MINCO GOLD CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

This Management's Discussion and Analysis ("MD&A") of Minco Gold Corporation ("we", "our", "us", "Minco Gold" or the "Company") has been prepared on the basis of available information up to March 31, 2016, should be read in conjunction with the audited consolidated financial statements and notes thereto prepared by management for the years ended December 31, 2015 and 2014. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Except as noted, all financial amounts are expressed in Canadian dollars. All references to "$" and "dollars" are to Canadian dollars, all references to "US$" are United States dollars and all references to "RMB" are to Chinese Renminbi. Refer to Note 3 of the December 31, 2015 audited consolidated financial statements for disclosure of the Company's significant accounting policies.

Additional information, including the audited consolidated financial statements for the year ended December 31, 2015, and the MD&A and annual report on Form 20-F for the same period, is available under the Company's profile on SEDAR at www.sedar.com. The Company's audit committee reviews the consolidated financial statements and MD&A, and recommends approval to the Company's board of directors.

Minco Gold (TSX: MMM/NYSE MKT: MGH/FSE: MI5) was incorporated in 1982 under the laws of British Columbia, Canada as Caprock Energy Ltd. The Company changed its name to Minco Gold in 2007. The principal business activities of the Company include the acquisition, exploration and development of gold properties.

Until July 31, 2015, the Company had the following six subsidiaries:

	Place of incorporation	ownership
Minco Resource Limited ("Minco Resources") (i)	Hong Kong	100%
Minco Mining (China) Co., Ltd. ("Minco China") (ii)	China	100%
Yuanling Minco Mining Ltd ("Yuanling Minco")	China	100%
Huaihua Tiancheng Mining Ltd. ("Huaihua Tiancheng)	China	100%
Tibet Minco Mining Co. Ltd. ("Tibet Minco")	China	100%
Guangzhou Mingzhong Mining Co., Ltd. ("Mingzhong") (iii)	China	50%

(i) The Company owned 100% of Minco Resources and Minco Resources owned 100% of Minco China

(ii)Minco China owns 100% of Yuanling Minco, 100% of Huaihua Tiancheng, 100% Tibet Minco and 51% Mingzhong directly and indirectly.

(iii) Mingzhong holds the Changkeng Gold Property and the Changkeng Exploration Permit located in Guangdong Province, China

On July 31, 2015, the Company sold the issued and outstanding shares of Minco Resources to Minco Investment Holding HK Ltd. ("Minco Investment"), a wholly owned subsidiary of Minco Silver Corporation ("Minco Silver"). This sale effectively eliminated the Company's interest in the six subsidiaries shown above. More details are available at the section of "Highlights for the Year".

As at July 31, and December 31, 2015, the Company owned an 18.45% equity interest in Minco Silver Corp., a publicly traded company listed on the Toronto Stock Exchange. Minco Silver and the Company have the same team of key management: chief executive officer, chief financial officer and company secretary. Minco Silver, through its Chinese subsidiary holds the interest of Fuwan Silver Project located in Guangdong Province, China. The Changkeng Gold Property and the Fuwan Silver Project are located next to each other.

As at December 31, 2015, the Company had 50,581,381 common shares and 6,589,834 stock options outstanding, for a total of 57,171,215 common shares outstanding, on a fully diluted basis.

As at the date of this MD&A, the Company had 50,591,381 common shares and 5,427,334 stock options outstanding, for a total of 56,018,715 common shares outstanding, on a fully diluted basis.

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1. Highlights for the Year

Disposition of mineral interests

On May 22, 2015, the Company entered into the share purchase agreement ("SPA") with Minco Silver and Minco Investment. Pursuant to the SPA, the Company sold all of the issued and outstanding shares of Minco Resources, which holds all of the Company's interests in its five China subsidiaries, namely Minco China. Yuanling Minco, Huaihua Tiancheng, Tibet Minco, and Mingzhong (the "Transaction"). The Transaction completed on July 31, 2015.

Until the completion of the Transaction, Minco China held the Fuwan Silver in trust for Minco Silver. Upon the completion of the Transaction, Minco China has become a subsidiary of Minco Silver. Thus the trust agreement related the Fuwan Silver Project is no longer required and has been cancelled.

Upon the completion of the Transaction, three assets that were previously owned by Minco China have been retained by the Company, namely the Longnan permits, the contingent receivable from a legal settlement with 208 Team, and the Gold Bull Mountain Property (the "Retained Assets').

After the Transaction, the Company ceased to have subsidiary in China. As a result, the Company and Minco China has entered into a trust agreement to enable Minco China holding these Retained Assets in trust for the Company.

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 first reduced by $69,000 to account for the transaction cost, further adjusted to include the reclassification of cumulative translation adjustments of $479,324 relating to the disposed of entity. Due to Minco Gold's 18.45% ownership in Minco Silver, an unrealized 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 realized gain of $15,060,170 recorded in net income.

Listing Requirement

On August 6, 2015, the Company received a letter from the Toronto Stock Exchange (the "TSX") advising that as a result of the completion of the sale of the Company's interest in the Changkeng Property to Minco Silver, the Company is required to provide a written submission to the TSX outlining how the Company meets or plans to meet the original listing requirements in order to maintain its listing on the TSX. The Company has provided a response to the TSX accordingly. On September 30, the Company received a note from TSX that indicates the Company has met the listing requirement based on the Company's response.

On October 27, 2015, the Company received a courtesy call from NYSE to advise that the Company's stock has been trading below US$0.20 for the last 30 days with an average of US$0.18. No action was taken at this time. If the stock starts to trade below US$0.05, NYSE will initiate a delisting process. The Company's shares have not traded below US$0.05 from October 27, 2015 to the date of this report.

Outlook

After completing the Transaction, the Company the Company intends to use the proceeds from the sale of its subsidiaries to pursue strategic mineral acquisitions, joint ventures or other transactions outside of China while continuing to evaluate its current remaining Retained Assets and business activities in China.

2. Equity Investment in Minco Silver and mineral properties update

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%. The Company determined that it continued to hold significant influence over Minco Silver despite the Company's ownership being 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 other key management personnel. As a result, the Company continues to account for its investment in Minco Silver with the equity method after this share sale. Upon the completion of the Transaction on July 31, 2015, the Company's ownership of Minco Silver's common shares remained unchanged at 18.45% and the Company continued to maintain significant influence on Minco Silver through its board representation and common key management team.

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.

