Minco Gold Corporation

(An exploration stage enterprise)

Consolidated Financial Statements

For the years ended December 31, 2014, 2013, and 2012

(Canadian dollars)

Management's Responsibility for Financial Reporting

The consolidated financial statements are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by International Accounting Standard 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 consolidated financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

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

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

Dr. Ken Cai
President and CEO

Samson Siu, CPA, CA
Interim Chief Financial Officer

Vancouver, Canada
March 27, 2015

Independent Auditor's Report

To the Shareholders of Minco Gold Corporation

We have audited the accompanying consolidated financial statements of Minco Gold Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2014 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Minco Gold Corporation as at December 31, 2014 and December 31, 2013 and its financial performance and cash flows for each of the three years in the period ended December 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, British Columbia
March 27, 2015

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Minco Gold Corporation

(An exploration stage enterprise)

Consolidated Statements of Financial Position

(in Canadian dollars)

	December 31, 2014	December 31, 2013
Assets	**$**	**$**
Current assets		
Cash and cash equivalents (note 5)	2,117,038	1,797,809
Receivables (note 9)	103,174	715,649
Due from related parties (note 14)	47,696	67,418
Prepaid expenses and deposits	140,956	67,423
	2,408,864	2,648,299
Long-term deposit	51,277	51,277
Property, plant and equipment (note 6)	125,298	177,943
Equity investment in Minco Silver (note 8)	6,820,000	13,368,836
	9,405,439	16,246,355
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	444,914	552,177
Advance from non-controlling interest (note 7(a))	453,463	167,920
Due to related party (note 14)	3,603,848	3,584,387
	4,502,225	4,304,484
Equity		
Equity attributable to owners of the parent		
Share capital (note 11(a))	41,882,757	41,758,037
Contributed surplus	9,179,213	8,933,012
Accumulated other comprehensive income	1,183,086	1,102,818
Deficits	(52,330,354)	(44,976,192)
	(85,298)	6,817,675
Non-controlling interests (note 10)	4,988,512	5,124,196
Total equity	4,903,214	11,941,871
	9,405,439	16,246,355

Commitments (note 13)

Approved by the Board of Directors

(signed) Malcolm Clay Director   (signed) Robert Callander Director

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

Minco Gold Corporation

(An exploration stage enterprise)

Consolidated Statements of Loss

For the years ended December 31, 2014, 2013, and 2012

(in Canadian dollars, except per share data)

	2014	2013	2012
	$	$	$
Exploration recovery (note 7(a))	-	(622,293)	-
Exploration costs (note 7)	1,177,817	1,550,251	1,617,289
	1,177,817	927,958	1,617,289
Administrative expenses (note 14)			
Accounting and audit	105,423	111,905	164,843
Amortization	67,180	66,746	60,689
Consulting	11,633	30,453	85,932
Directors' fees	54,188	49,749	53,000
Foreign exchange loss (gain)	16,977	19,692	(872)
Investor relations	24,726	116,814	182,290
Legal and regulatory	140,727	132,506	269,795
Office and miscellaneous	366,836	360,894	283,161
Property investigation	74,948	112,863	12,748
Salaries and benefits	618,926	655,585	679,310
Share-based compensation (note 11(b))	297,588	993,331	957,305
Travel and transportation	69,786	83,553	79,364
	1,848,938	2,734,091	2,827,565
Operating loss	(3,026,755)	(3,662,049)	(4,444,854)
Gain on legal settlement (note 9)	148,739	1,343,638	-
Gain on sale of exploration permit (note 7(b)(c))	376,937	-	442,796
Loss on partial disposal of investment in Minco Silver (note 8)	(399,536)	-	-
Impairment of equity investment in Minco Silver (note 8)	(4,205,816)	-	-
Unrealized loss on marketable securities	-	(1,470)	(9,030)
Impairment of property, plant and equipment	(8,784)	-	-
Finance income	17,570	110,122	180,870
Share of loss from equity investment in Minco Silver (note 8)	(321,972)	(656,132)	(1,032,816)
Dilution loss (note 8)	(78,177)	(77,414)	(8,398)
Net loss for the period	(7,497,794)	(2,943,305)	(4,871,432)
Net income (loss) attributable to:			
Shareholders of the Company	(7,354,162)	(3,144,525)	(4,881,771)
Non-controlling interest	(143,632)	201,220	10,339
	(7,497,794)	(2,943,305)	(4,871,432)
Loss per share:			
Basic	(0.15)	(0.06)	(0.10)
Diluted	(0.15)	(0.06)	(0.10)
Weighted average number of common shares outstanding:			
Basic	50,488,078	50,348,215	50,348,215
Diluted	50,488,078	50,348,215	50,348,215

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

Minco Gold Corporation

(An exploration stage enterprise)

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2014, 2013 and 2012

(in Canadian dollars)

