

# **Minco Gold Corporation**

(An exploration stage enterprise)

Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

(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 consolidated 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 consolidated interim financial statements of Minco Gold Corporation have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed consolidated 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken CAI  
President and CEO

Ellen Wei, C.A.  
Chief Financial Officer

Vancouver, Canada

May 10, 2013

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# Minco Gold Corporation

(An exploration stage enterprise)

## Condensed Consolidated Interim Statements of Financial Position

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

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	633,349	263,054
Short-term investment (note 4)	5,187,429	5,055,480
Marketable securities	2,100	1,470
Receivables	172,587	78,311
Due from related parties (note 9)	71,185	10,768
Prepaid expenses and deposits	111,689	138,961
	<u>6,178,339</u>	<u>5,548,044</u>
<b>Long-term deposit</b>	51,277	51,277
<b>Property, plant and equipment</b>	188,784	197,269
<b>Equity investment in Minco Silver</b> (note 6)	13,374,626	13,375,407
	<u>19,793,026</u>	<u>19,171,997</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	395,685	372,537
Accounts payable for Changkeng permit (note 5(a))	4,731,028	4,610,543
Advance from non-controlling interest (note 5(a))	2,538,778	2,474,123
Due to related party (note 9)	1,544,427	1,250,129
	<u>9,209,918</u>	<u>8,707,332</u>
<b>Equity</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital (note 8(a))	41,758,037	41,758,037
Contributed surplus	8,253,775	7,939,681
Accumulated other comprehensive income	303,725	173,246
Deficit	(42,141,823)	(41,831,667)
	<u>8,173,714</u>	<u>8,039,297</u>
<b>Non-controlling interests</b>	2,409,394	2,425,368
<b>Total equity</b>	<u>10,583,108</u>	<u>10,464,665</u>
	<u>19,793,026</u>	<u>19,171,997</u>

*Subsequent events (note 12)*

Approved by the Board of Directors

(Signed) Malcolm Clay      Director

(signed) Robert Callander      Director

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

# Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Loss

**For the three months ended March 31, 2013 and 2012**

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

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Exploration costs</b> (note 5)	271,555	302,889
<b>Administrative expenses</b>		
Accounting and audit	31,443	35,906
Amortization	14,994	15,378
Consulting	23,331	27,083
Directors' fees	13,000	14,500
Foreign exchange (gain) loss	4,648	(3,146)
Investor relations	54,132	62,237
Legal, regulatory and filing	38,472	79,238
Office and miscellaneous	123,502	44,549
Property investigation	31,697	653
Salaries and benefits	119,607	141,968
Share-based compensation (note 8(b))	314,094	215,042
Travel and transportation	12,827	19,025
	<u>781,747</u>	<u>652,433</u>
<b>Operating loss</b>	(1,053,302)	(955,322)
Gain on legal settlement (note 7)	801,395	-
Unrealized gain (loss) on marketable securities	630	(6,300)
Finance income	65,550	40,406
	<u>(185,727)</u>	<u>(921,216)</u>
<b>Loss for the period before loss from equity investment and dilution loss</b>		
Share of loss from equity investment in Minco Silver (note 6)	(140,112)	(361,069)
Dilution loss (note 6)	(291)	(8,040)
	<u>(326,130)</u>	<u>(1,290,325)</u>
<b>Net loss for the period</b>		
	<u>(326,130)</u>	<u>(1,290,325)</u>
<b>Net income (loss) attributable to:</b>		
Shareholders of the Company	(310,156)	(1,300,627)
Non-controlling interest	(15,974)	10,302
	<u>(326,130)</u>	<u>(1,290,325)</u>
<b>Loss per share:</b>		
Basic and diluted	(0.01)	(0.03)
<b>Weighted average number of common shares outstanding</b>		
Basic and diluted	50,348,215	50,348,215

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

# Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Comprehensive Loss

**For the three months ended March 31, 2013 and 2012**

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

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Net loss for the period</b>	(326,130)	(1,290,325)
<b>Other comprehensive loss</b>		
Items that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment from Minco Silver investment	139,622	(75,127)
Exchange differences on translation from functional to presentation currency	(9,143)	(12,444)
<b>Total comprehensive loss for the period</b>	<b>(195,651)</b>	<b>(1,377,896)</b>
<b>Comprehensive loss attributable to:</b>		
Shareholders of the Company	(179,677)	(1,388,198)
Non-controlling interest	(15,974)	10,302
	<b>(195,651)</b>	<b>(1,377,896)</b>

