

# **Minco Gold Corporation**

(An exploration stage enterprise)

Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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



# MINCO 明科金矿公司

## GOLD CORPORATION

### NOTICE TO READER

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

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

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

Dr. Ken CAI  
President and CEO

Ellen Wei, C.A.  
Chief Financial Officer

Vancouver, Canada

May 9, 2014

# Index

	<b>Page</b>
<b>Condensed Consolidated Interim Financial Statements</b>	<b>4 - 8</b>
<hr/>	
Condensed Consolidated Interim Statements of Financial Position	4
Condensed Consolidated Interim Statements of Loss	5
Condensed Consolidated Interim Statements of Comprehensive Loss	6
Condensed Consolidated Interim Statements of Changes in Equity	7
Condensed Consolidated Interim Statements of Cash Flow	8
<b>Notes to Condensed Consolidated Interim Financial Statements</b>	<b>9 – 21</b>
<hr/>	
1 General information and liquidity risk	9
2 Basis of preparation	9
3 Adoption of new accounting standard	10
4 Cash and cash equivalents	10
5 Mineral interests	11
6 Equity investment in Minco Silver Corporation	13
7 Gain on legal settlement	14
8 Non-controlling interest	14
9 Share capital	16
10 Related party transactions	18
11 Fair value measurements	19
12 Geographical information	20
13 Subsequent event	21

# Minco Gold Corporation

(An exploration stage enterprise)

## Condensed Consolidated Interim Statements of Financial Position

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

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	1,755,140	1,797,809
Receivables (note 7)	80,455	715,649
Due from related parties (note 10)	48,462	67,418
Prepaid expenses and deposits	106,389	67,423
	<u>1,990,446</u>	<u>2,648,299</u>
<b>Long-term deposit</b>	51,277	51,277
<b>Property, plant and equipment</b>	164,665	177,943
<b>Equity investment in Minco Silver</b> (note 6)	13,461,543	13,368,836
	<u>15,667,931</u>	<u>16,246,355</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	461,364	552,177
Advance from non-controlling interest (note 5(a))	172,213	167,920
Due to related party (note 10)	3,568,728	3,584,387
	<u>4,202,305</u>	<u>4,304,484</u>
<b>Equity</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital (note 9(a))	41,875,472	41,758,037
Contributed surplus	9,006,917	8,933,012
Accumulated other comprehensive income	1,374,639	1,102,818
Deficit	(45,880,857)	(44,976,192)
	<u>6,376,171</u>	<u>6,817,675</u>
<b>Non-controlling interests</b> (note 8)	5,089,455	5,124,196
<b>Total equity</b>	<u>11,465,626</u>	<u>11,941,871</u>
	<u>15,667,931</u>	<u>16,246,355</u>

*Subsequent event (note 13)*

Approved by the Board of Directors

(Signed) Malcolm Clay      Director

(signed) Robert Callander      Director

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

# Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Loss

**For the three months ended March 31, 2014 and 2013**

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

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Exploration costs</b> (note 5)	269,886	271,555
<b>Administrative expenses</b>		
Accounting and audit	22,118	31,443
Amortization	18,396	14,994
Consulting	4,880	23,331
Directors' fees	18,000	13,000
Foreign exchange loss	4,848	4,648
Investor relations	9,530	54,132
Legal, regulatory and filing	33,809	38,472
Office and miscellaneous	123,962	123,502
Property investigation	19,925	31,697
Salaries and benefits	152,561	119,607
Share-based compensation (note 9(b))	122,340	314,094
Travel and transportation	17,411	12,827
	<u>547,780</u>	<u>781,747</u>
<b>Operating loss</b>	(817,666)	(1,053,302)
Gain on legal settlement (note 7)	-	801,395
Unrealized gain on marketable securities	-	630
Finance income	1,018	65,550
	<u>(816,648)</u>	<u>(185,727)</u>
<b>Loss for the period before loss from equity investment and dilution loss</b>		
Share of loss from equity investment in Minco Silver (note 6)	(55,274)	(140,112)
Dilution loss (note 6)	(78,177)	(291)
	<u>(950,099)</u>	<u>(326,130)</u>
<b>Net loss for the period</b>		
	<u>(950,099)</u>	<u>(326,130)</u>
<b>Net loss attributable to:</b>		
Shareholders of the Company	(904,665)	(310,156)
Non-controlling interest	(45,434)	(15,974)
	<u>(950,099)</u>	<u>(326,130)</u>
<b>Loss per share:</b>		
Basic and diluted	(0.02)	(0.01)
<b>Weighted average number of common shares outstanding</b>		
Basic and diluted	50,436,548	50,348,215