	2014	2013	2012
	$	$	$
Net loss for the year	(7,497,794)	(2,943,305)	(4,871,432)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Realized gain reclassified to net loss on partial disposal of equity investment in Minco Silver (note 8)	(158,797)	-	-
Share of other comprehensive income of investments accounted for using the equity method	115,462	726,975	(72,395)
Exchange differences on translation from functional to presentation currency	131,551	126,295	(10,484)
Total comprehensive loss for the year	(7,409,578)	(2,090,035)	(4,954,311)
Comprehensive income (loss) attributable to:			
Shareholders of the Company	(7,273,894)	(2,214,953)	(4,964,650)
Non-controlling interest	(135,684)	124,918	10,339
	(7,409,578)	(2,090,035)	(4,954,311)

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

Minco Gold Corporation

(An exploration stage enterprise)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014, 2013 and 2012

(in Canadian dollars)

	Attributable to equity owner of the Company							
	Number of shares	Share capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficits $	Subtotal $	Non-controlling interest $	Total equity $
Balance – January 1, 2012	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 year	-	-	-	-	(4,881,771)	(4,881,771)	10,339	(4,871,432)
Other comprehensive loss	-	-	-	(82,879)	-	(82,879)	-	(82,879)
Share-based compensation	-	-	957,305	-	-	957,305	-	957,305
Balance – December 31, 2012	50,348,215	41,758,037	7,939,681	173,246	(41,831,667)	8,039,297	2,425,368	10,464,665
Balance - January 1, 2013	50,348,215	41,758,037	7,939,681	173,246	(41,831,667)	8,039,297	2,425,368	10,464,665
Net income (loss) for the year	-	-	-	-	(3,144,525)	(3,144,525)	201,220	(2,943,305)
Contribution from non-controlling interest (note 7)	-	-	-	-	-	-	2,573,910	2,573,910
Other comprehensive income (loss)	-	-	-	929,572	-	929,572	(76,302)	853,270
Share-based compensation	-	-	993,331	-	-	993,331	-	993,331
Balance - December 31, 2013	50,348,215	41,758,037	8,933,012	1,102,818	(44,976,192)	6,817,675	5,124,196	11,941,871
Balance - January 1, 2014	50,348,215	41,758,037	8,933,012	1,102,818	(44,976,192)	6,817,675	5,124,196	11,941,871
Net loss for the year	-	-	-	-	(7,354,162)	(7,354,162)	(143,632)	(7,497,794)
Other comprehensive income	-	-	-	80,268	-	80,268	7,948	88,216
Proceeds on issuance of shares from exercise of options	166,666	124,720	(51,387)	-	-	73,333	-	73,333
Share-based compensation	-	-	297,588	-	-	297,588	-	297,588
Balance - December 31, 2014	50,514,881	41,882,757	9,179,213	1,183,086	(52,330,354)	(85,298)	4,988,512	4,903,214

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

Minco Gold Corporation
(An exploration stage enterprise)
Consolidated Statements of Cash Flow
For the years ended December 31, 2014, 2013, and 2012

(in Canadian dollars)

	2014	2013	2012
Cash flow provided by (used in)	$	$	$
Operating activities			
Net loss for the year	(7,497,794)	(2,943,305)	(4,871,432)
Adjustments for:			
Amortization	67,180	66,746	60,689
Equity loss on investment in Minco Silver	321,972	656,132	1,032,816
Dilution loss	78,177	77,414	8,398
Loss on partial disposal of equity investment in Minco Silver	399,536	-	-
Impairment of equity investment in Minco Silver	4,205,816	-	-
Impairment on property, plant and equipment	8,784	-	-
Foreign exchange loss (gain)	17,603	21,496	(3,032)
Gain from legal settlement (note 9)	(148,739)	(1,343,638)	-
Gain on sale of exploration permits (note 7(b))	(376,937)	-	(442,796)
Share-based compensation (note 11 (b))	297,588	993,331	957,304
Unrealized loss on marketable securities	-	1,470	9,030
Changes in items of working capital:			
Receivables	(82,144)	65,139	(31,209)
Due to/from related parties	41,368	1,034,808	10,732
Prepaid expenses and deposits	(73,151)	75,151	38,336
Accounts payable for Changkeng permit	-	(4,711,920)	-
Accounts payable and accrued liabilities	19,141	(36,317)	(145,645)
Net cash used in operating activities	(2,721,600)	(6,043,493)	(3,376,809)
Investing activities			
Loan receivable	-	(1,641,900)	-
Proceeds from loan receivable (note 7(a))	-	1,641,900	-
Proceeds from legal settlement (note 9)	720,095	801,395	-
Proceeds from partial disposal of investment in Minco Silver (note 8)	1,500,000	-	-
Proceeds from sales of exploration permits (note 7(b))	376,937	-	442,796
Property, plant and equipment	(13,772)	(29,301)	(13,678)
Purchase of short-term investments	-	-	(5,066,771)
Redemption of short-term investments	-	5,205,562	-
Net cash generated from (used in) investing activities	2,583,260	5,977,656	(4,637,653)
Financing activities			
Advanced from minority shareholders	258,471	159,417	-
Proceeds from stock option exercises	73,333	-	-
Advanced from Minco Silver Corporation	-	1,300,000	1,661,832
Net cash generated from financing activities	331,804	1,459,417	1,661,832
Effect of exchange rate changes on cash and cash equivalents	125,765	141,175	(81,121)
Increase (decrease) in cash and cash equivalents	319,229	1,534,755	(6,433,751)
Cash and cash equivalents- Beginning of year	1,797,809	263,054	6,696,805
Cash and cash equivalents - End of year	2,117,038	1,797,809	263,054
Cash paid for income tax	-	-	-

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

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. The Company is an exploration stage enterprise engaged in exploration and evaluation of 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 December 31, 2014, Minco Gold owned a 18.45% (December 31, 2013 – 21.91%) equity interest in Minco Silver Corporation ("Minco Silver"). Minco Silver was incorporated in British Columbia, Canada.