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

# Minco Gold Corporation

(An exploration stage enterprise)

## Condensed Consolidated Interim Statements of Changes in Equity

**For the three months ended March 31, 2013 and 2012**

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

	<b>Attributable to equity owners of the Company</b>								
	Number of shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Subtotal \$	Non-controlling interest \$		
<b>Balance - January 1, 2012</b>	50,348,215	41,758,037	6,982,376	256,125	(36,949,896)	12,046,642	2,415,029	14,461,671	
Net income (loss) for the period	-	-	-	-	(1,300,627)	(1,300,627)	10,302	(1,290,325)	
Cumulative translation adjustment	-	-	-	(87,571)	-	(87,571)	-	(87,571)	
Share-based compensation	-	-	215,042	-	-	215,042	-	215,042	
<b>Balance - March 31, 2012</b>	50,348,215	41,758,037	7,197,418	168,554	(38,250,523)	10,873,486	2,425,331	13,298,817	
<b>Balance - January 1, 2013</b>	50,348,215	41,758,037	7,939,681	173,246	(41,831,667)	8,039,297	2,425,368	10,464,665	
Net loss for the period	-	-	-	-	(310,156)	(310,156)	(15,974)	(326,130)	
Cumulative translation adjustment	-	-	-	130,479	-	130,479	-	130,479	
Share-based compensation	-	-	314,094	-	-	314,094	-	314,094	
<b>Balance - March 31, 2013</b>	50,348,215	41,758,037	8,253,775	303,725	(42,141,823)	8,173,714	2,409,394	10,583,108	

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

# Minco Gold Corporation

(An exploration stage enterprise)

## Condensed Consolidated Interim Statements of Cash Flow

**For the three months ended March 31, 2013 and 2012**

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

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Cash flow provided by (used in)	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the period	(326,130)	(1,290,325)
Adjustments for:		
Amortization	14,994	15,378
Equity loss on investment in Minco Silver	140,112	361,069
Dilution loss	291	8,040
Share-based compensation (note 8(b))	314,094	215,042
Foreign exchange loss (gain)	5,175	(3,219)
Gain from legal settlement	(801,395)	-
Unrealized loss (gain) on marketable securities	(630)	6,300
Changes in items of working capital:		
Receivables	(92,120)	(31,492)
Due to/ from related parties (note 9)	262,073	364,739
Prepaid expenses and deposits	28,440	(18,104)
Accounts payable and accrued liabilities	16,990	(62,228)
<b>Net cash used in operating activities</b>	<b>(438,106)</b>	<b>(434,800)</b>
<b>Investing activities</b>		
Proceeds from legal settlement	801,395	-
Property, plant and equipment	(1,603)	(2,466)
<b>Net cash generated from (used in) investing activities</b>	<b>799,792</b>	<b>(2,466)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>8,609</b>	<b>(104,879)</b>
Increase (decrease) in cash and cash equivalents	370,295	(542,145)
<b>Cash and cash equivalents - Beginning of period</b>	<b>263,054</b>	<b>6,696,805</b>
<b>Cash and cash equivalents - End of period</b>	<b>633,349</b>	<b>6,154,660</b>
Cash paid for income tax	-	-

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



# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 1. General information and liquidity risk

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. It is an exploration stage company engaged in exploration and evaluating gold-dominant mineral properties and projects in China. The registered office of the Company is 2772 – 1055 West Georgia Street, British Columbia, Canada. The Company has listed its common shares on the Toronto Stock Exchange (“TSX”) under the symbol “MMM”, and the NYSE MKT under the symbol “MGH”.

As at March 31, 2013, Minco Gold owned a 22.02% (December 31, 2012 – 22.02%) equity interest in Minco Silver Corporation (“Minco Silver”).

Liquidity risk includes the risk that the Company cannot meet its financial obligations as they come due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company’s normal operating requirements and its exploration and development plans. As at March 31, 2013, the Company has \$5.8 million cash and short-term investments which include \$4.7 million in Guangzhou Mingzhong Mining Co., Ltd (“Mingzhong”) to be used for the final payment for the acquisition of the Changkeng exploration permit. The remaining cash balance and short-term investments available to fund exploration and general corporate requirements was \$1.1 million held primarily in the Company’s Chinese subsidiaries. The Company may face delays repatriating funds held in China if at any time the Company needs additional resources to enable it to undertake projects elsewhere in the world. The Company plans on meeting any additional short-term cash requirements through funds advanced from Minco Silver. In addition, the Company could raise funds through the sale of its equity investment in Minco Silver when necessary.

