

# **Minco Capital Corp.**

Financial Statements

**Years ended December 31, 2021 and 2020**

(Expressed in Canadian dollars, unless otherwise stated)

## **Management's Responsibility for Financial Reporting**

The financial statements are the responsibility of the Board of Directors and management. The financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect management's best judgments on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position, changes in equity, results of operations, and cash flow of the Company within reasonable limits of materiality.

The Audit Committee of the Board of Directors is composed of three Directors and meets with management and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board of Directors for approval.

The financial statements have been audited by Smythe LLP, Chartered Professional Accountants, who were appointed by the shareholders. The auditors' report outlines the scope of their examination and their opinion on the financial statements.

Dr. Ken Cai  
President and CEO

Melinda Hsu, CPA, CGA  
Chief Financial Officer

Vancouver, Canada  
April 6, 2022

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF MINCO CAPITAL CORP.

#### *Opinion*

We have audited the financial statements of Minco Capital Corp. (the "Company"), which comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of changes in shareholders' equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 6, 2022

**Vancouver**

1700 - 475 Howe St  
Vancouver, BC V6C 2B3  
T: 604 687 1231  
F: 604 688 4675

**Langley**

600 - 19933 88 Ave  
Langley, BC V2Y 4K5  
T: 604 282 3600  
F: 604 357 1376

**Nanaimo**

201 - 1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
T: 250 755 2111  
F: 250 984 0886

# Minco Capital Corp.

## Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise stated)

	December 31, 2021	December 31, 2020
<b>Assets</b>	\$	\$
<b>Current assets</b>		
Cash and cash equivalents (note 5)	387,996	2,501,687
Short-term investment (note 6)	20,000	20,000
Investments at fair value (note 7)	9,042,592	8,722,010
Receivables	6,877	2,726
Due from related parties (note 10)	219,951	34,196
Prepaid expenses and deposits	18,151	30,800
	9,695,567	11,311,419
<b>Non-current assets</b>		
Long-term deposit	13,148	8,765
Property and equipment	11,593	18,870
Right-of-use asset (note 8)	39,172	69,588
<b>Total assets</b>	9,759,480	11,408,642
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	95,896	54,411
Due to related parties (note 10)	6,420	729
Lease obligation, current (note 8)	35,888	32,934
	138,204	88,074
Lease obligation, non-current (note 8)	12,687	49,191
	150,891	137,265
<b>Shareholders' Equity</b>		
Share capital (note 9)	38,714,089	39,777,711
Contributed surplus	10,386,171	10,319,231
Deficits	(39,491,671)	(38,825,565)
	9,608,589	11,271,377
<b>Total liabilities and shareholders' equity</b>	9,759,480	11,408,642

Approved by the Board of Directors

(signed) Malcolm Clay, Director

(signed) Michael Doggett, Director

The accompanying notes are an integral part of these financial statements

# Minco Capital Corp.

## Statements of Loss and Comprehensive Loss

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

	2021 \$	2020 \$
<b>Dividend and interest income</b>	31,401	39,948
<b>Realized gain from investments</b> (note 7)	109,758	275,690
<b>Net unrealized loss from investments</b> (note 7)	(1,250,001)	(1,543,184)
	(1,108,842)	(1,227,546)
<b>Operating expenses</b>		
Accounting and audit	23,268	24,680
Amortization	37,508	38,196
Consulting	60,938	65,367
Directors' fees (note 10)	23,000	34,167
Interest expense (note 8)	5,067	7,633
Investment evaluation (note 10)	97,081	59,814
Legal and regulatory	37,632	55,122
Office and administration	36,102	47,006
Salaries and benefits (note 10)	109,241	231,022
Share-based compensation (note 9)	66,940	137,045
Travel	3,745	9,392
	500,522	709,444
<b>Operating loss</b>	(1,609,364)	(1,936,990)
Foreign exchange loss	(14,676)	(27,745)
<b>Net loss and comprehensive loss</b>	(1,624,040)	(1,964,735)
<b>Net loss per share</b> (note 14)		
Basic and diluted	(0.03)	(0.04)
<b>Weighted average number of common shares outstanding</b>		
Basic and diluted	47,683,525	48,351,985