The Company is an exploration company and therefore has no source of revenues. As such, during the year ended December 31, 2014, the Company incurred a net loss of $7,497,794, had accumulated deficit of $52,330,354 and a working capital deficit of $2,093,361. As discussed in Note 16, the Company is exposed to liquidity risk, which is the risk that the Company may encounter difficulty in settling its commitments when due including the continued forbearance to the amounts due to Minco Silver. In managing this risk, management determined that the Company's cash balance as at December 31, 2014 of $2.1 million combined with any cash proceeds raised through the sale of equity interests in Minco Silver or through the sale of exploration properties would be sufficient to meet its cash requirements for the Company's administrative overhead and to maintain its mineral interest throughout fiscal 2015.

2. Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the board of directors for issue on March 25, 2015.

3. Summary of significant accounting policies

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

Consolidation

The consolidated 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").

3. Summary of significant accounting policies (continued)

Information about subsidiaries:

Name	Principal activities (ownership interest)		Country of Incorporation
Minco China	Exploring and evaluating mineral properties	(100%)	China
Yuanling Minco	Exploring and evaluating mineral properties	(100%)	China
Tibet Minco	Exploring and evaluating mineral properties	(100%)	China
Huaihua Tiancheng	Exploring and evaluating mineral properties	(100%)	China
Minco Resources	Holding company	(100%)	China
Mingzhong	Exploring and evaluating mineral properties	(51%)	China

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Minco China's legal subsidiary, Foshan Minco Mining Co. Ltd. ("Foshan Minco"), is held in trust for Minco Silver. Minco Gold does not consolidate Foshan Minco as it does not control this entity. Minco China also holds certain other assets and exploration permits in trust for Minco Silver. These assets are held for the exclusive benefit of Minco Silver and have not been included in these financial statements.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Profit or loss and each component of other comprehensive income are attributed to the non-controlling interests where applicable. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Equity investment

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights, but can also arise where the Company holds less than 20 percent of the voting rights, but it has power to be actively involved and influential in policy decisions affecting the entity. The Company accounts for its investment in associates using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's shares of profit or loss of the associate. The Company's share of income or loss of associates is recognized in the consolidated statement of income (loss).

3. Summary of significant accounting policies (continued)

Dilution gains and losses arising from changes in interests in investments in associates where significant influence is retained are recognized in the consolidated statements of income (loss).

At each reporting date, the Company determines whether there is any objective evidence that the investment in the associate is impaired. If an impairment is determined to exist, the amount of the impairment is recognized in the statement of income (loss). The amount of impairment is calculated as the difference between the recoverable amount of the investment in the associate and its carrying value.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Executive Officer of Minco Gold.

Foreign currency translation

(i) Functional and presentation currency

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars.

The functional currency of Minco Gold is the Canadian dollar.

The functional currency of the Company's Chinese subsidiaries is Renminbi ("RMB").

The financial statements of the Company's Chinese subsidiaries ("foreign operations") are translated into the Canadian dollar presentation currency as follows:

- Assets and liabilities – at the closing rate at the date of the statement of financial position
- Income and expenses – at the average rate of the period (as this is considered a reasonable approximation of actual rates)

All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from the item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

3. Summary of significant accounting policies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of an entity 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 an operation's functional currency are recognized in the statements of income (loss).

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash and cash equivalents, receivables, and due from related parties. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment, if necessary.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable, advance from non-controlling interest and due to related parties.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

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

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if objective evidence of an impairment exists include:

(i) significant financial difficulty of the obligor;

(ii) delinquencies in interest and principal payments; and

(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

Financial assets carried at amortized cost: If evidence of impairment exists, the Company recognizes an impairment loss as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of income during the period which they are incurred.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

Leasehold Improvements	remaining lease term
Mining Equipment	5 years
Motor Vehicles	10 years
Office Equipment and Furniture	5 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced asset is derecognized when replaced. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of income.

3. Summary of significant accounting policies (continued)

Exploration and evaluation costs

Exploration and evaluation costs include costs to acquire exploration rights, geological studies, exploratory drilling and sampling and directly attributable administrative costs.

Exploration and evaluation costs relating to non-specific projects or properties or those incurred before the Company has obtained legal rights to explore an area are expensed in the period incurred. In addition, exploration and evaluation costs, other than direct acquisition costs, are expensed before a mineral resource is identified as having economic potential.