As at December 31, 2015, the Company owned 11,000,000 common shares of Minco Silver (December 31, 2014 - 11,000,000 common shares) that were acquired in 2004 in exchange for the transfer of the Fuwan property and the silver interest in the Changkeng property. These 11,000,000 common share owned by the Company were not part of the Transaction with Minco Silver.

Equity Investment in Minco Silver

The following is a summary of Minco Silver's financial information as at and for the year ended December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
	$	$
Assets	123,353,022	92,564,638
Liabilities	638,550	419,592
Revenues	-	-
Net income (loss)	6,680,947	(1,665,516)

As at December 31, 2015, Minco Silver Corporation had 59,631,418 common shares, 735,000 performance share units and 6,485,667 stock options for a total of 66,852,085 fully diluted common shares outstanding.

Mineral Properties Update

The following is a brief discussion of the Changkeng Gold Project, which was held by the Company before it was sold on July 31, 2015 and the properties that Minco Gold currently holds. . Information of a technical or scientific nature respecting the Company's mineral properties ("Technical Information") is primarily derived from the documents referenced herein. Technical Information which appears in this MD&A has been reviewed and approved by Thomas Wayne Spilsbury, an independent director of Minco Silver, in which the Company owned an 18.45% equity interest as at December 31, 2015 Mr. Spilsbury is a Member of the Association of Professional Engineers and Geoscientists of British Columbia (P Geo), a Member of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and Metallurgy CP (Geo) and is a "qualified person", as defined in NI 43-101. Minco Silver operates quality assurance and quality control of sampling and analytical procedures.

All sample length information that follows refers to reported sample length; the lengths reported may not necessarily represent true thickness of the mineralization.

2.1 Changkeng Gold Project

The Changkeng Gold Project was sold to Minco Silver (of which the Company holds 18.45% equity interest) as part the Transaction completed on July 31, 2015.

Technical Information respecting the Changkeng Gold Project is primarily derived from the NI 43-101 technical report entitled "Technical Report and Updated Resource Estimate on the Changkeng Gold Project Guangdong Province, China", dated effective February 21, 2009 and prepared by Tracy Armstrong, P. Geo Ontario, Eugene Puritch, P. Eng. Ontario and Antoine Yassa, P.Geo. Québec, all of P&E Mining Consultants Inc., and all qualified persons for the purposes of NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters and methods of the mineral resource estimates on the Changkeng Gold Project.

Location

The Changkeng gold deposit is located approximately 45 km southwest of Guangzhou, the fourth largest city in China with 13 million people and the capital city of Guangdong Province. The project is adjacent to the Fuwan silver deposit and situated close to well-established water, power and transportation infrastructure.

Ownership

On July 31, the Company sold its 51% interest in Mingzhong to Minco Silver by selling the shares of Minco Resource. Mingzhong, a cooperative joint-venture established among Minco China, Guangdong Geological Bureau, Guangdong Gold Corporation, and two private Chinese companies to jointly explore and develop the Changkeng Property, signed a purchase agreement in January 2008 to buy a 100% interest in the Changkeng Exploration Permit on the Changkeng Project from 757 Exploration Team. The transfer of the Changkeng Exploration Permit from 757 Exploration Team to Mingzhong was approved by the MOLAR in 2009. The renewed Changkeng Exploration Permit for a two-year period expires on September 10, 2017.

The purchase price of the Changkeng Exploration Permit was set at RMB 48 million ($8.26 M million). As of December 31, 2008, Mingzhong paid the first payment of RMB 19 million ($3.22million) to the 757 Exploration Team for the Changkeng Exploration Permit. The remaining balance of RMB 29 million ($6.20 million) was settled in May 2013. According to the Supplementary Agreement signed between 757 Exploration Team and Mingzhong, 757 Exploration Team agreed to refund RMB 3.8 million ($0.62 million) to Mingzhong for the exploration costs incurred during the early stage of exploration of 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 the RMB 1.03 million ($0.17million) to 757 Exploration Team for the completed hydro-geological program on the Changkeng Gold Project. The hydro-geological program was conducted to assist the preparation of the NI 43-101 technical report entitled "Technical Report and Updated Resource Estimate on the Changkeng Gold Project Guangdong Province, China": dated effective February 21, 2009.

Geology, Drilling Program and Resources Estimate

The Company is not aware of significant changes in the geology, drilling program and resource estimate compared to those disclosed in the MD&A of Minco Gold for the year ended December 31, 2015.

A comprehensive discussion of the geology, drilling program and resource estimate are included in the Minco Silver's MD&A for the year ended December 31, 2015 available on SEDAR at www.sedar.com.

From January 1, 2015 to July 31, 2015, just before the Changkeng Property was sold, the Company did not conduct any exploration activities, except for maintaining the Changkeng exploration permit.

2.2 Longnan Projects

This is the first component of the Retained Assets maintained by the Company. Technical Information respecting the Company's Yejiaba Project appearing in this MD&A has been primarily derived from the NI 43-101 compliant technical report entitled "*Independent Technical Report on the Yejiaba Gold-Polymetallic Project Gansu Province, P.R. China*", dated effective April 29, 2012 and prepared by Calvin R. Herron, P. Geo Ontario, a consultant to the Company and a qualified person for NI 43-101, available on SEDAR at www.sedar.com. Readers should refer to the aforementioned technical report for more information.

Exploration Activities - Longnan Region Projects

After the completion of the Transaction, Minco China held nine exploration permits in the trust for the Company in the Longnan region in the south of 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.

Yejiaba: Includes four exploration permits along a regional structural belt parallel to the Yangshan gold belt. The potential in this area is for polymetallic mineralization (gold-silver-iron-lead-zinc). The Company completed the NI 43-101 compliant technical report (refer to above) on Yejiaba Project, which is available on SEDAR.

Yangshan: Includes four remaining exploration permits located in the northeast extension of the Yangshan gold belt and its adjacent area.

Xicheng East: Includes one exploration permit for the east extension of the Xicheng Pb-Zn mineralization belt. The potential in this area is for polymetallic mineralization (gold-silver-lead-zinc).

