

# **Minco Gold Corporation**

Condensed Interim Financial Statements

**For the six months ended June 30, 2018 and 2017**

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



# MINCO 明科金矿公司

## GOLD CORPORATION

### NOTICE TO READER

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

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

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

Dr. Ken Cai  
Chief Executive Officer

Larry Tsang, CPA, CA  
Chief Financial Officer

Vancouver, Canada  
August 23, 2018

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# Minco Gold Corporation

## Condensed Interim Statements of Financial Position

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>Assets</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash and cash equivalents (note 4)	1,554,871	3,642,328
Short-term investment (note 5)	20,000	271,455
Investment at fair value (note 6)	13,317,562	13,614,050
Receivables	53,355	25,713
Due from related parties (note 8)	69,241	38,945
Prepaid expenses and deposits	94,268	120,921
	<u>15,109,297</u>	<u>17,713,412</u>
<b>Non-current assets</b>		
Long-term deposit	26,295	26,295
Property, plant and equipment	17,624	5,197
<b>Total assets</b>	<u>15,153,216</u>	<u>17,744,904</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	97,987	186,635
<b>Shareholders' Equity</b>		
Share capital (note 7(a))	41,976,886	41,976,886
Contributed surplus	9,920,833	9,630,905
Deficits	(36,842,490)	(34,049,522)
	<u>15,055,229</u>	<u>17,558,269</u>
<b>Total liabilities and shareholders' equity</b>	<u>15,153,216</u>	<u>17,744,904</u>

Approved by the Board of Directors

(signed) Malcolm Clay Director

(signed) Robert Callander Director

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

# Minco Gold Corporation

## Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

### For the three and six months ended June 30, 2018, and 2017

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

	Three months ended		Six months ended	
	2018	June 30, 2017	2018	June 30, 2017
	\$	\$	\$	\$
Net gain (loss) from investments (note 6)	193,913	(2,611,968)	(2,296,736)	1,070,866
Dividend, fund distribution, and interest income	23,009	8,932	42,809	18,474
	216,992	(2,603,036)	(2,253,927)	1,089,340
Operating expenses:				
Accounting and audit	(11,553)	38,324	2,781	54,440
Amortization	756	874	1,513	1,747
Consulting	15,582	18,581	32,743	36,118
Directors' fees	14,000	14,500	31,500	30,500
Investor relations	433	746	9,408	9,785
Legal and regulatory	24,982	32,360	40,682	56,898
Office and miscellaneous	25,146	46,255	58,282	102,683
Property and investment evaluation	20,550	37,316	37,238	83,631
Salaries and benefits	63,600	45,713	137,855	78,874
Share-based compensation (note 7(b))	160,960	101,229	289,928	164,363
Travel and transportation	3,506	3,433	15,305	13,154
Total operating expenses	317,962	339,331	657,235	632,193
Operating income (loss)	(101,040)	(2,942,367)	(2,911,162)	457,147
Foreign exchange gain (loss)	31,095	(112,928)	118,194	(152,005)
Net income (loss) and comprehensive income (loss) for the period	(69,945)	(3,055,295)	(2,792,968)	305,142
Earnings (loss) per share				
Basic	-	(0.06)	(0.06)	0.01
Diluted	-	(0.06)	(0.06)	0.01
Weighted average number of common shares outstanding				
Basic	50,733,381	50,733,381	50,733,381	50,733,381
Diluted	50,733,381	50,733,381	50,733,381	50,808,381