## 2. Basis of preparation

The condensed consolidated interim financial statements include the accounts of Minco Gold, its wholly-owned Chinese subsidiaries Minco Mining (China) Corporation (“Minco China”), Yuanling Minco Mining Ltd. (“Yuanling Minco”), Tibet Minco Mining Co. Ltd. (“Tibet Minco”) and Huaihua Tiancheng Mining Ltd. (“Huaihua Tiancheng”); its wholly owned Hong Kong subsidiary Minco Resources Limited (“Minco Resources”) and its 51% interest in Guangzhou Mingzhong Mining Co., Ltd. (“Mingzhong”).

These condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements including IAS 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

Except as described in Note 3, the accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements for the year ended December 31, 2012.

These financial statements were approved by the board of directors for issue on May 10, 2013.

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

### 3. Adoption of new accounting standards and amendment

Effective January 1, 2013, the Company adopted four new accounting standards and amendment to IAS 1, *Presentation of Financial Statements*.

(i) IFRS 10 – *Consolidated Financial Statement*

This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard: (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12.

*Consolidation - Special Purpose Entities*. The adoption of this standard did not have an impact on our condensed consolidated interim financial statements.

(ii) IFRS 11 – *Joint Arrangements*

This standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under previous IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*. The adoption of this standard did not have an impact on our condensed consolidated interim financial statements.

(iii) IFRS 12 – *Disclosure of Interests in Other Entities*

This standard establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 supersedes IAS 27, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. The adoption of this standard did not have an impact on our condensed consolidated interim financial statements, but will require additional disclosures to be included in the Company's 2013 annual financial statements.

(iv) IFRS 13 – *Fair Value Measurement*

This is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. The adoption of this standard did not have an impact on the measurement of any balances on our condensed consolidated interim financial statements. In conjunction with the implementation of IFRS 13, IAS 34, interim financial statements were amended to include certain IFRS 13 disclosures. The disclosures required in the interim financial statements are included in note 10.

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

### 3. Adoption of new accounting standards and amendment (continued)

(v) IAS 1 – *Presentation of Financial Statements*

The amendment to IAS 1, Presentation of Financial Statements, requires entities to separate items presented in OCI into two groups based on whether or not items may be recycled in the future.

### 4. Cash and short-term investments

As at March 31, 2013 cash and cash equivalents consisted of short-term deposit with a maturity term of seven days and that can be renewed automatically. The yield on the short-term deposit was 0.15%.

As at March 31, 2013, short-term investments consisted of \$5,187,429 of cashable guaranteed investment certificates with terms of greater than ninety days but less than one year (December 31, 2012 - \$5,055,480). The yields on these investments were between 1.1% and 3.08%.

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	\$	\$
Cash and cash equivalents	633,349	263,054
Short-term investment	5,187,429	5,055,480

Included in short-term investment is \$4,731,028 held by in Mingzhong to satisfy the remaining amount outstanding for the Changkeng permit (note 5(a)).

### 5. Mineral interests

a) Guangdong - Changkeng

Minco China is the controlling shareholder in Mingzhong with a 51% interest.

Mingzhong signed an exploration permit transfer agreement with No. 757 Exploration Team of Guangdong Geological Bureau (“757 Exploration Team”) and on January 5, 2008 Mingzhong received the Changkeng exploration permit (the “Changkeng Exploration Permit”). This exploration permit was renewed for a two-year period ending on September 10, 2013. To acquire the Changkeng Exploration Permit, Mingzhong is required to pay RMB 48 million (approximately \$7.7 million). As at December 31, 2008, the first payment for the Changkeng Exploration Permit to 757 Exploration Team was made in an amount of RMB 19 million (approximately \$3.0 million).

In order to pay the remaining RMB 29 million (\$4.7 million), shareholders of Mingzhong agreed to inject capital of RMB 32 million (\$5.1 million). As of March 31, 2013, Minco China paid RMB 16.3 million (\$2.6 million) and the five minority shareholders paid RMB 15.7 million (\$2.5 million). Accordingly, Mingzhong has all of the cash required to settle the remaining payable for the permit.