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

# Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Comprehensive Loss

**For the three months ended March 31, 2014 and 2013**

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

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Net loss for the period</b>	(950,099)	(326,130)
<b>Other comprehensive loss</b>		
Items that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment from Minco Silver investment	226,158	139,622
Exchange differences on translation from functional to presentation currency	56,357	(9,143)
<b>Total comprehensive loss for the period</b>	<b>(667,584)</b>	<b>(195,651)</b>
<b>Comprehensive loss attributable to:</b>		
Shareholders of the Company	(632,843)	(179,677)
Non-controlling interest	(34,741)	(15,974)
	<b>(667,584)</b>	<b>(195,651)</b>

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

# Minco Gold Corporation

(An exploration stage enterprise)

## Condensed Consolidated Interim Statements of Changes in Equity

**For the three months ended March 31, 2014 and 2013**

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

	<b>Attributable to equity owners of the Company</b>						<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
	<b>Number of shares</b>	<b>Share capital \$</b>	<b>Contributed surplus \$</b>	<b>Accumulated other comprehensive income \$</b>	<b>Deficit \$</b>	<b>Subtotal \$</b>		
<b>Balance - January 1, 2013</b>	50,348,215	41,758,037	7,939,681	173,246	(41,831,667)	8,039,297	2,425,368	10,464,665
Net loss for the period	-	-	-	-	(310,156)	(310,156)	(15,974)	(326,130)
Cumulative translation adjustment	-	-	-	130,479	-	130,479	-	130,479
Share-based compensation	-	-	314,094	-	-	314,094	-	314,094
<b>Balance - March 31, 2013</b>	<b>50,348,215</b>	<b>41,758,037</b>	<b>8,253,775</b>	<b>303,725</b>	<b>(42,141,823)</b>	<b>8,173,714</b>	<b>2,409,394</b>	<b>10,583,108</b>
<b>Balance - January 1, 2014</b>	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 period	-	-	-	-	(904,665)	(904,665)	(45,434)	(950,099)
Cumulative translation adjustment	-	-	-	271,821	-	271,821	10,693	282,514
Proceeds on issuance of shares from exercise of options	150,000	117,435	(48,435)	-	-	69,000	-	69,000
Share-based compensation	-	-	122,340	-	-	122,340	-	122,340
<b>Balance - March 31, 2014</b>	<b>50,498,215</b>	<b>41,875,472</b>	<b>9,006,917</b>	<b>1,374,639</b>	<b>(45,880,857)</b>	<b>6,376,171</b>	<b>5,089,455</b>	<b>11,465,626</b>

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

**Minco Gold Corporation**  
(An exploration stage enterprise)  
Condensed Consolidated Interim Statements of Cash Flow  
**For the three months ended March 31, 2014 and 2013**