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

# Minco Gold Corporation

## Condensed Interim Statements of Changes in Shareholders' Equity

### For the six months ended June 30, 2018, and 2017

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

	Number of shares	Share capital	Contributed surplus	Deficits	Subtotal
		\$	\$	\$	\$
<b>Balance - January 1, 2017</b>	50,733,381	41,976,886	9,322,102	(30,751,944)	20,547,044
Net income for the period	-	-	-	305,142	305,142
Share-based compensation	-	-	164,363	-	
<b>Balance – June 30, 2017</b>	<b>50,733,381</b>	<b>41,976,886</b>	<b>9,486,465</b>	<b>(30,446,802)</b>	<b>21,016,549</b>
<b>Balance - January 1, 2018</b>	50,733,381	41,976,886	9,630,905	(34,049,522)	17,558,269
Net loss for the period	-	-	-	(2,792,968)	(2,792,968)
Share-based compensation	-	-	289,928	-	289,928
<b>Balance – June 30, 2018</b>	<b>50,733,381</b>	<b>41,976,886</b>	<b>9,920,833</b>	<b>(36,842,490)</b>	<b>15,055,229</b>

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

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

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

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Cash flow provided by (used in)	\$	\$
<b>Operating activities</b>		
Net income (loss) for the period	(2,792,968)	305,142
Items not affecting cash and cash equivalent:		
Amortization	1,513	1,747
Foreign exchange loss (gain)	(118,194)	152,004
Realized gain from investments	(52,236)	(46,991)
Net unrealized loss (gain) from investments	2,348,972	(1,023,875)
Share-based compensation	289,928	164,363
Purchase of short-term investment	(384,821)	(20,013)
Redemption of short-term investment	636,276	1,810,759
Purchase of investments	(2,945,806)	(1,806,481)
Disposition of investments	945,559	131,224
Changes in items of working capital:		
Accounts payable and accrued liabilities	(88,648)	(96,388)
Due from (to) related parties	(30,296)	193,799
Prepaid expenses and deposits	26,657	21,456
Receivables	(27,642)	133,398
<b>Net cash used in operating activities</b>	<b>(2,191,706)</b>	<b>(79,856)</b>
<b>Investing activities</b>		
Purchase of property, plan and equipment	(13,940)	-
<b>Net cash used in investing activities</b>	<b>(13,940)</b>	<b>-</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		
	118,189	(152,004)
Decrease in cash and cash equivalents	(2,087,457)	(231,860)
<b>Cash and cash equivalents- Beginning of period</b>	<b>3,642,328</b>	<b>4,575,119</b>
<b>Cash and cash equivalents- End of period</b>	<b>1,554,871</b>	<b>4,343,259</b>

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

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and six months ended June 30, 2018, and 2017

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

#### 1. General information

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

#### 2. Basis of preparation

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

These financial statements were approved by the board of directors for issue on August 23, 2018.

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

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

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

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

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

#### 4. Cash and cash equivalents

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

#### 5. Short-term investment

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

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



# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and six months ended June 30, 2018, and 2017**

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

## 6. Investments at fair value

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

	Number of Shares/Units Held	Fair value
<b>Equities of public Resource Companies:</b>		\$
<b>Top ten resource companies by fair value</b>		
-Minco Silver Corp.	11,000,000	7,150,000
-Hudson Resources Inc.	2,142,857	985,714
-RoxGold Inc.	306,800	343,616
-Equinox Gold Corp.	324,600	318,108
-Continental Gold Inc.	70,025	265,395
-Cobalt 27 Capital	25,000	220,750
-Labrador Iron Ore Royalty	9,000	216,810
-Amerigo Resources	209,000	206,910
-Amarillo Gold	715,000	203,775
-FMC Inc.	1,600	187,592
<b>Other Resource Companies(18)</b>	N/A	1,290,933
<b>Equities of Public dividend-paying Non-Resource Companies</b>	various	989,255
<b>Equities of a Private Company (EI Olivar Imperial)</b>	400,000	525,704
<b>Debentures:</b>		
-Convertible debenture: IBC Advanced Alloys 8.25%	100	77,667
<b>Subtotal</b>		<b>12,982,229</b>
<b>Share purchase warrants:</b>	<b>Number held</b>	<b>\$</b>
-Almaden Minerals Ltd.	50,000	18000
-Amarillo Gold	357,500	50,000
- EI Olivar	600,000	-
- IBC Advanced Alloys	230,000	22,333
-Mexican Gold	335,000	60,000
-Hudson Resources Inc.	1,071,428	185,000
<b>Subtotal</b>		<b>335,333</b>
<b>Total investments</b>		<b>13,317,562</b>