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 5. Mineral interests (continued)

As two of the shareholders, Guangdong Gold Corporation (“GGC”) and Guangdong Geological Exploration and Development Corporation (“GGEDC”), are state-owned companies they need to receive the requisite approval from the Guangdong provincial government’s Minister of Finance to increase their share of registered capital in Mingzhong. The funds received from the five minority shareholders are classified as a current liability as at March 31, 2013, pending approval of the capital injection.

The remaining amount payable for the Changkeng Exploration Permit of RMB 29 million (\$4,731,028) was classified as a current liability as at March 31, 2013.

Pursuant to the terms of an agreement with Minco Silver, the Company has assigned its right to earn a 51% interest in the Changkeng Silver Mineralization to Minco Silver. As a result, Minco Silver is responsible for 51% of the total costs in relation to the Changkeng Silver Mineralization.

### b) Gansu - Longnan

Minco China holds ten exploration permits in the Longnan region of south Gansu province in China. The Longnan region is within the southwest Qinling gold field.

The Longnan project has been divided into three sub-projects according to their geographic distribution, type and potential of mineralization:

- i) Yangshan: including five exploration permits located in the northeast extension of the Yangshan gold belt and its adjacent area;
- ii) Yejiaba: including four exploration permits adjacent to the Guojiagou exploration permit; and
- iii) Xicheng East: including one exploration permit to the east extension of the Xicheng Pb-Zn mineralization belt.

The Company has spent a cumulative total of \$9.8 million of exploration costs on the Longnan project as at March 31, 2013 (December 31, 2012 - \$9.6 million) on exploration costs.

### c) Hunan - Gold Bull Mountain

Minco China’s wholly owned subsidiary Yuanling Minco owns the Gold Bull Mountain exploration permit, which was renewed for a two-year period ending on June 28, 2013.

### d) Guangdong - Sihui

Minco China holds an exploration permit in Guangdong Sihui in China. The permit expires on February 3, 2015.

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 5. Mineral interests (continued)

The following is a summary of exploration costs incurred by the Company:

Currently active properties:	Three months ended March 31,		Cumulative to March 31,
	2013	2012	2013
	\$	\$	\$
Gansu			
- Longnan	245,314	288,432	9,829,492
Guangdong			
- Changkeng	20,493	7,902	8,299,770
Hunan			
- Gold Bull Mountain	4,125	5,360	2,216,335
Guangdong			
- Sihui	1,623	1,195	1,622
Total	<u>271,555</u>	<u>302,889</u>	<u>20,347,219</u>

## 6. Equity investment in Minco Silver Corporation

As at March 31, 2013, the Company owns 13,000,000 common shares of Minco Silver (December 31, 2012 - 13,000,000 common shares) that were acquired in 2004 in exchange for the transfer of the Fuwan property and the silver interest in the Changkeng property.

Comprehensive loss on the investment in Minco Silver is as follows:

	Three months ended March 31,	
	2013	2012
	\$	\$
Dilution loss	(291)	(8,040)
Equity loss	(140,112)	(361,069)
Cumulative translation adjustment	139,622	(75,127)
Comprehensive loss from investment in Minco Silver	<u>(781)</u>	<u>(444,236)</u>

The carrying value and market value of the Minco Silver shares held by the Company and accounted for using the equity basis are as follows:

	March 31, 2013	December 31, 2012
	\$	\$
Carrying value of investment in Minco Silver	<u>13,374,626</u>	<u>13,375,407</u>
Market value of Minco Silver shares	<u>17,940,000</u>	<u>20,150,000</u>

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 6. Equity investment in Minco Silver Corporation (continued)

The following is a summary of Minco Silver's balance sheet as at March 31, 2013 and December 31, 2012.

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	\$	\$
Current assets	66,664,236	66,923,816
Mineral interests	22,466,824	21,012,566
Property, plant and equipment	545,222	572,583
Current liabilities	485,826	512,604
Shareholders' equity	<u>89,676,282</u>	<u>87,996,361</u>

The following is a summary of Minco Silver's income statement for the period ended March 31, 2013 and 2012.