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

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Cash flow provided by (used in)	\$	\$
<b>Operating activities</b>		
Net loss for the period	(950,099)	(326,130)
Adjustments for:		
Amortization	18,396	14,994
Equity loss on investment in Minco Silver	55,274	140,112
Dilution loss	78,177	291
Share-based compensation (note 9(b))	122,340	314,094
Foreign exchange loss	5,612	5,175
Gain from legal settlement	-	(801,395)
Unrealized gain on marketable securities	-	(630)
Changes in items of working capital:		
Receivables	(64,606)	(92,120)
Due to/ from related parties (note 10)	(96,736)	(37,927)
Prepaid expenses and deposits	(38,593)	28,440
Accounts payable and accrued liabilities	(99,880)	16,990
<b>Net cash used in operating activities</b>	<u>(970,115)</u>	<u>(738,106)</u>
<b>Investing activities</b>		
Proceeds from legal settlement	720,095	801,395
Property, plant and equipment	(1,026)	(1,603)
<b>Net cash generated from investing activities</b>	<u>719,069</u>	<u>799,792</u>
<b>Financing activities</b>		
Proceeds from stock option exercises	69,000	-
Advanced from Minco Silver Corporation	100,000	300,000
<b>Net cash generated from financing activities</b>	<u>169,000</u>	<u>300,000</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>39,377</u>	<u>8,609</u>
Increase (decrease) in cash and cash equivalents	(42,669)	370,295
<b>Cash and cash equivalents - Beginning of period</b>	<u>1,797,809</u>	<u>263,054</u>
<b>Cash and cash equivalents - End of period</b>	<u>1,755,140</u>	<u>633,349</u>
Cash paid for income tax	-	-

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



# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 1. General information and liquidity risk

Minco Gold Corporation (“Minco Gold” or the “Company”) was incorporated in 1982 under the laws of British Columbia, Canada as Cap Rock Energy Ltd. The Company changed its name to Minco Gold in 2007. The Company is an exploration stage enterprise engaged in exploration and evaluation of gold-dominant mineral properties and projects in China. The registered office of the Company is 2772 – 1055 West Georgia Street, British Columbia, Canada. The Company has listed its common shares on the Toronto Stock Exchange (“TSX”) under the symbol “MMM”, and the NYSE MKT under the symbol “MGH”.

As at March 31, 2014, Minco Gold owned a 21.81% (December 31, 2013 – 21.92%) equity interest in Minco Silver Corporation (“Minco Silver”).

The Company is an exploration company and therefore has no source of revenues. As such, during the three months ended March 31, 2014, the Company incurred a net loss of \$950,099, had accumulated deficit of \$45,880,857 and a working capital deficit of \$2,211,859. The Company is exposed to liquidity risk, which is the risk that the Company may encounter difficulty in settling its commitments when due including the continued forbearance to the amounts due to Minco Silver. In managing this risk, management determined that the Company’s cash balance as at March 31, 2014 of \$1.8 million combined with the \$1.5 million raised through the sale of equity interests in Minco Silver subsequent to March 31, 2014 (refer to note 13) would be sufficient to meet its cash requirements for the Company’s administrative overhead and to maintain its mineral interest throughout the next twelve months.

## 2. Basis of preparation

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

Information about subsidiaries

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

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

---

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

## 2. Basis of preparation (continued)

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

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

These condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements including IAS 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

Except as described in Note 3, the accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements for the year ended December 31, 2013.

These financial statements were approved by the board of directors for issue on May 9, 2014.

## 3. Adoption of new accounting standard

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

### IFRIC 21 - *Levies*

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

## 4. Cash and cash equivalents

As at March 31, 2014, cash and cash equivalent consisted of a short-term deposit with a maturity date of seven days and that can be renewed automatically. The yield on the short-term deposit was 1.48%.

As at March 31, 2014, cash and cash equivalent of \$1,624,068 (RMB 9,053,366) (December 31, 2013 - \$1,545,792 (RMB 8,837,293)) remained in China. Under Chinese law, cash advanced to the Company's Chinese subsidiaries as registered share capital is maintained in the subsidiaries' registered capital bank account. Remittance of these funds back to Canada may require approvals by the relevant government authorities or designated banks in China or both.