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

	December 31, 2017	Additions (v)	Dispositions (v)	Unrealized gain (losses)	June 30, 2018
<b>Investment in public entities:</b>					
- Shares and partnership units (i)	12,866,912	2,742,206	(893,322)	(2,336,938)	12,378,858
- Share purchase warrants (ii)	245,000	126,933	-	(35,600)	336,333
<b>Investment in a EI Olivar Imperial</b>					
- Shares and warrants (iii)	502,138	-	-	23,566	525,704
<b>Investment in convertible debenture:</b>					
- IBC Advanced Alloys Corp. (iv)	-	77,667	-	-	77,667
<b>Total</b>	<b>13,614,050</b>	<b>2,945,806</b>	<b>(893,322)</b>	<b>(2,348,972)</b>	<b>13,317,562</b>

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and six months ended June 30, 2018, and 2017

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

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

During the six-month ended June 30, 2018, the Company acquired common shares/share purchases warrants/partnership units and convertible debentures of public companies for a total cost of \$2,945,806. The Company disposed of common shares of public companies for proceeds of \$893,322.

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

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

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

As part of the consideration for the investment in El Olivar, Minco Gold shall receive an annual cash dividend in U.S. dollars equal to 6% of the total invested amount, calculated from December 22, 2018 and payable starting on June 22, 2018. The Company has not accrued the dividend receivable (US\$36,000) given EI Olivar has not started its operations and the timing and structure of the initial dividend payment is uncertain.

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

The cost of the investment in EI Olivar was USD\$400,000, which approximated its fair value as at June 30, 2018, since EI Olivar did not have any significant changes that may cause a material change to El Olivar’s fair value after the Company’s acquisition of their shares. The carrying value has changed due to the appreciation of the U.S. Dollar against the Canadian Dollar during the six months ended June 30, 2018.

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

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

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

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and six months ended June 30, 2018, and 2017

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

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

At the issuance of the convertible debentures, the Company has allocated \$22,333 as the fair value of the 230,000 warrants received and \$77,667 as the fair value of the convertible debentures.

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

	Six months ended June 30,	
	2018	2017
Net realized gain (loss) on investments	\$ 116,370	\$ -
Previously recorded unrealized gain on investments	(64,134)	-
Change in unrealized gain (loss) on investments	(2,348,972)	1,070,866
Net gain (loss) from investments	\$ (2,296,736)	\$ 1,070,866

#### 7. Share capital

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

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

##### b. Stock options

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

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

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

# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and six months ended June 30, 2018, and 2017**

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

## 7. Share capital (continued)

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

The Company charged \$128,968, and \$63,135 share-based compensation for the six months ended June 30, 2018 and 2017, respectively. As at June 30, 2018, there was \$337,866 (2017 - \$80,708) of unrecognized compensation cost relating to unvested stock options.

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 – 0.19	4,035,000	4.51	0.17	208,332	0.19
0.20 – 0.24	2,893,334	3.16	0.24	2,233,331	0.24
0.25 – 0.26	845,000	0.55	0.26	845,000	0.26
	<u>7,773,334</u>	<u>3.58</u>	<u>0.21</u>	<u>3,286,663</u>	<u>0.24</u>

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

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

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and six months ended June 30, 2018, and 2017

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

#### 7. Share capital (continued)

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

#### 8. Related party transactions

##### Investments

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

##### Shared office expenses

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

##### Due from related parties

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

- \$37,071 due from Minco Silver (December 31, 2017 – \$27,523), in relation to shared office expenses reimbursement.
- \$32,170 due from MBM (December 31, 2017 - \$11,422), in relation to shared office expenses reimbursement.