	<b>March 31 2013</b>	<b>March 31, 2012</b>
	\$	\$
Administrative expenses	<u>843,841</u>	<u>1,753,393</u>
Net loss for the period	(636,295)	(1,633,427)
Other comprehensive income (loss) for the period	<u>634,071</u>	<u>(261,886)</u>
Comprehensive loss for the period	<u>(2,224)</u>	<u>(1,895,313)</u>

## 7. Gain on legal settlement

On December 16, 2010, Minco China entered into an agreement with the 208 Team, a subsidiary of China National Nuclear Corporation, to acquire a 51% equity interest in the Tugurige Gold Project located in Inner Mongolia, China (the "Agreement"). The 208 Team did not comply with certain of its obligations under the Agreement, including its obligation to set up a new entity (the "JV Co") and the transfer of its 100% interest in the Tugurige Gold Project to the JV Co. As a result, Minco China commenced legal action in China seeking compensation.

On March 25, 2013, Minco China settled its claim against the 208 Exploration Team relating to the Agreement for a settlement amount of RMB 14 million (\$2.4 million).

During the three month ended March 31, 2013, Minco China received RMB 5 million (\$801,395) of the settlement amount in cash which the Company recorded as a gain on legal settlement.

The remaining balance of RMB 9 million (\$1,457,207) is expected to be received by the end of 2013. As at March 31, 2013, the RMB 9 million (\$1,457,207) receivable has not been recorded due to uncertainty of collectability. In the event of non-payment of the final settlement amount, Minco China has reserved the right to take further legal action.

# Minco Gold Corporation

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Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 8. 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.

During the three months ended March 31, 2013, the Company granted stock options for 2,200,000 common shares to various employees, consultants and directors at a weighted exercise price of \$0.45 per common share that vest over an 18-month period from the issuance date.

The maximum number of common shares reserved for issuance under the Stock Option Plan is 15% of the issued and outstanding common shares of the Company.

Minco Gold recorded \$314,094 in stock-based compensation expense for the three months period ended March 31, 2013 (March 31, 2012 - \$215,042).

A summary of the options outstanding is as follows:

	<b>Number outstanding</b>	<b>Weighted average exercise price \$</b>
Balance, January 1, 2012	4,984,000	1.41
Granted	3,095,000	0.59
Forfeited	(823,333)	1.40
Expired	(1,605,000)	0.92
	<hr/>	
Balance, December 31, 2012	5,650,667	1.11
Granted	2,200,000	0.45
Forfeited	(285,000)	0.55
Cancelled	(270,000)	2.14
	<hr/>	
Balance, March 31, 2013	<u>7,295,667</u>	<u>0.89</u>

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 8. Share capital (continued)

Range of exercise prices	Number outstanding	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$			\$		\$
0.36 – 0.45	1,270,000	4.71	0.44	-	-
0.46 – 0.47	1,835,000	4.79	0.46	-	-
0.48 – 0.65	745,000	0.91	0.48	728,334	0.48
0.67 – 0.93	1,786,667	3.93	0.68	1,230,006	0.68
1.44 – 2.14	1,459,000	2.53	2.07	1,459,000	2.07
2.15 – 2.59	200,000	2.75	2.59	200,000	2.59
	<u>7,295,667</u>	<u>3.66</u>	<u>0.89</u>	<u>3,617,340</u>	<u>1.31</u>

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

	2013	2012
Risk-free interest rate	1.26% - 1.46%	1.12% - 1.56%
Dividend yield	0%	0%
Volatility	91% - 92%	89% - 95%
Forfeiture rate	26%	28%
Estimated expected lives	5 years	5 years

Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. The stock price volatility is calculated based on the Company's historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.



# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 9. Related party transactions

### Shared office expenses

- a) Minco Silver and Minco Gold share offices and certain administrative expenses in Beijing and Minco Silver, Minco Base Metals Corporation (“MBM”) and Minco Gold share offices and certain administrative expenses in Vancouver.

At March 31, 2013, the Company has \$1,544,427 due to Minco Silver (December 31, 2012 - \$1,250,129) and consisted of the following:

Amount due from Foshan Minco as at March 31, 2013 of \$1,103,934 (December 31, 2012 - \$1,075,820), representing the expenditures incurred by Minco China on behalf of Foshan Minco and shared office expenses.

Amount due to Minco Silver as at March 31, 2013 of \$2,648,361 (December 31, 2012 – \$2,325,949) representing funds advanced from Minco Silver to Minco Gold to support its operating activities in Canada net of shared head office expenses.

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

The above two amounts will be net settled and accordingly have been presented as a net balance on the consolidated financial statements.

- b) At March 31, 2013, the Company has \$71,185 due from MBM (December 31, 2012 - \$10,768), in relation to shared office expenses. The Company is related to MBM through significant influence of one common director and common management.