Exploration and evaluation costs are capitalized as mineral interests when a mineral resource is identified as having economic potential on a property. A mineral resource is considered to have economic potential when it is expected that documented resources can be legally and economically developed considering long-term metal prices. Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

i) There is a probable future benefit that will contribute to future cash inflows;

ii) The Company can obtain the benefit and control access to it; and

iii) The transaction or event giving rise to the benefit has already occurred.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, mineral interests are reclassified to mine properties within property, plant and equipment and carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired in value.

Costs relating to any producing mineral interests would be amortized on a unit of production basis over the estimated ore reserves. Costs incurred after the property is placed into production that increase production volume or extend the life of a mine are capitalized.

Proceeds from the sale of properties or cash proceeds received from option payments are recorded as a reduction of the related mineral interest, or if no amounts are capitalized, then the proceeds are recorded in the statement of income (loss).

Impairment of non-financial assets

The recoverability of mineral interests is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability to farm-out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

The Company performs impairment tests on property, plant and equipment and mineral interests when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on a project by project basis with each project representing a single cash generating unit.

3. Summary of significant accounting policies (continued)

When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Share-based payments

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 payments 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.

Compensation expense is recognized over each tranche's vesting period, in earnings or capitalized as appropriate, based on the number of awards expected to vest. If stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognized when there is a present legal or constructive obligation as a result of exploration and development activities undertaken; it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably. The estimated future obligation includes the cost of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. The estimated cost is capitalized into the cost of the related asset and amortized on the same basis as the related assets.

If the estimated cost does not relate to an asset, it is charged to earnings in the period in which the event giving rise to the liability occurs.

As at December 31, 2014 and December 31, 2013, the Company did not have any provision for restoration and rehabilitation.

Income tax

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 or loss.

3. Summary of significant accounting policies (continued)

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.

Share capital

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

Earnings per share

Basic earnings per share is 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 are the same.

Adoption of new accounting standard

Effective January 1, 2014, the Company adopted the following standard:

IFRIC 21 - *Levies*

This standard was issued on May 20, 2013 and provided guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, *Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The adoption of this standard did not have an impact on our consolidated financial statements.

Accounting standards and amendments issued but not yet applied

IFRS 9, *Financial Instruments* was issued in November 2009 and 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 were added to IFRS 9 in October 2010 and they largely carried forward 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. This effective date of this new standard will be for periods beginning on or after January 1, 2018 with early adoption permitted. The Company has not yet assessed the impact of this standard or determined whether it will adopt earlier.

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:

Significant Influence of Minco Silver

Management has assessed the level of influence that the Company has on Minco Silver and determined that it has significant influence even though its shareholding, as of April 22, 2014 is below 20%. This is because of the representation on Minco Silver's board, common CEO and other shared management.

Impairment

At each reporting date, management conducts a review to determine whether there is any objective evidence that the investment in associate is impaired. This determination requires significant judgment. In making this judgment, management evaluates among other factors, the duration and extent to which the recoverable amount of the investment in Minco Silver is less than its carrying value.

If the recoverable amount is less than the carrying value, the company recognizes an impairment loss in the statement of income (loss).

Management evaluated its investment in Minco Silver for impairment and due to the significant decline in the market value of the Minco Silver shares, the company has recognized an impairment loss during the year of $4,205,816.

Liquidity risk

The Company is exposed to liquidity risk, which is the risk that the Company may encounter difficulty in settling its commitments when due. In managing this risk, management determined that the Company's cash balance as at December 31, 2014 of $2.1 million combined with any cash proceeds raised through the sale of equity interests in Minco Silver or through the sale of exploration properties would be sufficient to meet its cash requirements for the Company's administrative overhead and to maintain its mineral interest throughout fiscal 2015.

5. Cash and cash equivalents

As at December 31, 2014, cash and cash equivalent consisted of a short-term deposit with a maturity date of seven days and that can be renewed automatically. The yield on the short-term deposit was 2.86%.

As at December 31, 2014, cash of $1,761,321 (RMB 9,321,970) (2013 - $1,545,792 (RMB 8,837,293)) remained in China. Under Chinese law, cash advanced to the Company's Chinese subsidiaries as registered share capital is maintained in the subsidiaries' registered capital bank account. Remittance of these funds back to Canada may require approvals by the relevant government authorities or designated banks in China or both.

(in Canadian dollars)

6. Property, plant and equipment

	Leasehold improvements $	Mining equipment $	Motor vehicles $	Office equipment and furniture $	Total $
Year ended December 31, 2013					
At January 1, 2013	2,417	86,243	106,379	2,230	197,269
Additions	24,893	332	-	3,720	28,945
Depreciation	(8,298)	(25,747)	(28,085)	(4,616)	(66,746)
Exchange differences	-	6,882	9,005	2,588	18,475
At December 31, 2013	19,012	67,710	87,299	3,922	177,943
At December 31, 2013					
Cost	95,628	439,653	345,998	393,962	1,275,241
Accumulated depreciation	(76,616)	(371,943)	(258,699)	(390,040)	(1,097,298)
Net book value	19,012	67,710	87,299	3,922	177,943
Year ended December 31, 2014					
At January 1, 2014	19,012	67,710	87,299	3,922	177,943
Additions	-	-	-	14,203	14,203
Depreciation	(12,446)	(20,128)	(25,815)	(8,791)	(67,180)
Impairment loss	-	(8,784)	-	-	(8,784)
Exchange differences	-	2,240	6,076	800	9,116
At December 31, 2014	6,566	41,038	67,560	10,134	125,298
At December 31, 2014					
Cost	95,628	433,109	352,074	408,965	1,289,776
Accumulated depreciation	(89,062)	(392,071)	(284,514)	(398,831)	(1,164,478)
Net book value	6,566	41,038	67,560	10,134	125,298