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

# Minco Capital Corp.

## Statements of Changes in Shareholders' Equity

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

	Number of shares	Treasury shares	Share capital	Contributed surplus	Deficits	Subtotal
	#	#	\$	\$	\$	\$
<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 year	-	-	-	-	(1,964,735)	(1,964,735)
Shares cancelled (note 9)	(786,000)	(1,182,000)	(634,972)	-	571,489	(63,483)
Share-based compensation	-	-	-	137,045	-	137,045
<b>Balance – December 31, 2020</b>	48,056,881	-	39,777,711	10,319,231	(38,825,565)	11,271,377
Net loss for the year	-	-	-	-	(1,624,040)	(1,624,040)
Shares cancelled (note 9)	(1,285,000)	-	(1,063,622)	-	957,934	(105,688)
Share-based compensation	-	-	-	66,940	-	66,940
<b>Balance – December 31, 2021</b>	46,771,881	-	38,714,089	10,386,171	(39,491,671)	9,608,589

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

# Minco Capital Corp.

## Statements of Cash Flows

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

	2021	2020
Cash flow generated from (used in)	\$	\$
<b>Operating activities</b>		
Net loss for the year	(1,624,040)	(1,964,735)
Items not affecting cash and cash equivalents:		
Amortization	37,508	38,196
Loss on disposition of property and equipment	-	58
Interest accretion	5,067	7,633
Net unrealized loss from investments	1,250,001	1,543,184
Realized gain from investments	(109,758)	(275,690)
Share-based compensation	66,940	137,045
Purchase of short-term investment	(20,000)	(20,000)
Redemption of short-term investment	20,000	20,000
Purchase of investments	(1,840,459)	(846,170)
Disposition of investments	379,634	1,012,958
Changes in items of working capital:		
Accounts payable and accrued liabilities	41,485	14,578
Due to/from related parties	(180,064)	14,869
Long-term deposit	(4,383)	-
Prepaid expenses and deposits	12,649	21,684
Receivables	(4,151)	(620)
<b>Net cash used in operating activities</b>	<b>(1,969,571)</b>	<b>(297,010)</b>
<b>Financing activities</b>		
Purchase of shares for cancellation	(105,688)	(63,483)
Repayment of lease obligation	(37,579)	(37,417)
<b>Net cash used in financing activities</b>	<b>(143,267)</b>	<b>(100,900)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(853)	-
Disposition of property and equipment	-	500
<b>Net cash generated from (used in) investing activities</b>	<b>(853)</b>	<b>500</b>
<b>Decrease in cash and cash equivalents</b>	<b>(2,113,691)</b>	<b>(397,410)</b>
<b>Cash and cash equivalents - Beginning of year</b>	<b>2,501,687</b>	<b>2,899,097</b>
<b>Cash and cash equivalents - End of year</b>	<b>387,996</b>	<b>2,501,687</b>
<b>Cash and cash equivalents consist of the following:</b>		
Cash	387,996	1,317,517
Cash equivalents	-	1,184,170
	387,996	2,501,687
Foreign exchange loss included in unrealized losses from investment	8,832	5,051

The accompanying notes are an integral part of these financial statements



# Minco Capital Corp.

## Notes to Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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#### 1. Nature of operations

Minco Capital Corp. (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 Corporation on February 25, 2019. The registered office of the Company is 2060 - 1055 West Georgia Street, Vancouver, 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.

Since February 2020, the coronavirus (“COVID-19”) has slowed down the global economy and caused volatility in the global financial markets. The outbreak of COVID-19 and its impact on the global financial markets has had an adverse effect on the Company’s investments. The extent to which COVID-19 may impact the Company’s business will depend on the duration of the outbreak, travel restrictions, the effectiveness of actions and vaccine taken to contain and treat the disease.

#### 2. Basis of preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Company has determined that it meets the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* (“IFRS 10”).

These financial statements were approved by the board of directors for issue April 6, 2022.

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

#### 3. Summary of significant accounting policies

##### Financial instruments

###### Financial assets

###### (a) Initial recognition and measurement

A financial asset is measured initially at fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss.

###### (i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company’s business model for the financial assets is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

The Company’s cash and cash equivalents, short-term investments, receivables and due from related parties are amortized cost financial instruments.

# Minco Capital Corp.

## Notes to Financial Statements

### Years ended December 31, 2021 and 2020

*(Expressed in Canadian dollars, unless otherwise stated)*

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#### 3. Summary of significant accounting policies (continued)

##### **Financial instruments** (continued)

##### Financial assets (continued)

###### (a) Initial recognition and measurement (continued)

###### (ii) Financial assets measured at FVTPL

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss. The Company's investments are FVTPL financial instruments.

