltd.                                    | 100,000                     | 39,184           |
| -Sherritt International Corp.                             | 250,000                     | 26,250           |
| -Mexican Gold Mining Corp.                                | 335,000                     | 16,750           |
| <b>Others</b>   | various                     | 38,070           |
| <b>Equities of a private company (EL Olivar Imperial)</b> | 400,000                     | -                |
| <b>Debentures:</b>  |                             |                  |
| -Convertible debenture: IBC Advanced Alloys 8.25%         | 100,000                     | 83,063           |
| <b>Trust units</b>  |                             |                  |
| -Sprott physical platinum palladium                       | 6,050                       | 132,609          |
| <b>Equity, total</b>                                      |                             | <b>5,847,585</b> |
| <b>Share warrants, various</b>                            |                             | <b>25,750</b>    |
| <b>Total</b>  |                             | <b>5,873,335</b> |



# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

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

The Company has the following investments as at December 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 Corporation                                 | 11,000,000                  | 7,810,000         |
| -Hudson Resources Inc.                                    | 2,142,857                   | 471,429           |
| -Continental Gold Inc.                                    | 70,025                      | 374,632           |
| -Labrador Iron Ore Royalty                                | 10,000                      | 246,200           |
| -Amerigo Resources  | 309,000                     | 182,310           |
| -Amarillo Gold  | 715,000                     | 150,150           |
| -Aberdeen Stand Phy Platinum                              | 1,200                       | 141,829           |
| -Neo Performance Materials Inc.                           | 11,000                      | 135,850           |
| -Global X Lithium & Battery ETF                           | 3,500                       | 124,378           |
| -Almaden Minerals Ltd.                                    | 100,000                     | 76,688            |
| <b>Others</b>   | various                     | 293,889           |
| <b>Equities of a private company (EL Olivar Imperial)</b> | 400,000                     | -                 |
| <b>Debentures:</b>  |                             |                   |
| -Convertible debenture: IBC Advanced Alloys 8.25%         | 100,000                     | 95,137            |
| <b>Equity, total</b>                                      |                             | <b>10,102,492</b> |
| <b>Share warrants, various</b>                            |                             | <b>53,800</b>     |
| <b>Total</b>  |                             | <b>10,156,292</b> |

The Continuity of the Company's investments during the three months ended March 31, 2020 is as follows:

|   | December 31,<br>2019 | Additions      | Proceeds<br>from<br>dispositions | Realized<br>Gains | Unrealized<br>losses (iv) | March 31,<br>2020 |
|---|----------------------|----------------|----------------------------------|-------------------|---------------------------|-------------------|
| Investment in public entities:          | \$                   | \$             | \$                               | \$                | \$                        | \$                |
| - Shares and partnership units (i)      | 9,865,526            | -              | (522,348)                        | 9,029             | (3,720,294)               | 5,631,913         |
| - Share purchase warrants (ii)          | 53,800               | -              | -                                | -                 | (28,050)                  | 25,750            |
| Investment in others: Platinum          | 141,829              | -              | (144,703)                        | 2,874             | -                         | -                 |
| Investment in trust units:              | -                    | 134,972        | -                                | -                 | (2,363)                   | 132,609           |
| Investment in convertible<br>debenture: |                      |                |                                  |                   |                           |                   |
| - IBC Advanced Alloys Corp.             | 95,137               | -              | -                                | -                 | (12,074)                  | 83,063            |
| <b>Total</b>                            | <b>10,156,292</b>    | <b>134,972</b> | <b>(667,051)</b>                 | <b>11,903</b>     | <b>(3,762,781)</b>        | <b>5,873,335</b>  |

# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

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

The Continuity of the Company's investments during the year ended December 31, 2019 is as follows:

|  | December<br>31, 2018 | Additions      | Proceeds<br>from<br>dispositions | Realized<br>Gains | Unrealized<br>gain (losses) | December<br>31, 2019 |
|--|----------------------|----------------|----------------------------------|-------------------|-----------------------------|----------------------|
| Investment in public entities:                   | \$                   | \$             | \$                               | \$                | \$                          | \$                   |
| - Shares and partnership units                   |                      |                |                                  |                   |                             |                      |
| (i)  | 8,760,539            | 641,466        | (2,688,275)                      | 691,458           | 2,460,338                   | 9,865,526            |
| - Share purchase warrants (ii)                   | 246,330              | -              | -                                | -                 | (192,530)                   | 53,800               |
| Investment in share -EL Olivar<br>Imperial (iii) | 545,293              | -              | -                                | -                 | (545,293)                   | -                    |
| Investment in others: Platinum                   | 123,084              | -              | -                                | -                 | 18,745                      | 141,829              |
| Investment in convertible<br>debenture:          |                      |                |                                  |                   |                             |                      |
| - IBC Advanced Alloys Corp.                      | 99,000               | -              | -                                | -                 | (3,863)                     | 95,137               |
| <b>Total</b>                                     | <b>9,774,246</b>     | <b>641,466</b> | <b>(2,688,275)</b>               | <b>691,458</b>    | <b>1,737,397</b>            | <b>10,156,292</b>    |

During the three months ended March 31, 2020, the Company acquired trust units of a public company for a total cost of \$134,972. The Company disposed of common shares of public companies for proceeds of \$667,051 and a realized gain of \$11,903.

(i) On March 31, 2020, 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, 2019 - 11,000,000 common shares or approximately 18% ownership).

(ii). 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 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 El Olivar that all permits necessary to build its mining facilities.

As part of the consideration for the investment in EL Olivar, Minco Capital was entitled to 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. However, due to delays in project construction, no dividends have been paid. The Company has not accrued the dividend receivable (US\$60,000) given that EL 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's project development activities had been suspended temporarily due to the on-going COVID-19 crisis.

# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

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

One director of the Company is also a director, an officer, and a significant shareholder of EL Olivar.

As at December 31, 2019, in accordance with Level 3 of the fair value hierarchy, the Company impaired its investment of US\$400,000 or \$545,293 in El Olivar due to the fact the El Olivar needs to raise significant money to complete the development of its project and the uncertainty of its ability to raise these funds in a timely manner.

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

|   | Three months ended March 31, |         |
|---|------------------------------|---------|
|   | 2020                         | 2019    |
|   | \$                           | \$      |
| Net realized gain on investments                        | 189,368                      | 61,172  |
| Reversal of unrealized (loss)/ gain previously recorded | (177,465)                    | 47,805  |
| Realized gain   | 11,903                       | 108,977 |
| Change in unrealized (loss) /gain on investments        | (3,762,781)                  | 669,087 |
| Net (loss)/gain from investments                        | (3,750,878)                  | 778,064 |

#### 6. Leases

The Company has a shared office lease in Vancouver, British Columbia with other companies related to it by virtue of certain directors and management in common. Such lease was classified as an operating lease under IAS 17 and the right-of-use assets and lease obligations were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 8%.

##### a) Right-of-use assets

During the three months ended March 31, 2020 and the year ended December 31, 2019, there were changes to the cost attributable to the Company, which is reflected in the table below as change to lease terms. The continuity of the right-of-use assets as at March 31, 2020 and December 31, 2019 is as follows:

|  | March 31, 2020 | December 31, 2019 |
|--|----------------|-------------------|
|  | \$             | \$                |
| Lease obligation recognized, beginning of period | 131,066        | 171,285           |
| Change to lease terms                            | (19,157)       | (11,199)          |
| Interest accretion                               | 2,129          | 12,807            |
| Lease payments                                   | (9,247)        | (41,827)          |
| Lease obligation, end of period                  | 104,791        | 131,066           |
| Current lease obligation                         | 30,548         | 38,234            |
| Non-current lease obligation                     | 74,243         | 92,832            |
| Lease obligation, end of period                  | 104,791        | 131,066           |

# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

#### 6. Leases (continued)

##### b) Lease obligation

The continuity of the lease obligation as at March 31, 2020 and December 31, 2019 is as follows:

|  | March 31, 2020 | December 31, 2019 |
|--|----------------|-------------------|
|  | \$             | \$                |
| Right-of-use assets, beginning of period | 118,568        | 165,337           |
| Change to lease terms                    | (19,157)       | (11,199)          |
| Amortization                             | (7,456)        | (35,570)          |
| Right-of-use assets, end of period       | 91,955         | 118,568           |