7. Mineral interests

a) Guangdong - Changkeng

Minco China and Tibet Minco, a wholly owned subsidiary of Minco China, are the controlling shareholders in Mingzhong with a 51% interest collectively.

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 expires on September 10, 2015.

To acquire the Changkeng Exploration Permit, Mingzhong was required to pay RMB 48 million ($8.15 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 ($3.22 million). The remaining balance of RMB 29 million ($4.92 million) was settled in May 2013. According to a Supplementary Agreement signed between 757 Exploration Team and Mingzhong, 757 Exploration Team agreed to refund RMB 3.8 million ($622,293) to Mingzhong for certain exploration costs incurred during the early stages of the Changkeng project. The refunded amount was recorded as an exploration cost recovery during the year ended December 31, 2013. On July 31, 2013, Mingzhong paid RMB 1.03 million ($169,669) to 757 Exploration Team for the completed hydro-geological program on the Changkeng Gold Project.

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 ending June 18, 2013. The loan has been repaid on the scheduled date and the Company recorded RMB 65,753 ($10,919) of interest income during the year ended December 31, 2013.

On May 16, 2013, Mingzhong completed the process to increase its registered capital by RMB 32 million ($5.1 million). As a result, the RMB 15.7 million ($2.5 million) advances from non-controlling interest were derecognized and recorded as a contribution from non-controlling interest.

As at December 31, 2014, the Company received funds of RMB 2,400,000 ($453,463) from three minority shareholders of Mingzhong and are classified as a current liability, pending approval of capital injection from the remaining non-controlling interest shareholders.

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

7. Mineral interests (continued)

The Longnan region consists of three projects according to their geographic distribution, type and potential of mineralization:

i) Yangshan: including four 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 $11.7 million on exploration costs on the Longnan project as at December 31, 2014 (December 31, 2013 - $10.8 million).

The Company has submitted the renewal application for the four exploration permit for Yejiaba and one exploration permit for Xicheng East that were originally set to expire on February 4, 2014. The renewal applications are currently being processed by the Ministry of Land and Resources.

Minco China entered into two agreements with Fengxian Xin Kun Mining Corporation (“FXKM”) in September 2010 and March 2012, respectively, in which the Company agreed to sell two exploration permits in Xicheng East for a total of RMB 2.8 million. During the year ended December 31, 2012, the Company received RMB 2.8 million and recognized a gain of $442,796 upon the receipt of approval from the Ministry of Land and Resources (“MOLAR”) for the transfer of legal title to the two exploration permits to FXKM.

On December 13, 2013, Minco China entered into an agreement with Gansu Yuandong Investment Co., Ltd (“YDIC”) in which the Company agreed to sell two exploration permits in the Xicheng East and Yejiaba area to YDIC for RMB 0.8 million ($150,000). The process of transferring the titles to the two permits to YDIC was pending approval by Gansu province and the proceeds were not received as at December 31, 2014.

On December 26, 2014, Minco China entered into an agreement with Beijing Runlong Investment Limited Company (“Beijing Runlong”) in which the Company agreed to sell four exploration permits in the Yangshan area to Beijing Runlong for total cash proceeds of RMB 3,200,000 ($604,618). The process of transferring the titles to the four permits to Beijing Runlong was pending approval by Gansu province and the proceeds were not received as at December 31, 2014.

Beijing Runlong will make the following payments to Minco China:

i) 5% of the total cash proceeds within 20 working days from the date of signing the agreement;

ii) 45% of the total cash proceeds upon receiving the approval of the transfer from the Provincial land and resources administrative authority, before submitting to the Ministry of Land and Resources; and

iii) 50% of the total cash proceeds within 5 days upon receiving the approved exploration rights license.

(in Canadian dollars)

7. Mineral interests (continued)

c) Hunan - Gold Bull Mountain

Minco China's wholly owned subsidiary Yuanling Minco owns the Gold Bull Mountain Exploration permit. The permit expires on June 28, 2015.

On June 28, 2014, Minco China entered into a sale agreement to dispose of its interest in Yuanling Minco for RMB 7 million ($1.2 million).

The buyer agreed to make the following payments to Minco China:

i) 30% of the selling price within 7 days from the date of signing this agreement (received);

ii) 55% of the selling price prior to the formal transfer request being submitted to the governing authorities; and

iii) 15% upon completing the transfer and obtaining all governing authorities' approval.