Yejiaba Project

The Yejiaba Project is located along the collisional boundary separating the Huabei and Yangtze Precambrian cratons. This major E-W trending collision zone has localized a number of large gold and polymetallic deposits within a geologic province that is often referred to as the Qinling Orogenic Belt. Gold and polymetallic mineralization on the Company's lease package is generally hosted in Silurian-Devonian, thin-bedded limestone interbedded with phyllite. Mineralization is associated with shears and quartz veins, with higher grades typically found along sheared contacts separating massive limestone from the thin-bedded limestone and phyllite unit. Granite porphyry and quartz diorite dykes tend to be spatially associated with mineralization. Alteration accompanying mineralization consists of weak silicification and pyritization with carbonate veining and secondary carbon. Small quartz veinlets are noted in several places. Associated metals consist of silver, lead, antimony and arsenic.

Semi-regional geochemical anomalies were first delineated by the Company in 2005, extending 10 km along a hydrothermally altered zone that follows a NE trending thrust and regional unconformity.

Subsequent work between 2006 and 2012 has included traverse-line investigations, soil sampling, geologic mapping, geophysical surveys (ground magnetic and IP), trenching and drilling.

To date several targets have been identified and tested including: Shanjinba (Zone 1 and 2), Yaoshang, Fujiawan, Baimashi, Bailuyao, Baojia and Paziba.

The Company engaged an independent consultant to conduct a detailed review of the Yejiaba Project in April 2013, in particular to focus on the Baimashi North and East Targets. The sample work performed on the

Yejiaba project during 2013 consisted of 912 rock chip samples, 818 soil samples, 41 stream sediment samples and 339 trench channels. The detailed results at the Baimashi North and East Targets are described below.

The Company completed a drilling program for four drilling targets on its Baimashi North Target in 2014. The detailed assay results are described below.

Sampling and assaying

The channel samples taken in the trenches are generally 10 cm wide; 5 cm deep, lengths are typically 1m but can be slightly longer or shorter to match geological boundaries. Only significant channel sample results are reported below, where composited gold grades are over 0.50 g/t. Reported composites may comprise individual samples with gold assays lower than 0.5g/t if it is deemed that the geology and mineralization is continuous over the interval. Channel sample intervals may not necessarily represent true thickness of the mineralization.

Sample preparation was performed by independent laboratory SGS-Tianjin, at their laboratory in Xian (PRC). Pulps are then analyzed at the SGS-Tianjin assay facility in Tianjin. Sample QAQC methods consisted of insertion of blank and duplicates in the field (one in twenty samples), while SGS-Tianjin inserted analytical duplicates and reference standards into the sample stream at their laboratory.

Baimashi Target

The Baimashi gold-antimony mineralization was discovered on the boundary between Weiziping-Baimashi and Shajinba-Yangjiagou permits and includes the Baimashi North Target that was identified in 2013, located approximately 1Km north of the Baimashi Target; and the Baimashi East Target.

During 2013, the samples in Table 1 were collected within the Baimashi North and East Target. Out of total samples, 118 trench, 75 soil and 37 rock samples were collected from Baimashi East, but the results of these samples demonstrated the gold values in the Baimashi East are tightly confined to narrow structure and thereby effectively diminished the target's size and significance. The Company has no further exploration planned on this target.

All of the exploration conducted during 2013 indicates the Baimashi North Target is the only target that hosts sufficient size and grade potential to produce a substantial gold deposit.

Table 1. Summary of sample types collected within the Baimashi Targets

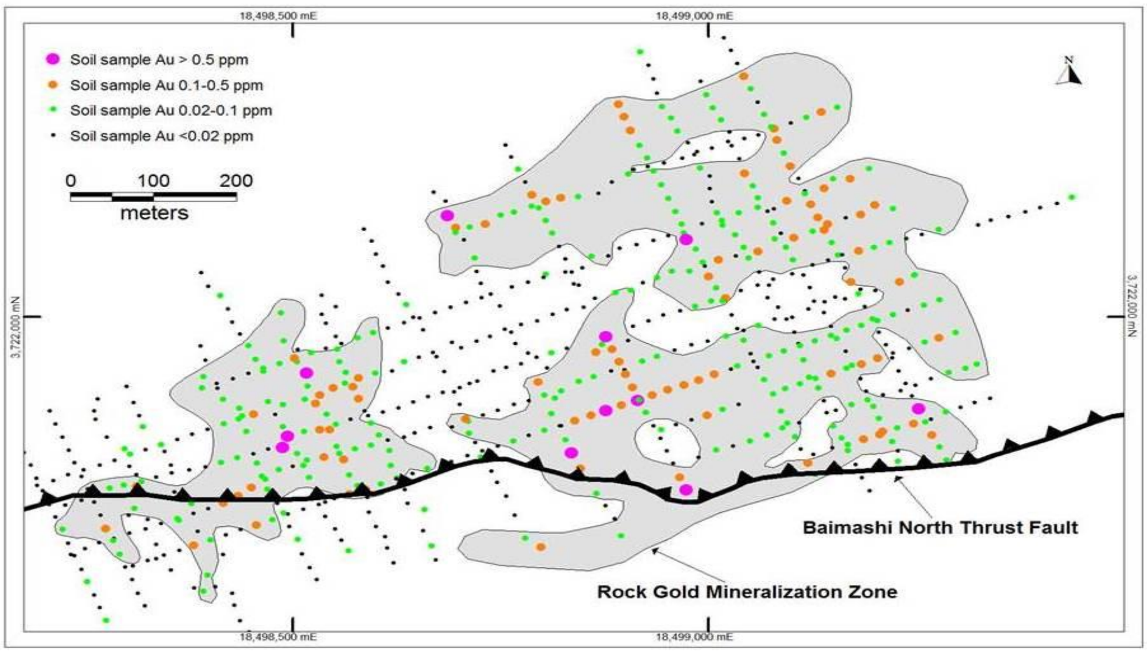
	# of Samples	Gold Range (ppm)	Average Au (ppm)
Rock Chip	912	<0.005 – 47.115	0.729
Soil	818	<0.005 – 3.968	0.055
Trench Channels	339	<0.005 – 14.250	0.190
Stream Sediment	41	<0.005 – 0.226	0.015