###### (iii) Fair value through other comprehensive income ("FVOCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. The Company does not have any financial assets designated as FVOCI.

###### (b) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss.

##### Financial liabilities

###### (a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

###### (b) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss

###### (i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company's accounts payable and accrued liabilities and lease obligations are classified as amortized cost financial liabilities.

# Minco Capital Corp.

## Notes to Financial Statements

### Years ended December 31, 2021 and 2020

*(Expressed in Canadian dollars, unless otherwise stated)*

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#### 3. Summary of significant accounting policies (continued)

##### **Financial instruments** (continued)

##### (ii) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any liabilities classified as financial liabilities measured at fair value through profit or loss.

##### (b) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amounts of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

##### Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

##### Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and held at banks and short-term investments with an original maturity of 90 days or less, which are readily convertible into a known amount of cash.

##### **Short-term investment**

Short-term investment consists of term deposits with maturity dates more than 90 days.

# Minco Capital Corp.

Notes to the Financial Statements

Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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## 3. Summary of significant accounting policies (continued)

### Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded using a straight-line basis over the shorter of their estimated useful lives and economic lives as follows:

Office furniture	5 years
Computer equipment	5 years
Leasehold improvements	5 years

The residual value, useful lives and methods of amortization of property and equipment are reviewed at each reporting date and adjusted prospectively if appropriate.

### Foreign currency translation

#### (i) Functional and presentation currency

The functional currency and presentation currency of the Company is Canadian dollar.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss.

### Share-based compensation

The Company grants stock options to directors, officers, employees and service providers. Each tranche in an award is considered a separate award with its own vesting period. The Company applies the fair-value method of accounting for share-based compensation and the fair value is calculated using the Black-Scholes option pricing model.

Share-based payments for employees and others providing similar services are determined based on the grant date fair value. Share based payments for non-employees are determined based on the fair value of the goods/services received or options granted measured at the date on which the Company obtains such goods/services.

### Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

# Minco Capital Corp.

Notes to the Financial Statements

Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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## 3. Summary of significant accounting policies (continued)

### Redemption of common shares

Redemption of common shares are recorded as a reduction in share capital at the average original share purchase value on a pro rata basis. The amount of any premium or discount on redemption of the common shares is recorded against deficit.

### Earnings (loss) per share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurs net losses in a fiscal year, basic and diluted loss per share is the same.

### Income tax

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### Right-of-use asset and lease obligation

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset (“ROU asset”) and a corresponding lease obligation with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions:

- The Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months; or
- For leases of low value.

The payments for such leases are recognized in profit or loss over the lease term.

# Minco Capital Corp.

Notes to the Financial Statements

Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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## 3. Summary of significant accounting policies (continued)

### Right-of-use asset and lease obligation (continued)

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated amortization and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease obligation is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

### Future accounting standards

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

## 4. Critical accounting estimates and judgments

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 considered all the available facts and concluded that the Company met all three criteria set forth in IFRS 10.27 to meet the definition of an investment entity as defined in IFRS 10 from time to time:

- 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:

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

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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#### 4. Critical accounting estimates and judgments (continued)

##### *Fair value of investments measured at FVTPL*

The Company's investments are recorded in the statements of financial position 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 described in Note 11.

##### *Fair value of equity instruments*

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

##### *Leases*

Management uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency and geographic location. Management applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative that can create an economic incentive to exercise renewal options.

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

#### 5. Cash and cash equivalents

As at December 31, 2021, the Company had cash on hand of \$387,996 (2020 - \$1,317,517) and cash equivalents of \$Nil (2020 - \$1,184,170).

#### 6. Short-term investment

As at December 31, 2021, short-term investments consist of \$20,000 (2020 - \$20,000) cashable guaranteed investment certificates. The yields on this investment are 0.15% per annum (2020 - 0.85%).

#### 7. Investments at fair value

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 considers the closing share price of investments issued by public entities at each reporting date as the fair value. Also, the Company applies the Black Scholes option pricing model to value public companies' share purchase warrants at the reporting date.