As at December 31, 2014, the Company issued a notice of termination as the buyer failed to make the remaining payments within the specified period resulting in a breach in the agreement. The deposit of RMB 2,100,000 ($376,937) received by the Company is non-refundable in accordance with the sale agreement. As a result, during the year ended December 31, 2014, the Company recorded a gain from sale of exploration permit of RMB 2,100,000 ($376,937).

d) Guangdong - Sihui

Minco China holds an exploration permit in Guangdong Sihui in China. The Company has decided not to renew the Sihui exploration permit, which expired on February 3, 2015.

The Company continues its efforts to dispose of its non-core assets in China, including the Changkeng project, and some of the projects in the Longnan region.

The following is a summary of exploration costs, net of recoveries, incurred by each project:

	December 31, 2014 $	December 31, 2013 $	December 31, 2012 $	Cumulative to December 31, 2014 $
Currently active properties:				
Gansu				
- Longnan	894,646	1,262,074	1,479,979	11,740,897
Guangdong				
- Changkeng	244,784	(361,010)	113,207	8,163,051
Hunan				
- Gold Bull Mountain	36,862	24,031	22,498	2,273,103
Guangdong				
- Sihui	1,525	2,863	1,605	5,993
Total	1,177,817	927,958	1,617,289	22,183,044

(in Canadian dollars)

8. Equity investment in Minco Silver Corporation

On April 22, 2014, the Company sold 2,000,000 common shares of Minco Silver for cash proceeds of $1,500,000 which decreased the Company's equity interest in Minco Silver from 21.81% to 18.45%. As a result of this transaction, the Company recognized a loss on partial disposition of its investment in Minco Silver of $558,333 and a resulting reduction in the carrying value of the investment in associate of $2,058,333. Upon the sale of the 2,000,000 common shares of Minco Silver, the Company reclassified a gain of $158,797 relating to the Company's share of other comprehensive income (loss) amounts of its equity investment in Minco Silver, resulting in a net loss on partial disposition of its investment in Minco Silver of $399,536.

On April 22, 2014, the Company determined that it continued to hold significant influence over Minco Silver despite the Company owning less than 20% of the voting rights of Minco Silver. The Company has the ability to influence Minco Silver through its board representation, common CEO and shared management positions between the Company and Minco Silver.

As at December 31, 2014, the Company owned 11,000,000 common shares of Minco Silver (December 31, 2013 and 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.

In the fourth quarter of 2014, the Company determined that due to a significant decline in the market value of Minco Silver's common shares, the recoverable amount of its investment was less than its carrying amount. As a result, the Company recognized an impairment loss of $4,205,816, which represents the difference between the carrying value of the investment and its recoverable amount, which was based on the quoted market price of Minco Silver's shares at December 31, 2014.

	2014 **$**	**2013** **$**	**2012** **$**
As at January 1, Equity investment in Minco Silver	13,368,836	13,375,407	14,489,016
Dilution loss	(78,177)	(77,414)	(8,398)
Share of associate's loss	(321,972)	(656,132)	(1,032,816)
Share of other comprehensive income of investments accounted for using the equity method	115,462	726,975	(72,395)
Partial disposition	(2,058,333)	-	-
Impairment	(4,205,816)	-	-
As at December 31, Equity investment in Minco Silver	6,820,000	13,368,836	13,375,407

(in Canadian dollars)

8. Investment in Minco Silver Corporation (continued)

The following is a summary of Minco Silver's balance sheet and reconciliation to carrying amounts as at December 31, 2014 and 2013:

	December 31, 2014	**December 31, 2013**
	$	**$**
Current assets	60,520,799	64,856,555
Mineral interests	31,621,827	27,369,966
Property, plant and equipment	422,012	483,281
Current liabilities	419,592	523,984
Shareholders' equity	92,145,046	92,185,818
Reconciliation to carrying amounts:		
Minco Gold's share in percentage	18.45%	21.91%
Minco Gold's share in $	17,000,761	20,197,913
Differences between Minco Gold's share and carrying value	(10,180,761)	(6,829,077)
Carrying value of investment in Minco Silver	6,820,000	13,368,836
Market value of Minco Silver shares	6,820,000	9,100,000

The following is a summary of Minco Silver's income statement for the years ended December 31, 2014, 2013, and 2012:

	For the year ended December 31, 2014	**For the year ended December 31, 2013**	**For the year ended December 31, 2012**
	$	$	$
Administrative expenses	2,336,876	3,458,998	5,596,671
Net loss for the period	(1,665,516)	(2,987,033)	(4,676,550)
Other comprehensive income (loss) for the period	470,514	3,309,545	(327,801)
Comprehensive income (loss) for the period	(1,195,002)	322,512	(5,004,351)

(in Canadian dollars)

9. 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 Team relating to the Agreement for an amount of RMB 14 million ($2.4 million). Minco China received RMB 5 million ($801,395) during 2013 and recognized a receivable of RMB 4 million ($699,688) (settled in 2014) as at December 31, 2013. Minco China recognized a gain on the legal settlement, net of accrued legal fees of RMB 900,000 ($157,425) during the year ended December 31, 2013.

