Minco Gold Corporation
(An exploration stage enterprise)

Consolidated Financial Statements
For the years ended December 31, 2015, 2014, and 2013
(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 independent auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

Dr. Ken Cai
President and CEO

Larry Tsang, CPA, CA
Interim Chief Financial Officer

Vancouver, Canada
March 31, 2016

March 31, 2016

Independent Auditor's Report

To the Shareholders of Minco Gold Corporation

We have audited the accompanying consolidated financial statements of Minco Gold Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for each of the years in the three-year period ended December 31, 2015, 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, 2015 and December 31, 2014 and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, Canada

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Minco Gold Corporation

(An exploration stage enterprise)

Consolidated Statements of Financial Position

(in Canadian dollars)

	December 31, 2015	December 31, 2014
Assets	**$**	**$**
Current assets		
Cash and cash equivalents (note 5)	5,593,669	2,117,038
Short-term investment (note 6)	4,048,341	-
Receivables	11,122	103,174
Due from related parties (note 15)	12,387	47,696
Prepaid expenses and deposits	162,970	140,956
	9,828,489	2,408,864
Long-term deposit	51,277	51,277
Property, plant and equipment (note 7)	10,428	125,298
Equity investment in Minco Silver (note 9)	6,631,094	6,820,000
	16,521,288	9,405,439
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	389,522	444,914
Advance from non-controlling interest (note 8(a))	-	453,463
Due to related party (note 15)	177,330	3,603,848
	566,852	4,502,225
Equity		
Equity attributable to owners of the parent		
Share capital (note 12(a))	41,911,823	41,882,757
Contributed surplus	9,247,685	9,179,213
Accumulated other comprehensive income	2,763,940	1,183,086
Deficits	(37,969,012)	(52,330,354)
	15,954,436	(85,298)
Non-controlling interests (note 11)	-	4,988,512
Total equity	15,954,436	4,903,214
	16,521,288	9,405,439

Commitments (note 14)

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 Income (Loss)

For the years ended December 31, 2015, 2014, and 2013

(in Canadian dollars, except per share data)

	2015	2014	2013
	$	$	$
Exploration recovery (note 8(a))	-	-	(622,293)
Exploration costs (note 8)	793,081	1,177,817	1,550,251
	793,081	1,177,817	927,958
Administrative expenses (note 15)			
Accounting and audit	152,777	105,423	111,905
Amortization	34,781	67,180	66,746
Consulting	78,267	11,633	30,453
Directors' fees	73,124	54,188	49,749
Foreign exchange loss (gain)	(209,493)	16,977	19,692
Investor relations	37,051	24,726	116,814
Legal and regulatory	144,844	140,727	132,506
Office and miscellaneous	384,804	366,836	360,894
Property investigation	81,407	74,948	112,863
Salaries and benefits	388,887	618,926	655,585
Share-based compensation (note 12(b))	80,248	297,588	993,331
Travel and transportation	75,791	69,786	83,553
	1,322,488	1,848,938	2,734,091
Operating loss	(2,115,569)	(3,026,755)	(3,662,049)
Gain on legal settlement (note 10)	51,745	148,739	1,343,638
Gain on sale of exploration permit (note 8(b)(c))	-	376,937	-
Gain on sale of Minco Resources (note 8)	15,060,170	-	-
Loss on partial disposal of investment in Minco Silver (note 9)	-	(399,536)	-
Impairment of equity investment in Minco Silver (note 9)	-	(4,205,816)	-
Unrealized loss on marketable securities	-	-	(1,470)
Impairment of property, plant and equipment	-	(8,784)	-
Finance income	64,819	17,570	110,122
Share of gain (loss) from equity investment in Minco Silver (note 9)	1,259,391	(321,972)	(656,132)
Dilution loss (note 9)	-	(78,177)	(77,414)
Net income (loss) for the year	14,320,556	(7,497,794)	(2,943,305)
Net income (loss) attributable to:			
Shareholders of the Company	14,361,342	(7,354,162)	(3,144,525)
Non-controlling interest	(40,786)	(143,632)	201,220
	14,320,556	(7,497,794)	(2,943,305)
Net Income (loss) per share:			
basic and diluted	0.28	(0.15)	(0.06)
Weighted average number of common shares outstanding:			
basic and diluted	50,566,749	50,488,078	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 Income (Loss)