The Company has the following investments as at December 31, 2021:

	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 <sup>(i)</sup>	11,000,000	3,630,000
-Amerigo Resources Ltd.	309,000	451,140
-Asante Gold Corp.	333,334	406,748
-Neo Lithium Corp.	50,000	316,000
-Amarillo Gold Corp.	715,000	293,150
-Solaris Resources Inc.	16,230	274,936
-Neo Performance Materials Inc.	11,000	223,080
-Hudson Resources Inc.	2,117,857	190,607
-Rare Element Resources Ltd.	120,000	190,170
-Global X Lithium & Battery ETF	1,750	187,298
<b>Others</b>	various	2,243,842
<b>Equities of a private company (El Olivar)<sup>(ii)</sup></b>	400,000	-
<b>Debentures:</b>		
-Convertible debenture: IBC Advanced Alloys 8.25%	100,000	95,000
<b>Trust units</b>		
-Sprott physical platinum palladium	6,050	104,621
<b>Equity, total</b>		8,606,592
<b>Share warrants, various</b>		436,000
<b>Total</b>		9,042,592



# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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

The Company has the following investments as at December 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 Corporation <sup>(i)</sup>	11,000,000	5,830,000
-Hudson Resources Inc.	2,142,857	589,286
-Global X Lithium & Battery ETF	3,500	275,349
-Amerigo Resources Ltd.	309,000	247,200
-Amarillo Gold Corp.	715,000	221,650
-Neo Performance Materials Inc.	11,000	151,580
-Sherritt International Corp.	250,000	102,500
-Solaris Resources Inc.	16,230	98,678
-High Gold Mining Inc.	42,500	95,200
-Orca Gold Inc.	100,000	90,000
<b>Others</b>	various	787,935
<b>Equities of a private company (El Olivar)<sup>(ii)</sup></b>	400,000	-
<b>Debentures:</b>		
-Convertible debenture: IBC Advanced Alloys 8.25%	100,000	75,000
<b>Trust units</b>		
-Sprott physical platinum palladium	6,050	113,232
<b>Equity, total</b>		8,677,610
<b>Share warrants, various</b>		44,400
<b>Total</b>		8,722,010

The continuity of the Company's investments during the year ended December 31, 2021 is as follows:

	December 31, 2020	Additions	Proceeds from dispositions	Realized Gains (iii)	Unrealized losses (iii)	December 31, 2021
Investment in public entities:	\$	\$	\$	\$	\$	\$
- Shares and partnership units	8,489,378	1,771,562	(379,634)	109,758	(1,584,093)	8,406,971
- Share purchase warrants	44,400	68,897	-	-	322,703	436,000
Investment in trust units:	113,232	-	-	-	(8,611)	104,621
Convertible debenture:						
- IBC Advanced Alloys Corp.	75,000	-	-	-	20,000	95,000
<b>Total</b>	8,722,010	1,840,459	(379,634)	109,758	(1,250,001)	9,042,592

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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

The Continuity of the Company's investments during the year ended December 31, 2020 is as follows:

	December 31, 2019	Additions	Proceeds from dispositions	Realized Gains (iii)	Unrealized losses (iii)	December 31, 2020
Investment in public entities:	\$	\$	\$	\$	\$	\$
- Shares and partnership units	9,865,526	685,698	(868,255)	260,788	(1,454,379)	8,489,378
- Share purchase warrants	53,800	25,500	-	-	(34,900)	44,400
Investment in others: Platinum	141,829	-	(144,703)	14,902	(12,028)	-
Investment in trust units:	-	134,972	-	-	(21,740)	113,232
Convertible debenture:						
- IBC Advanced Alloys Corp.	95,137	-	-	-	(20,137)	75,000
<b>Total</b>	<b>10,156,292</b>	<b>846,170</b>	<b>(1,012,958)</b>	<b>275,690</b>	<b>(1,543,184)</b>	<b>8,722,010</b>

(i) As at December 31, 2021, 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 (2020 - 11,000,000 common shares or approximately 18% ownership). As at December 31, 2021, the market price closed at \$0.33 per share (2020 - \$0.53 per share).

(ii) 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 warrant (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. Such warrants expired in 2019.

As part of the consideration for the investment in El Olivar, the Company was entitled to receive an annual cash dividend in US. dollars equal to 6% of the total invested amount, calculated from the closing date of investment 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 given that El Olivar has not started its operations and the timing and structure of the initial dividend payment is uncertain.

As at December 31, 2019, in accordance with Level 3 of the fair value hierarchy, the Company impaired its investment of \$545,293 (US\$400,000) in El Olivar due to the fact that El Olivar needed to raise significant money to complete the development of its project with uncertainty of its ability to raise these funds in a timely manner. During the year ended December 31, 2021, there was no change in management's assessment and this investment remains impaired.