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

---

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

## 5. Mineral interests

### a) Guangdong - Changkeng

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

Mingzhong signed an exploration permit transfer agreement with No. 757 Exploration Team of Guangdong Geological Bureau ("757 Exploration Team") and on January 5, 2008 Mingzhong received the Changkeng exploration permit (the "Changkeng Exploration Permit"). This exploration permit expires on September 10, 2015.

To acquire the Changkeng Exploration Permit, Mingzhong was required to pay RMB 48 million (\$8.15 million). As at December 31, 2008, the first payment for the Changkeng Exploration Permit to 757 Exploration Team was made in an amount of RMB 19 million (\$3.22 million). The remaining balance of RMB 29 million (\$4.92 million) was settled in May 2013. According to a Supplementary Agreement signed between 757 Exploration Team and Mingzhong, 757 Exploration Team agreed to refund RMB 3.8 million (\$0.6 million) 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 (\$0.2 million) to 757 Exploration Team for the completed hydro-geological program on the Changkeng Gold Project.

On April 18, 2013, Minco China and 757 Exploration Team entered into a loan agreement in which Minco China agreed to loan RMB 10 million (\$1,641,900) with annual interest rate of 6% to 757 Exploration Team for a two month period ending June 18, 2013. The loan was repaid on May 29, 2013 and the Company recorded RMB 65,753 (\$10,919) of interest income during the year ended December 31, 2013.

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

As at March 31, 2014, the Company received funds of RMB 960,000 (\$172,213) (December 31, 2013 – RMB 960,000 (\$167,920)) from two minority shareholders of Mingzhong and are classified as a current liability, pending approval of capital injection from the remaining non-controlling interest shareholders.

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

### b) Gansu - Longnan

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

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

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 5. Mineral interests (continued)

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

The Company has spent a cumulative total of \$11.0 million of exploration costs on the Longnan region as at March 31, 2014 (December 31, 2013 - \$10.8 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 Yangshan area to YDIC for RMB 0.8 million (\$140,000). The process of transferring the titles to the two permits to YDIC was pending approval by Gansu province and the proceeds was not received as at March 31, 2014.

### c) Hunan - Gold Bull Mountain

Minco China’s wholly owned subsidiary Yuanling Minco owns the Gold Bull Mountain exploration permit, which was renewed for a two-year period ending on June 28, 2015.

### d) Guangdong - Sihui

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

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

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

	Three months ended March 31,		Cumulative to March 31,
Currently active properties:	2014	2013	2014
	\$	\$	\$
Gansu			
- Longnan	173,647	245,314	11,019,899
Guangdong			
- Changkeng	84,665	20,493	8,002,932
Hunan			
- Gold Bull Mountain	11,043	4,125	2,247,284
Guangdong			
- Sihui	531	1,623	4,999
Total	269,886	271,555	21,275,114

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 6. Equity investment in Minco Silver Corporation

As at March 31, 2014, the Company owns 13,000,000 common shares of Minco Silver (December 31, 2013 - 13,000,000 common shares) that were acquired in 2004 in exchange for the transfer of the Fuwan property and the silver interest in the Changkeng property. Subsequent to March 31, 2014, the Company sold 2,000,000 common shares of Minco Silver (refer to note 13).

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Equity investment in Minco Silver as at January 1,	13,368,836	13,375,407
Dilution loss	(78,177)	(77,414)
Equity loss	(55,274)	(656,132)
Cumulative translation adjustment	226,158	726,975
Equity investment in Minco Silver as at March 31, 2014 and December 31, 2013	<u>13,461,543</u>	<u>13,368,836</u>

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

	<b>March 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current assets	64,588,408	64,856,555
Mineral interests	28,599,759	27,369,966
Property, plant and equipment	449,823	483,281
Current liabilities	219,081	523,984
Shareholders' equity	<u>93,418,909</u>	<u>92,185,818</u>

Reconciliation to carrying amounts:

Minco Gold's share in percentage	21.81%	21.91%
Minco Gold's share in \$	20,374,664	20,197,913
Differences between Minco Gold's share and carrying value	<u>(6,913,121)</u>	<u>(6,829,077)</u>
Carrying value of investment in Minco Silver	13,461,543	13,368,836
Market value of Minco Silver shares	<u>12,220,000</u>	<u>9,100,000</u>

As at March 31, 2014, the Company considered whether there was an objective evidence of impairment in Minco Silver. It is management's judgment that the decline in fair value below cost during the period was neither prolonged decline nor a significant decline given the significant share price volatility of the investee. Accordingly, the Company did not record an impairment in relation to Minco Silver.