As at December 31, 2014, the remaining RMB 5 million ($944,715) balance due under the legal settlement was not recognized due to the uncertainty of collectability. The Company has recommenced legal action against 208 Team to recover the remaining unpaid balance.

During the year ended December 31, 2014, the Company paid legal fees of 71,345 RMB ($12,806) pertaining to the aforementioned settlement. The Company recorded a recovery of 828,655 RMB ($148,739) for overaccrued legal fees.

10. Non-controlling interest

Below is summarized financial information for Mingzhong, the Company's 51% owned indirect subsidiary. The amounts disclosed are based on those included in the consolidated financial statement before inter-company eliminations.

Summarized statement for financial position

	December 31, 2014	**December 31, 2013**
	$	**$**
NCI percentage	49%	49%
Current assets	1,234,149	831,269
Current liabilities	(1,321,620)	(636,694)
	(87,471)	194,575
Non-current asset	37,384	42,126
Net assets	50,087	236,701
Accumulated non-controlling interests	4,988,512	5,124,195

(in Canadian dollars)

10. Non-controlling interest (continued)

Summarized income statement

For the year ended	**December 31, 2014**	**December 31, 2013**
	$	**$**
Net income (loss)	(290,477)	410,653
Other comprehensive income (loss)	16,226	(68,046)
Total comprehensive income (loss)	(274,251)	342,607
Profit (loss) allocated to NCI	(143,632)	201,220

Summarized cash flows

For the year ended	**December 31, 2014**	**December 31, 2013**
	$	**$**
Cash flows from operating activities	(279,873)	(4,734,196)
Cash flows from investing activities	-	5,313,527
Cash flows from financing activities	603,100	159,417
Effect of exchange rate changes on cash	82,790	43,529

11. 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.

For the year ended December 31, 2014, the Company granted stock options for 1,270,000 common shares to various employees, consultants and directors at a weighted exercise price of $0.26 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 $297,588 in share-based compensation expense for the year ended December 31, 2014 (December 31, 2013 - $993,331, December 31, 2012 - $957,305).

(in Canadian dollars)

11. Share capital (continued)

A summary of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price $
January 1, 2013	5,650,667	1.11
Granted	2,200,000	0.45
Forfeited	(587,500)	0.93
Cancelled	(270,000)	2.14
Expired	(140,000)	1.44
Balance, December 31, 2013	6,853,167	0.86
Granted	1,270,000	0.26
Exercised	(166,666)	0.44
Forfeited	(836,000)	0.94
Expired	(660,000)	0.48
Balance, December 31, 2014	6,460,501	0.79

The weighted average share price on the date of exercise was $0.56 in 2014 (2013 - $Nil, 2012 - $Nil). As at December 31, 2014, there was $24,854 (2013: $102,083) of total 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 $
0.26 – 0.45	2,391,334	3.49	0.35	1,605,997	0.39
0.46 - 0.93	2,876,667	2.59	0.57	2,876,667	0.57
0.94 – 2.59	1,192,500	1.04	2.17	1,192,500	2.17
	6,460,501	2.63	0.79	5,675,164	0.86

(in Canadian dollars)

11. Share capital (continued)

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

	2014	**2013**	**2012**
Risk-free interest rate	1.27%-1.68%	1.40% - 1.55%	1.08% - 1.56%
Dividend yield	0%	0%	0%
Volatility	87% - 89%	86% - 91%	85% - 95%
Forfeiture rate	23%	24%	27%
Estimated expected lives	5 years	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.

12. Income tax

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:

	2014 **$**	**2013** **$**	**2012** **$**
Net loss	(7,497,794)	(2,943,305)	(4,871,432)
	26%	25.75%	25%
Income tax recovery at statutory rates	(1,949,427)	(757,901)	(1,217,858)
Non-taxable (deductible) expenses	(431,590)	(314,072)	240,365
Difference in tax rates	20,291	(92,885)	-
Expiry of non-capital loss carry forward	279,602	87,867	104,686
Deferred income tax asset not recognized	1,664,315	1,054,613	1,252,008
Other	416,809	22,378	(379,201)
Provision for tax expenses	-	-	-

(in Canadian dollars)

12. **Income tax** (continued)

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of unrecognized deferred income tax assets and liabilities at December 31, 2014 and 2013 are as follows:

	2014 **$**	**2013** **$**
Deferred income tax assets (liabilities) not recognized		
Non-capital loss	6,397,642	5,878,964
Resource expenditures	4,285,187	3,892,286
Capital assets	69,672	222,394
Investment in Minco Silver	(400,045)	(1,162,930)
Capital loss	393,426	250,854
	10,745,882	9,081,568

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

The Company has approximately $13,247,455 of operating losses in Canada and approximately $11,813,216 of operating losses in China. The expiries for Canadian and Chinese non-capital loss carry forwards are as follows:

	Canada **$**	**China** **$**
2015	1,156,750	55,780
2016	-	950,258
2017	-	9,542,283
2018	-	274,761
2019	-	990,134
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	909,523	-
	13,247,455	11,813,216

(in Canadian dollars)

13. Commitments

The Company has commitments in respect of office leases requiring minimum payments of $647,252 as follows:

	$
2015	239,786
2016-2020	407,466
	647,252

14. 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"), a company with which the Company's CEO has significant influence over, and Minco Gold share offices and certain administrative expenses in Vancouver.