For the years ended December 31, 2015, 2014 and 2013

(in Canadian dollars)

	2015	**2014**	**2013**
	$	**$**	**$**
Net income (loss) for the year	14,320,556	(7,497,794)	(2,943,305)
Other comprehensive income (loss), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Realized gain from reclassification of currency translation adjustments upon disposition of Minco Resources	(479,324)	-	-
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 Minco Silver equity accounted investment	1,958,940	115,462	726,975
Exchange differences on translation from functional to presentation currency	101,238	131,551	126,295
Total comprehensive income (loss) for the year	15,901,410	(7,409,578)	(2,090,035)
Comprehensive income (loss) attributable to:			
Shareholders of the Company	15,904,973	(7,273,894)	(2,214,953)
Non-controlling interest	(3,563)	(135,684)	124,918
	15,901,410	(7,409,578)	(2,090,035)

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, 2015, 2014 and 2013

(in Canadian dollars)

	Attributable to equity owner of the Company							
	Number of shares	**Share capital $**	**Contributed surplus $**	**Accumulated other comprehensive income $**	**Deficits $**	**Subtotal $**	**Non-controlling interest $**	**Total equity $**
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	(2,943,306)
Contribution from non-controlling interest (note 11)	-	-	-	-	-	-	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
Balance - January 1, 2015	50,514,881	41,882,757	9,179,213	1,183,086	(52,330,354)	(85,298)	4,988,512	4,903,214
Net income (loss) for the year	-	-	-	-	14,361,342	14,361,342	(40,786)	14,320,556
Other comprehensive income	-	-	-	1,580,854	-	1,580,854	37,223	1,618,077
Elimination of non-controlling interest related to sale of Minco Resources	-	-	-	-	-	-	(4,984,949)	(4,984,949)
Proceeds on issuance of shares from exercise of options	66,500	29,066	(11,776)	-	-	17,290	-	17,290
Share-based compensation	-	-	80,248	-	-	80,248	-	80,248
Balance - December 31, 2015	50,581,381	41,911,823	9,247,685	2,763,940	(37,969,012)	15,954,436	-	15,954,436

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, 2015, 2014, and 2013

(in Canadian dollars)

	2015	2014	2013
Cash flow provided by (used in)	$	$	$
Operating activities			
Net income (loss) for the year	14,320,556	(7,497,794)	(2,943,305)
Adjustments for:			
Amortization	34,363	67,180	66,746
Equity loss (gain) on investment in Minco Silver	(1,259,391)	321,972	656,132
Dilution loss	-	78,177	77,414
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)	(227,257)	17,603	21,496
Gain on sale of Minco Resource	(15,111,348)	-	-
Gain from legal settlement (note 10)	(51,745)	(148,739)	(1,343,638)
Gain on sale of exploration permits (note 8(b))	-	(376,937)	-
Share-based compensation (note 12 (b))	80,248	297,588	993,331
Unrealized loss on marketable securities	-	-	1,470
Changes in items of working capital:			
Receivables	10,454	(82,144)	65,139
Due from related parties	501,491	41,368	1,034,808
Prepaid expenses and deposits	(140,315)	(73,151)	75,151
Accounts payable for Changkeng permit	-	-	(4,711,920)
Accounts payable and accrued liabilities	91,603	19,141	(36,317)
Net cash used in operating activities	(1,751,341)	(2,721,600)	(6,043,493)
Investing activities			
Loan receivable	-	-	(1,641,900)
Net cash outflow from sale of Minco Resources and its subsidiaries	(1,354,041)	-	-
Proceeds from loan receivable (note 8(a))	-	-	1,641,900
Proceeds from legal settlement (note 10)	94,472	720,095	801,395
Proceeds from partial disposal of investment in Minco Silver (note 9)	-	1,500,000	-
Proceeds from sales of exploration permits (note 8(b))	-	376,937	-
Purchase of or proceeds from sale of property, plant and equipment	13,693	(13,772)	(29,301)
Redemption of short-term investments	6,068,564	-	5,205,562
Net cash generated from investing activities	4,822,688	2,583,260	5,977,656
Financing activities			
Advance from non-controlling interest shareholders	-	258,471	159,417
Proceeds from stock option exercises	17,290	73,333	-
Advance from Minco Silver Corporation	-	-	1,300,000
Net cash generated from financing activities	17,290	331,804	1,459,417
Effect of exchange rate changes on cash and cash equivalents	387,994	125,765	141,175
Increase in cash and cash equivalents	3,476,631	319,229	1,534,755
Cash and cash equivalents- Beginning of year	2,117,038	1,797,809	263,054
Cash and cash equivalents - End of year	5,593,669	2,117,038	1,797,809
Cash paid for income tax	-	-	-