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

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

The following is a summary of Minco Silver's income statement for the period ended March 31, 2014 and 2013.

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	\$	\$
Administrative expenses	441,388	843,841
Net loss for the period	(252,849)	(636,295)
Other comprehensive income for the period	1,034,552	634,071
Comprehensive income (loss) for the period	781,703	(2,224)

## 7. Gain on legal settlement

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

On March 25, 2013, Minco China settled its claim against the 208 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. Minco China recognized a gain on the legal settlement, net of accrued legal fees of RMB 900,000 (\$157,425) during the year ended December 31, 2013.

The Company received RMB 4 million (\$720,095) in January 2014. As at March 31, 2014, the remaining RMB 5 million (\$896,941) balance due under the legal settlement was not recognized due to the uncertainty of collectability. In the event of non-payment of the final settlement amount, Minco China has reserved the right to take further legal action.

## 8. Non-controlling interest

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

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 8. Non-controlling interest (continued)

Summarized statement for financial position

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
<b>NCI percentage</b>	49%	49%
Current assets	372,501	831,269
Current liabilities	(262,967)	(636,694)
	<u>109,534</u>	<u>194,575</u>
Non-current asset	40,824	42,126
Net assets	<u>150,358</u>	<u>236,701</u>
<b>Accumulated non-controlling interests</b>	<u>5,089,455</u>	<u>5,124,195</u>

Summarized income statement

<b>For the period ended</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Net loss	(92,722)	(32,599)
Other comprehensive income	21,824	-
Total comprehensive loss	<u>(70,898)</u>	<u>(32,599)</u>
<b>Loss allocated to NCI</b>	<u>(34,741)</u>	<u>(15,974)</u>

Summarized cash flows

<b>For the period ended</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Cash flows from operating activities	(481,718)	(33,480)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Effect of exchange rate changes on cash	22,669	651

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 9. Share capital

- a. Common shares and contributed surplus

Authorized

100,000,000 common shares without par value

- b. Stock options

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

During the three months ended March 31, 2014, the Company granted stock options for 1,270,000 common shares to various employees, consultants and directors at a weighted exercise price of \$0.26 per common share that vest over an 18-month period from the issuance date.

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

Minco Gold recorded \$122,340 in stock-based compensation expense for the three months period ended March 31, 2014 (March 31, 2013 - \$314,094).

A summary of the options outstanding is as follows:

	<b>Number outstanding</b>	<b>Weighted average exercise price \$</b>
Balance, January 1, 2013	5,650,667	1.11
Granted	2,200,000	0.45
Forfeited	(587,500)	0.93
Cancelled	(270,000)	2.14
Expired	(140,000)	1.44
	<hr/>	
Balance, December 31, 2013	6,853,167	0.86
Granted	1,270,000	0.26
Exercised	(150,000)	0.46
Forfeited	(185,000)	2.22
Expired	(660,000)	0.48
	<hr/>	
Balance, March 31, 2014	7,128,167	0.76



# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 9. Share capital (continued)

Range of exercise prices	Number outstanding	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$			\$		\$
0.26 – 0.45	1,467,000	4.68	0.27	133,333	0.36
0.46 – 0.54	2,750,000	3.74	0.46	1,795,000	0.46
0.55 – 0.93	1,686,667	2.93	0.68	1,686,667	0.68
0.94 – 2.59	1,224,500	1.80	2.16	1,224,500	2.16
	7,128,167	3.41	0.76	4,839,500	0.96

The weighted average share price on the day options were exercised was \$0.57 (2013 - \$Nil). As at March 31, 2014, there was \$185,639 (2013 - \$102,083) of total unrecognized compensation cost relating to unvested stock options.