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

### Funding of Foshan Minco

Minco Silver cannot invest directly in Foshan Minco as Foshan Minco is legally owned by Minco China. All funding supplied by Minco Silver for exploration of the Fuwan Project must first go through Minco China via the Company and Minco Resources to comply with Chinese Law. In the normal course of business Minco Silver uses trust agreements when providing cash, denominated in US dollars, to Minco China via the Company and Minco Resources for the purpose of increasing the registered capital of Foshan Minco. Minco China is a registered entity in China however it is classified as being a wholly foreign owned entity and therefore can receive foreign investment. Foshan Minco is a Chinese company with registered capital denominated in RMB and therefore can only receive domestic investment from Minco China. Increases to the registered capital of Foshan Minco must be denominated in RMB.

On August 12, 2011, the Company, Minco Silver and Minco China entered into a trust agreement in which the Company and Minco China confirmed they have received the US\$10 million, and Minco China was required to exchange these US fund into RMB in order to increase Foshan Minco’s registered share capital. Once all the funds are transferred from Minco China to Foshan Minco, the trust agreement is effectively settled.

As at March 31, 2013, Minco China held RMB 39,086,005 (\$6,328,488) in trust for Minco Silver, out of which, the RMB 37 million was transferred to Minco Yinyuan Co., a subsidiary of Minco Silver, on April 7, 2013.

# Minco Gold Corporation

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Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 9. Related party transactions (continued)

### 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 months period ended March 31, 2013 and 2012, the following compensation was paid to key management.

	Three months ended March 31,	
	2013	2012
	\$	\$
Cash remuneration	79,246	75,061
Share-based compensation	246,873	138,691
Total	<u>326,119</u>	<u>213,752</u>

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

## 10. Fair value measurements

It is required that the classification of fair value measurements uses a fair value hierarchy that reflects the significance of the inputs used in making the measurements, including the following levels:

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 marketable securities are measured at fair value based on quoted market price (level 1). Other financial instruments on the balance sheet are not measured at fair value.

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, short-term investments, receivables, due from related parties, accounts payable and accrued liabilities, accounts payable for Changkeng permit, advance from non-controlling interest and due to related party. The fair values of these financial instruments approximate their carrying values due to their short term nature.

# Minco Gold Corporation

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Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## 11. Segment reporting

The Company's business of exploration and development of mineral interests is considered as operating in one segment. The geographical division of the Company's assets and net loss is as follows:

Segment loss	March 31, 2013		
	Canada	China	Total
	\$	\$	\$
Exploration costs	(47,720)	(223,835)	(271,555)
General and administration costs	(578,124)	(203,623)	(781,747)
Other income (expenses)	(139,792)	866,964	727,172
Geographic distribution profit (loss)	(765,636)	439,506	(326,130)

  

	March 31, 2012		
	Canada	China	Total
	\$	\$	\$
Exploration costs	(52,958)	(249,931)	(302,889)
General and administration costs	(555,024)	(97,409)	(652,433)
Other income (expenses)	(283,950)	(51,053)	(335,003)
Geographic distribution loss	(891,932)	(398,393)	(1,290,325)

  

	March 31, 2013		
	Canada	China	Total
	\$	\$	\$
Current assets	254,232	5,924,107	6,178,339
Non-current assets	13,430,010	184,677	13,614,687
Current liabilities	2,755,473	6,454,445	9,209,918

  

	December 31, 2012		
	Canada	China	Total
	\$	\$	\$
Current assets	212,500	5,335,544	5,548,044
Non-current assets	13,431,101	192,852	13,623,953
Current liabilities	2,408,087	6,299,245	8,707,332

# **Minco Gold Corporation**

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2013 and 2012**

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

## **12. Subsequent events**

a). On May 8, 2013, Minco Silver advanced US\$14 million to Minco China via the Company and Minco Resources in accordance with the trust agreement signed on April 30, 2013 in which Minco Silver agreed to advance US\$20 million to Minco China to increase Foshan Minco's registered share capital.

b). On April 18, 2013, Minco China and 757 Exploration Team entered into a loan agreement in which Minco China agreed to loan RMB 10 million (\$1,641,900) with annual interest rate of 6% to 757 Exploration Team for a two- month period until June 18, 2013. The loan will be net settled against the remaining balance of the Changkeng permit due to 757 Expiration Team by Mingzhong on maturity.