The maturity analysis of the Company's contractual undiscounted lease liabilities as at March 31, 2020 is as follows:

|   | < = 1 year | 1 to 3 years | > 3 years | Total   |
|---|------------|--------------|-----------|---------|
| Lease liabilities (Undiscounted - Lease payments) | 37,579     | 80,346       | -         | 117,925 |

##### c) Amounts recognized in Statement of Loss

|                                       | Three months ended March 31, 2020 | 2019  |
|---------------------------------------|-----------------------------------|-------|
|                                       | \$                                | \$    |
| Interest on lease obligation          | 2,129                             | 4,594 |
| Expenses relating to low-value leases | 569                               | 546   |
| Amortization                          | 7,456                             | 9,588 |

#### 7. Share capital

##### (a) Common shares

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

During the year ended December 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 then issued and outstanding common shares of the Company. The program ended on January 31, 2020.

During the year ended December 31, 2019, the Company acquired 1,890,500 common shares of the Company with an original cost of \$1,564,203 for a total payment of \$224,440. \$1,339,763 of the difference between the purchase price paid and the original cost was recorded as a credit to retained earnings.

As at December 31, 2019, the Company cancelled 708,500 of common shares and held 1,182,000 shares in treasury stock, which were cancelled during the three months ended March 31, 2020.

# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

#### 7. Share capital (continued)

During the three months ended March 31, 2020, the Company renewed the NCIB for a term of one year ending February 9, 2021. Under the renewed NCIB program, the Company may acquire up to 2,427,844 shares, representing 5% of the current issued and outstanding shares.

During the three months ended March 31, 2020, the Company acquired 786,000 common shares of the Company with an original cost of \$634,972 for a total payment of \$63,483. \$571,489 of the difference between the purchase price paid and the original cost was recorded as a credit to retained earnings. As at March 31, 2020, the Company cancelled 286,000 of such shares and held a total of 500,000 common shares in treasury stock for further cancellation.

#### (b) 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, 2020 and the year ended December 31, 2019, the Company did not grant stock options.

The Company uses the Black-Scholes option pricing model to determine the fair value of the options. 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.

The Company's outstanding option's continuity is as follow:

|                            | <b>Number outstanding</b> | <b>Weighted average<br/>exercise price</b> |
|----------------------------|---------------------------|--|
|                            | <b>#</b>                  | <b>\$</b>                                  |
| January 1, 2019            | 7,773,334                 | 0.21                                       |
| Expired                    | (845,000)                 | 0.26                                       |
| Balance, December 31, 2019 | 6,928,334                 | 0.20                                       |
| Forfeited                  | (910,000)                 | 0.20                                       |
| Balance, March 31, 2020    | 6,018,334                 | 0.20                                       |

The Company charged \$nil and \$44,575 share-based compensation for the three months ended March 31, 2020 and 2019, respectively. As at March 31, 2020, there was \$nil (2019 - \$30,865) of unrecognized compensation cost relating to unvested stock options.

# Minco Capital Corporation

Notes to the Condensed Interim Financial Statements

**For the three months ended March 31, 2020, and 2019**

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

## 7. Share capital (continued)

### (b) Stock options (continued)

A summary of the Company's outstanding options as at March 31, 2020 is as follows:

| Options outstanding      |                    |   | Options exercisable             |                    |                                 |
|--------------------------|--------------------|---|---------------------------------|--------------------|---------------------------------|
| Range of exercise prices | Number outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| \$                       |                    |   | \$                              |                    | \$                              |
| 0.17                     | 3,080,000          | 2.84  | 0.17                            | 3,080,000          | 0.17                            |
| 0.18 – 0.19              | 475,000            | 2.16  | 0.19                            | 475,000            | 0.19                            |
| 0.20 – 0.24              | 2,463,334          | 1.42  | 0.24                            | 2,463,334          | 0.24                            |
|                          | 6,018,334          | 2.20  | 0.20                            | 6,018,334          | 0.20                            |