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

	2014	2013
Risk-free interest rate	1.39% - 1.68%	1.26% - 1.46%
Dividend yield	0%	0%
Volatility	87% - 88%	91% - 92%
Forfeiture rate	23%	26%
Estimated expected lives	5 years	5 years

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

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

---

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

## 10. Related party transactions

### Shared office expenses

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

At March 31, 2014, the Company has \$3,568,728 due to Minco Silver (December 31, 2013 - \$3,584,387) and consisted of the following:

Amount due from Foshan Minco as at March 31, 2014 of \$141,912 (December 31, 2013 - \$15,847), representing the expenditures incurred by Minco China on behalf of Foshan Minco and shared office expenses.

Amount due to Minco Silver as at March 31, 2014 of \$3,710,640 (December 31, 2013 – \$3,600,234) representing funds advanced from Minco Silver to Minco Gold to support its operating activities in Canada net of shared head office expenses.

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

- b) At March 31, 2014, the Company has \$48,462 due from MBM (December 31, 2013 - \$67,418), in relation to shared office expenses. The Company is related to MBM through significant influence of one common director and common management.

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

### Funding of Foshan Minco

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

On August 12, 2011, the Company, Minco Gold and Minco China, entered into a trust agreement in which Minco Gold and Minco China confirmed that they received US\$10 million from Minco Silver and Minco China was required to exchange these US dollar funds into RMB in order to increase Foshan Minco’s registered share capital. As at December 31, 2013, all the funds were transferred from Minco China to Minco Yinyuan and Foshan Minco, and this trust agreement was effectively settled.

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 10. Related party transactions (continued)

In 2013, Minco Silver advanced US\$20 million to Minco China via the Company and Minco Resources in accordance with a trust agreement signed on April 30, 2013, in which Minco Silver agreed to advance US\$20 million to Minco China to increase Foshan Minco's registered share capital. As at March 31, 2014, Minco China held the US \$11,220,614 (\$12,413,365) (December 31, 2013 – US \$12,526,138 (\$13,399,210)) and RMB 138,200 (\$24,791) (December 31, 2013 – RMB 14,613,570 (\$2,556,161)) in trust for Minco Silver.

### Key management compensation

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

For the three months period ended March 31, 2014 and 2013, the following compensation was paid to key management.

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash remuneration	62,250	79,246
Share-based compensation	87,620	246,873
Total	149,870	326,119

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

## 11. Fair value measurements

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

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

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

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

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

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

# Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 12. 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 assets and net loss is as follows:

Profit (loss) by geography	March 31, 2014		
	Canada	China	Total
	\$	\$	\$
Exploration costs	-	(269,886)	(269,886)
General and administration costs	(340,110)	(207,670)	(547,780)
Other income (expenses)	(133,449)	1,016	(132,433)
Geographic distribution loss	(473,559)	(476,540)	(950,099)

  

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

  

Assets by geography	March 31, 2014		
	Canada	China	Total
	\$	\$	\$
Current assets	167,258	1,823,188	1,990,446
Non-current assets	13,529,169	148,316	13,677,485
Total assets	13,696,427	1,971,504	15,667,931

  

	December 31, 2013		
	Canada	China	Total
	\$	\$	\$
Current assets	222,902	2,425,397	2,648,299
Non-current assets	13,439,884	158,172	13,598,056
Total asset	13,662,786	2,583,569	16,246,355

# **Minco Gold Corporation**

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

---

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

## **13. Subsequent event**

On April 22, 2014, the Company sold 2,000,000 shares of Minco Silver for the cash proceeds of \$1,500,000. Upon the sale of the 2,000,000 shares of Minco Silver, the Company's equity interest in Minco Silver decreased from 21.81% to 18.45%.