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

1. General information and significant transaction with Minco Silver

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. After the disposition of properties in China, the Company is currently review mineral properties of merit. 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, 2015, Minco Gold owned an 18.45% (December 31, 2014 – 18.45%) equity interest in Minco Silver Corporation ("Minco Silver"), which is accounted for as a significantly influenced investment in an associate. Minco Silver was incorporated in British Columbia, Canada and its Common Shares are listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "MSV".

On May 22, 2015, the Company entered into the share purchase agreement ("SPA") with Minco Silver and Minco Silver's wholly-owned subsidiary, Minco Investment Holding HK Ltd. ("Minco Investment"). Pursuant to the SPA, the Company sold all of the issued and outstanding shares of its wholly-owned subsidiary, Minco Resources Limited ("Minco Resources"), which held interests in Minco Mining (China) Corporation ("Minco China") to Minco Investment. Minco China consolidated certain subsidiaries including Yuanling Minco Mining Ltd. ("Yuanling Minco"), Tibet Minco Mining Co. Ltd. ("Tibet Minco"), Huaihua Tiancheng Mining Ltd. ("Huanihua Tiancheng"), a legal ownership of Foshan Minco Mining Co. Ltd. ("Foshan Minco") and a 51% interest in Guangdong Mingzhong Mining Co. Ltd. ("Mingzhong"), which owned the Changkeng Gold Project. With the disposal of Minco Resources (and indirectly, the Company's ownership of Minco China), the trust agreement related to the funding of the Fuwan Project was eliminated (note 15).

The selling price was $13,716,397, net of other adjustment of $15,863. In accordance with the SPA, $3,700,000 of the sales price was applied to settle outstanding amounts due from the Company to Minco Silver. This sale transaction was completed on July 31, 2015.

The Company has calculated a gain of $18,467,407 on the sale, based on the consideration received of $13,716,397 and the negative carrying value of its investment in the net assets of Minco Resources in the amount of $4,340,686. This resulted in a total gain of $18,057,083, which was reduced by $69,000 to account for the transaction cost and further adjusted to include the reclassification of cumulative translation adjustments of $479,324 relating to the disposed of entity. The negative carrying value of the net assets sold also includes a non-controlling interest of $4,984,949, which relates to the 49% interest of Mingzhong that was not owned by the Company. Due to Minco Gold's 18.45% ownership in Minco Silver, an unrealised gain in the amount of $3,407,237 was recorded as a reduction of Minco Gold's equity investment in Minco Silver and the remaining amount resulted in a realised gain of $15,060,170 recorded in net income.

Three assets have been retained by the Company including the contingent receivable from a legal settlement with 208 Team and the Gold Bull Mountain and Longnan exploration permits.

Minco Gold has entered into a trust agreement with Minco Silver and Minco China where Minco China holds the above retained assets in trust for Minco Gold.

(in Canadian dollars)

1. General information and significant transaction with Minco Silver (continued)

The majority of the consideration was received in the form of a short-term investment (note 6) and net cash out flow of $1,354,041 as result of the transaction mainly represented cash balances within the entities sold.

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 31, 2016.

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, and through to July 31, 2015, as described in Note 1, 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").

Information about the Company's holding in its former 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.

3. Summary of significant accounting policies (continued)

As of August 1, 2015 through to the year-ended December 31, 2015, the Company had no subsidiaries.

Cash and cash equivalents

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

Short term investment

Short term investment consists of term deposits with maturity dates between 90 days and 1 year.

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).

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 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.

3. Summary of significant accounting policies (continued)

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, disposed of in the year, was Renminbi ("RMB").

The financial statements of the Company's Chinese subsidiaries ("foreign operations"), prior to the disposal, were 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.

(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.

3. Summary of significant accounting policies (continued)

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, short-term investment, 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.

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 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.

3. Summary of significant accounting policies (continued)

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.

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.

3. Summary of significant accounting policies (continued)

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.

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.

3. Summary of significant accounting policies (continued)

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.