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

##### Key management compensation

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

For the three and six month ended June 30, 2018 and 2017, compensation to key management are as follows:

	Three months ended June 30,		Six months ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash remuneration	78,332	74,206	161,880	145,368
Share-based compensation	132,808	87,602	247,529	142,257
Total	211,140	161,808	409,409	287,625

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

# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and six months ended June 30, 2018, and 2017**

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

## 9. Financial instruments and fair value measurements

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

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	\$	\$
<b>Fair value through profit and loss :</b>		
Investments at fair value (note 6)	13,217,562	13,614,050
<b>Loan and receivable (amortized cost):</b>		
Cash	1,554,871	3,642,328
Short-term investment	20,000	271,455
Receivables	53,335	25,713
Due from related parties	69,241	38,945
<b>Other Financial Liabilities (amortized cost):</b>		
Accounts payables and accrued liabilities	97,988	186,635

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

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

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

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

# Minco Gold Corporation

## Notes to the Condensed Interim Financial Statements

### For the three and six months ended June 30, 2018, and 2017

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

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

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

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

June 30, 2018	Level 1	Level 2	Level 3
	\$	\$	\$
Investments at fair value,	12,378,858	-	938,704

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

	December 31, 2017	Additions/ disposition	June 30, 2018	Unrealized gain (loss) recognized in profit or loss
	\$	\$	\$	\$
400,000 units of EI Olivar	502,138	-	525,704	23,566
100 units of 5-year convertible debentures units of IBC Advanced Alloys ("IB")	-	76,667	76,667	-
Share purchase warrants:				
1,071,428 warrants of Hudson Resources Inc. ("HUD")	245,000	-	185,000	(60,000)
230,000 warrants of IBC Advanced Alloys	-	23,333	23,333	-
50,000 warrants of Almaden Mineral Ltd. ("AMM")	-	15,000	18,000	3,000
335,000 warrants of Mexican Gold Corp. ("MEX")	-	42,000	60,000	18,000
357,500 warrants of Amarillo Gold Corp ("AGC")	-	46,600	50,000	3,400
	747,138	203,600	938,704	(12,034)

The fair value of the investment in EI Olivar on June 30, 2018 was US\$400,000 (\$525,704) which was same as December 2016 (US\$400,000 or \$537,860), when the Company first acquired the investment. The fair value of this investment on June 30, 2018 only changed as a result of movements in foreign exchange, as there are no significant events identified during 2018 resulting in a change in fair value of EI Olivar.

# Minco Gold Corporation

Notes to the Condensed Interim Financial Statements

**For the three and six months ended June 30, 2018, and 2017**

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

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

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

The fair value of the convertible debentures (warrants inclusive) issued by IBC Advanced Alloys on June 30, 2018 was same as the acquisition date in June 16, 2018 as there were no significant events between these two dates.

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

	HUD	AMM	MEX	AGC
Risk-free interest rate	1.91%	2.02%	1.76%	1.91%
Dividend yield	0%	0%	0%	0%
Volatility	85%	59%	164%	134%
Exercise price	\$ 0.50	\$ 1.35	\$ 0.60	\$ 0.38
Estimated expected lives	1.58 years	4 years	3 years	1.75 years

## 10. Subsequent events.

On August 14, 2018, the Company was informed by the OTC Markets that Minco Gold's bid price has closed below \$0.10 and market capitalization has stayed below \$5 million for more than 30 consecutive calendar days, consequently fails to meet the Standards for Continued Qualification for the OTCQX International tier as per the OTCQX Rules for International Companies section 3.2.b.1. A cure period of 180 calendar days (expired February 11, 2019) to regain compliance shall begin, during which the applicable criteria must be met for 10 consecutive trading days. The 180-calendar day grace period expires February 11, 2019 and at that time if the Company's bid price and market capitalization has not stayed at or above the minimum for ten consecutive trading days then the security will be moved from OTCQX International to OTC Pink.