Baimashi North Target

Gold Mineralization Observed within the Baimashi North Target

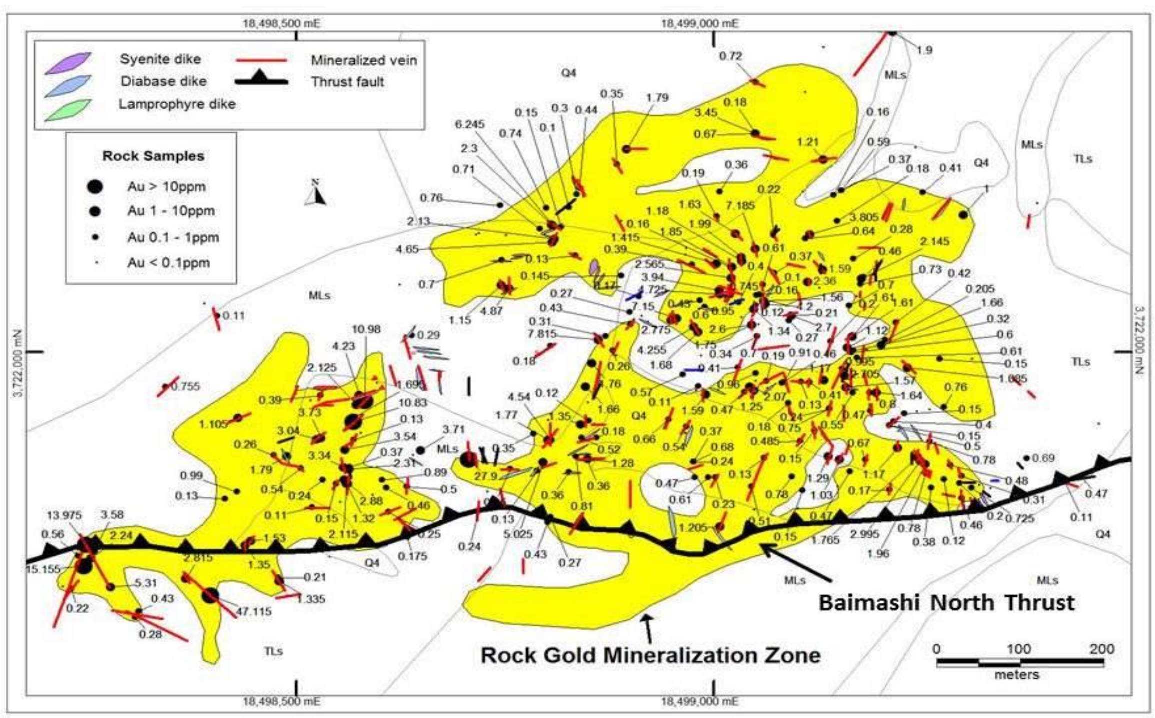
The Rock Gold Zone shown in Figure 1 represents the distribution of rock chip gold values exceeding 0.100ppm, and the zone boundaries were defined by combining the rock chip and soil sample results together with the structural data. The gold-in-soil distribution fairly represents the gold zone.

Figure1. Outline of Baimashi North Gold Mineralization Zone relative to soil samples results



In Figure 2, the same Rock Gold Zone is shown relative to the distribution of rock chip sample results together with the mapped mineralized structures (shears, veins, dikes). Here again, the sample data fits well within the zone boundaries, which suggests that the soil sample values generally do a fair job of reflecting the rock sample data. The dominantly northeast-trending Rock Gold Mineralization Zone is approximately 1,200m long by 600m wide. It measures 317,000m2 in plain view and is open to the north. The Baimashi North Target certainly possesses sufficient size for hosting a large gold deposit but will need sufficient gold grade as well.

Figure 2. Outline of Baimashi North Gold Mineralization Zone relative to rock chip results and mineralized structures.



Samples collected within the Baimashi North Target

Following the encouraging results found in the third quarter of 2013 described below, a total of 589 soil samples and 39 rock samples were collected within this target during the fourth quarter of 2013. The soil sample results show a gold range from 0.005 to 3.968 ppm (refer to Table 1).

During the year ended December 31, 2013, 247 rock chip samples, 125 soil samples and 41 stream sediment samples within Baimashi North Target were collected.

The 247 rock samples collected within the Rock Gold Mineralization Zone run from 0.005 to 47.115ppm Au and average 1.49ppm, which is a potentially economic grade for an open-pit operation if this grade can be maintained. A rough analysis of the rock sample data is presented in Table 2, where we see a high percentage of samples (39%) carrying gold values exceeding 0.5 g/t, while 68% run in excess of 0.1 g/t. Six samples included in the >3.0 ppm Au category in Table 2 exceed 10ppm Au. If these six high-grade samples are taken out, the overall average grade drops to 1.00ppm, which illustrates the weight carried by high-grade numbers in this zone.

Table 2. Summary of rock chip sample results (excludes dumps).

Sample Ranges	Number of Samples	% of Total Samples	Average Au (ppm)	Average As (ppm)	Average Sb (ppm)
>3.0 ppm Au	22	8	8.391	4292	99
1.0-3.0 ppm Au	48	17	1.764	2358	66
0.5-1.0 ppm Au	41	14	0.691	1797	54
0.1-0.5 ppm Au	83	29	0.276	1340	25
<0.1 ppm Au	94	32	0.027	241	8

The overall gold grade distribution is summarized in Table 3. This is a low grade system, and the amount of high grade found within the low-grade blanket will determine whether or not this target can be economical.

Table 3. Distribution of gold grades in 247 rock samples collected at Baimashi North Target

Grade Range (ppm Au)	<0.1	0.1 -- 0.5	0.5 -- 2	2 -- 4	4 -- 6	6 -- 8	>8
% of Total	18	32	33	9.3	3.2	1.6	2.4

The rock samples collected within this zone tested a variety of geologic features and they can be grouped into vein/fault, dike-related, and altered rock types. The carbonate veins and altered faults usually range from 0.1m to1.0m wide, and the sampling often includes some of the surrounding low-grade wallrock. Altered dikes and dike margins were also sampled as a separate rock type, as were several zones of altered phyllitic limestone (the “altered rock type”) hosting stock work-type carbonate veinlets.

Averaged Au-As sample results for these three rock groups are compared in Table 4. Based on the As: Au ratios, arsenic values look to be following the intrusive dikes and sills, which suggests a congeneric relationship between the intrusive plumbing and Au-As mineralization. In contrast, the lower As: Au ratio seen in the vein/fault type is attributed to post-intrusion mineralization in younger, more dilatant zones.