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

Accounting standards and amendments issued but not yet applied

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

3. Summary of significant accounting policies (continued)

IFRS 16, Leases, replaces the previous leases standard IAS 17, *Leases and Related Interpretations*, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). Effective January 1, 2019, an entity can choose to apply IFRS 16, but only if it also applies IFRS 15, Revenue from Contracts with Customers. The Company will evaluate the impact of the change to the consolidated financial statements based on the characteristics of leases outstanding at the time of adoption.

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, beginning on 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 movements in the trading share price of Minco Silver and other commercial activities impacting Minco Silver.

If objective evidence of impairment exists, then the Company recognizes an impairment loss in the statement of income (loss) to the extent that the estimated recoverable amount is less than the carrying value.

As at December 31, 2015, management evaluated its equity investment in Minco Silver for indications that the impairment loss that had been recognized in the first quarter of fiscal 2015 either no longer existed or had decreased. The company concluded that due to the positive developments in Minco Silver, which included the acquisition of Minco Resources and the related activities associated with the Changkeng project, accompanied by a corresponding increase in the market value of Minco Silver's share price, that there were indicators that impairment loss had reversed. As a result, management estimated the recoverable amount and reversed the previously recognized impairment.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and guaranteed investment certificates with initial maturities of less than three months. As at December 31, 2015, cash and cash equivalents consisted solely of cash at banks and on hand of $5,593,669 which includes $5,557,926 (USD $4,007,446) denominated in USD (December 31, 2014 - $2,117,038 (USD $1,820,182)). The company did not hold any cash equivalents.

6. Short-term investment

On July 31, 2015, the Company received short-term investments in the amount of $10,116,905 from Minco Silver, as consideration for the sale of Minco Resources and its subsidiaries. During the year, the Company redeemed $6,068,564 of the short-term investment received. As at December 31, 2015, short-term investments consist of $4,048,341 cashable guaranteed investment certificates, with maturity of one year on December 28, 2016 The yield on this investment is 1.4%.

(in Canadian dollars)

7. Property, plant and equipment

	Leasehold improvements	Mining equipment	Motor vehicles	Office equipment and furniture	Total
	$	$	$	$	$
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
Year ended December 31, 2015					
At January 1, 2015	6,566	41,038	67,560	10,134	125,298
Additions	-	-	-	1,300	1,300
Disposals	-	(34,223)	(62,631)	(17,330)	(114,184)
Depreciation	(6,566)	(8,839)	(12,240)	(7,136)	(34,781)
Exchange differences	-	2,024	7,311	23,460	32,795
At December 31, 2015	-	-	-	10,428	10,428
Cost	95,628	400,910	296,754	416,395	1,209,687
Accumulated depreciation	(95,628)	(400,910)	(296,754)	(405,967)	(1,199,259)
Net book value	-	-	-	10,428	10,428

8. Mineral interests

a) Guangdong - Changkeng

Minco China and Tibet Minco, wholly owned subsidiaries 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 September 10, 2017.

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 July 31, 2015, the Company's equity investment, Minco Silver, completed the purchase of the Company's subsidiaries that control the 51% interest of Mingzhong (note 1).

b) Gansu - Longnan

Following the transaction in the year with Minco Silver, Minco China holds nine exploration permits in trust for the Company in the Longnan region of south Gansu province in China. The Longnan region is within the southwest Qinling gold field. 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 $12.4 million on exploration costs on the Longnan project as at December 31, 2015 (December 31, 2014 - $11.7 million).

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 ($170,973). 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, 2015.

(in Canadian dollars)

8. Mineral interests (continued)

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, 2015. The Company did not record any receivable due to the uncertainty of collectability.

Beijing Runlong must 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 (not received)

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 (not received); and

iii) 50% of the total cash proceeds within 5 days upon receiving the approved exploration rights license (not received).

c) Hunan - Gold Bull Mountain

Minco China's wholly owned subsidiary Yuanling Minco owns the Gold Bull Mountain Exploration permit. Following the transaction in the year with Minco Silver, Minco China through Yuanling Minco holds the Gold Bull Mountain exploration permit, which expires on June 28, 2017, in trust for the Company.