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

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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

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

	2021	2020
	\$	\$
Proceeds from disposal	379,634	1,012,958
Cost of disposals	(269,876)	(737,268)
Realized gain	109,758	275,690
Change in unrealized loss on investment	(1,250,001)	(1,543,184)
Net loss from investments	(1,140,243)	(1,267,494)

#### 8. 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. The right-of-use asset and lease obligation were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 8%.

##### a) Right-of-use asset

During the years ended December 31, 2021 and 2020, there were changes to the percentage of the total lease cost attributable to the Company, which is reflected in the table below as change to lease terms. The continuity of the right-of-use asset as at December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
	\$	\$
Right-of-use asset, beginning of year	69,588	118,568
Change to lease terms	(1,038)	(19,157)
Amortization	(29,378)	(29,823)
Right-of-use asset, end of year	39,172	69,588

##### b) Lease obligation

The continuity of the lease obligation as at December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
	\$	\$
Lease obligation recognized, beginning of year	82,125	131,066
Change to lease terms	(1,038)	(19,157)
Interest accretion	5,067	7,633
Lease payments	(37,579)	(37,417)
Lease obligation, end of year	48,575	82,125
Current lease obligation	35,888	32,934
Non-current lease obligation	12,687	49,191
Lease obligation, end of year	48,575	82,125

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

#### 8. Leases (continued)

##### b) Lease obligation (continued)

The maturity analysis of the Company's contractual undiscounted lease liabilities as at December 31, 2021 is as follows:

	< = 1 year	1 to 2 years	Total
Lease liabilities (Undiscounted - Lease payments)	38,227	12,814	51,041

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

	2021	2020
	\$	\$
Interest on lease obligation	5,067	7,633
Expenses relating to low-value leases	328	762
Amortization	29,378	29,823

#### 9. Share capital

##### a) Common shares

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

Starting from 2019, the Company commenced a normal course issuer bid ("NCIB") to purchase the common shares of the Company for cancellation up to 5% of the Company's issued and outstanding common shares.

During 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 Company's issued and outstanding common shares.

During 2020, the Company acquired 786,000 common shares of the Company with an average original issuance price of \$634,972 for a total payment of \$63,483. \$571,489 being the difference between the purchase price paid and the original cost was recorded as a credit to retained earnings.

In March 2021, the Company renewed the NCIB for a term of one year ending March 31, 2022. Under the renewed NCIB program, the Company may repurchase for cancellation up to 2,388,594 or 5% of the Company's issued and outstanding common shares.

During the year ended December 31, 2021, the Company acquired and cancelled 1,285,000 common shares of the Company with an original cost of \$1,063,622 for a total payment of \$105,688. The difference of \$957,934 between the purchase price paid and the original cost was recorded as a credit to retained earnings.

##### 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.

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

#### 9. Share capital (continued)

##### b) Stock options (continued)

During 2020, the Company granted 3,600,000 stock options to its officers, directors, employees and consultants at an exercise price of \$0.12 per common share for a term of five years. These options vest over 18 months from the grant date. During the year ended December 31, 2021, the Company did not grant stock options.

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

	2021	2020
Risk-free interest rate	-	0.42%
Dividend yield	-	0%
Volatility	-	108%
Forfeiture rate	-	19%
Estimated expected lives	-	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.

During the year ended December 31, 2021, the Company recorded \$66,940 (2020 - \$137,045) of the stock option component as the share-based compensation, of which \$66,940 (2020 - \$Nil) was due to the vesting of previously granted options.

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

	Number outstanding	Weighted average exercise price
	#	\$
Balance, January 1, 2020	6,928,334	0.20
Granted	3,600,000	0.12
Expired	(753,334)	0.24
Forfeited	(3,135,000)	0.18
Balance, December 31, 2020 and December 31, 2021	6,640,000	0.16

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

#### 9. Share capital (continued)

##### b) Stock options (continued)

A summary of the Company's outstanding options as at December 31, 2021 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
\$			\$		\$
0.12	2,700,000	3.32	0.12	2,700,000	0.12
0.17 – 0.19	2,630,000	1.05	0.17	2,630,000	0.17
0.24	1,310,000*	0.10	0.24	1,310,000	0.24
	6,640,000	1.79	0.16	6,640,000	0.16

\*Subsequent to year-end, 1,310,000 options expired unexercised.