Table 4. Comparison of Au-As mineralization in major sample types at Baimashi North Target

Sample Type	Ave. Au (ppm)	Ave. As (ppm)	As/Au Ratio
V: Vein/Fault type	2.190	2185	997
D: Dike related	0.951	1726	1815
R: Altered rock type	0.958	1325	1383

Drilling completed in 2014

The Company's 2014 exploration program at its Yejiaba Gold Project in southern Gansu, PRC was concluded on January 1, 2015. Starting in July 2014, four diamond holes were drilled for a total of 870.35m within the Baimashi North Target, testing an area of widespread artisanal mining activity that displayed favorable potential for hosting a bulk-tonnage, low grade gold system. This scout drilling program evaluated a variety of Au-As geochemical anomalies and Au-bearing structures identified by Minco's 2013/2014 surface and underground sampling within an area measuring 1000m long by 500m wide. The Baimashi drill results received so far from SGS are tabulated in Table 5:

Table 5. Significant gold intercepts in drill holes at the Yejiaba Project.

	Hole #	*From (m)*	*To (m)*	*Interval (m)*	*Au (g/t)*
Baimashi North Target Zone	BMS-14-001 (223.57m TD)	9.00	22.02	13.02	0.346
		191.94	192.74	0.8	6.948
		192.74	196.37	3.63	0.902
		198.50	199.44	4.96	1.156
	BMS-14-002 (211.37m TD)	29.47	31.86	2.39	0.391
	BMS-14-003 (182.23m TD)	33.80	36.00	2.20	0.331
		82.75	84.82	2.07	0.392
	BMS-14-004 (253.18m TD)	18.20	20.20	2.00	0.498
		35.00	36.00	1.00	0.498
		78.30	79.10	0.80	1.076
		176.73	177.73	1.00	0.934
		222.10	223.10	1.00	2.694
		244.00	245.00	1.00	0.329

The first hole at BMS-14-004 hosts the best gold results, with several intervals of low-grade mineralization punctuated by a high-grade vein intercept (0.8m @ 6.948 g/t) at 192m. The gold mineralization seen in the drill holes did not have higher gold grades at depth which greatly diminished the potential for a bulk tonnage deposit within North Baimashi target. Potential exists for low-tonnage, vein-type mineralization of moderate grade (2.5g/t to 7g/t) along narrow (generally <1m thick), high-angle shears and dike contacts.

Yangshan and Xicheng East

During 2015, the Company did not conduct any exploration activities on these two projects except for maintaining the exploration permits in respect of the projects.

On December 13, 2013, Minco China entered into an agreement with Gansu Yuandong Investment Co., Ltd ("YDIC") pursuant to which the Company agreed to sell two exploration permits in the Xicheng East and Yangshan area to YDIC for RMB 0.8 million ($170,973). The process of transferring the titles of the two permits to YDIC had not been completed as at December 31, 2015 due to the pending approval by Gansu province.

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).

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).

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 and is actively following up with the collection of the receivable through Minco China.

2.3 Tugurige Gold project

On December 16, 2010, Minco China entered into a JV agreement with 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 208 Team did not comply with certain of its obligations under the JV 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 JV Agreement for an amount of RMB 14 million ($2.4 million). The Company 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. The Company 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.

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 are to be received in following manner:

i) On the signing date of the agreement- RMB 500,000 ($103,490) (received on May 7, 2015)

ii) On or before September 17, 2015- RMB 2,000,000 ($405,894)

iii) On or before August 7, 2015, RMB 3,000,000 ($608,840)

The amount receivable of the above is the second component of the Retained Assets kept by the Company through the trust agreement with Minco China.

As at December 31, 2015, the Company had received RMB 500,000 ($103,490). The remaining RMB 5 million ($1,014,734) balances due under the legal settlement were not recognized due to the uncertainty of collectability. The Company is actively collecting the remaining balance through further legal action. The Company recognized a gain on the legal settlement of RMB 250,000 ($51,745), net of accrued legal fees during the year ended December 31, 2015.

2.4 Gold Bull Mountain Project

Yuanling Minco's wholly owned subsidiary Huaihua Tiancheng owned the Gold Bull Mountain exploration permit. The Company has renewed the exploration permit to June 28, 2017.

On June 28, 2014, Minco China, the parent company of Yuanling Minco 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 Gold Bull Mountain Project is the third component of the Retained Assets and is owned by the Company through a trust arrangement with Minco China (and its subsidiary Yuanling Minco).

3. Results of Operations

3.1 Selected Annual Information

The following table summarizes selected financial information for the three most recently completed financial years:

Selected information for 2015, 2014 and 2013 is as follows:

	Year Ended December 31,		
	2015	**2014**	**2013**
	$	**$**	**$**
Net income (loss) attributable to shareholders	14,361,342	(7,354,162)	(3,144,525)
Net income (loss) for the year	14,320,556	(7,497,794)	(2,943,305)
Income (loss) per share attributable to shareholders – basic and diluted	0.28	(0.15)	(0.06)
Income (loss) per share – basic and diluted	0.28	(0.15)	(0.06)
Total assets	16,521,288	9,405,439	16,246,355
Total long-term financial liabilities	-	-	-
Cash dividends declared per share for each class of share	-	-	-

For the year ended December 31, 2015 and 2014

Net income for the year ended December 31, 2015 was $14,320,556 (income of $0.28 per share) compared to net loss of $7,497,794 (loss of $0.15 per share) for the comparative period of 2014. The income during the year was mainly due to the gain of $15,060,170 on sale of Minco Resources, partially offset by operating expense of $1,322,488 and $793,081 exploration cost.

The Company's administrative expenses in 2015 were $1,322,488 compared to $1,848,938 in the comparative period of 2014. The decrease was mainly due to a decrease in share-based compensation of $217,340 and an increase in foreign exchange gain of $226,470.

For the year ended December 31, 2014 and 2013

Net loss for the year ended December 31, 2014 was $7,497,794 (loss of $0.15 per share) compared to net loss of $2,943,305 (loss of $0.06 per share) for the comparative period of 2013. The increase in net loss during the year was mainly due to the impairment recorded on the equity investment in Minco Silver of $4,205,816 and loss of partial disposal of investment in Minco Silver of $399,536 recorded in 2014. The net loss for the year ended December 31, 2013 included a gain of $1.34 million on a legal settlement with the 208 team and also an exploration costs recovery of $622,293 received by Mingzhong.

The Company's administrative expenses in 2014 were $1,848,938 compared to $2,734,091 in the comparative period of 2013. The decrease was mainly due to a decrease in share-based compensation.