At December 31, 2014, the Company had $3,603,848 due to Minco Silver (December 31, 2013 – $3,584,387) and consisted of the following:

Amount due from Foshan Minco as at December 31, 2014 of $35,101 (December 31, 2013 - $15,847), representing the expenditures incurred by Minco China on behalf of Foshan Minco and shared office expenses.

Amount due to Minco Silver as at December 31, 2014 of $3,638,949 (December 31, 2013 – $3,600,234) representing funds advanced from Minco Silver to Minco Gold to support its operating activities in Canada.

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

b) At December 31, 2014, the Company had $47,696 due from MBM (December 31, 2013 - $67,418), in relation to shared office expenses.

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

14. Related party transactions

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 can therefore receive foreign investment. Foshan Minco is a Chinese company with registered capital denominated in RMB and can therefore only receive domestic investment from Minco China. Increases to the registered capital of Foshan Minco must be denominated in RMB.

During the year ended December 31, 2013, Minco Silver advanced US$20 million to Minco China via the Company and Minco Resources in accordance with a 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. As at December 31, 2014, Minco China held US$11,352,188 ($13,201,460) (December 31, 2013 – US$12,526,138 ($13,399,210)) and RMB 39,513 ($7,466) (December 31, 2013 – RMB 14,613,570 ($2,556,161)) in trust for Minco Silver.

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 years ended December 31, 2014, 2013 and 2012, the following compensation was paid to key management:

	2014	**2013**	**2012**
	$	$	$
Cash remuneration	270,693	341,537	339,714
Share-based compensation	215,202	736,294	601,838
Total	485,895	1,077,831	941,552

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

(in Canadian dollars)

15. Geographical information

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 non-current assets is as follows:

Assets by geography			**December 31, 2014**
	Canada	**China**	**Total**
	$	**$**	**$**
Non-current assets	6,888,410	108,165	6,996,575

			December 31, 2013
	Canada	**China**	**Total**
	$	$	$
Non-current assets	13,439,884	158,172	13,598,056

16. Financial instruments and fair value

As explained in Note 3, 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: fair value through profit or loss, loans and receivables, available-for-sale and other financial liabilities.

The following table summarizes the carrying value of financial assets and liabilities at December 31, 2014 and 2013:

	December 31, 2014	**December 31, 2013**
Loans and receivables	**$**	**$**
Cash	2,117,038	1,797,809
Receivables	103,175	715,649
Due from related parties	47,696	67,418
Liabilities		
Accounts payables	311,552	336,752
Advance from non-controlling interest	453,463	167,920
Due to related party	3,603,848	3,584,387

16. Financial instruments and fair value (continued)

The carrying value of the Company's loans and receivables and financial liabilities approximate their fair value.

Fair value measurement

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

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

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

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

The Company has no financial assets or liabilities measured at fair value.

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

Financial risk factors

The Company's operations consist of the acquisition, exploration and development of properties in China. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Management reviews these risks on a monthly basis and when material, they are reviewed and monitored by the Board of Directors.

<u>Credit risk</u>

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. The Company considers the following financial assets to be exposed to credit risk:

i. Cash and cash equivalents – In order to manage credit and liquidity risk the Company places its cash with major financial institutions in the PRC (not subject to deposit insurance) and one major bank in Canada (subject to deposit insurance up to $100,000). At December 31, 2014, the balance of $2,117,038 (2013 - $1,797,809) was placed with four financial institutions.

16. Financial instruments and fair value (continued)

Foreign exchange risk

The Company's functional currency is the Canadian dollar in Canada and RMB in China. The majority of the foreign currency risk is related to US dollar funds. Therefore, the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar and RMB. The Company did not hold significant amounts of US dollar cash during the year and the impact of the changes in the US dollar foreign exchange rate is insignificant to the Company's net earnings.

Interest rate risk

The effective interest rate on financial liabilities (accounts payable) ranged up to 1%. The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Cash entered into by the Company bear interest at a fixed rate thus exposing the Company to the risk of changes in fair value arising from interest rate fluctuations. A 1% increase in the interest rate in Canada will have a net (before tax) income effect of $21,000 (2013 - $18,000), assuming the foreign exchange rate remains constant.

Liquidity risk

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 December 31, 2014, the Company has $2.1 million cash to fund exploration and general corporate requirement. These funds are held primarily in the Company's Chinese subsidiaries; therefore, 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 short-term cash requirements, and funding the repayment of Minco Silver through the sale of exploration properties or sale of a part of its equity investment in Minco Silver if necessary.

17. Capital management

The Company's objectives in the managing of the 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, common share purchase warrants, contributed surplus, accumulated and other comprehensive income and accumulated deficit.

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, 2014, the Company does not have any long-term debt.

17. Capital management (continued)

The Company plans on meeting any additional short-term cash requirements through the sale of its equity investment in Minco Silver. The market for these instruments is liquid and the Company does not foresee a loss of capital due to liquidity risk.