## 8. Related party transactions

The following related party transactions were conducted in the normal course of business:

### a) Key management compensation

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

For the three months ended March 31, 2020 and 2019, compensation to key management are as follows:

|                                | 2020   | 2019    |
|--------------------------------|--------|---------|
|                                | \$     | \$      |
| Senior management remuneration | 74,511 | 67,779  |
| Directors' fees                | 10,667 | 16,000  |
| Share-based compensation       | -      | 39,782  |
| Total                          | 85,178 | 123,561 |

# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

#### 8. Related party transactions (continued)

##### b) Other transactions with related parties

Other related parties consist of companies with shared key management and/or directors of the Company. Due from related parties consists of:

- \$35,696 due from Minco Silver (December 31, 2019 – \$19,153), in relation to shared office expenses reimbursement.
- \$11,636 due from Minco Base Metals Corporation (December 31, 2019 - \$17,375), in relation to shared office expenses reimbursement.
- \$44,433 due from HempNova Lifetech Corporation (December 31, 2019 - \$3,808), in relation to shared office expenses reimbursement.
- \$6,721 due to Sinocan Capital Limited (“Sinocan”) (December 31, 2019 –\$8,000 due from Sinocan), in relation to expenses reimbursement.

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

#### 9. Financial instruments and fair value

The following table summarizes the carrying value of financial assets and liabilities at March 31, 2020 and December 31, 2019:

|  | March 31,<br>2020 | December 31,<br>2019 |
|--|-------------------|----------------------|
|  | \$                | \$                   |
| <b>Fair value through profit and loss:</b> |                   |                      |
| Investments at fair value                  | 5,873,335         | 10,156,292           |
| <b>Amortized cost:</b>                     |                   |                      |
| Cash and cash equivalents                  | 3,291,477         | 2,899,097            |
| Short-term investment                      | 20,000            | 20,000               |
| Receivables                                | 4,065             | 2,106                |
| Due from related parties                   | 91,765            | 48,336               |
| Due to related party                       | 6,721             | -                    |
| Accounts payables and accrued liabilities  | 41,625            | 39,833               |

#### Fair value measurement

As at March 31, 2020 and December 31, 2019, 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:

# Minco Capital Corporation

## Notes to the Condensed Interim Financial Statements

### For the three months ended March 31, 2020, and 2019

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

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

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, 2020            | Level 1   | Level 2 | Level 3 |
|---------------------------|-----------|---------|---------|
|                           | \$        | \$      | \$      |
| Investments at fair value | 5,631,913 | 241,422 | -       |

| December 31, 2019         | Level 1    | Level 2 | Level 3 |
|---------------------------|------------|---------|---------|
|                           | \$         | \$      | \$      |
| Investments at fair value | 10,007,355 | 148,937 | -       |

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

|                          | December 31,<br>2019 | Additions/<br>dispositions | March 31,<br>2020 | Unrealized loss<br>recognized in profit<br>or loss |
|--------------------------|----------------------|----------------------------|-------------------|--|
|                          | \$                   | \$                         | \$                | \$   |
| Share purchase warrants: | 53,800               | -                          | 25,750            | (28,050)   |
| Convertible debenture:   | 95,137               | -                          | 83,063            | (12,074)   |
| Trust units:             | -                    | 134,972                    | 132,609           | (2,363)  |
|                          | 148,937              | 134,972                    | 241,422           | (42,487)   |

|                          | December 31,<br>2018 | Additions/<br>dispositions | December<br>31, 2019 | Unrealized loss<br>recognized in profit<br>or loss |
|--------------------------|----------------------|----------------------------|----------------------|--|
|                          | \$                   | \$                         | \$                   | \$   |
| Share purchase warrants: | 246,330              | -                          | 53,800               | (192,530)  |
| Convertible debenture:   | 99,000               | -                          | 95,137               | (3,863)  |
|                          | 345,330              | -                          | 148,937              | (196,393)  |

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.

On April 28, 2020, the Company granted 3.6 million stock options to Officers, Directors, Employees, and Consultants. The options were granted for a term of five years at an exercise price of \$0.12.