3.2 Fourth Quarter

For the three months ended December 31, 2015 and 2014

Net income for the three months ended December 31, 2015 was $1,835,043 (income of $0.04 per share) compared to a net loss of $4,469,480 (loss of $0.09 per share) for the comparative period of 2014.

The net income of $1,835,043 is mainly comprised of incurring exploration expenses of $194,428, operating expenses of $287,296, foreign exchange gain of $179,569, and other income of $2,137,239, which is mainly related to the change of carrying value of the Company's equity investment in Minco Silver and the sales of Minco Resources and its subsidiaries.

Exploration costs for the three months ended December 31, 2015 were $194,428 compared to $322,904 incurred for the comparative period in 2014. Administrative expenses for the three months ended December 31, 2015 were $287,296, exclusive of foreign exchange gain of $179,569, compared to $417,628, exclusive of foreign exchange loss of $9,993, for the comparative period of 2014.

3.3 Exploration Costs

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

	December 31, 2015	**December 31, 2014**	**December 31, 2013**	**Accumulative to December 31, 2015**
	$	$	$	$
Longnan projects	626,815	894,646	1,262,074	12,367,711
Changkeng gold project (*)	122,652	244,784	(361,010)	8,285,703
Gold Bull Mountain	43,508	36,862	24,031	2,316,611
Sihui	106	1,525	2,863	6,099
	793,081	1,177,817	927,958	22,976,125

During the year ended December 31, 2015 and 2014, the Company did not conduct any exploration activities on the Changkeng and Gold Bull Mountain projects, except for maintaining the exploration permits.

(*) During the year ended December 31, 2013, the Company recorded a refund from 757 Exploration Team of $622,293 for certain exploration costs incurred during the early stage of the Changkeng gold project. The refunded amount was recorded as an exploration cost recovery.

3.4 Administrative Expenses

The Company’s administrative expenses include overhead associated with administering and financing of the Company’s development activities.

The following table is a summary of the Company’s administrative expenses for the three months and the years ended December 31, 2015, 2014 and 2013:

	Three months ended December 31,			Year ended December 31,		
Administrative expenses	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Accounting and audit	36,019	25,824	24,896	152,777	105,423	111,905
Amortization	1,013	15,826	16,328	34,781	67,180	66,746
Consulting	34,180	2,429	2,533	78,267	11,633	30,453
Directors’ fees	26,000	13,000	11,000	73,124	54,188	49,749
Foreign exchange (gain) loss	(179,569)	9,993	8,411	(209,493)	16,977	19,692
Investor relations	453	1,014	10,737	37,051	24,726	116,814
Legal and regulatory	(13,757)	53,839	14,457	144,844	140,727	132,506
Office administration expenses	61,874	78,090	87,057	384,804	366,836	360,894
Property investigation	30,840	18,112	18,774	81,407	74,948	112,863
Salaries and benefit	66,461	154,620	254,590	388,887	618,926	655,585
Share-based compensation	42,357	32,035	141,509	80,248	297,588	993,331
Travel and transportation	1,856	22,839	18,568	75,791	69,786	83,553
	107,727	**427,621**	**608,860**	**1,322,488**	**1,848,938**	**2,734,091**

Significant changes in expenses are as follows:

Accounting and auditing

Accounting and auditing expenses for the three months ended December 31, 2015 were $36,019 compared to $25,824 for the comparative period of 2014. The increase was due to the extra work done by the external auditor for the Transaction.

Accounting and auditing expenses for the twelve months ended December 31, 2015 were $152,777 compared to $105,423 for the comparative period of 2014. The increase was due to the Company engaging its external auditor for quarterly reviews in 2015.

Accounting and auditing expenses for the three months ended December 31, 2014 were $25,824 which is consistent with the $24,896 for the comparative period of 2013.

Accounting and auditing expenses for the twelve months ended December 31, 2014 were $105,423 which is consistent with the $111,905 for the comparative period of 2013.

Consulting fees

Consulting fees for the three months ended December 31, 2015 were $34,180 compared to $2,429 for the comparative period of 2014. The increase was due to having a new Chief Financial officer in 2015.

Consulting fees for the year ended December 31, 2015 were $78,267 compared to $11,633 for the comparative period of 2014. The increase was due to the same reason described above.

Consulting fees for the three months ended December 31, 2014 were $2,429, which was consistent with $2,533 for the comparative period in 2013.

Consulting fees for the year ended December 31, 2014 were $11,633 compared to $30,453 for the comparative period of 2013. The decrease was due to the reduction in the use of external consultants in China in 2013.

Investor relations

Investor relations expenses for the three months ended December 31, 2015 were $453, which was consistent with $1,014 for the comparative period of 2014.

Investor relations expenses for the year ended December 31, 2015 were $37,051 compared to $24,726 for the comparative period of 2014. The small increase was a result of more activities in 2015.

Investor relations expenses for the three months ended December 31, 2014 were $1,014 compared to $10,737 for the comparative period of 2013. The decrease was mainly due to the resignation of the VP of corporate communication during the third quarter of 2013.

Investor relations expenses for the year ended December 31, 2014 were $24,726 compared to $116,814 for the comparative period of 2013. The decrease was due to the same reason described above.

Legal and regulatory

Legal, regulatory and filing expenses recovery for the three months ended December 31, 2015 were $13,757compared to $53,839 expenses for the comparative period of 2014. During the fourth quarter of 2015, the Company reclassified $54,000 of legal fees in connection with the Transaction that had been expensed during nine months ended September 30, 2015 to the cost of the transaction. Before this reclassification, the legal fees incurred in 2015 fourth quarter were $40,243 which was consistent with $53,839 expenditure incurred in the comparing period of 2014.

Legal, regulatory and filing expenses for the year ended December 31, 2015 were $144,844 which was consistent with $140,727 for the comparative period of 2014. .

Legal, regulatory and filing expenses were $53,839 for the three months ended December 31, 2014 compared to $14,457 for the comparative period of 2013. The increase was due to the Company engaging an external legal counsel to assist with general corporate matters during the fourth quarter of 2014.

Legal, regulatory and filing expenses for the year ended December 31, 2014 were $140,727, which was consistent with $132,506 for the comparative period of 2013. The increase was due to the same reason described above.

Office administrative expenses

Office administrative expenses were $61,874 for the three months ended December 31, 2015 compared to $78,090 for the comparative period of 2014. The decrease was due to the close of the Chinese office after the Transaction.