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

	December 31, 2015 $	December 31, 2014 $	December 31, 2013 $	Cumulative to December 31, 2015 $
Currently active properties:				
Gansu				
- Longnan	626,815	894,646	1,262,074	12,367,711
Guangdong				
- Changkeng	122,652	244,784	(361,010)	8,285,703
Hunan				
- Gold Bull Mountain	43,508	36,862	24,031	2,316,611
Guangdong				
- Sihui	106	1,525	2,863	6,099
Total	793,081	1,177,817	927,958	22,976,125

(in Canadian dollars)

9. 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, a resulting reduction in the carrying value of the investment in associate of $2,058,333 and reclassified the 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 an overall net loss on partial disposition of its investment in Minco Silver of $399,536.

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 continues to have 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, 2015, the Company owned 11,000,000 common shares of Minco Silver (December 31, 2014 – 11,000,000 and 2012 - 13,000,000 common shares).

As at December 31, 2015, management evaluated its equity investment in Minco Silver for indications that the impairment loss that had been recognized in the first quarter of fiscal 2015 either no longer existed or had decreased. The company concluded that due to the positive developments in Minco Silver, which included the acquisition of Minco Resources and the related activities associated with the Changkeng project, accompanied by a corresponding increase in the market value of Minco Silver's share price, that there were indicators that impairment loss had reversed. As a result, management estimated the recoverable amount and reversed the previously recognized impairment.

	2015 **$**	**2014** **$**	**2013** **$**
As at January 1, Equity investment in Minco Silver	6,820,000	13,368,836	13,375,407
Dilution loss	-	(78,177)	(77,414)
Share of associate's income (loss)	1,259,391	(321,972)	(656,132)
Share of other comprehensive income of Minco Silver	1,958,940	115,462	726,975
Partial disposition	-	(2,058,333)	-
Unrealized gain on disposition of Minco Resources	(3,407,237)	-	-
Impairment	-	(4,205,816)	-
As at December 31, Equity investment in Minco Silver	6,631,094	6,820,000	13,368,836

(in Canadian dollars)

9. Equity 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, 2015 and 2014:

	December 31, 2015 $	**December 31, 2014 $**
Cash and cash equivalents	26,202,564	11,938,544
Other current assets	33,039,404	48,582,255
Mineral interests	63,676,055	31,621,827
Property, plant and equipment	434,999	422,012
Current liabilities	638,549	419,592
Shareholders' equity	122,714,472	92,145,046
Reconciliation to carrying amounts:		
Minco Gold's share in percentage	18.45%	18.45%
Minco Gold's share of net assets of Minco Silver	22,640,820	17,000,761
Differences between Minco Gold's share and carrying value	(16,009,726)	(10,180,761)
Carrying value of investment in Minco Silver	6,631,094	6,820,000

The following is a summary of Minco Silver's income statement for the years ended December 31, 2015, 2014, and 2013:

	For the year ended December 31, 2015 $	**For the year ended December 31, 2014** $	**For the year ended December 31, 2013** $
Administrative recovery (expenses)	1,368,238	(2,336,876)	(3,458,998)
Interest income	911,213	980,945	806,038
Net income (loss) for the year	6,680,947	(1,665,516)	(2,987,033)
Other comprehensive income for the year			
- Shareholders of the Company	10,619,461	470,514	3,309,545
- Non-controlling interest	232,071	-	-
Comprehensive income (loss) for the year	17,532,479	(1,195,002)	322,512

10. 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) as at December 31, 2013. The Company received RMB 4 million ($720,095) in January 2014.

On January 4, 2015, Minco China engaged a Chinese law firm to recommence legal action against 208 Team to recover the remaining RMB 5 million ($1,014,734) unpaid balance on a contingent fee basis whereby the Company will pay the Chinese law firm 50% of the net amount recovered.

On May 6, 2015, Minco China reached an agreement to settle its claim against the 208 Team for an amount of RMB 5.5 million ($1,138,472). The payments were to be received in following manner:

i) On the signing date of the agreement- RMB 500,000 ($98,940) (received on May 7, 2015)
ii) On or before June 17, 2015- RMB 2,000,000 ($405,894) (outstanding)
iii) On or before August 7, 2015- RMB 3,000,000 ($608,840) (outstanding)

As at December 31, 2015, Minco China had received RMB 500,000 ($98,941). Minco China recognized a net gain on the legal settlement of RMB 250,000 ($51,745) which represents the net proceeds from the initial payment after remittance of 50% of the payment under the contingent fee arrangement with the Chinese law firm. The remaining RMB 5 million ($1,014,734) balance due to be paid under the legal settlement has not been settled and therefore, has not been recognized as an asset as at December 31, 2015 due to the uncertainty of collectability of amount owing under the settlement agreement. Minco China, which is no longer a wholly-owned consolidated subsidiary of Minco Gold, advises that they have recommenced legal action in China seeking compensation.