A summary of the Company's outstanding options as at December 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
\$			\$		\$
0.12 – 0.16	2,700,000	4.32	0.12	899,997	0.12
0.17 – 0.19	2,630,000	2.05	0.17	2,630,000	0.17
0.20 – 0.24	1,310,000	1.10	0.24	1,310,000	0.24
	6,640,000	2.79	0.16	4,839,997	0.16

#### 10. 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 years ended December 31, 2021 and 2020, compensation to key management are as follows:

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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

##### a) Key management compensation (continued)

	2021	2020
	\$	\$
Senior management remuneration	103,896	171,777
Severance <sup>(1)</sup>	-	65,025
Directors' fees <sup>(2)</sup>	23,000	34,167
Share-based compensation	47,354	125,763
<b>Total</b>	<b>174,250</b>	<b>396,732</b>

(1) During 2020, as part of measures to significantly reduce the Company's operating costs in light of the current economic and market conditions, the Company decided not to renew the employment agreement with the Company's President and paid \$65,025 of severance benefits.

(2) During the year ended December 31, 2021, the Company paid \$Nil (2020 - \$3,000) to a director for new project search fees which was recorded as property and investment evaluation expenses.

##### b) Investments

Refer to Note 7 for the Company's relationships and transactions with its investees, El Olivar and Minco Silver.

##### c) Other transactions with related parties

The Company, Minco Silver, Minco Base Metals Corporation ("MBM") and HempNova Lifetech Corporation ("HempNova") have certain directors and management in common. These four companies shared certain office rental and administration expenditures.

As at December 31, 2021, the Company's due from related parties consists of:

- \$6,420 due to Minco Silver (2020 - due from Minco Silver of \$1,317), in relation to shared office expenses reimbursement.
- \$Nil due to MBM (2020 - \$346), in relation to shared office expenses reimbursement.
- \$218,805 due from HempNova (2020 - \$32,879), in relation to shared office expenses reimbursement.
- \$1,146 due from a company controlled by the Company's CEO (2020 - due to CEO of \$383), in relation to expenses reimbursement.

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

#### 11. Income tax

No income taxes were recorded due to sufficient accumulated losses.

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to the loss before income taxes. These differences result from the following items:

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

#### 11. Income tax (continued)

	2021	2020
	\$	\$
Income (loss) before income taxes	(1,624,040)	(1,964,735)
	27%	27%
Income tax expense at statutory rate	(438,491)	(530,478)
Non-taxable (deductible) expenses	359,635	416,873
Under (over) provided in prior years	78,856	113,605
Application of loss carry forward	-	-
Provision for tax expenses	-	-

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant tax affected components of unrecognized deferred income tax assets and liabilities at December 31, 2021 and 2020 are as follows:

	2021	2020
	\$	\$
Deferred income tax assets not recognized		
Non-capital loss	5,191,840	5,044,040
Resource expenditures	431,087	431,087
Capital assets	15,608	13,274
Investment	(347,240)	(508,582)
Capital loss	1,000,210	1,000,210
	6,291,505	5,980,029

No deferred income tax asset has been recognized as realization is not considered probable due to the uncertainty of future taxable income.

The Canadian non-capital loss carry-forwards expire as follows:

	\$
2026	1,442,234
2028	1,582,716
2029	1,270,045
2030	1,285,615
2031	1,933,078
2032	2,131,656
2033	1,535,838
2034	1,324,803
2035	1,201,864
2036	1,558,996
2037	1,422,850
2038	654,007
2039	856,064
2040	683,080
2041	346,191
	19,229,037



# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

#### 12. Financial instruments and fair value

The following table summarizes the carrying value of financial assets and liabilities at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
	\$	\$
<b>Fair value through profit and loss:</b>		
Investments at fair value	9,042,592	8,722,010
<b>Amortized cost:</b>		
Cash and cash equivalents	387,996	2,501,687
Short-term investment	20,000	20,000
Receivables	6,877	2,726
Due from related parties	219,951	34,196
Accounts payable and accrued liabilities	95,896	54,411
Due to related parties	6,420	729
Lease obligations	48,575	82,125

#### Fair value measurement

As at December 31, 2021 and 2020, financial instruments that are not measured at fair value on the statement of financial position are represented by cash and cash equivalents, short-term investment, receivables, due from related parties, accounts payable and accrued liabilities, due to related parties and lease obligations. 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 statement of financial position 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:

December 31, 2021	Level 1	Level 2	Level 3
	\$	\$	\$
Investments at fair value	8,406,971	635,621	-

  

December 31, 2020	Level 1	Level 2	Level 3
	\$	\$	\$
Investments at fair value	8,489,378	232,632	-

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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

##### Fair value measurement (continued)

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

	December 31, 2020	Additions	Unrealized gain (loss)	December 31, 2021
	\$	\$	\$	\$
Share purchase warrants:	44,400	68,897	322,703	436,000
Convertible debenture:	75,000	-	20,000	95,000
Trust units:	113,232	-	(8,611)	104,621
	232,632	68,897	334,092	635,621

	December 31, 2019	Additions	Unrealized loss	December 31, 2020
	\$	\$	\$	\$
Share purchase warrants:	53,800	25,500	(34,900)	44,400
Convertible debenture:	95,137	-	(20,137)	75,000
Trust units:	-	134,972	(21,740)	113,232
	148,937	160,472	(76,777)	232,632

##### Financial risk factors

The Company's activities expose it to a variety of financial risks including market risk (price risk, currency risk, and interest rate risk), credit risk, and liquidity risk. Risk evaluation, management and mitigation activities are carried out by the Company's management.

##### 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 also includes the fair value contracts with individual counterparties which are recorded in the financial statements. The Company considers the following financial assets to be exposed to credit risk:

- Cash and cash equivalents – In order to manage credit and liquidity risk the Company places its cash in two major financial institutions in Canada (subject to deposit insurance up to \$100,000).
- Short-term investments – The Company places all of its short-term investments, mainly term deposits, with a major financial institution in Canada.

# Minco Capital Corp.

## Notes to the Financial Statements

### Years ended December 31, 2021 and 2020

*(Expressed in Canadian dollars, unless otherwise stated)*

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

##### Financial risk factors (continued)

###### Market 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's investments at fair value at public entities are subject to price risk.

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

A 15% (2020 - 15%) increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and unrealized gain/loss in the amount of approximately \$1.3 million (2020 - \$1.5 million).

###### Foreign exchange risk

The Company's functional currency is the Canadian dollar. The foreign currency risk is related to US dollar funds and investments denominated in US dollars held in the entity. Therefore, the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar.

As at December 31, 2021, the Company had cash and cash equivalents of \$0.1 million (2020 - \$1.0 million) and investments at fair value of \$0.9 million (2020 - \$0.3 million) that were denominated in US dollars. A 10% (2020 - 10%) change in the currency exchange rate (US dollar to Canadian dollar) will affect the Company's result of operations by approximately \$0.10 million (2020 - \$0.13 million). The Company does not have any currency hedges 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.

#### 13. Capital management

The Company's objectives in the managing liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide the financial capacity to meet its strategic objectives. The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued share capital, contributed surplus, accumulated and other comprehensive income and accumulated deficit.

# Minco Capital Corp.

Notes to the Financial Statements

**Years ended December 31, 2021 and 2020**

*(Expressed in Canadian dollars, unless otherwise stated)*

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## **13. Capital management** (continued)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt and/or acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions.

As at December 31, 2021, the Company does not have any long-term debt and has sufficient funds to meet its current operating and development obligations.

## **14. Net loss per share**

For the year ended December 31, 2021, the Company's net loss of \$1,624,040 (2020 - \$1,964,735) resulted in the basic and diluted net loss per share of \$0.03 (2020 - \$0.04). For the years ended December 31, 2021 and 2020, the Company had no dilutive options and warrants.

## **15. Subsequent events**

(a) Subsequent to the year ended December 31, 2021, the Company acquired additional equity of public companies for a total cost of \$88,510 and disposed of certain investments for total proceeds of \$505,634, and recorded a gain of \$154,764.

(b) Subsequent to the year ended December 31, 2021, the Company acquired 436,000 common shares of the Company with an original cost of \$334,490 for a total payment of \$33,531 under the NCIB program. The difference between price paid and original cost was recorded as a credit to retained earnings. The Company has cancelled 436,000 of those shares.

(c) In March 2022, the Company renewed the NCIB for a term of one year ending March 31, 2023. Under the renewed NCIB program, the Company may repurchase for cancellation up to 2,300,000 or 5% of the Company's issued and outstanding common shares.