Office administrative expenses were $384,804 for the year ended December 31, 2015, comparing to $366,836 for the comparative period of 2014. During 2015, the Company incurred more administrative expenses in connection with increased business activities which have been mostly offset by a cut down of expenses arising from the shutdown of the Chinese office after the Transaction.

Office administrative expenses were $78,090 for the three months ended December 31, 2014 which is consistent with $87,057 for the comparative period of 2013.

Office administrative expenses were $366,836 for the year ended December 31, 2014, which was in line with $360,894 for the comparative period of 2013.

Property investigation

Property investigation expenses for the three months ended December 31, 2015 were $30,840 compared to $18,112 for the comparative period of 2014. The increase was due to more work performed during three months ended December 31, 2015.

Property investigation expenses for the year ended December 31, 2015 were $81,407 which was consistent with $74,948 for the comparative period of 2014.

Property investigation expenses for the three months ended December 31, 2014 were $18,112, which was consistent with $18,774 incurred for the comparative period of 2013.

Property investigation expenses for the year ended December 31, 2014 were $74,948 compared to $112,863 for the comparative period of 2013. The decrease was due to the Company's Vice President of Business Development reducing his time spent on the Company's operations during 2014.

Salaries and benefit

Salaries and benefit expense for the three months ended December 31, 2015 was $66,461 compared to $154,620 for the comparative period of 2014. The decrease was due to the close of Chinese offices in the middle of 2015.

Salaries and benefit expense for the year ended December 31, 2015 were $388,887 compared to $618,926 for the comparative period of 2014. The decrease was due to the same reason described above.

Salaries and benefit expense for the three months ended December 31, 2014 was $154,620 compared to $254,590 for the comparative period of 2013. The decrease was due to a one-time management bonus recorded in 2013 and also due to the departure of the former CFO during 2014.

Salaries and benefit expense for the year ended December 31, 2014 were $618,926 compared to $655,585 for the comparative period of 2013. The decrease was due to the same reason described above.

Share-based compensation

Share-based compensation expense for the three months ended December 31, 2015 was $42,357 compared to $32,035 for the comparative period of 2014. The increase was due to timing of options granted and vested during these two periods.

Share-based compensation expense for the year ended December 31, 2015 were $80,248 compared to $297,588 for the comparative period of 2014. The decrease was due to timing of options granted and vested during these two periods.

Share-based compensation expense for the three months ended December 31, 2014 was $32,035 compared to $141,509 for the comparative period of 2013. The decrease was due to the lower number of stock options granted and also a lower fair value of stock options granted based on the Black-Scholes option pricing model in 2014 compared to 2013.

Share-based compensation expense was $297,588 for the year ended December 31, 2014 compared to $993,331 for the comparative period of 2013. The decrease was due to the same reason described above.

3.4 Finance and other income (expense)

For the year ended December 31, 2015, the net amount of finance and other income was $15.18 million compared to the finance and other expenses of $4.07 million for the comparative period of 2014. The other gain in 2015 represents a gain from legal settlement of $51,745 (2014-$148,739), interest income of $64,819 (2014 - $17,570), a gain on sale of Minco Resources and its subsidiaries of $15.06 million (2014 - $Nil), net of a loss of $Nil (2014 - $4.21 million) from the impairment in the equity investment in Minco Silver, and a loss of partial disposition of investment in Minco Silver of $Nil (2014 – loss of $0.40 million).

For the year ended December 31, 2014, the net amount of finance and other expense was $4,070,890 compared to the finance and other income of $1,452,290 for the comparative period of 2013. The other loss in 2014 was due to the partial disposal and impairment in the equity investment in Minco Silver of $4,605,352 offset against a gain on sale of exploration permit.

4. Summary of Quarterly Results (unaudited)

Period ended	Net loss attributable to shareholders	Loss per share Basic	Loss per share Diluted
12-31-2015 (******)	1,835,084	0.04	(0.00)
09-30-2015(*****)	16,057,984	0.32	0.32
06-30-2015(****)	278,997	0.01	0.01
03-31-2015(***)	(3,810,723)	(0.08)	(0.08)
12-31-2014 (**)	(4,455,430)	(0.09)	(0.09)
09-30-2014	(658,961)	(0.01)	(0.01)
06-30-2014 (*)	(1,335,106)	(0.03)	(0.03)
03-31-2014	(904,665)	(0.02)	(0.02)

Variations in quarterly performance over the eight quarters can be primarily attributed to changes in dilution gains and losses and equity gains and losses resulting from the Company's investment in Minco Silver. Another contributing factor is the amount of share-based compensation recognized in each period.

(*) Net loss increased to $1.3 million for the period ended September 30, 2014 mainly due to the loss on partial disposition of investment in Minco Silver of $0.4 million.

(**) Net loss increased to $4.4 million for the period ended December 31, 2014 mainly due to the impairment recorded for the equity investment in Minco Silver of $4.2 million.

(***) Net loss increased to $3.8 million for the period ended March 31, 2015 mainly due to the impairment recorded for the equity investment in Minco Silver of $3.5 million.

(****) Net income of $0.3 million for the period ended June 30, 2015 was mainly due to share gain from equity investment in Minco Silver.

(*****) Net income of $16.0 million for the period ended September 30, 2015 was mainly due to a $15.1 million gain from sale of Minco Resources and its subsidiaries.

(******) Net income of $1.8 million for the period ended December 31, 2015 was mainly due to an increase of carrying value of the Company's equity investment in Minco Silver from September 30, 2015.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Year ended December 31, 2015	Year ended December 31, 2014
	$	$
Operating activities	(1,751,341)	(2,721,600)
Investing activities	4,822,688	2,583,260
Financing activities	17,290	331,804

Operating activities

For the year ended December 31, 2015, the Company used $970,259 less in operating activities comparing to the same period of 2014. The decrease was due to less exploration cost and administrative expenses incurred.

Investing activities

For the year ended December 31, 2015, the Company generated $4,822,688 from investing activities. During the year, the Company's cash balance was reduced by $1.35 million as subsidiaries which carried these cash balances were sold to Minco Silver. The Company received a short-term investment as consideration for the sale of the Chinese subsidiaries and redeemed $6,068,564 from these short-term investments. In addition, the Company received RMB 500,000 ($94,472) proceeds from the legal settlement with the 208 Team. In the comparative period of 2014, the Company received RMB 4 million ($720,095) proceeds from the legal settlement with the 208 Team. The Company also obtained proceeds of $1,500,000 from the disposition of some Minco Silver's shares in 2014.