(in Canadian dollars)

11. Non-controlling interest

Below is summarized financial information for Mingzhong, the Company's 51% formerly 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, 2015 $	December 31, 2014 $
NCI percentage	49%	49%
Current assets	-	1,234,149
Current liabilities	-	(1,321,620)
	-	(87,471)
Non-current asset	-	37,384
Net assets	-	50,087
Accumulated non-controlling interests	-	4,988,512

Summarized income statement

	Period from January 1 to July 31, 2015 $	For the year-ended December 31, 2014 $
Net loss	(101,050)	(290,477)
Other comprehensive income	75,966	16,226
Total comprehensive loss	(25,084)	(274,251)
Loss allocated to NCI	(40,786)	(143,632)

Summarized cash flows

	Period from January 1 to July 31, 2015 $	For the year-ended December 31, 2014 $
Cash flows from operating activities	(86,455)	(279,873)
Cash flows from financing activities	-	603,100
Effect of exchange rate changes on cash	37,233	82,790

(in Canadian dollars)

12. Share capital

a. Common shares

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, 2015, the Company granted stock options for 1,190,000 common shares to various employees, consultants and directors at a weighted exercise price of $0.24 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 $80,248 in share-based compensation expense for the year ended December 31, 2015 (December 31, 2014 - $297,588, December 31, 2013 - $993,331).

A summary of the options outstanding is as follows:

	Number outstanding	**Weighted average exercise price**
		$
January 1, 2014	6,853,167	0.86
Granted	1,270,000	0.26
Forfeited	(166,666)	0.44
Cancelled	(836,000)	0.94
Expired	(660,000)	0.48
Balance, December 31, 2014	6,460,501	0.79
Granted	1,190,000	0.24
Exercised	(66,500)	0.26
Forfeited	(927,500)	0.55
Expired	(66,667)	0.93
Balance, December 31, 2015	6,589,834	0.72

The weighted average share price on the date of exercise was $0.30 in 2015 (2014 - $0.56, 2013 - $Nil). As at December 31, 2015, there was $83,716 (2014: $24,854) of total unrecognized compensation cost relating to unvested stock options.

(in Canadian dollars)

12. Share capital (continued)

	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
$			$		$
0.18 – 0.44	2,072,334	3.88	0.25	1,032,334	0.26
0.45 – 0.54	2,125,000	1.99	0.46	2,125,000	0.46
0.55 – 0.93	1,270,000	1.24	0.67	1,270,000	0.67
0.94 – 2.59	1,122,500	0.04	2.17	1,122,500	2.17
	6,589,834	2.11	0.72	5,549,834	0.81

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

	2015	2014	2013
Risk-free interest rate	0.78% - 1.68%	1.27% -1.68%	1.40% - 1.55%
Dividend yield	0%	0%	0%
Volatility	85% - 87%	87% - 89%	86% - 91%
Forfeiture rate	23%	23%	24%
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.

(in Canadian dollars)

13. 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:

	2015 **$**	**2014** **$**	**2013** **$**
Net income (loss)	14,320,556	(7,497,794)	(2,943,305)
	26%	26%	25.75%
Income tax recovery at statutory rates	3,723,345	(1,949,427)	(757,901)
Non-taxable (deductible) expenses	19,159	(431,590)	(314,072)
Difference in tax rates	1,093,732	20,291	(92,885)
Difference in gain on disposition of Minco Resources	(6,662,076)	-	-
Reduction of tax attributes from sale of Minco Resources	6,668,881	-	-
Expiry of non-capital loss carry forward	300,755	279,602	87,867
Deferred income tax asset not recognized	(5,252,629)	1,664,315	1,054,613
Other	108,833	416,809	22,378
Provision for tax expenses	-	-	-

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of unrecognized deferred income tax assets and liabilities at December 31, 2015 and 2014 are as follows:

	2015 **$**	**2014** **$**
Deferred income tax assets (liabilities) not recognized		
Non-capital loss	3,536,062	6,397,642
Resource expenditures	701,784	4,285,187
Capital assets	50,671	69,672
Investment in Minco Silver	(375,488)	(400,045)
Capital loss	1,070,899	393,426
	4,983,929	10,745,882

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

13. Income tax (continued)

The Company has approximately $13,600,240 of operating losses in Canada. The expiries for Canadian non-capital loss carry forwards are as follows:

	$
2026	1,442,234
2028	1,582,716
2029	1,270,045
2030	1,285,615
2031	1,933,078
2032	2,131,656
2033	1,535,838
2034	1,329,782
2035	1,089,276
	13,600,240

14. Commitments

The Company has commitments in respect of office leases requiring minimum payments (including a share of operating costs) of $485,065 as follows:

	$
2016	207,885
2017	207,885
2018	69,295
	485,065

The above lease commitment is related to a Vancouver office that is shared by Minco Silver and Minco Base Metal Corporation (Note 15). The Company has a contract subject to renewal annually to recover 70% of these lease payments from Minco Silver and Minco Base Metal Corporation.

15. Related party transactions

Funding of Foshan Minco

Up to July 31, 2015, Minco Silver could not invest directly in Foshan Minco as Foshan Minco is legally owned by Minco China. All historical 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. Upon completion of the disposal of Minco Resources (note 1), the requirement for the trust structure was eliminated.

(in Canadian dollars)

15. Related party transactions (continued)

Shared office expenses

a) Minco Silver and Minco Gold share offices and certain administrative expenses in Beijing up to July 31, 2015. 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, 2015, the Company had $177,330 due to Minco Silver (December 31, 2014 – $3,603,848), representing shared office expenses, and expenses in relation to the Company's remaining assets in China. In 2014, the amount due to Minco Silver consisted of $3,700,000 debt to Minco Silver and $96,152 of shared expenses due from Minco Silver. The $3,700,000 of debt was settled as part of the Company's sale of the Changkeng Gold Project (note 1).

In the year ended December 31, 2015, the Company recovered $101,701 (December 31, 2014 – $124,833, December 31, 2013 - $157,296) in respect of rent and $563,588 (December 31, 2014 – $663,667, December 31, 2013 - $617,044) in respect of shared head office expenses and administration costs from Minco Silver.

b) At December 31, 2015, the Company had $12,387 due from MBM (December 31, 2014 - $47,696), in relation to shared office expenses.

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

Key management compensation

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

For the years ended December 31, 2015, 2014 and 2013, the following compensation was paid to key management:

	2015 $	**2014** $	**2013** $
Cash remuneration	333,729	270,693	341,537
Share-based compensation	67,405	215,202	736,294
Total	401,134	485,895	1,077,831

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

(in Canadian dollars)

16. 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, 2015**
	Canada	**China**	**Total**
	$	**$**	**$**
Non-current assets	6,692,799	-	6,692,799

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

17. 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: loans and receivables and other financial liabilities.

The following table summarizes the carrying value of financial assets and liabilities at December 31, 2015 and 2014:

	December 31, 2015	**December 31, 2014**
Loans and receivables	**$**	**$**
Cash	5,593,669	2,117,038
Short-term investment	4,048,341	-
Receivables	11,122	103,175
Due from related parties	12,387	47,696
Other Financial Liabilities		
Accounts payables	405,550	311,552
Advance from non-controlling interest	-	453,463
Due to related party	177,330	3,603,848

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

17. Financial instruments and fair value (continued)

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).

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

Financial risk factors

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

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

- Cash and cash equivalents– In order to manage credit and liquidity risk the Company places its cash with major financial institutions in two major banks in Canada (subject to deposit insurance up to $100,000). As at December 31, 2015, total cash of $5,593,669 was placed with two institutions.
- Short-term investment – The Company places its short-term investment with a major financial institution in a major bank in Canada. As at December 31, 2015, total short-term investment was $4,048,341 (December 31, 2014 - $Nil).

17. Financial instruments and fair value (continued)

Foreign exchange risk

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

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US$5.6 million monetary assets as at December 31, 2015. This sensitivity analysis shows that a changed of +/- 10% in US$ foreign exchange rate would have a -/+ US$0.6 million impact on net loss.

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 $96,000 (2014 - $21,000), assuming the foreign exchange rate remains constant.

18. 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, 2015, the Company does not have any long-term debt.