Financing activities

For the year ended December 31, 2015, the Company received $17,290 cash from the exercise of stock option. In the comparative period of 2014, the Company received cash of $73,333 from the exercise of stock options and $258,471 cash advanced from minority shareholders.

5.2 Capital Resources and Liquidity Risk

As at December 31, 2015, the Company's working capital has increased to $9,261,637, compared to a working capital deficiency of $2,093,361 at the year ended 2014. The increase in working capital was primarily due to receiving proceeds from the sale of Minco Resources and its subsidiaries.

The Company does not generate revenues and relies on equity and debt financing for its working capital requirements to fund exploration, permitting and administrative activities. As at December 31, 2015, the Company believes there is sufficient working capital available to meet its current operational requirements.

The Company does not have plans to raise further capital in the next twelve months.

5.3 Contractual Obligations

The Company's contractual obligations are related to a cost sharing agreement between the Company, Minco Silver and Minco Based Metal Corp. ("MBM"), related parties domiciled in Canada, which outlines shared expenses incurred by the three companies including consulting and rental expenses.

The cost sharing agreement is renegotiated or amended by the parties as needed

Contractual obligations	Total	Less than 1 year	1 to 3 years
	$	$	$
Operating leases (1)	485,066	207,885	277,180
Other obligations (2)	566,852	566,852	-
Total contractual obligations	1,051,918	774,737	277,180

(1) Office rental payments – Canada. The Company shared an office in Canada with Minco Silver and Minco Base Metal Corporation, which are related to the Company, for office rent and operating expenses. More details about this sharing arrangement are discussed in the "Transaction with Related Parties" section. The Company has a contract to recover 70% of the operating lease from these two related parties.

(2) Other obligations are comprised of payable to related parties, accounts payable and accrued liabilities that are current as at December 31, 2015.

6. Off -Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

7. Transactions with Related Parties

Shared expenses

Minco Silver and Minco Gold shared offices and certain administrative expenses in China up to July 31, 2015. Minco Silver, MBM, a company with which the Company's CEO has significant influence, 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 Retained Assets. In 2014, the amount due to Minco Silver comprised $3,700,000 debt owing to Minco Silver and $96,152 of shared expenses due from Minco Silver. On July 31, 2015, this $3,700,000 debt was settled upon the completion of the Transaction with Minco Silver.

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

	For the three months ended December 31,		
	2015	**2014**	**2013**
	$	$	$
Cash remuneration	135,556	61,591	89,542
Share-based compensation	36,415	25,611	97,231
Total	171,971	87,202	186,773

	For the year ended December 31,		
	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.

8. Critical Accounting Estimates

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 under 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 a test is performed, 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.

9. Accounting Standards 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.

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.

10. Financial Instruments

As explained in Note 3 of the December 31, 2015 audited consolidated financial statements, 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 as 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
Liabilities		
Accounts payables	389,522	444,915
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.

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.

Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if the counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair value contracts with individual counterparties which are recorded in the 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.

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 investments held 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 (December 31, 2014 - $21,000), assuming the foreign exchange rate remains constant.

A comprehensive discussion of risk factors is included in the Company's annual report on Form 20-F for the year ended December 31, 2015, dated March 31, 2016, available on SEDAR at www.sedar.com.

12. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2015. As described below, a material weakness was identified in the Company's internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As a result of this material weakness, the Company's CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management evaluated the effectiveness of internal control over financial reporting based on the control framework established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that assessment, management identified the material weakness described below and, as a result, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2015.

The material weakness identified by management relates to the lack of financial management oversight of accounting processes around the application of IFRS as it relates specifically to the calculation of the gain on sale of its subsidiary to an associate. This material weakness led to a material post-closing adjustment of $3.4 million which was appropriately corrected in the consolidated financial statements for the year ended December 31, 2015.

Remediation Plan

To remediate the material weakness described above, management plans to strengthen the control procedures relating to accounting for more complex transactions. The Company has recently appointed a new Chief Financial Officer who is tasked with developing and implementing more robust review and oversight processes when there are non-routine and more complex accounting issues.

Other than the material weakness described above, there were no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

13. Cautionary Statement on Forward-Looking Information

Except for statements of historical fact, this MD&A contains certain "forward looking information" and "forward looking statements" within the meaning of applicable securities laws, which reflect management's current expectations regarding, among other things and without limitation, the Company's future growth, results of operations, performance and business prospects, opportunities, future price of minerals and effects thereof, the estimation of mineral reserves and resources, the timing and amount of estimated capital expenditures, the realization of mineral reserve estimates, costs and timing of proposed activities, plans and budgets for and expected results of exploration timing of proposed activities, plans and budgets for and expected results of exploration activities, exploration and permitting time-lines, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation obligation and expenses, the availability of future acquisition opportunities and use of the proceeds from financing. Generally, forward looking statements and information can be identified by the use of forward looking terminology such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative connotation thereof.

Forward-looking statements are included throughout this document and include, but are not limited to, statements with respect to: our plans for future exploration programs for our mineral properties; the ability to generate working capital; markets; economic conditions; performance; business prospects; results of operations; capital expenditures; and foreign exchange rates. All such forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. These statements are, however, subject to known and unknown risks and uncertainties and other factors. As a result, actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These risks, uncertainties and other factors include, among others: the Company’s ability to acquire new mineral properties for the development into a profitable operation, our interest in our mineral properties may be challenged or impugned by third parties or governmental authorities; economic, political and social changes in China; uncertainties relating to the Chinese legal system; failure or delays in obtaining necessary approvals; exploration and development is a speculative business; the Company's inability to obtain additional funding for the Company's projects on satisfactory terms, or at all; hazardous risks incidental to exploration and test mining; the Company has limited experience in placing resource properties into production; government regulation; high levels of volatility in market prices; environmental hazards; currency exchange rates; and the Company's ability to obtain mining licenses and permits in China.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that statements containing forward looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on statements containing forward looking information. All of the forward-looking information and statements contained in this document are expressly qualified, in their entirety, by this cautionary statement. The various risks to which we are exposed are described in additional detail under the section entitled "*Item 3: Key Information – D. Risk Factors*" in the Company's annual report on Form 20-F available on SEDAR at www.sedar.com. The forward-looking information and statements are made as of the date of this document, and we assume no obligation to update or revise them except as required pursuant to applicable securities laws.